



# YAMAHA CORPORATION

## Flash Report Consolidated Basis (IFRS) Results through the Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 - December 31, 2019)

February 6, 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

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**Scheduled date to submit Quarterly Securities Report:** February 14, 2020

**Scheduled date to begin dividend payments:** —

**Supplementary materials to the quarterly financial statements have been prepared:** Yes

**Presentation will be held to explain the quarterly financial results:** Yes (for securities analysts and institutional investors)

### 1. Consolidated Financial Results through the Third Quarter of FY2020.3 (April 1, 2019 - December 31, 2019)

Figures of less than ¥1 million have been omitted.

#### (1) Consolidated Operating Results (Accumulation)

(Percentage figures are changes from the same period of 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	%
<b>Through the third quarter of FY2020.3</b>	<b>322,615</b>	<b>(2.7)</b>	<b>42,396</b>	<b>(5.5)</b>	<b>44,036</b>	<b>(2.8)</b>	<b>45,450</b>	<b>(4.3)</b>
Through the third quarter of FY2019.3	331,713	—	44,858	—	45,291	—	47,511	—

Note: Comprehensive income: Third quarter of FY2020.3 **¥33,525 million** **478.5%**  
Third quarter of FY2019.3 ¥5,794 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
<b>Through the third quarter of FY2020.3</b>	<b>32,844</b>	<b>(2.5)</b>	<b>32,718</b>	<b>(2.8)</b>	<b>183.48</b>	—
Through the third quarter of FY2019.3	33,693	—	33,656	—	185.08	—

## (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity ratio attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
<b>Third quarter of FY2020.3 (As of December 31, 2019)</b>	<b>527,666</b>	<b>366,782</b>	<b>365,674</b>	<b>69.3</b>
FY2019.3 (As of March 31, 2019)	515,924	359,007	357,936	69.4

## 2. Dividends

	Annual dividends				
	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
FY2020.3	—	33.00	—		
FY2020.3 (Forecast)				33.00	66.00

Note: Revisions from recently announced dividend forecast: None

## 3. Consolidated Financial Forecasts for FY2020.3 (April 1, 2019–March 31, 2020)

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

	Revenue		Core operating profit		Operating profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020.3	425,000	(2.2)	50,000	(5.2)	51,500	(2.5)

	Profit before income tax		Profit for the period attributable to owners of the parent		Basic profit per share
	Millions of yen	%	Millions of yen	%	Yen
FY2020.3	54,500	(3.5)	39,500	(2.1)	222.08

Note: Revisions from recently announced performance forecast: Yes

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

## 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)	<b>Third quarter of FY2020.3</b>	<b>191,555,025 shares</b>	FY2019.3	191,555,025 shares
(b) Number of treasury shares at the end of the period	<b>Third quarter of FY2020.3</b>	<b>14,279,963 shares</b>	FY2019.3	11,919,368 shares
(c) Average number of shares outstanding during the period (cumulative period)	<b>Third quarter of FY2020.3</b>	<b>178,319,656 shares</b>	Third quarter of FY2019.3	181,846,960 shares

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

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

Consolidated financial forecasts were prepared based on information available at the time of the announcement and do not represent promises by the Company or its management that these performance figures will be attained. Actual consolidated results may differ from forecasts owing to a wide range of factors.

For commentary information regarding the closing of accounts through the third quarter of FY2020.3, please refer to “Yamaha Reports Third Quarter (Nine Months) Results of Fiscal Year Ending March 2020 and Full Year Outlook [IFRS]”, which was released today (February 6, 2020).

### Revised Performance Forecast

The Company has revised its consolidated forecast for the full fiscal year downward to revenue of ¥425.0 billion, core operating profit of ¥50.0 billion, operating profit of ¥51.5 billion, profit before income tax of ¥54.5 billion, and profit for the period attributable to owners of the parent of ¥39.5 billion, respectively, reflecting the sales trends through the third quarter and incorporating a level of uncertainty about the future outlook such as concerns about the spread of the new coronavirus in China.

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 the International Financial Reporting Standards (IFRS) from the first quarter of fiscal year ending March 31, 2020 (FY2020.3). Financial figures through the previous third quarter and the previous fiscal year are also presented in accordance with IFRS.

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# 1. Condensed Quarterly Consolidated Financial Statements and Major Notes

## (1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	Date of transition to IFRS (April 1, 2018)	FY2019.3 (as of March 31, 2019)	Third quarter of FY2020.3 (as of December 31, 2019)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	117,403	95,815	99,231
Trade and other receivables	65,984	65,346	69,227
Other financial assets	5,559	10,508	11,827
Inventories	95,062	101,003	103,642
Other current assets	6,687	10,144	6,775
Total current assets	290,697	282,819	290,704
Noncurrent assets			
Property, plant and equipment	87,133	91,326	93,443
Right-of-use assets	31,110	29,579	27,512
Goodwill	—	161	159
Intangible assets	689	1,321	1,571
Financial assets	138,713	101,093	104,621
Deferred tax assets	7,969	7,237	7,162
Other noncurrent assets	2,221	2,387	2,492
Total noncurrent assets	267,837	233,105	236,962
Total assets	558,535	515,924	527,666

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)	Third quarter of FY2020.3 (as of December 31, 2019)
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	65,094	59,525	54,781
Interest-bearing debt	11,173	8,936	14,991
Lease liabilities	5,535	5,730	5,357
Other financial liabilities	9,754	9,650	9,915
Income tax payables	16,325	2,474	3,115
Provisions	1,858	1,898	1,784
Other current liabilities	12,063	12,228	15,106
<b>Total current liabilities</b>	<b>121,805</b>	<b>100,443</b>	<b>105,052</b>
<b>Noncurrent liabilities</b>			
Lease liabilities	20,086	18,258	16,727
Financial liabilities	4,553	3,014	1,641
Retirement benefit liabilities	23,666	24,268	21,676
Provisions	442	455	534
Deferred tax liabilities	18,592	8,650	13,293
Other noncurrent liabilities	1,065	1,824	1,956
<b>Total noncurrent liabilities</b>	<b>68,406</b>	<b>56,473</b>	<b>55,831</b>
<b>Total liabilities</b>	<b>190,211</b>	<b>156,917</b>	<b>160,884</b>
<b>Equity</b>			
Capital stock	28,534	28,534	28,534
Capital surplus	39,978	21,568	21,220
Retained earnings	263,627	293,547	316,830
Treasury stock	(48,556)	(42,533)	(56,612)
Other components of equity	82,903	56,820	55,699
<b>Equity attributable to owners of the parent</b>	<b>366,488</b>	<b>357,936</b>	<b>365,674</b>
Non-controlling interests	1,834	1,070	1,108
<b>Total equity</b>	<b>368,323</b>	<b>359,007</b>	<b>366,782</b>
<b>Total liabilities and equity</b>	<b>558,535</b>	<b>515,924</b>	<b>527,666</b>

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

## (2) Condensed Quarterly Consolidated Statement of Income

Third quarter (nine months) ended December 31, 2018 and 2019

(Millions of yen)

	Third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)	Third quarter of FY2020.3 (April 1, 2019 – December 31, 2019)
Revenue	331,713	322,615
Cost of sales	(193,168)	(189,093)
Gross profit	138,545	133,522
Selling, general and administrative expenses	(93,686)	(91,126)
Core operating profit	44,858	42,396
Other income	1,181	1,914
Other expenses	(748)	(273)
Operating profit	45,291	44,036
Finance income	2,862	2,844
Finance expenses	(654)	(1,436)
Share of profit of associates accounted for using the equity method	12	6
Profit before income tax	47,511	45,450
Income taxes	(13,818)	(12,606)
Profit for the period	33,693	32,844
Profit for the period attributable to:		
Owners of parent	33,656	32,718
Non-controlling interests	36	125
Profit per share		
Basic (Yen)	185.08	183.48
Diluted (Yen)	—	—

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

### (3) Condensed Quarterly Consolidated Statement of Comprehensive Income

Third quarter (nine months) ended December 31, 2018 and 2019

(Millions of yen)

	Third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)	Third quarter of FY2020.3 (April 1, 2019 – December 31, 2019)
Profit for the period	33,693	32,844
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2	1,838
Financial assets measured at fair value through other comprehensive income	(26,404)	2,776
Share of other comprehensive income of associates accounted for using the equity method	(15)	1
Total items that will not be reclassified to profit or loss	(26,417)	4,616
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,602)	(3,703)
Cash flow hedges	121	(232)
Total items that may be subsequently reclassified to profit or loss	(1,480)	(3,936)
Total other comprehensive income	(27,898)	680
Comprehensive income for the period	5,794	33,525
Comprehensive income for the period attributable to:		
Owners of parent	5,796	33,438
Non-controlling interests	(2)	87

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



#### (4) Condensed Quarterly Consolidated Statement of Changes in Equity

Third quarter of FY2019.3 (April 1, 2018 - December 31, 2018)

(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	—	—	33,656	—	—	—	—
Other comprehensive income	—	—	—	—	2	(26,420)	(1,562)
Total comprehensive income for the period	—	—	33,656	—	2	(26,420)	(1,562)
Acquisition of treasury stock	—	—	—	(11)	—	—	—
Cancellation of treasury stock	—	(17,964)	—	17,964	—	—	—
Dividends	—	—	(10,547)	—	—	—	—
Share-based compensation	—	119	—	6	—	—	—
Changes in the ownership interest of a subsidiary without a loss of control	—	(630)	—	—	—	—	—
Transfer to retained earnings	—	—	270	—	(2)	(268)	—
Total transactions with owners	—	(18,475)	(10,276)	17,959	(2)	(268)	—
Balance at December 31, 2018	28,534	21,502	287,006	(30,596)	—	56,099	(1,562)

(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	—	—	33,656	36	33,693
Other comprehensive income	121	(27,859)	(27,859)	(39)	(27,898)
Total comprehensive income for the period	121	(27,859)	5,796	(2)	5,794
Acquisition of treasury stock	—	—	(11)	—	(11)
Cancellation of treasury stock	—	—	—	—	—
Dividends	—	—	(10,547)	(90)	(10,637)
Share-based compensation	—	—	125	—	125
Changes in the ownership interest of a subsidiary without a loss of control	—	—	(630)	(698)	(1,329)
Transfer to retained earnings	—	(270)	—	—	—
Total transactions with owners	—	(270)	(11,063)	(789)	(11,853)
Balance at December 31, 2018	236	54,773	361,221	1,043	362,264

Third quarter of FY2020.3 (April 1, 2019 – December 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, 2019	28,534	21,568	293,547	(42,533)	—	57,610	(893)
Profit for the period	—	—	32,718	—	—	—	—
Other comprehensive income	—	—	—	—	1,838	2,778	(3,664)
Total comprehensive income for the period			32,718	—	1,838	2,778	(3,664)
Acquisition of treasury stock	—	—	—	(14,597)	—	—	—
Cancellation of treasury stock	—	—	—	—	—	—	—
Dividends	—	—	(11,274)	—	—	—	—
Share-based compensation	—	(347)	—	519	—	—	—
Changes in the ownership interest of a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	1,839	—	(1,838)	(0)	—
Total transactions with owners	—	(347)	(9,435)	(14,078)	(1,838)	(0)	—
Balance at December 31, 2019	28,534	21,220	316,830	(56,612)	—	60,388	(4,558)

(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	—	—	32,718	125	32,844
Other comprehensive income	(232)	719	719	(38)	680
Total comprehensive income for the period	(232)	719	33,438	87	33,525
Acquisition of treasury stock	—	—	(14,597)	—	(14,597)
Cancellation of treasury stock	—	—	—	—	—
Dividends	—	—	(11,274)	(49)	(11,324)
Share-based compensation	—	—	171	—	171
Changes in the ownership interest of a subsidiary without a loss of control	—	—	—	—	—
Transfer to retained earnings	—	(1,839)	—	—	—
Total transactions with owners	—	(1,839)	(25,700)	(49)	(25,750)
Balance at December 31, 2019	(130)	55,699	365,674	1,108	366,782

## **(5) Notes to the Condensed Quarterly Consolidated Financial Statements**

### **Notes Regarding Assumptions as a Going Concern**

Not applicable

### **Notes Regarding Significant Changes in the Amount of Equity Attributable to Owners of the Parent**

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 condensed quarterly consolidated financial statements of the Company and its subsidiaries (the “Group”) ended December 31, 2019, 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 condensed quarterly consolidated financial statements in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting”. 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 condensed quarterly 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 and operating performance are stated in the “First-time adoption”.

#### **(2) Basis of measurement**

The condensed quarterly 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 condensed quarterly 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 condensed quarterly 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 condensed quarterly 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 and loss from transactions between Group companies are eliminated upon preparation of the condensed quarterly 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 and 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 translation difference 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 translation differences 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 and 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 recognized on a straight-line basis 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 consolidated 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 an 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 basis 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 corporate 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 condensed quarterly 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 condensed quarterly 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 condensed quarterly 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.

## 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".

Third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	213,199	90,584	303,783	27,930	331,713	—	331,713
Intersegment revenue	—	—	—	257	257	(257)	—
<b>Total</b>	<b>213,199</b>	<b>90,584</b>	<b>303,783</b>	<b>28,188</b>	<b>331,971</b>	<b>(257)</b>	<b>331,713</b>
Core operating profit (Segment profit)	33,766	8,136	41,902	2,955	44,858	—	44,858
Other income							1,181
Other expenses							(748)
Operating profit							45,291
Finance income							2,862
Finance expenses							(654)
Share of profit of associates accounted for using the equity method							12
Profit before income tax							47,511

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

Third quarter of FY2020.3 (April 1, 2019 – December 31, 2019)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	213,336	86,189	299,525	23,090	322,615	—	322,615
Intersegment revenue	—	—	—	249	249	(249)	—
Total	213,336	86,189	299,525	23,339	322,865	(249)	322,615
Core operating profit (Segment profit)	34,802	7,137	41,939	456	42,396	—	42,396
Other income							1,914
Other expenses							(273)
Operating profit							44,036
Finance income							2,844
Finance expenses							(1,436)
Share of profit of associates accounted for using the equity method							6
Profit before income tax							45,450

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.

Third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)

(Millions of yen)

	Reportable segment		Others	Total
	Musical instruments	Audio equipment		
Japan	55,745	18,452	20,491	94,689
North America	43,172	22,945	2,159	68,277
Europe	40,136	25,658	287	66,082
China	36,955	8,049	2,407	47,412
Asia, Oceania, and other areas	37,189	15,478	2,584	55,252
Total	213,199	90,584	27,930	331,713
Revenue recognized from contracts with customers	211,845	90,391	27,811	330,048
Revenue recognized from other sources	1,353	192	119	1,665

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

Third quarter of FY2020.3 (April 1, 2019 – December 31, 2019)

(Millions of yen)

	Reportable segment		Others	Total
	Musical instruments	Audio equipment		
Japan	52,982	19,913	17,304	90,200
North America	44,164	20,948	2,718	67,831
Europe	39,724	24,195	180	64,100
China	38,538	6,503	1,087	46,129
Asia, Oceania, and other areas	37,926	14,627	1,799	54,353
<b>Total</b>	<b>213,336</b>	<b>86,189</b>	<b>23,090</b>	<b>322,615</b>
Revenue recognized from contracts with customers	212,172	85,909	22,968	321,049
Revenue recognized from other sources	1,164	279	121	1,566

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

### Subsequent Events

There are no important sequent events to note.

## **First-time Adoption**

The Group is presenting its condensed quarterly 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 and operating results 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
<b>Assets</b>					<b>Assets</b>	
<b>Current assets</b>					<b>Current assets</b>	
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	—	—		
<b>Total current assets</b>	<b>289,493</b>	<b>(164)</b>	<b>1,368</b>	<b>290,697</b>	<b>Total current assets</b>	
<b>Noncurrent assets</b>					<b>Noncurrent assets</b>	
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
	—	4,699	3,270	7,969	Deferred tax assets	m
Other	10,610	(8,542)	154	2,221	Other noncurrent assets	l
Allowance for doubtful accounts	(120)	120	—	—		
<b>Total noncurrent assets</b>	<b>262,816</b>	<b>278</b>	<b>4,742</b>	<b>267,837</b>	<b>Total noncurrent assets</b>	
<b>Total assets</b>	<b>552,309</b>	<b>114</b>	<b>6,110</b>	<b>558,535</b>	<b>Total assets</b>	



(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
<b>Liabilities</b>					<b>Liabilities</b>	
<b>Current liabilities</b>					<b>Current liabilities</b>	
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	
Provisions	1,876	78	(97)	1,858	Provisions	
Other	7,069	1,088	3,905	12,063	Other current liabilities	o
<b>Total current liabilities</b>	<b>101,919</b>	<b>9,818</b>	<b>10,067</b>	<b>121,805</b>	<b>Total current liabilities</b>	
<b>Noncurrent liabilities</b>					<b>Noncurrent liabilities</b>	
	—	190	19,895	20,086	Lease liabilities	j
	—	4,553	—	4,553	Financial liabilities	
Net defined benefit liabilities	21,098	—	2,567	23,666	Retirement benefit liabilities	l
	—	442	—	442	Provisions	
	—	15,402	3,190	18,592	Deferred tax liabilities	m
Other	40,944	(30,291)	(9,587)	1,065	Other non-current liabilities	d, m
<b>Total noncurrent liabilities</b>	<b>62,043</b>	<b>(9,703)</b>	<b>16,065</b>	<b>68,406</b>	<b>Total noncurrent liabilities</b>	
<b>Total liabilities</b>	<b>163,963</b>	<b>114</b>	<b>26,133</b>	<b>190,211</b>	<b>Total liabilities</b>	
<b>Net assets</b>					<b>Equity</b>	
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	
<b>Total net assets</b>	<b>388,345</b>	<b>—</b>	<b>(20,022)</b>	<b>368,323</b>	<b>Total equity</b>	
<b>Total liabilities and net assets</b>	<b>552,309</b>	<b>114</b>	<b>6,110</b>	<b>558,535</b>	<b>Total liabilities and equity</b>	

B) Adjustments of equity for the third quarter of FY2019.3 (as of December 31, 2018)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
<b>Assets</b>					<b>Assets</b>	
<b>Current assets</b>					<b>Current assets</b>	
Cash and deposits	109,583	(7,478)	—	102,105	Cash and cash equivalents	c
Notes and accounts receivable—trade	64,200	9,816	(23)	73,994	Trade and other receivables	e
	—	7,828	73	7,901	Other financial assets	c
Merchandise and finished goods	69,346	33,247	(182)	102,411	Inventories	g
Work in process	14,977	(14,977)	—	—		
Raw materials and supplies	18,269	(18,269)	—	—		
Other	21,926	(11,680)	513	10,759	Other current assets	e
Allowance for doubtful accounts	(1,349)	1,349	—	—		
<b>Total current assets</b>	<b>296,955</b>	<b>(164)</b>	<b>380</b>	<b>297,171</b>	<b>Total current assets</b>	
<b>Noncurrent assets</b>					<b>Noncurrent assets</b>	
Property, plant and equipment	119,141	(399)	(30,423)	88,318	Property, plant and equipment	h, i
	—	6,227	24,212	30,440	Right-of-use assets	f, j
	—	143	17	161	Goodwill	
Intangible assets	7,325	(5,971)	—	1,354	Intangible assets	f
Investment securities	92,323	3,828	3,693	99,845	Financial assets	k
	—	4,489	2,884	7,373	Deferred tax assets	m
Other	11,261	(8,154)	(735)	2,370	Other noncurrent assets	l
Allowance for doubtful accounts	(108)	108	—	—		
<b>Total noncurrent assets</b>	<b>229,943</b>	<b>271</b>	<b>(351)</b>	<b>229,863</b>	<b>Total noncurrent assets</b>	
<b>Total assets</b>	<b>526,899</b>	<b>106</b>	<b>29</b>	<b>527,035</b>	<b>Total assets</b>	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
<b>Liabilities</b>					<b>Liabilities</b>	
<b>Current liabilities</b>					<b>Current liabilities</b>	
Notes and accounts payable—trade	18,079	35,259	555	53,895	Trade and other payables	e, n
Short-term loans payable	19,119	—	—	19,119	Interest-bearing debt	
Accounts payable—other and accrued expenses	—	62	5,801	5,864	Lease liabilities	j
	36,248	(36,248)	—	—		e
	—	9,714	—	9,714	Other financial liabilities	d
Income taxes payable	3,725	—	—	3,725	Income tax payables	
Provisions	1,904	45	(76)	1,873	Provisions	
Other	8,779	932	3,911	13,623	Other current liabilities	o
<b>Total current liabilities</b>	<b>87,859</b>	<b>9,766</b>	<b>10,192</b>	<b>107,818</b>	<b>Total current liabilities</b>	
<b>Noncurrent liabilities</b>					<b>Noncurrent liabilities</b>	
	—	336	18,589	18,925	Lease liabilities	j
	—	3,100	—	3,100	Financial liabilities	
Net defined benefit liabilities	21,093	—	2,719	23,813	Retirement benefit liabilities	l
	—	412	—	412	Provisions	
	—	6,401	3,223	9,625	Deferred tax liabilities	m
Other	30,572	(19,910)	(9,587)	1,074	Other noncurrent liabilities	d, m
<b>Total noncurrent liabilities</b>	<b>51,666</b>	<b>(9,659)</b>	<b>14,944</b>	<b>56,952</b>	<b>Total noncurrent liabilities</b>	
<b>Total liabilities</b>	<b>139,525</b>	<b>106</b>	<b>25,137</b>	<b>164,770</b>	<b>Total liabilities</b>	
<b>Net Assets</b>					<b>Equity</b>	
Capital stock	28,534	—	—	28,534	Capital stock	
Capital surplus	21,565	—	(62)	21,502	Capital surplus	q
Retained earnings	318,107	—	(31,100)	287,006	Retained earnings	
Treasury stock	(30,596)	—	—	(30,596)	Treasury stock	
Valuation difference on available-for-sale securities	53,514	(53,514)	—	—		
Deferred gains or losses on hedges	210	(210)	—	—		
Revaluation reserve for land	20,342	(20,342)	—	—		
Foreign currency translation adjustment	(25,369)	25,369	—	—		
Remeasurements of defined benefit plans	30	(30)	—	—		
	—	48,728	6,045	54,773	Other components of equity	h, k, l, r
Non-controlling interests	1,033	—	9	1,043	Non-controlling interests	
<b>Total net assets</b>	<b>387,373</b>	<b>—</b>	<b>(25,108)</b>	<b>362,264</b>	<b>Total equity</b>	
<b>Total liabilities and net assets</b>	<b>526,899</b>	<b>106</b>	<b>29</b>	<b>527,035</b>	<b>Total liabilities and equity</b>	

## C) 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
<b>Assets</b>					<b>Assets</b>	
<b>Current assets</b>					<b>Current assets</b>	
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	—	—		
<b>Total current assets</b>	<b>281,608</b>	<b>(146)</b>	<b>1,357</b>	<b>282,819</b>	<b>Total current assets</b>	
<b>Noncurrent assets</b>					<b>Noncurrent assets</b>	
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
	—	4,708	2,528	7,237	Deferred tax assets	m
Other	10,711	(8,325)	1	2,387	Other noncurrent assets	l
Allowance for doubtful accounts	(147)	147	—	—		
<b>Total noncurrent assets</b>	<b>233,153</b>	<b>256</b>	<b>(304)</b>	<b>233,105</b>	<b>Total noncurrent assets</b>	
<b>Total assets</b>	<b>514,762</b>	<b>109</b>	<b>1,052</b>	<b>515,924</b>	<b>Total assets</b>	

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
<b>Liabilities</b>					<b>Liabilities</b>	
<b>Current liabilities</b>					<b>Current liabilities</b>	
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
	42,481	(42,481)	—	—		e
	—	9,650	—	9,650	Other financial liabilities	d
Income taxes payable	2,474	—	—	2,474	Income tax payables	
Provisions	1,960	49	(111)	1,898	Provisions	
Other	7,094	1,071	4,061	12,228	Other current liabilities	o
<b>Total current liabilities</b>	<b>80,495</b>	<b>9,705</b>	<b>10,242</b>	<b>100,443</b>	<b>Total current liabilities</b>	
<b>Noncurrent liabilities</b>					<b>Noncurrent liabilities</b>	
	—	149	18,108	18,258	Lease liabilities	j
	—	3,014	—	3,014	Financial liabilities	
Net defined benefit liabilities	22,460	—	1,808	24,268	Retirement benefit liabilities	l
	—	455	—	455	Provisions	
	—	5,152	3,497	8,650	Deferred tax liabilities	m
Other	29,034	(18,369)	(8,840)	1,824	Other noncurrent liabilities	d, m, p
<b>Total noncurrent liabilities</b>	<b>51,494</b>	<b>(9,596)</b>	<b>14,575</b>	<b>56,473</b>	<b>Total noncurrent liabilities</b>	
<b>Total liabilities</b>	<b>131,990</b>	<b>109</b>	<b>24,817</b>	<b>156,917</b>	<b>Total liabilities</b>	
<b>Net Assets</b>					<b>Equity</b>	
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	
<b>Total net assets</b>	<b>382,771</b>	<b>—</b>	<b>(23,764)</b>	<b>359,007</b>	<b>Total equity</b>	
<b>Total liabilities and net assets</b>	<b>514,762</b>	<b>109</b>	<b>1,052</b>	<b>515,924</b>	<b>Total liabilities and equity</b>	

D) Adjustments of profit and loss through the third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net sales	333,899	(2,433)	247	331,713	Revenue	a
Cost of sales	(192,118)	7	(1,057)	(193,168)	Cost of sales	a, g, j, l, n, o
Gross profit	141,781	(2,425)	(810)	138,545	Gross profit	
Selling, general and administrative expenses	(93,692)	—	5	(93,686)	Selling, general and administrative expenses	j, l, n, o
	—	—	—	44,858	Core operating profit	
	—	3,601	(2,419)	1,181	Other income	b, h, k
	—	(750)	1	(748)	Other expenses	b
Operating income	48,088	424	(3,222)	45,291	Operating profit	
Non-operating income	3,947	(3,947)	—	—		a, b
Non-operating expenses	(3,172)	3,172	—	—		a, b
Extraordinary income	2,546	(2,546)	—	—		b
Extraordinary loss	(350)	350	—	—		b
	—	2,873	(10)	2,862	Finance income	b
	—	(339)	(314)	(654)	Finance expenses	b
	—	12	—	12	Share of profit of associates accounted for using the equity method	b
Income before income taxes	51,060	—	(3,548)	47,511	Profit before income tax	
Income taxes	(14,298)	—	479	(13,818)	Income taxes	m
Net income for the period	36,761	—	(3,068)	33,693	Profit for the period	

E) Adjustments of comprehensive income through the third quarter of FY2019.3 (April 1, 2018 – December 31, 2018)

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Net income for the period	36,761	—	(3,068)	33,693	Profit for the period	
Other comprehensive income					Other comprehensive income	
					Items that will not be reclassified to profit or loss	
Remeasurements of defined benefit plans	630	—	(628)	2	Remeasurements of defined benefit plans	l
Valuation difference on available-for-sale securities	(26,199)	—	(205)	(26,404)	Financial assets measured at fair value through other comprehensive income	k
Share of other comprehensive income of affiliates accounted for using equity method	(15)	—	(0)	(15)	Share of other comprehensive income of associates accounted for using the equity method	
Revaluation reserve for land	1,273	—	(1,273)	—		h
					Items that may be subsequently reclassified to profit or loss	
Foreign currency translation adjustment	(1,558)	—	(43)	(1,602)	Exchange differences on translation of foreign operations	
Deferred gains or losses on hedges	101	—	20	121	Cash flow hedges	
Total other comprehensive income	(25,766)	—	(2,131)	(27,898)	Total other comprehensive income	
Comprehensive income	10,994	—	(5,199)	5,794	Comprehensive income for the period	

F) Adjustments of profit and 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	



G) 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	l
Valuation difference on available-for-sale securities	(24,917)	—	329	(24,588)	Remeasurements of defined benefit plans	
Share of other comprehensive income of affiliates accounted for using equity method	(14)	—	—	(14)	Financial assets measured at fair value through other comprehensive income	k
Revaluation reserve for land	1,315	—	(1,315)	—	Share of other comprehensive income of associates accounted for using the equity method	
Foreign currency translation adjustments	(863)	—	(52)	(916)	Items that may be subsequently reclassified to profit or loss	
Deferred gains or losses on hedges	(24)	—	11	(12)	Exchange differences on translation of foreign operations	
Cash flow hedges					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	

## H) 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 expense for financial-related items and as other income, other expense, 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 noncurrent 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 loss was recorded to some property, plant and equipment as a result of the valuation in accordance with IFRS of recoverable noncurrent assets 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 loss 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 loss 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 discount rates used for actuarial assumptions between Japanese GAAP and IFRS. Under Japanese GAAP, actuarial differences and past service costs are calculated 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 resulting from the net amount of plan assets and defined benefit liabilities multiplied by a discount rate and recognized as 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 selling company and is recorded based on effective tax rate of selling company. Under IFRS, recoverability is judged as taxable income in the future at the purchasing company and recorded using the effective tax rate at 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 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.

I) Adjustment of retained earnings

(Millions of yen)

	Date of transition to IFRS (April 1, 2018)	Third quarter of FY2019.3 (As of December 31, 2018)	FY2019.3 (As of March 31, 2019)
g Valuation of inventories and unrealized gains and losses on consolidated internal transactions	936	(182)	668
h Valuation of property, plant and equipment	(2,217)	—	—
i Application of impairment accounting	(615)	(559)	(528)
l Retirement benefit liabilities	(3,027)	(3,425)	(3,389)
m Accounting of deferred tax assets (Note)	1,390	768	229
n Accounting of levies	(772)	(772)	(872)
o Unutilized paid leave	(3,187)	(3,187)	(3,240)
p Government grants	—	—	(704)
r Exchange differences on translation of foreign operations	(23,862)	(23,862)	(23,862)
Other	79	120	105
<b>Total</b>	<b>(31,276)</b>	<b>(31,100)</b>	<b>(31,594)</b>

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