



YAMAHA CORPORATION

Flash Report Consolidated Basis (IFRS) Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

May 26, 2020

Company name:	YAMAHA CORPORATION (URL https://www.yamaha.com/en/)
Code number:	7951
Stock listing:	Tokyo Stock Exchange (First Section)
Address of headquarters:	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
Representative:	Takuya Nakata, President and Representative Executive Officer
For further information, please contact:	Tsunemitsu Torie, General Manager, Corporate Finance Division
Telephone:	+81-53-460-2156
Scheduled date of Ordinary General Shareholders' Meeting:	June 23, 2020
Scheduled date to submit Securities Report:	June 30, 2020
Scheduled date to begin dividend payments:	June 24, 2020
Supplementary materials to the financial statements have been prepared:	Yes
Presentation will be held to explain the financial results:	Yes (for securities analysts and institutional investors)

1. Consolidated Financial Results for FY2020.3 (April 1, 2019 - March 31, 2020)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

(Percentage figures are changes from the previous fiscal year.)

	Revenue		Core operating profit		Operating profit		Profit before income tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020.3 (Ended March 31, 2020)	414,227	(4.6)	46,352	(12.1)	43,333	(18.0)	47,225	(16.4)
FY2019.3 (Ended March 31, 2019)	434,373	—	52,745	—	52,815	—	56,471	—

Note: Comprehensive income: **FY2020.3 ¥1,616 million (88.8)%**
 FY2019.3 ¥14,409 million —%

	Profit for the period		Profit for the period attributable to owners of the parent		Basic profit per share	Diluted profit per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
FY2020.3 (Ended March 31, 2020)	34,703	(14.1)	34,621	(14.2)	194.71	—
FY2019.3 (Ended March 31, 2019)	40,386	—	40,337	—	222.12	—

	Profit ratio for the period to the share attributable to owners of the parent	Profit ratio before income tax to total assets	Core operating profit ratio to revenue
	%	%	%
FY2020.3 (Ended March 31, 2020)	10.1	9.5	11.2
FY2019.3 (Ended March 31, 2019)	11.1	10.5	12.1

(For reference) Share of profit of associates accounted for using the equity method: FY2020.3 ¥6 million
FY2019.3 ¥12 million

* Core operating profit corresponds to operating income under Japanese GAAP and is calculated by subtracting selling, general and administrative expenses from gross profit.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity ratio attributable to owners of the parent	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY2020.3 (As of March 31, 2020)	474,034	326,450	325,409	68.6	1,850.81
FY2019.3 (As of March 31, 2019)	515,924	359,007	357,936	69.4	1,992.57

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020.3 (Ended March 31, 2020)	57,162	(21,067)	(36,422)	92,671
FY2019.3 (Ended March 31, 2019)	35,520	(23,101)	(33,993)	95,815

2. Dividends

	Annual dividends					Total dividends (annual)	Consolidated payout ratio	Consolidated payout ratio attributable to owners of the parent
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year			
	Yen	Yen	Yen	Yen	Yen			
FY2019.3	—	30.00	—	30.00	60.00	10,844	27.0	3.0
FY2020.3	—	33.00	—	33.00	66.00	11,687	33.9	3.4

Note: The dividends for the fiscal year ending March 31, 2021 have not yet been decided at this time.

3. Consolidated Financial Forecasts for FY2021.3 (April 1, 2020–March 31, 2021)

At present, there is a high degree of uncertainty regarding the impact of the COVID-19 pandemic on the Group, and this makes it difficult to formulate a reasonable financial forecast for the fiscal year ending March 31, 2021. We therefore will announce a forecast as soon as it becomes possible.

Footnote Items

- (1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None
 Newly included: — Excluded: —
- (2) Changes in accounting policies and changes in accounting estimates
 (a) Changes in accounting policies required by IFRS: None
 (b) Changes other than those in (a) above: None
 (c) Changes in accounting estimates: None
- (3) Number of shares outstanding (common shares)

(a) Number of shares outstanding at the end of the period (including treasury shares)	FY2020.3	191,555,025 shares	FY2019.3	191,555,025 shares
(b) Number of treasury shares at the end of the period	FY2020.3	15,735,084 shares	FY2019.3	11,919,368 shares
(c) Average number of shares outstanding during the period (cumulative period)	FY2020.3	177,811,016 shares	FY2019.3	181,598,344 shares

(For Reference) Non-Consolidated Results

Non-consolidated results for FY2020.3 (April 1, 2019–March 31, 2020)

(1) Non-consolidated operating results

(Percentage figures are changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020.3 (Ended March 31, 2020)	231,795	(0.3)	18,387	(5.8)	31,380	(17.9)	26,055	(20.6)
FY2019.3 (Ended March 31, 2019)	232,416	0.6	19,518	(25.0)	38,214	4.1	32,817	(31.0)

	Net income per share	Net income per share after full dilution
	Yen	Yen
FY2020.3 (Ended March 31, 2020)	146.53	—
FY2019.3 (Ended March 31, 2019)	180.72	—

(2) Non-consolidated financial data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2020.3 (As of March 31, 2020)	319,723	236,698	74.0	1,346.25
FY2019.3 (As of March 31, 2019)	358,887	267,873	74.6	1,491.20

(For reference) Shareholders' equity: FY2020.3 ¥236,698 million FY2019.3 ¥267,873 million

***This flash report is exempt from the auditing procedures by certified public accountants or audit firm.**

***Explanation of the Appropriate Use of Performance Forecasts and Other Related Items**

At present, there is a high degree of uncertainty regarding the impact of the COVID-19 pandemic on the Group, and this makes it difficult to formulate a reasonable financial forecast for the fiscal year ending March 31, 2021. We therefore will announce a forecast as soon as it becomes possible.

The materials distributed at the earnings presentation and other materials will be posted on the Company's website immediately after the presentation is concluded.

(Application of IFRS)

The Company has applied IFRS from the first quarter of fiscal year ended March 31, 2020 (FY2020.3). Financial figures for the previous fiscal year are also presented in accordance with IFRS.

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1. Management Performance

(1) Overview of Management Performance

1. Review of the Fiscal Year (FY2020.3)

The business environment in the fiscal year ended March 31, 2020 was characterized by an overall slowing in global economic growth caused by factors that included the spread of protectionism, which was particularly evident in the US-China trade friction. While the U.S. economy remained firm, China's economy weakened under the trade friction and Europe's economic growth continued to slow. Japan's economy expanded moderately fueled by rush demand ahead of the hike in the consumption tax, but the pace of growth later slowed due in part to a strong typhoon that directly hit Eastern Japan. In addition to these conditions, the rapid spread of the COVID-19 that began near the end of 2019 had a huge impact on the entire global economy.

Amid these economic conditions, the Yamaha Group entered the first year of its Medium-term Management Plan "Make Waves 1.0," and the Group's activities focused on advancing the plan's four key strategies to "develop closer ties with customers," "create new value," "enhance productivity," and "contribute to society through our businesses."

To "develop closer ties with customers," we took our first steps toward transforming our shops and music schools in Japan and overseas from bases for sales and lessons into "brand value communication bases" where our customers can experience the Yamaha value. We are also developing our e-commerce operations. The musical instruments business introduced new products aimed at meeting various needs, including the PSR-I500 portable keyboard, which was designed to blend with the rich musical culture in India. The audio equipment business broadened its business domain by offering new products including wireless headphones and earphones to attract a wider range of customers.

To "create new value," we created new value by combining technology and sensibility in a way that only Yamaha can, in products like the YC61 stage keyboard that delivers organ tones using Virtual Circuitry Modeling technology and the YVC-330 unified communication speaker phone enabling remote conferencing even in noisy open locations. We are seeking to create new value by encouraging the "insatiable power of expression." These efforts led to the Yamaha flute played by Matvey Demin to win First Prize in the Woodwinds Category at the International Tchaikovsky Competition. Our efforts using AI technology also advanced and attracted much media attention.

To "enhance productivity," measures such as bringing the India factory up to full operation and launching the production of piano frames at Suzhou factory in China have progressed as well as various cost reduction measures through integrating IoT into Indonesia factories to convert them to a smart factory and accelerating global bulk purchasing. Progress was also made as planned in revisions of our product price to reasonable price.

To "contribute to society through our businesses," we continued effort to popularize musical instrument education not only in Indonesia but also in India, Vietnam, and other countries, and in the first year of the Make Waves 1.0 plan the cumulative total number of students increased to 390,000 for a solid start toward our three-year target of 1 million students. We are also making progress in using certified timber for our wooden products as planned, toward our three-year target of 50%.

In the fiscal year ended March 31, 2020, revenue declined by ¥20,145 million (-4.6%) year on year to ¥414,227 million due to the combined impacts of ¥13.7 billion from the COVID-19 pandemic, a ¥13.1 billion negative impact in the foreign exchange, and sluggish market conditions for the industrial machinery and components business. Core operating profit declined by ¥6,393 million (-12.1%) year on year to ¥46,352 million, also owing to the impacts of the COVID-19 pandemic, a ¥6.5 billion negative impact in the foreign exchange, and the struggling industrial machinery and components business. Profit attributable to owners of the parent decreased by ¥5,715 million (-14.2%) year on year to ¥34,621 million due to, in addition to a decrease in core operating profit, a ¥1,386 million of loss from suspension of operations caused by COVID-19 pandemic along with the recognition of ¥3,330 million impairment loss on fixed assets.

Results of operations by segment were as follows:

Musical Instruments

The musical instruments business recorded higher overall full-year sales in all regions other than Japan despite impacts in the fourth quarter from the COVID-19 pandemic in all regions. Against a background of retail store closures, the acoustic piano sales in China maintained the same level as the previous year, and sales declined year on year in Japan and North America. The guitar sales rose year on year in all regions and the digital musical instrument sales grew in all regions, excluding Japan, both of which have a high ratio of e-commerce sales. The wind instrument sales declined largely due to reduced demand from wind instrument ensembles in Japan.

The musical instruments business posted a revenue decline of ¥10,100 million (-3.6%) year on year to ¥269,371 million, largely due to a ¥9.1 billion negative impact in the foreign exchange from the previous fiscal year. Core operating profit declined by ¥3,064 million (-7.5%) to ¥37,750million, including a ¥4.8 billion negative impact in the foreign exchange.

Audio Equipment

The professional audio equipment sales grew in global, especially the audio equipment installations in Japan progressed as planned, on the other hand, its sales declined in North America and China from the COVID-19 pandemic. The audio products sales rose in Japan but fell year on year in other regions.

The audio equipment business recorded a revenue decline of ¥5,751 million (-4.8%) year on year to ¥114,392 million, primarily owing to a ¥3.8 billion negative impact in the foreign exchange from the previous fiscal year. Core operating profit declined by ¥1,043 million (-10.9%) to ¥8,571 million, including a ¥1.7 billion negative impact in the foreign exchange.

Others

In the others business category, sales grew for the electronic devices year on year but fell for the FA equipment in the adverse business conditions.

The others business revenue declined ¥4,294 million (-12.4%) year on year to ¥30,462 million. Core operating profit decreased ¥2,284 million (-98.7%) to ¥30 million.

Revenue by region, based on the location of customers, were as follows:

The percentage of consolidated revenue in overseas markets for the fiscal year was 70.2%, or 0.1 percentage points higher than in the previous fiscal year.

Japan

Japan revenue for the fiscal year amounted to ¥123,615 million, a decline of ¥6,162 million (-4.7%) year on year. Sales rose for the audio equipment installations but fell for the wind instruments and the FA equipment along with the impact of the COVID-19 pandemic.

North America

North America revenue for the fiscal year amounted to ¥87,347 million, a decline of ¥3,398 million (-3.7%) year on year. Excluding the ¥1.9 billion negative impact in the foreign exchange, revenue was down ¥1.5 billion. The COVID-19 pandemic was the primary factor in the revenue decline.

Europe

Europe revenue for the fiscal year amounted to ¥80,191 million, a decline of ¥2,812 million (-3.4%) year on year. Excluding the ¥5.0 billion negative impact in foreign exchange, revenue was up ¥2.2 billion supported primarily by growth in sales of the digital musical instruments.

China

China revenue for the fiscal year amounted to ¥53,082 million, a decline of ¥5,957 million (-10.1%) year on year. Excluding the ¥3.1 billion negative impact in the foreign exchange, revenue was down ¥2.8 billion. In addition to the impact from the COVID-19 pandemic, revenue was down for the FA equipment and the other businesses.

Asia, Oceania, and Other Areas

Revenue in Asia, Oceania, and other areas amounted to ¥69,990 million, a decline of ¥1,814 million (-2.5%) year on year. Excluding the ¥3.0 billion negative impact in the foreign exchange, revenue was up ¥1.2 billion supported primarily by growth in sales of the digital musical instruments.

2. Forecast for FY2021.3

At present, there is a high degree of uncertainty regarding the impact of the COVID-19 pandemic on the Group, and this makes it difficult to formulate a reasonable financial forecast for the fiscal year ending March 31, 2021. We therefore will announce a forecast as soon as it becomes possible.

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

(2) Overview of Financial Position

1. Consolidated Financial Position

Total assets as of the end of the fiscal year amounted to ¥474,034 million, a decline of ¥41,890 million (-8.1%) from the ¥515,924 million at the end of the previous fiscal year.

Current assets declined ¥12,629 million (-4.5%) from the end of the previous fiscal year to ¥270,189 million, and non-current assets decreased ¥29,261 million (-12.6%) to ¥203,844 million. In non-current assets, property, plant and equipment rose due to depreciation costs being exceeded by capital investment, which centered on overseas factory construction and equipment renovation. The decreased market value of securities held lowered the value of financial assets, and impact of foreign exchange rate fluctuations substantially reduced the overall value of assets.

Total liabilities at the end of the fiscal year were ¥147,584 million, a decline of ¥9,333 million (-5.9%) from ¥156,917 million at the end of the previous fiscal year.

Current liabilities declined ¥1,294 million (-1.3%) from the end of the previous fiscal year to ¥99,149 million, and non-current liabilities declined ¥8,038 million (-14.2%) to ¥48,434 million yen.

Total equity at the end of the fiscal year amounted to ¥326,450 million, a decline of ¥32,557 million (-9.1%) from ¥359,007 million at the end of the previous fiscal year. Other components of equity decreased due to the decline in market prices of securities held and impact of foreign exchange rate fluctuations. Through the purchase of ¥23,066 million of treasury stock upon resolution of the board of Directors, shareholder return was boosted.

2. Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year, decreased ¥3,143 million (compared with a decrease of ¥21,588 million in the previous fiscal year), and stood at ¥92,671 million.

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year, amounted to ¥57,162 million (compared with cash flows provided by operating activities of ¥35,520 million in the previous fiscal year). This net cash inflow was due mainly to contribution of profit before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year amounted to ¥21,067 million (compared with net cash flows used in investing activities of ¥23,101 million in the previous fiscal year). This net cash outflow arose primarily due to purchase of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year, amounted to ¥36,422 million (compared with net cash used in financing activities of ¥33,993 million in the previous fiscal year). This net cash outflow arose primarily due to purchase of treasury stock and cash dividends paid.

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

(3) Basic Policy for Allocation of Profit and Dividends for FY2020.3 and FY2021.3

In consideration of the improvement of ROE (Profit for the period attributable to owners of the parent), the Company undertakes investments for growth—including R&D, for marketing capabilities and the making of other capital investments—on the basis of its medium-term consolidated income level, while actively returning profits to shareholders. Taking continuous and steady cash dividends as the basis of its shareholder returns, the Company will implement flexible shareholder returns as it sees fit with the aim of improving its capital efficiency, while giving due consideration to the maintaining of a balance between adequate internal reserves of investment for future growth. The Company will implement shareholder returns with a target consolidated total return ratio of 50% (cumulative amount of medium-term management plan period).

For the year-end dividend for FY2020.3, the Company decided to pay a regular dividend on its common shares of ¥33.00 per share (¥66.00 per share for the full fiscal year) in view of the above-mentioned policy, its financial position, and other factors. The dividends for the fiscal year ending March 31, 2021 have not yet been decided at this time.

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

2. Basic Approach to Selection of Accounting Standards

The Company has voluntarily adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2020, with the aims of increasing the feasibility of international comparisons of financial information in financial markets and improving the level of management globally.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	Date of transition to IFRS (April 1, 2018)	FY2019.3 (as of March 31, 2019)	FY2020.3 (as of March 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	117,403	95,815	92,671
Trade and other receivables	65,984	65,346	58,067
Other financial assets	5,559	10,508	12,939
Inventories	95,062	101,003	100,054
Other current assets	6,687	10,144	6,455
Total current assets	290,697	282,819	270,189
Non-current assets			
Property, plant and equipment	87,133	91,326	97,106
Right-of-use assets	31,110	29,579	24,480
Goodwill	—	161	158
Intangible assets	689	1,321	1,736
Financial assets	138,713	101,093	67,817
Deferred tax assets	7,969	7,237	10,795
Other non-current assets	2,221	2,387	1,749
Total non-current assets	267,837	233,105	203,844
Total assets	558,535	515,924	474,034

Note: Figures of less than ¥1 million have been omitted.

(Millions of yen)

	Date of transition to IFRS (April 1, 2018)	FY2019.3 (as of March 31, 2019)	FY2020.3 (as of March 31, 2020)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	65,094	59,525	52,982
Interest-bearing debt	11,173	8,936	10,830
Lease liabilities	5,535	5,730	5,365
Other financial liabilities	9,754	9,650	9,620
Income tax payables	16,325	2,474	4,236
Provisions	1,858	1,898	1,700
Other current liabilities	12,063	12,228	14,412
Total current liabilities	121,805	100,443	99,149
Non-current liabilities			
Lease liabilities	20,086	18,258	15,864
Financial liabilities	4,553	3,014	1,568
Retirement benefit liabilities	23,666	24,268	23,704
Provisions	442	455	2,574
Deferred tax liabilities	18,592	8,650	2,825
Other non-current liabilities	1,065	1,824	1,897
Total non-current liabilities	68,406	56,473	48,434
Total liabilities	190,211	156,917	147,584
Equity			
Capital stock	28,534	28,534	28,534
Capital surplus	39,978	21,568	21,277
Retained earnings	263,627	293,547	316,899
Treasury stock	(48,556)	(42,533)	(65,093)
Other components of equity	82,903	56,820	23,789
Equity attributable to owners of the parent	366,488	357,936	325,409
Non-controlling interests	1,834	1,070	1,040
Total equity	368,323	359,007	326,450
Total liabilities and equity	558,535	515,924	474,034

Note: Figures of less than ¥1 million have been omitted.

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

(Millions of yen)

	FY2019.3 (April 1, 2018 – March 31, 2019)	FY2020.3 (April 1, 2019 – March 31, 2020)
Revenue	434,373	414,227
Cost of sales	(255,367)	(245,967)
Gross profit	179,005	168,259
Selling, general and administrative expenses	(126,259)	(121,907)
Core operating profit	52,745	46,352
Other income	1,558	2,806
Other expenses	(1,488)	(5,826)
Operating profit	52,815	43,333
Finance income	4,652	4,968
Finance expenses	(1,008)	(1,083)
Share of profit of associates accounted for using the equity method	12	6
Profit before income tax	56,471	47,225
Income taxes	(16,085)	(12,521)
Profit for the period	40,386	34,703
Profit for the period attributable to:		
Owners of parent	43,337	34,621
Non-controlling interests	48	81
Profit per share		
Basic (Yen)	222.12	194.71
Diluted (Yen)	—	—

Note: Figures of less than ¥1 million have been omitted.

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2019.3 (April 1, 2018 – March 31, 2019)	FY2020.3 (April 1, 2019 – March 31, 2020)
Profit for the period	40,386	34,703
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(444)	7
Financial assets measured at fair value through other comprehensive income	(24,588)	(23,431)
Share of other comprehensive income of associates accounted for using the equity method	(14)	1
Total items that will not be reclassified to profit or loss	(25,048)	(23,421)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(916)	(9,629)
Cash flow hedges	(12)	(35)
Total items that may be subsequently reclassified to profit or loss	(928)	(9,664)
Total other comprehensive income	(25,976)	(33,086)
Comprehensive income for the period	14,409	1,616
Comprehensive income for the period attributable to:		
Owners of parent	14,383	1,597
Non-controlling interests	25	19

Note: Figures of less than ¥1 million have been omitted.

(3) Consolidated Statement of Changes in Equity

FY2019.3 (April 1, 2018 - March 31, 2019)

(Millions of yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity		
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2018	28,534	39,978	263,627	(48,556)	—	82,788	—
Profit for the period	—	—	40,337	—	—	—	—
Other comprehensive income	—	—	—	—	(444)	(24,603)	(893)
Total comprehensive income for the period	—	—	40,337	—	(444)	(24,603)	(893)
Acquisition of treasury stock	—	—	—	(11,948)	—	—	—
Cancellation of treasury stock	—	(17,964)	—	17,964	—	—	—
Dividends	—	—	(10,547)	—	—	—	—
Share-based compensation	—	184	—	6	—	—	—
Changes in the ownership interest of a subsidiary without a loss of control	—	(630)	—	—	—	—	—
Transfer to retained earnings	—	—	129	—	444	(574)	—
Total transactions with owners	—	(18,410)	(10,417)	6,022	444	(574)	—
Balance at March 31, 2019	28,534	21,568	293,547	(42,533)	—	57,610	(893)

(Millions of yen)

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Cash flow hedges	Total			
Balance at April 1, 2018	115	82,903	366,488	1,834	368,323
Profit for the period	—	—	40,337	48	40,386
Other comprehensive income	(12)	(25,954)	(25,954)	(22)	(25,976)
Total comprehensive income for the period	(12)	(25,954)	14,383	25	14,409
Acquisition of treasury stock	—	—	(11,948)	—	(11,948)
Cancellation of treasury stock	—	—	—	—	—
Dividends	—	—	(10,547)	(90)	(10,637)
Share-based compensation	—	—	190	—	190
Changes in the ownership interest of a subsidiary without a loss of control	—	—	(630)	(698)	(1,329)
Transfer to retained earnings	—	(129)	—	—	—
Total transactions with owners	—	(129)	(22,935)	(789)	(23,725)
Balance at March 31, 2019	102	56,820	357,936	1,070	359,007

FY2020.3 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity		
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2019	28,534	21,568	293,547	(42,533)	—	57,610	(893)
Profit for the period	—	—	34,621	—	—	—	—
Other comprehensive income	—	—	—	—	7	(23,429)	(9,567)
Total comprehensive income for the period	—	—	34,621	—	7	(23,429)	(9,567)
Acquisition of treasury stock	—	—	—	(23,078)	—	—	—
Cancellation of treasury stock	—	—	—	—	—	—	—
Dividends	—	—	(11,274)	—	—	—	—
Share-based compensation	—	(290)	—	(519)	—	—	—
Changes in the ownership interest of a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	5	—	(7)	2	—
Total transactions with owners	—	(290)	(11,269)	(22,559)	(7)	2	—
Balance at March 31, 2020	28,534	21,277	316,899	(65,093)	—	34,183	(10,461)

(Millions of yen)

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Cash flow hedges	Total			
Balance at April 1, 2019	102	56,820	357,936	1,070	359,007
Profit for the period	—	—	34,621	81	34,703
Other comprehensive income	(35)	(33,024)	(33,024)	(61)	(33,086)
Total comprehensive income for the period	(35)	(33,024)	1,597	19	1,616
Acquisition of treasury stock	—	—	(23,078)	—	(23,078)
Cancellation of treasury stock	—	—	—	—	—
Dividends	—	—	(11,274)	(49)	(11,324)
Share-based compensation	—	—	228	—	228
Changes in the ownership interest of a subsidiary without a loss of control	—	—	—	—	—
Transfer to retained earnings	—	(5)	—	—	—
Total transactions with owners	—	(5)	(34,124)	(49)	(34,173)
Balance at March 31, 2020	67	23,789	325,409	1,040	326,450

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2019.3 (April 1, 2018 – March 31, 2019)	FY2020.3 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities:		
Profit before income taxes	56,471	47,225
Depreciation and amortization	16,553	17,322
Gain on reversal of impairment loss	295	2,921
Finance income and finance expenses	(4,120)	(4,260)
Loss (gain) on sales or disposal of property, plant and equipment and intangible assets	264	(260)
(Increase) decrease in inventories	(6,244)	(2,841)
(Increase) decrease in trade and other receivables	987	3,282
Increase (decrease) in trade and other payables	(1,392)	(4,887)
Increase (decrease) in retirement benefit assets and liabilities	(150)	(391)
Increase (decrease) in provisions	(34)	1,942
Increase (decrease) in amount payables due to transition to defined contribution plans	(1,558)	(1,416)
Other, net	(25)	2,999
Subtotal	61,045	61,635
Interest and dividends income received	4,654	4,535
Interest expenses paid	(859)	(802)
Income taxes refunded (paid)	(29,319)	(8,206)
Cash flows from operating activities	35,520	57,162
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(4,955)	(3,244)
Purchase of property, plant and equipment and intangible assets	(20,192)	(20,473)
Proceeds from sales of property, plant and equipment and intangible assets	597	1,012
Purchase of investment securities	(1)	(1)
Proceeds from sales and redemption of investment securities	2,380	449
Payments for acquisition of business	(981)	—
Proceeds from government subsidies	—	706
Other, net	51	483
Cash flows from investing activities	(23,101)	(21,067)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(2,525)	2,120
Repayment of long-term borrowings	(41)	—
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,329)	—
Repayment of lease liabilities	(5,606)	(5,871)
Purchase of treasury shares	(11,948)	(21,312)
(Increase) decrease in cash segregated as deposits for acquisition of treasury shares	(1,765)	—
Cash dividends paid	(10,547)	(11,274)
Cash dividends paid to non-controlling interests	(90)	(49)
Other, net	(137)	(33)
Cash flows from financing activities	(33,993)	(36,422)
Effect of exchange rate change on cash and cash equivalents	(13)	(2,816)
Net increase (decrease) in cash and cash equivalents	(21,588)	(3,143)
Cash and cash equivalents at beginning of period	117,403	95,815
Cash and cash equivalents at end of period	95,815	92,671

Note: Figures of less than ¥1 million have been omitted.

(5) Notes to the Consolidated Financial Statements

Notes Regarding Assumptions as a Going Concern

Not applicable

Reporting Entity

Yamaha Corporation (hereinafter the “Company”) is a company located in Japan and listed on the Tokyo Stock Exchange. The registered address of the Company’s headquarters is 10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka, Japan. The consolidated financial statements of the Company and its subsidiaries (the “Group”) ended March 31, 2020, comprise the Group’s financial statements as well as equity interest of associated companies of the Group. The Group’s operations are the musical instruments business, audio equipment business, and other businesses.

Basis for Preparation

(1) Statement of compliance with IFRS and items related to the first-time adoption

The Group prepares the consolidated financial statements in accordance with IFRS issued by the International Accounting Standards Board. Having met the requirements for a Specified Company under the Designated International Accounting Standards, as prescribed in Article 1-2 of the Regulation on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the consolidated financial statements of the Group applies provisions of Article 93 of the aforementioned regulation.

The Group applied IFRS for the first time from the first quarter of FY2020.3 and the date of transition to IFRS was April 1, 2018. The Group previously applied Japanese generally accepted accounting principles (Japanese GAAP), and the most recent consolidated financial statements the Group prepared according to Japanese GAAP were for the fiscal year ended March 31, 2019. Upon the transition to IFRS, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter IFRS 1) is applied and statements of the impact of the adoption on the Group’s financial position, operating performance, and cash flows are stated in the “First-time adoption”.

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies presented in “Significant Accounting Policies.” The balance of assets and liabilities, with the exception stated in significant accounting policies for financial instruments measured at fair value and assets and liabilities associated with the defined benefit plans, are reported based on acquisition costs.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, in units of one million yen with figures less than one million yen omitted.

Significant Accounting Policies

(1) Basis of consolidation

The consolidated financial statements of the Group are prepared by applying unified accounting policies based on the financial statements of the Group and associated companies of the Group. In the instance where a subsidiary or associated company’s accounting policy differs from the Group’s policies, the financial statements of the company have been adjusted as necessary.

A) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an entity when it has power over the invested company, when its involvement in the invested company affects returns, and when it has the ability to use its power over the invested company to affect returns.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases. In the instance that the Group retains control over a subsidiary after divesting a portion of the Group’s interest in the company, the change in the Group’s equity interest in the company is accounted as a capital transaction and the difference between the adjusted amount and the fair value of the noncontrolling interest is directly recognized as equity attributable to owner of parent company. In the instance of loss of control, the profit or loss arisen from the divestment are recognized.

The balance of receivables and payables and transactions among Group companies, and unrealized profit or loss from transactions between Group companies are eliminated upon preparation of the consolidated financial statements.

Comprehensive income of subsidiaries shall be attributed to the owners of the parent company and noncontrolling interest even if the balance of noncontrolling interest is negative.

In the instance that a subsidiary has an accounting period for its financial statement that is different from the Company's accounting period, the amounts shall be adjusted, such as by preparing additional financial statement in accordance with the Company's accounting period.

B) Associated companies

An associated company is an entity that is not controlled by the Group but for which the Group is able to exert significant influence over the financial and operating policies. The equity method is applied to investments in associated companies based on the acquisition cost at the time of acquisition. The Group's portion of the profit or loss, and other comprehensive income from the date on which the significant influence commences until the date on which the significant influence ceases are recognized as changes in the investment amount in the associated companies.

C) Business combination

Business combinations are accounted for using the acquisition method.

The acquisition cost is measured as the sum of the acquisition-date fair value of the assets transferred, liabilities underwritten and the equity instruments issued by the Company in exchange for control of the acquiree. Transaction costs incurred in association with a business combination are processed as expenses at the time they occur.

Excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets and liabilities underwritten on the date of acquisition is recognized as goodwill. Conversely, the difference of an amount less than the acquisition cost is recognized in profit or loss.

The Group applies the exemption prescribed in IFRS 1 allowing it to elect not to retrospectively apply IFRS 3 "Business Combinations" for business combinations that occurred before the date of transition to IFRS.

(2) Foreign currencies

A) Transaction denominated in foreign currencies

The financial statements of each of the Group entities are prepared using each company's functional currency.

Transactions conducted in currencies other than the functional currency are translated into the functional currency using the exchange rate on the transaction date or an exchange rate that approximates the exchange rate on that date. Foreign currency monetary items on the end of a reporting period are reconverted at the exchange rate on that date, and foreign currency non-monetary items measured at fair value are reconverted at exchange rate on the date of calculation of fair value; and both are converted to the functional currency. Any exchange difference arising from reconversion or settlement are recognized in profit or loss.

However, exchange differences arising from financial instruments measured through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

B) Foreign operations

Assets and liabilities of the Group's foreign operations are translated using the exchange rates on the final date of a reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless any significant change has occurred. Any exchange differences arising from these translations are recognized in other comprehensive income. If a foreign operation is disposed of, the accumulated amount of the exchange differences on translation related to the foreign operation is transferred to profit or loss at the time the foreign operation was disposed of.

The Group has applied the IFRS 1 exemption provision allowing it to transfer cumulative exchange differences on translation of foreign operations at the date of transition to IFRS from other components of equity to retained earnings.

(3) Financial instruments

A) Financial assets

(a) Initial recognition and measurement

Initial recognition of financial assets is on the date of the Group's transaction with the contract party.

Financial assets at initial recognition, other than financial assets measured at fair value through profit or loss, are measured at an amount of fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(b) Classification and subsequent measurement

The Group, at initial recognition, classifies financial assets as (i) financial assets measured at amortized cost, (ii) financial assets measured at fair value through other comprehensive income, or (iii) financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

Among financial assets, debt instruments meeting the following criteria together are categorized as financial assets measured at amortized cost.

- They are held based on a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and profit or loss, in cases where a financial asset is derecognized, are recognized at profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income

Among financial assets, debt instruments meeting the following criteria together are categorized as financial assets measured at fair value through other comprehensive income.

- They are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling assets.
- The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, such as shares of Yamaha Motor Co., Ltd. which are using a common brand with the Group and shares of companies related to other businesses, are categorized upon initial recognition as financial assets measured at fair value through other comprehensive income.

The amount of change in the fair value of equity instruments measured at fair value through other comprehensive income after initial recognition is recognized as other comprehensive income. In the instance financial assets are derecognized or the fair value decreases materially, the accumulated other comprehensive income is transferred to retained earnings. Dividends from such financial assets are recognized in profit or loss as finance income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets other than the above are categorized as financial assets measured at fair value through profit or loss.

The amount of change in the fair value of financial assets measured at fair value through profit or loss after initial recognition are recognized as profit or loss.

(c) Impairment of financial assets

For the trade and other receivables, the Group recognizes an allowance for doubtful accounts equivalent to the expected credit loss over the full period.

For trade and other receivables for which repayment is deemed as a serious or potentially serious problem, the impairment loss amount of such assets is assessed individually or in groups with assets of similar types of risk and accounted in the allowance for doubtful accounts.

For trade and other receivables that do not fall into the above category, impairment loss is assessed primarily based on the historical actual default rate and accounted in the allowance for doubtful accounts.

For trade and other receivables where the actual impairment loss was previously recognized and the impairment amount decreased due to a subsequent event, the previously recognized impairment amount is reversed and recognized in profit or loss.

For trade and other receivables that have clearly become unrecoverable, the unrecoverable amount is directly reduced.

(d) Derecognition

The Group derecognize a financial asset when the contractual rights to cash flows from the financial asset expire or when such rights are transferred by the Group and all the risks and economic value of ownership of the financial asset are substantially transferred.

B) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes a financial liability on the trading date that the Group becomes the contracting party.

Financial liabilities measured at amortized cost at initial recognition are measured at fair value less the associated direct transaction costs.

(b) Categorization and subsequent measurement

Financial liabilities are classified at initial recognition as financial liabilities measured at amortized cost.

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and profit or loss, in cases where a financial liability is derecognized, are recognized at profit or loss.

(c) Derecognition

A financial liability is derecognized when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

C) Presentation of financial instruments

Financial assets and liabilities are offset and presented at their net amount in the consolidated statement of financial position when the Group has a legally enforceable right to offset the financial asset and liability balances and it intends either to settle on a net basis or to realize financial assets and settle financial liabilities simultaneously.

D) Hedge accounting and derivatives

The Group uses, within the scope of actual demand, forward exchange contracts (comprehensive contract) and currency options to reduce potential foreign exchange risk from foreign-currency denominated receivables and payables incurred during import and export transactions. Derivative transactions are initially recognized at fair value upon execution of a contract and subsequently remeasured at fair value.

With regard to derivative transactions, the Group financial management policies and rules and each company's management policies and rules based on those of the Group have been established and transactions and management are conducted in compliance with policies and rules.

Derivative transactions that fulfill the criteria for hedge accounting are applied to cash flow hedge with the effective portion of profit or loss arising from the hedge instrument recognized as other comprehensive income and the remaining ineffective portion recognized as profit or loss. The amount of a hedge instrument recorded as other comprehensive income is transferred to profit or loss at the time the transaction conducted as a hedged item affects profit or loss.

Transactions to apply hedge accounting are assessed on an ongoing basis whether the derivative used for the hedge transactions at the inception of the hedge and during the hedge period is effectively offsetting the change in cash flows of the hedged item.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits as well as short-term investments that are readily convertible into cash, are not exposed to significant risk related to changes in value and are redeemable within three months of the date of acquisition.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value.

The acquisition cost of inventories is determined principally based on the weighted average method and includes the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment

Property, plant and equipment is measured using the cost model and stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the initial estimate for disassembly, removal, or other restoration costs and borrowing costs that should be capitalized.

Depreciation costs on an item of property, plant and equipment, other than land and construction in progress, are accounted for using a straight-line method over its estimated useful life. The range of estimated useful lives by major asset item is as follows:

- Buildings: 31 to 50 years
(Equipment attached to the buildings is mainly 15 years)
- Structures: 10 to 30 years
- Machinery and equipment: 4 to 12 years
- Tools, furniture and fixtures: 5 to 6 years

Estimated useful life, residual value, and depreciation methods are reviewed at the end of each fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimate.

(7) Right-of-use assets

The Group leases a portion of its property, plant, and equipment.

The acquisition cost of right-of-use assets is set at the initial measurement of the present value of the lease fee during a non-cancelable period at the lease start date plus reasonably sure extension option period (hereafter “lease period”), and any lease prepayments prior to the lease start date, initial direct costs and the amount of the initial estimate for disassembly, removal, or other restoration costs and less any lease incentives received. Lease liabilities are set at the initial measurement of the present value of the lease fee during the lease period. In the instance of changes in the lease period or lease fee subsequent to the initial measurement, lease liabilities amounts are remeasured, and the acquisition cost of a right-of-use asset and the lease liability amounts are adjusted.

Right-of-use assets are accounted using the cost model and stated at acquisition cost less accumulated depreciation and accumulated impairment loss amount. Lease liabilities are stated at the initial measurement amount and adjusted amount due to remeasurement less payments of lease fee and adjusted for interest.

Depreciation cost of right-of-use assets is accounted for using the straight-line method over the lease period. Interest expenses associated with lease liabilities are classified separately from depreciation costs on right-of-use assets and included in finance expenses.

However, items with short-term leases of lease periods of 12 months or less and underlying assets with low-value are not recognized as right-of-use assets or lease liabilities and lease fees are recognized as profit or loss either by applying the straight-line method or other established standards to the lease amount.

The Group applies the exemption prescribed in IFRS 1 allowing a lease classified as an operating lease prior to the transition date to IFRS to report an equivalent amount to the lease liability on the date of the transition to IFRS.

(8) Goodwill and intangible assets

A) Goodwill

The measurement method at the initial recognition of goodwill is stated in “(1) Basis of consolidation, C) Business combination.” Goodwill is presented as the amount of the acquisition cost less accumulated impairment loss.

B) Intangible assets

Intangible assets are accounted using the cost model and stated as the amount of the acquisition cost less accumulated amortization and accumulated impairment loss.

(9) Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, and assets associated with employee benefits) are assessed at the final date of each reporting period for indications of impairment and tested for impairment when indications are found. Impairment tests are conducted every period and each time indications of impairment are found for goodwill, intangible assets for which a useful life cannot be determined, and intangible assets which are unusable on the final date of the reporting period.

Impairment loss is recognized if an impairment test finds the book value of the asset or a cash-generating unit exceeds the recoverable amount of an asset.

For assets not tested individually at impairment test, assets are grouped together into the smallest cash-generating unit that generate cash inflows that are largely independent of the cash inflows of other assets or asset group. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less the cost of disposal. In determining the value in use, estimated future cash flows arising from assets and cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recognition of impairment loss of cash-generating units including goodwill is conducted by first allocating to reduce the book value of the goodwill that was allocated to the cash-generating unit, then proportionately distributing the impairment based on the book value of each asset of the cash-generating unit.

If an impairment loss recognized in a previous period shows indications of a reversal and the recoverable amount of an asset or cash-generating unit exceeds the book value, the impairment loss is reversed. The impairment loss is reversed up to the lower of the calculated recoverable amount or book value less the necessary depreciation and amortization in the instance impairment loss was not recognized previously. Impairment loss associated with goodwill is not reversed.

(10) Provision

The Group has present legal and constructive obligation arising from past circumstances and this is likely to require the Group to forego resources with economic benefits to settle debts. If a reliable estimate for such debt can be determined, it is recognized as a provision.

In instances where the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a discount rate reflecting the time value of money and risk specific to the liability.

(11) Employee benefits

A) Post-employment benefit

The Group maintains defined-benefit pension plans and defined-contribution pension plans as post-employment benefit plans for employees.

Defined benefit obligation is determined using the projected unit credit method based on the present value of the defined benefit obligation and related current and past service costs. The discount rate used to discount to the present value of defined benefit obligations is determined by referring to the market yields of high-quality corporate bonds matching the currency and the maturity date with the retirement benefit obligation. Assets or liabilities related to the defined benefit plans are calculated as the net sum of the present value of the defined benefit obligation and the fair value of plan assets for each plan. Differences arising in remeasurement of defined benefit plans are recognized in a lump sum in other comprehensive income in the period they are incurred and immediately transferred to retained earnings. Past service costs are recognized as profit or loss in the period they occur.

Contributions to defined contribution pension plans are recognized as expenses at the time the relevant service are provided.

B) Short-term employee benefits

Short-term employee benefits are not discounted and are recognized as an expense at the time service is provided.

Bonuses and paid leave costs are recognized as a liability in the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(12) Government grants

Government grants are recognized at their fair value when the conditions attached to the grants are fulfilled and there is reasonable assurance that the subsidy will be received.

A grant related to an asset is treated as deferred revenue and regularly recorded as revenue during the period the associated asset incurs expenses. A grant related revenue is regularly recognized as profit or loss in the period in which such costs corresponding to grants are incurred.

(13) Equity

The issue value of common shares is recorded as capital stock and capital surplus, and costs associated with the issue of common shares is deducted from the capital surplus.

Treasury stock is recognized at the acquisition cost and treated as a deduction from equity. In the event that treasury stock is sold, the difference between the book value at the time of sales and the actual amount received is recognized as capital surplus.

(14) Share-based compensation

The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers (excluding executive officer in charge of the internal auditing) and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders.

Equity-settled share-based compensation is a restricted stock compensation system. Among the granted Company's shares, the value of a certain number of shares that the lifting of the transfer restrictions are expected is measured by the fair value of the stocks referred at the time they are granted and are recognized under profit or loss as an expense for the corresponding service and an equivalent amount is recognized as an addition to equity.

Cash-settled share-based compensation is formulated with the same conditions as the equity-settled stock-based compensation and estimated future payment amount at the end of each reporting period is measured as fair value and recognized under profit or loss as an expense for the corresponding service.

(15) Revenue Recognition

Revenue is recognized through the following steps in accordance with IFRS 15 “Revenue from Contracts with Customers”.

Step 1. Identify the contract(s) with a customer.

Step 2. Identify the performance obligations in the contract.

Step 3. Determine the transaction price.

Step 4. Allocate the transaction price to each performance.

Step 5. Recognize revenue when/as a performance obligation is satisfied.

The Group’s main business is the manufacture and sale of musical instruments, audio equipment, and other products. In principle, the customer takes possession of an item at the time of transfer and this is deemed as fulfilling the performance obligation. In most circumstances, revenue from an item is recognized at the time of transfer.

Revenue is measured as the amount set at the time of contract with customers less any amount provided as a discount, rebate, or for a sales return.

(16) Income tax

Income taxes comprise current and deferred tax and are recognized as profit or loss with the exception of items related to business combinations or recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the tax authorities. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. In the event of uncertainty concerning the tax position for treatment under income tax, if there is a high probability of the tax position to occur based on the tax laws, then a reasonable estimated amount is recognized as an asset or liability.

Deferred tax is recognized on temporary difference between the reported book value of assets and liabilities at the end of reporting period and associated amounts for taxation purpose, losses carried forward and tax credit carried forward.

A deferred tax asset is recognized for future deductible temporary differences, losses carried forward, and tax credit carried forward to the extent that taxable income is highly probable to occur for them to recover. A deferred tax liability is, in principle, recognized for all projected future taxable temporary differences. A deferred tax asset is reviewed each fiscal period and reduced to the extent that the tax benefit of the deferred tax assets is no longer expected to be realized.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Future taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising on the initial recognition of an asset or liability arising in a transaction other than a business combination and that affects neither accounting profit nor taxable income;
- Future taxable temporary differences associated with investments in subsidiaries and associated companies to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that they will not reverse in the foreseeable future;
- Future deductible temporary differences associated with investments in subsidiaries and associated companies to the extent it is not probable that sufficient taxable income will be available to use the benefits from the taxable temporary difference or that it is not probable that the taxable temporary difference will be eliminated in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset is realized or liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are netted when the entity has a legally enforceable right to offset current tax assets and liabilities, and the tax balances are associated to the same entity and same taxation authority.

The Company and some of its subsidiaries have adopted the consolidated taxation system.

(17) Profit per share

Basic profit per share is calculated by the profit or loss attributable to the parent company's common shareholders for the period divided by the weighted-average number of common shares issued that have been adjusted for treasury shares during the period. Diluted profit per share is not calculated because there are no latent shares with the dilution effect.

Significant Accounting Estimates and Judgments

The Group utilizes estimates and assumptions concerning the application of accounting policies and measurement of assets, liabilities, revenues and expenditures in the preparation of the consolidated financial statements. The estimates and assumptions are based on the management best judgement in consideration of past performance and other various factors considered to be reasonable at the end of reporting period. However, by their nature, the presented amounts that are based on estimates and assumptions may differ from actual results.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of revisions to the estimates are recognized in the period in which the estimate is revised and in future periods that are affected by the revision. Judgments, estimates, and assumptions that have significant effects on the amount recognized in the consolidated financial statements of the Group are as follows.

- **Scope of subsidiaries (Note: "Significant Accounting Policies (1) Basis of consolidation")**
Whether a subsidiary is eligible for inclusion in the consolidation is determined by whether the Group has control over the company.
- **Impairment of non-financial assets (Note: "Significant Accounting Policies (9) Impairment of non-financial assets")**
The Group conducts impairment tests in accordance with the note "Significant Accounting Policies" on property, plant and equipment, right-of-use assets, goodwill, and intangible assets. The impairment tests to calculate recoverable value include assumptions for future cash flow, discount rates, and other items. Management uses their best estimates and judgment to set the assumptions; however, the test results can be affected by changes in uncertain future economic conditions. When revisions are necessary, the changes can have a material effect on the consolidated financial statements.
- **Recognition and measurement of allowance (Note: "Significant Accounting Policies (10) Provision")**
Allowances are measured based on best estimates of payments to settle future debts on the last day of the reporting period. The payment amounts expected to be used to settle debts in the future are calculated in consideration of all possible outcomes in the future. The estimates used to calculate such allowances can be affected by changes in uncertain future economic conditions and therefore contain the risk that the measured amounts for the allowances may require significant revision in the future.
- **Measurement of retirement benefit obligation (Note: "Significant Accounting Policies (11) Employee benefits")**
The defined benefit corporate pension plan recognizes the net amount of the defined benefit obligation and fair value of plan assets as assets and liabilities. The defined benefit obligation is calculated using actuarial calculation, which includes estimates for the discount rate, retirement rate, mortality rate, and rate of salary increase. These assumptions are determined based on a comprehensive judgment using available information, such as market trends in interest rate fluctuations. The assumptions for the actuarial calculation can be affected by the uncertain future economic environment and social changes and therefore contain the risk that the measured amounts for the retirement benefit obligation may require significant revision in the future.
- **Recoverability of deferred tax assets (Note: "Significant Accounting Policies (16) Income tax")**
Deferred tax assets are recognized based on the assumption that the company has a high probability of generating taxable income that can be applied to future deductible temporary differences. The judgment of the possibility of generating taxable income is based on projections of when and how much income is expected in the business plan. Management uses their best estimates to set the estimates; however, uncertain future economic conditions can change to the extent that they affect the actual results.

The above includes judgments based on estimates and assumptions concerning the Group's future performance; however, at the end of the fiscal year, there is concern that the spread of COVID-19 will cause a significant slowdown in the global economy. The Group's future performance could be significantly affected if the impact of the pandemic on the global economy is longer than expected.

The estimates and assumptions used in the preparation of the consolidated financial statements are based on the management's best estimates as of the end of the fiscal year. However, the future economic conditions are uncertain, and the Group performance may also be impacted by unanticipated developments in economic conditions other than those mentioned above. If such changes require management to revise its outlook, the impact on the consolidated financial statements could be substantial.

Additional information

Consolidated Statement of Income

Loss from suspension of operations

During the fiscal year, the spread of COVID-19 and its serious worldwide impact have led the Group to temporarily close its directly managed shops and music schools, suspend factory operations, and cancel events.

Expenses incurred during the period of business suspensions and factory shutdowns and from event cancellations are recognized as loss from suspension of operations amounting to ¥1,386 million and recorded as "other expenses."

Impairment of non-financial assets

Impairment loss has been recognized in the fiscal year and recorded as "other expenses."

The breakdown of the impairment loss is as follows.

(Millions of yen)

Segment	Location	Impairment loss	
		Type	Amount
Musical instruments	Tokyo and other regions	Property, plant and equipment	
		Buildings	732
		Other	23
		Right-of-use assets	2,575
		Total	3,330

Method of grouping assets

The Group's assets are grouped based on the minimum cash-generating units that generate primarily independent cash inflows.

Reason for recognition of impairment loss

Due to the spread of COVID-19, directly managed shops and schools in Japan remained closed on and certain period after April. New student recruitment activities for music schools were also reduced, and this is expected to lead to a prolonged period of decreased profitability for the music schools. Due to the prospect of the deteriorating earnings, we have recognized an associated impairment loss as an asset group that is expected to be unable to recover its book value through future cash flow.

Calculation of the recoverable amount

The recoverable amount is estimated based on value in use and is calculated by discounting future cash flow by 4.5%.

Segment Information

(1) Summary of reportable segments

The Group's reportable segments are composed of business units that separate financial information can be obtained and are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions.

The Group's reportable segments, based on its economic features and similarity of products and services, comprise its two principal reportable segments, which are the "musical instruments" and "audio equipment." Other businesses are included in the "others" segment.

The musical instruments segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The "others" segment includes electronic devices business, automobile interior wood components, factory automation (FA) equipment, golf products, resort, and certain other lines of business.

(2) Reportable segment information

The Group's reportable segment information is as follows.

The accounting methods of the reported business segments are the same as those presented in "Significant Accounting Policies".

FY2019.3 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	279,471	120,144	399,616	34,757	434,373	—	434,373
Intersegment revenue	—	—	—	334	334	(334)	—
Total	279,471	120,144	399,616	35,091	434,708	(334)	434,373
Core operating profit (Segment profit)	40,815	9,615	50,430	2,315	52,745	—	52,745
Other income							1,558
Other expenses							(1,488)
Operating profit							52,815
Finance income							4,652
Finance expenses							(1,008)
Share of profit of associates accounted for using the equity method							12
Profit before income tax							56,471

Note: Intersegment revenue is based on the prevailing market price.

FY2020.3 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	269,371	114,392	383,764	30,462	414,227	—	414,227
Intersegment revenue	—	—	—	341	341	(341)	—
Total	269,371	114,392	383,764	30,804	414,569	(341)	414,227
Core operating profit (Segment profit)	37,750	8,571	46,322	30	46,352	—	46,352
Other income							2,806
Other expenses							(5,826)
Operating profit							43,333
Finance income							4,968
Finance expenses							(1,083)
Share of profit of associates accounted for using the equity method							6
Profit before income tax							47,225

Note: Intersegment revenue is based on the prevailing market price.

Revenue

Revenue comprises the following

(1) Breakdown of revenue

The Group's reportable segments, based on its economic features and similarity of products and services, comprise its two principal reportable segments, which are the "musical instruments" and "audio equipment." Other businesses are included in the "others" segment. Revenue is also presented the region broken down by customer location. The following is information about the breakdown of revenue and segment revenue.

See "Segment Information" for product and other information about each segment.

FY2019.3 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Reportable segment		Others	Total
	Musical instruments	Audio equipment		
Japan	75,415	28,362	26,000	129,778
North America	58,144	29,801	2,800	90,746
Europe	50,510	32,085	407	83,003
China	46,615	9,813	2,611	59,040
Asia, Oceania, and other areas	48,786	20,081	2,936	71,804
Total	279,471	120,144	34,757	434,373
Revenue recognized from contracts with customers	277,695	119,890	34,607	432,193
Revenue recognized from other sources	1,776	253	150	2,180

Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: Republic of Korea, Australia

FY2020.3 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable segment		Others	Total
	Musical instruments	Audio equipment		
Japan	68,943	31,311	23,361	123,615
North America	57,526	26,515	3,306	87,347
Europe	49,657	30,269	264	80,191
China	44,330	7,504	1,246	53,082
Asia, Oceania, and other areas	48,913	18,792	2,284	69,990
Total	269,371	114,392	30,462	414,227
Revenue recognized from contracts with customers	267,841	114,014	30,303	412,159
Revenue recognized from other sources	1,530	378	159	2,067

Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: Republic of Korea, Australia

Profit Per Share

Profit per share and basis for calculations are as follows.

	FY2019.3 (April 1, 2018 – March 31, 2019)	FY2020.3 (April 1, 2019 – March 31, 2020)
Profit attributable to the parent company's common shareholders for the period (million yen)	40,337	34,621
Weighted-average number of common shares (thousand shares)	181,598	177,811
Basic profit per share (yen)	222.12	194.71

Notes: Diluted profit per share is not stated because there are no latent shares with the dilution effect.

Subsequent Events

There are no important sequent events to note.

First-time Adoption

The Group is presenting its consolidated financial statements in accordance with IFRS from the first quarter of FY2020.3. The Group previously applied Japanese generally accepted accounting principles (Japanese GAAP), and the most recent consolidated financial statements the Group prepared according to Japanese GAAP were for the fiscal year ended March 31, 2019. The date of transition to IFRS was April 1, 2018.

(1) IFRS 1 exemptions

Companies adopting IFRS for the first time are, in principle, required retroactively apply IFRS to previous-year statements. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (IFRS 1) allows certain exemptions in the preparation of statements retroactively applying IFRS.

The Group has applied the following exemptions in the transition from Japanese GAAP to IFRS.

A) Business combination

The Group has not retroactively applied IFRS 3 “Business Combinations” for business combinations that occurred before the date of transition to IFRS.

B) Exchange differences on translation of foreign operations

The Group has transferred cumulative translation adjustments of all foreign operations as of the date of transition to IFRS from other components of equity to retained earnings.

C) Deemed cost

The Group has reported the fair value of a portion of property, plant and equipment as of the date of transition to IFRS as deemed cost associated with IFRS.

D) Recognizing of previously designated financial instruments

The Group has designated holdings of equity instruments measured at fair value through other comprehensive income based on conditions on the date of transition to IFRS.

E) Leases

The Group has assessed whether contracts contain leases based on events and conditions existing at the date of transition to IFRS.

Lease liabilities other than assets that were categorized to finance leases prior to the date of transition to IFRS have been measured on the date of transition to IFRS and an equivalent amount has been recorded as right-of-use assets. Decisions whether to exempt recognition of underlying assets with low value or short-term leases were made based on conditions on the date of transition to IFRS.

(2) IFRS 1 mandatory exceptions

IFRS 1 prohibits retroactive application of IFRS to “estimates,” “derecognition of financial assets and liabilities,” “hedge accounting,” “non-controlling interests” and “classification and measurement of financial assets.” The Group intends to apply IFRS to such items occurring after the date of transition to IFRS.

(3) Adjustment from Japanese GAAP to IFRS

The changes in the Group’s financial position, operating results, and cash flows caused by the transition from Japanese GAAP to IFRS are as follows.

The “Reclassification” table presents items that do not affect retained earnings and comprehensive income, and the “Difference in recognition and measurement” table presents items that affect retained earnings or comprehensive income.

A) Adjustments of equity as of the date of transition to IFRS (April 1, 2018)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Assets					Assets	
Current assets					Current assets	
Cash and deposits	122,731	(5,327)	—	117,403	Cash and cash equivalents	c
Notes and accounts receivable—trade	56,499	9,474	10	65,984	Trade and other receivables	e
	—	5,537	22	5,559	Other financial assets	c
Merchandise and finished goods	65,064	29,061	936	95,062	Inventories	g
Work in process	13,339	(13,339)	—	—		
Raw materials and supplies	15,721	(15,721)	—	—		
Other	17,352	(11,064)	399	6,687	Other current assets	e
Allowance for doubtful accounts	(1,216)	1,216	—	—		
Total current assets	289,493	(164)	1,368	290,697	Total current assets	
Non-current assets					Non-current assets	
Property, plant and equipment	115,817	(240)	(28,443)	87,133	Property, plant and equipment	h, i
	—	5,718	25,392	31,110	Right-of-use assets	f, j
Intangible assets	6,167	(5,478)	—	689	Intangible assets	f
Investment securities	130,341	4,001	4,370	138,713	Financial assets	k
Long-term loans receivable	93	(93)	—	—		
Net defined benefit assets	276	(276)	—	—		
Deferred tax assets	4,699	—	3,270	7,969	Deferred tax assets	m
Lease and guarantee deposits	4,087	(4,087)	—	—		
Other	1,452	615	154	2,221	Other non-current assets	l
Allowance for doubtful accounts	(120)	120	—	—		
Total non-current assets	262,816	278	4,742	267,837	Total non-current assets	
Total assets	552,309	114	6,110	558,535	Total assets	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Liabilities					Liabilities	
Current liabilities					Current liabilities	
Notes and accounts payable—trade	19,946	44,370	778	65,094	Trade and other payables	e, n
Short-term loans payable	11,131	41	—	11,173	Interest-bearing debt	
Current portion of long-term loans payable	41	(41)	—	—		
	—	54	5,481	5,535	Lease liabilities	j
Accounts payable—other and accrued expenses	45,527	(45,527)	—	—		e
	—	9,754	—	9,754	Other financial liabilities	d
Income taxes payable	16,325	—	—	16,325	Income tax payables	
	—	1,955	(97)	1,858	Provisions	
Provision for product warranties	1,774	(1,774)	—	—		
Provision for sales returns	97	(97)	—	—		
Provision for loss on construction contracts	4	(4)	—	—		
Other	7,069	1,088	3,905	12,063	Other current liabilities	o
Total current liabilities	101,919	9,818	10,067	121,805	Total current liabilities	
Non-current liabilities					Non-current liabilities	
	—	190	19,895	20,086	Lease liabilities	j
	—	4,553	—	4,553	Financial liabilities	
Long-term accounts payable	5,406	(5,406)	—	—		
Net defined benefit liabilities	21,098	—	2,567	23,666	Retirement benefit liabilities	l
	—	442	—	442	Provisions	
Deferred tax liabilities	15,402	—	3,190	18,592	Deferred tax liabilities	m
Deferred tax liabilities for land revaluation	9,587	(9,587)	—	—		
Long-term deposits received	9,090	(9,090)	—	—		
Other	1,457	9,195	(9,587)	1,065	Other non-current liabilities	d, m
Total non-current liabilities	62,043	(9,703)	16,065	68,406	Total non-current liabilities	
Total liabilities	163,963	114	26,133	190,211	Total liabilities	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net assets					Equity	
Capital stock	28,534	—	—	28,534	Capital stock	
Capital surplus	40,165	—	(186)	39,978	Capital surplus	q
Retained earnings	294,904	—	(31,276)	263,627	Retained earnings	
Treasury stock	(48,556)	—	—	(48,556)	Treasury stock	
Valuation difference on available-for-sale securities	79,729	(79,729)	—	—		
Deferred gains or losses on hedges	109	(109)	—	—		
Revaluation reserve for land	16,095	(16,095)	—	—		
Foreign currency translation adjustment	(23,862)	23,862	—	—		
Remeasurements of defined benefit plans	(600)	600	—	—		
	—	71,470	11,432	82,903	Other components of equity	h, k, l, r
Non-controlling interests	1,826	—	8	1,834	Non-controlling interests	
Total net assets	388,345	—	(20,022)	368,323	Total equity	
Total liabilities and net assets	552,309	114	6,110	558,535	Total liabilities and equity	

B) Adjustments of equity for FY2019.3 (as of March 31, 2019)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Assets					Assets	
Current assets					Current assets	
Cash and deposits	106,061	(10,246)	—	95,815	Cash and cash equivalents	c
Notes and accounts receivable—trade	55,527	9,835	(16)	65,346	Trade and other receivables	e
	—	10,423	85	10,508	Other financial assets	c
Merchandise and finished goods	67,983	32,351	668	101,003	Inventories	g
Work in process	13,771	(13,771)	—	—		
Raw materials and supplies	18,580	(18,580)	—	—		
Other	20,770	(11,245)	619	10,144	Other current assets	e
Allowance for doubtful accounts	(1,085)	1,085	—	—		
Total current assets	281,608	(146)	1,357	282,819	Total current assets	
Non-current assets					Non-current assets	
Property, plant and equipment	121,934	(225)	(30,382)	91,326	Property, plant and equipment	h, i
	—	6,068	23,510	29,579	Right-of-use assets	f, j
	—	136	24	161	Goodwill	
Intangible assets	7,301	(5,979)	—	1,321	Intangible assets	f
Investment securities	93,354	3,726	4,012	101,093	Financial assets	k
Long-term loans receivable	96	(96)	—	—		
Net defined benefit assets	394	(394)	—	—		m
Deferred tax assets	4,708	—	2,528	7,237	Deferred tax assets	
Lease and guarantee deposits	3,970	(3,970)	—	—		l
Other	1,541	844	1	2,387	Other non-current assets	
Allowance for doubtful accounts	(147)	147	—	—		
Total non-current assets	233,153	256	(304)	233,105	Total non-current assets	
Total assets	514,762	109	1,052	515,924	Total assets	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Liabilities					Liabilities	
Current liabilities					Current liabilities	
Notes and accounts payable—trade	17,548	41,347	630	59,525	Trade and other payables	e, n
Short-term loans payable	8,936	—	—	8,936	Interest-bearing debt	
Accounts payable—other and accrued expenses	—	69	5,661	5,730	Lease liabilities	j
Income taxes payable	42,481	(42,481)	—	—	Other financial liabilities	e, d
Provision for product warranties	—	9,650	—	9,650	Income tax payables	
Provision for sales returns	2,474	—	—	2,474	Provisions	
Provision for loss on construction contracts	—	2,009	(111)	1,898	Other current liabilities	o
Other	1,840	(1,840)	—	—		
	111	(111)	—	—		
	8	(8)	—	—		
	7,094	1,071	4,061	12,228		
Total current liabilities	80,495	9,705	10,242	100,443	Total current liabilities	
Non-current liabilities					Non-current liabilities	
	—	149	18,108	18,258	Lease liabilities	j
	—	3,104	—	3,014	Financial liabilities	
Long-term accounts payable	3,902	(3,902)	—	—	Retirement benefit liabilities	l
Net defined benefit liabilities	22,460	—	1,808	24,268	Provisions	
Deferred tax liabilities	—	455	—	455	Deferred tax liabilities	m
Deferred tax liabilities for land revaluation	5,152	—	3,497	8,650	Other non-current liabilities	d, m, p
Long-term deposits received	9,544	(9,544)	—	—		
Other	8,997	(8,997)	—	—		
	1,437	9,227	(8,840)	1,824		
Total non-current liabilities	51,494	(9,596)	14,575	56,473	Total non-current liabilities	
Total liabilities	131,990	109	24,817	156,917	Total liabilities	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net Assets					Equity	
Capital stock	28,534	—	—	28,534	Capital stock	
Capital surplus	21,565	—	2	21,568	Capital surplus	q
Retained earnings	325,141	—	(31,594)	293,547	Retained earnings	
Treasury stock	(42,533)	—	—	(42,533)	Treasury stock	
Valuation difference on available-for-sale securities	54,796	(54,796)	—	—		
Deferred gains or losses on hedges	85	(85)	—	—		
Revaluation reserve for land	20,379	(20,379)	—	—		
Foreign currency translation adjustment	(24,691)	24,691	—	—		
Remeasurements of defined benefit plans	(1,582)	1,582	—	—		
	—	48,987	7,832	56,820	Other components of equity	h, k, l, r
Non-controlling interests	1,076	—	(5)	1,070	Non-controlling interests	
Total net assets	382,771	—	(23,764)	359,007	Total equity	
Total liabilities and net assets	514,762	109	1,052	515,924	Total liabilities and equity	

C) Adjustments of profit or loss for FY2019.3 (April 1, 2018 – March 31, 2019)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net sales	437,416	(3,240)	197	434,373	Revenue	a
Cost of sales	(255,291)	9	(86)	(255,367)	Cost of sales	a, g, j, l, n, o
Gross profit	182,124	(3,230)	111	179,005	Gross profit	
Selling, general and administrative expenses	(126,094)	—	(164)	(126,259)	Selling, general and administrative expenses	j, l, n, o
	—	—	—	52,745	Core operating profit	
	—	5,110	(3,551)	1,558	Other income	b, h, k, p
	—	(1,510)	21	(1,488)	Other expenses	b
Operating income	56,030	369	(3,583)	52,815	Operating profit	
Non-operating income	6,742	(6,742)	—	—		a, b
Non-operating expenses	(4,349)	4,349	—	—		a, b
Extraordinary income	3,042	(3,042)	—	—		b
Extraordinary loss	(980)	980	—	—		b
	—	4,652	—	4,652	Finance income	b
	—	(579)	(429)	(1,008)	Finance expenses	b
	—	12	—	12	Share of profit of associates accounted for using the equity method	b
Income before income taxes	60,485	—	(4,013)	56,471	Profit before income tax	
Income taxes	(16,667)	—	581	(16,085)	Income taxes	m
Net income for the period	43,817	—	(3,431)	40,386	Profit for the period	

D) Adjustments of comprehensive income for FY2019.3 (April 1, 2018 – March 31, 2019)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net income for the period	43,817	—	(3,431)	40,386	Profit for the period	
Other comprehensive income					Other comprehensive income	
Remeasurements of defined benefit plans	(982)	—	538	(444)	Items that will not be reclassified to profit or loss Remeasurements of defined benefit plans	l
Valuation difference on available-for-sale securities	(24,917)	—	329	(24,588)	Financial assets measured at fair value through other comprehensive income	k
Share of other comprehensive income of affiliates accounted for using equity method	(14)	—	—	(14)	Share of other comprehensive income of associates accounted for using the equity method	
Revaluation reserve for land	1,315	—	(1,315)	—	Items that may be subsequently reclassified to profit or loss	h
Foreign currency translation adjustment	(863)	—	(52)	(916)	Exchange differences on translation of foreign operations	
Deferred gains or losses on hedges	(24)	—	11	(12)	Cash flow hedges	
Total other comprehensive income	(25,487)	—	(489)	(25,976)	Total other comprehensive income	
Comprehensive income	18,330	—	(3,921)	14,409	Comprehensive income for the period	

E) Notes to adjustments

(i) Reclassification

- a Items such as sales discount and purchase discount presented under Japanese GAAP as non-operating income and non-operating expenses are deducted under IFRS from revenue and cost of sales, respectively.
- b Items (excluding sales discount and purchase discount) presented under Japanese GAAP as non-operating income, non-operating expenses, extraordinary income, and extraordinary loss are stated under IFRS as finance income and finance expenses for financial-related items and as other income, other expenses, or share of profit of associates accounted for using the equity method for other items.
- c Time deposits with deposit periods longer than three months presented under Japanese GAAP as cash and deposit are stated under IFRS as other financial assets under current assets.
- d Long-term deposits presented under Japanese GAAP as other under non-current liabilities are stated under IFRS as other financial liabilities under current liabilities.
- e Other accounts receivable presented under Japanese GAAP as other under current assets are stated under IFRS as included in trade and other receivables. Also, accounts payable—other and accrued expenses presented under Japanese GAAP are stated under IFRS as trade and other payables.
- f Land use rights presented under Japanese GAAP as included in intangible assets are stated under IFRS as included in right-of-use assets.

(ii) Differences in recognition and measurement

The Group made the following adjustments, related accounting for tax effects and allocations to non-controlling interests.

- g Inventory valuation and unrealized gains and losses on consolidated internal transactions
The calculation method of unrealized gains and losses on inventories has been changed with the revaluation of inventories based on manufacturing costs under IFRS.
- h Valuation of property, plant and equipment
The cost model was used for valuation of property, plant and equipment on the date of transition to IFRS. As a result, the land revaluation under Japanese GAAP was reversed and valued at acquisition cost. Also, the Group applied the exemption provision for the first-time adoption of IFRS regarding certain land and has valued the landholdings at deemed cost.
- i Application of impairment accounting
Impairment losses were recorded to some property, plant and equipment as a result of evaluating the recoverability of non-current assets in accordance with IFRS on the date of transition to IFRS.
- j Lease transactions
Under Japanese GAAP, lease payments other than those associated with finance lease transactions are recorded as expenses at the time of occurrence. Under IFRS, the present value is measured based on the future lease payments at the beginning date of the lease transaction and accounted as a right-of-use asset and lease liability. For a right-of-use asset, depreciation is applied to the leased item using the straight-line method over the projected lease period, and the lease liability is then adjusted for interest and recognized as a liability.
- k Measurement of financial instruments
Unlisted shares valued at acquisition cost under Japanese GAAP are valued at fair value through other comprehensive income under IFRS. Also, equity instruments recognized as sales gain or loss or impairment losses in net income under Japanese GAAP are classified as financial assets measured at fair value through other comprehensive income under IFRS and are therefore not recognized as sales gain or loss or impairment losses under profit or loss. When financial instruments have been sold and is no longer recognized or for which the fair value has declined substantially, other comprehensive income is immediately transferred to retained earnings.

l Retirement benefit liabilities

There are differences in actuarial assumptions such as discount rates between Japanese GAAP and IFRS. Under Japanese GAAP, actuarial differences and past service costs are accounted for through other comprehensive income at the time of occurrence and accounted as an expense over a fixed number of years within the average remaining service period of employees at the time of occurrence. Under IFRS, actuarial differences are recognized as other comprehensive income at the time of occurrence and immediately transferred to retained earnings; past service costs are recognized as profit or loss at the time of occurrence. Under IFRS, for interest cost, the amount calculated by multiplying net defined benefit assets or liabilities by a discount rate are recognized in profit or loss.

m Accounting of deferred tax assets

Under Japanese GAAP, the judgment of recoverability of deferred tax assets takes into account future temporary differences; under IFRS, the method of judgment of recoverability does not take into account a judgment of future temporary differences. In addition, regarding the accounting of deferred tax assets associated with unrealized gains from internal transactions within the consolidated group, under Japanese GAAP, recoverability is judged based on taxable income occurred at a selling company and the amount is recorded based on the effective tax rate of the selling company. Under IFRS, recoverability is judged based on taxable income in the future at a purchasing company and recorded using the effective tax rate at the purchasing company. This both increases and decreases the amounts of deferred tax assets and liabilities, but it also reduces the amount of assets and liabilities that cancel each other out and ultimately leads to higher amounts accounted for both deferred tax assets and liabilities.

n Accounting of levies

Under Japanese GAAP, tax levies were accounted as liabilities when they were levied; under IFRS tax levies are accounted as liabilities at the time of assessment and decision.

o Unutilized paid leave

Unutilized paid leave that is not recognized under Japanese GAAP is accounted as a liability under IFRS.

p Government grants

Under Japanese GAAP, a grant related to an asset is collectively recognized as revenue when it was determined that it was received; under IFRS, it is treated as deferred revenue and is regularly recognized as revenue over the period in which the corresponding asset is recognized as an expense.

q Restricted stock compensation

Under Japanese GAAP, restricted stock compensation is recognized as an increase in equity at the time the stock is granted; under IFRS an increase in equity is recognized corresponding to the provision of services after the stock is granted.

r Exchange differences on translation of foreign operations

The Group has adopted the exemption provision for the first-time adoption of IFRS, and cumulative exchange differences of foreign operations as of the date of transition to IFRS are transferred from other components of equity to retained earnings.

F) Adjustment of retained earnings

(Millions of yen)

	Date of transition to IFRS (April 1, 2018)	FY2019.3 (As of March 31, 2019)
g Valuation of inventories and unrealized gains and losses on consolidated internal transactions	936	668
h Valuation of property, plant and equipment	(2,217)	—
i Application of impairment accounting	(615)	(528)
l Retirement benefit liabilities	(3,027)	(3,389)
m Accounting of deferred tax assets (Note)	1,390	229
n Accounting of levies	(772)	(872)
o Unutilized paid leave	(3,187)	(3,240)
p Government grants	—	(704)
r Exchange differences on translation of foreign operations	(23,862)	(23,862)
Other	79	105
Total	(31,276)	(31,594)

Note: “m Accounting of deferred tax assets” includes accounting of tax effect related to other categories.

G) Adjustments of cash flows for FY2019.3 (April 1, 2018 – March 31, 2019)

Payments of lease fee other than finance leases classified as cash flows from operating activities under Japanese GAAP are classified under IFRS as repayment of lease liability in cash flows from financing activities. As a result, cash flows from operating activities increased by ¥5,577 million and cash flows from financing activities decreased by the same amount.