

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Six Months Ended September 30, 2019

Tokyo, Japan, November 11, 2019—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 131,758 million yen and profit attributable to owners of parent of 13,490 million yen, or 120.15 yen per share, for the six months ended September 30, 2019 (April 1, 2019 – September 30, 2019).

The Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) is applying the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2020. The figures for the same period of the previous fiscal year and for the previous consolidated fiscal year are also compliant with IFRS. For information about the difference between financial data under IFRS and those under Japanese GAAP, please refer to Notes to Consolidated Financial Statements (First-time Adoption) on page 13 of the attached document.

Results of Operations

Total consolidated orders for the Kurita Group in the six months ended September 30, 2019 fell 1.3% from the level of the year-ago period, to 137,768 million yen, and net sales increased 4.1%, to 131,758 million yen. Operating profit was 18,504 million yen, up 127.5% versus the year-ago period, profit before tax was 18,772 million yen, up 126.3%, and profit attributable to owners of parent amounted to 13,490 million yen, up 133.6%. Operating profit and profit at other levels rose significantly, chiefly reflecting a gain on the sale of fixed assets of 4,801 million yen in the first half under review and the absence of a loss on transfer of business of 2,885 million yen posted in the same period of the previous fiscal year.

Looking at the market environment surrounding the Kurita Group, in Japan, production in the manufacturing sector was weak as exports remained stagnant. Capital expenditure restraint was evident in certain sectors. Overseas, while economic growth slowed in China and emerging countries in Asia and in Europe, reflecting the growing effects of trade dispute between the United States and China, the U.S. economy remained firm. Overall, the global economy grew moderately.

In this environment, the Group strengthened its sales system in each market and each region to increase customer intimacy. Meanwhile, the Group promoted proposals of total solutions that will contribute to solving issues of customers, such as environmental mitigation, energy saving and productivity improvement.

From the first quarter of this fiscal year, the operating results at U.S.-based U.S. Water Services, Inc., as well as U.S.-based Avista Technologies, Inc. and U.K.-based Avista Technologies (UK) Ltd. have been newly consolidated.

Segment Information

The Group consists of two reportable segments in its segment information: Water Treatment Chemicals and Water Treatment Facilities

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 58,576 million yen, up 11.6% versus the same period of the fiscal year ended March 31, 2019, while net sales rose 12.7%, to 58,484 million yen.

Operating profit stood at 6,435 million yen, up 163.4% year on year, chiefly reflecting a decrease in other expenses due to the absence of a loss on transfer of business of 2,885 million yen (a temporary loss) related to the aluminum compound business in Europe posted in the same period of the previous fiscal year.

Orders and net sales in Japan, primarily orders and net sales of process treatment chemicals for iron and steel production, increased, reflecting the Group's efforts to gain new customers by proposing total solutions that will contribute to energy saving at customers' plants.

Orders and net sales rose also overseas despite the effect of the transfer of the aluminum compound business in Europe in the previous fiscal year, primarily due to the new consolidation of operating results (for six months) in the water treatment chemicals business at U.S. Water Services, Inc. and operating results (for four months) at U.S.-based Avista Technologies, Inc. and U.K.-based Avista Technologies (UK) Ltd.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 79,192 million yen, down 9.1% versus the same period of the previous fiscal year. Net sales declined 1.8%, to 73,274 million yen.

Operating profit came to 12,145 million yen, up 108.9% year on year, reflecting a gain on sale of fixed assets of 4,780 million yen posted in other income resulting primarily from the sale of certain equipment in the ultrapure water supply business and the absence of temporary additional costs due to an insufficient production system in the same period of the previous fiscal year.

In Japan, orders for water treatment facilities for the electronics industry decline from the same period of the previous fiscal year, during which orders for large projects were received. However, net sales increased thanks to progress in construction work in projects for which orders were received in the previous fiscal year. Both orders and net sales rose in maintenance services due to the orders for expansion and renovation projects for the purpose of increasing production capacity at customers' plants.

Orders for water treatment facilities for general industries climbed, but net sales declined. Both orders and net sales in maintenance services for general industries fell in reaction to strong orders and net sales in the same period of the previous fiscal year. Orders for facilities for electric power plants declined in reaction to orders for large projects in the same period of the previous fiscal year, but net sales increased due to progress in construction work for a backlog of orders. Orders and net sales of soil remediation decreased, reflecting a stalling of orders and sales from large projects.

Overseas, orders increased, chiefly attributable to the new consolidation of operating results (for six months) in the water treatment facilities business of U.S. Water Services, Inc. However, net sales decreased in reaction to sales from large projects posted in the same period of the previous fiscal year. Net sales in the ultrapure water supply business in Japan and overseas fell due to the effect of changes in contracts with a certain customer.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 387,797 million yen, an increase of 29,131 million yen from the end of the previous fiscal year)

Current assets totaled 155,881 million yen at the end of the second quarter (September 30, 2019), an increase of 4,756 million yen from the end of the previous fiscal year (March 31, 2019). This was mainly attributable to an increase in cash and cash equivalents of 2,007 million yen, chiefly reflecting the execution of commitment line contracts, and an increase in trade and other receivables of 2,663 million yen mainly due to an increase in sales, offsetting funds used for business acquisitions and capital expenditures.

Non-current assets totaled 231,915 million yen at the end of the second quarter, an increase of 24,375 million yen from the end of the previous fiscal year. Property, plant and equipment increased 7,133 million yen, chiefly due to capital expenditure in the ultrapure water supply business (Water Treatment Facilities business). Right-of-use assets rose 3,593 million yen, chiefly reflecting the acquisition of the right of use of land. Goodwill climbed 6,625 million yen due to acquisitions in North America and Europe (Water Treatment Chemicals business). Investments accounted for using equity method increased 6,532 million yen owing to an increase in equity method affiliates (Water Treatment Chemicals business and Water Treatment Facilities business).

2) Liabilities: 143,340 million yen, an increase of 23,789 million yen from the end of the previous fiscal year.

Current liabilities totaled 94,450 million yen at the end of the period, an increase of 21,328 million yen from the end of the previous fiscal year. This was mainly due to an increase in borrowings of 29,998 million yen resulting from the implementation of a commitment line of 30,000 million yen.

Non-current liabilities totaled 48,890 million yen at the end of the period, an increase of 2,462 million yen from the end of the previous fiscal year. This was primarily attributable to an increase in lease liabilities of 3,410 million yen due to the acquisition of the right of use of land.

3) Equity: 244,456 million yen, an increase of 5,342 million yen from the end of the previous fiscal year

This mainly reflected an increase in retained earnings of 10,689 million yen chiefly due to the posting of a profit for the period, partly offset by a decrease in other components of equity of 5,373 million yen due to a decline in exchange differences on translation of foreign operations associated with the stronger yen against foreign currencies.

Cash Flows

Consolidated net cash and cash equivalents at the end of the first half (September 30, 2019) totaled 37,554 million yen, an increase of 2,007 million yen from the end of the previous fiscal year (March 31, 2019).

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the first half ended September 30, 2019 totaled 13,875 million yen, a decrease of 13,459 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 18,772 million yen and depreciation and amortization of 8,561 million yen were partly offset by an increase in inventories of 1,059 million yen, a decrease in trade and other payables of 1,951 million yen and income taxes paid of 5,784 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 35,260 million yen, an increase of 7,993 million yen from the same period of the previous fiscal year. Cash was used for purchases of property, plant and equipment of 19,104 million yen, payments for acquisition of business of 8,501 million yen, and purchases of shares and investments in capital of subsidiaries and affiliates of 5,860 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 24,371 million yen, an increase of 29,816 million yen from the same period of the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings of 30,008 million yen were partly offset by dividends paid of 3,061 million yen.

The Group's basic policy is to constantly secure liquidity necessary for business operations and resource of funds. Short-term working capital is basically supplied by the Group's own funds. Capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group considers financing through bank loans as needed. As of the end of the period under review, the Group has concluded commitment line contracts with four financial institutions (realized borrowings: 30,000 million yen; unrealized borrowings: 40,600 million yen).

Forecasts for the Fiscal Year Ending March 31, 2020

With respect to the consolidated business forecasts for the fiscal year ending March 31, 2020, the Group will revise its forecast for the full year net sales stated in the quarterly report of first quarter financial results for the fiscal year ending March 31, 2020 announced on August 9, 2019 as described

below in light of a decrease in net sales during the first six-month period under review compared with the previous forecast chiefly due to the effect of exchange rates (stronger yen and weaker foreign currencies).

The business forecasts are made by the Company based on information available at the time of publication of this report and may differ from actual results due to changes in a range of factors.

(Consolidated business forecasts)

Revision to the consolidated business forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Million yen)

	Net sales	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	280,000	30,000	30,200	21,300	189.71
Revised forecast (B)	273,000	30,000	30,200	21,300	189.69
Change (B-A)	(7,000)	-	-	-	(0.02)
Percentage change (%)	(2.5)	-	-	-	(0.0)

(Note) The Company is voluntarily applying the International Financial Reporting Standards (IFRS) to its consolidated financial statements from the first quarter of the fiscal year ending March 31, 2020 under review. The revisions to the consolidated business forecasts above are prepared under IFRS. The results for the fiscal year ended March 31, 2019 are not stated here because Japanese GAAP was applied in the fiscal year ended March 31, 2019.

(Note on forward-looking statements)

The forward-looking statements such as business forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors. Please refer to Forecast for the Fiscal Year Ending March 31, 2020 on page 3 to see the assumptions for the business forecast and a note on the use of the business forecast.

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of September 30, 2019
Assets			
Current assets			
Cash and cash equivalents	60,531	35,547	37,554
Trade and other receivables	89,354	100,497	103,160
Other financial assets	2,809	1,709	2,334
Inventories	8,078	9,348	10,258
Other current assets	2,619	4,022	2,573
Total current assets	163,393	151,125	155,881
Non-current assets			
Property, plant and equipment	81,336	103,275	110,408
Right-of-use assets	11,331	12,226	15,819
Goodwill	19,966	37,954	44,579
Intangible assets	10,197	17,515	16,594
Investments accounted for using equity method	1,098	956	7,488
Other financial assets	40,103	28,592	29,887
Deferred tax assets	4,581	6,803	6,875
Other non-current assets	277	216	263
Total non-current assets	168,893	207,540	231,915
Total assets	332,287	358,666	387,797

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of September 30, 2019
Liabilities and equity			
Current liabilities			
Trade and other payables	40,139	49,576	40,159
Borrowings	2,963	385	30,383
Lease liabilities	2,958	3,818	3,687
Other financial liabilities	12	1	218
Income taxes payable	4,737	5,887	5,330
Provisions	572	1,026	1,062
Other current liabilities	10,729	12,427	13,608
Total current liabilities	62,113	73,122	94,450
Non-current liabilities			
Borrowings	2,331	1,717	1,407
Lease liabilities	9,397	9,628	13,038
Other financial liabilities	1,122	1,771	1,994
Retirement benefit liability	16,374	16,580	16,961
Provisions	331	491	491
Deferred tax liabilities	547	854	864
Other non-current liabilities	761	15,385	14,133
Total non-current liabilities	30,868	46,428	48,890
Total liabilities	92,981	119,551	143,340
Equity			
Share capital	13,450	13,450	13,450
Capital surplus	10,959	10,265	10,313
Treasury shares	(10,943)	(10,932)	(10,891)
Other components of equity	16,785	4,838	(535)
Retained earnings	207,005	219,590	230,279
Total equity attributable to owners of parent	237,257	237,212	242,616
Non-controlling interests	2,048	1,902	1,839
Total equity	239,305	239,114	244,456
Total liabilities and equity	332,287	358,666	387,797

(2) Condensed quarterly consolidated statement of profit or loss and comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	126,542	131,758
Cost of sales	87,328	85,382
Gross profit	39,213	46,376
Selling, general and administrative expenses	28,282	32,694
Other income	676	5,318
Other expenses	3,475	495
Operating profit	8,132	18,504
Finance income	369	387
Finance costs	237	210
Share of profit of investments accounted for using equity method	33	89
Profit before tax	8,297	18,772
Income tax expense	2,548	5,250
Profit for the period	5,749	13,521
Profit attributable to		
Owners of parent	5,775	13,490
Non-controlling interests	(26)	30
Profit for the period	5,749	13,521
Earnings per share		
Basic earnings per share (yen)	51.44	120.15
Diluted earnings per share (yen)	–	–

Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period	5,749	13,521
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured through other comprehensive income	2,866	(197)
Remeasurements of defined benefit plans	25	(5)
Total of items that will not be reclassified to profit or loss	2,892	(203)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,169)	(5,175)
Cash flow hedges	(92)	323
Share of other comprehensive income of investments accounted for using equity method	(20)	(109)
Total of items that may be reclassified to profit or loss	(2,282)	(4,962)
Other comprehensive income, net of tax	609	(5,165)
Comprehensive income for the period	6,358	8,356
Comprehensive income attributable to		
Owners of parent	6,437	8,367
Non-controlling interests	(79)	(11)
Comprehensive income	6,358	8,356

(3) Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2018	13,450	10,959	(10,943)	–	2	16,783
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	(2,137)	(92)	2,866
Total comprehensive income for the period	–	–	–	(2,137)	(92)	2,866
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	–	14	–	–	–
Changes in ownership interests in subsidiaries	–	(294)	–	(21)	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(1,630)
Other	–	(558)	–	–	–	–
Total transactions with owners	–	(852)	12	(21)	–	(1,630)
Balance as of September 30, 2018	13,450	10,107	(10,931)	(2,158)	(90)	18,019

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2018	–	16,785	207,005	237,257	2,048	239,305
Profit for the period	–	–	5,775	5,775	(26)	5,749
Other comprehensive income	25	662	–	662	(52)	609
Total comprehensive income for the period	25	662	5,775	6,437	(79)	6,358
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	(2,927)	(2,927)	(5)	(2,933)
Share-based payment transactions	–	–	–	14	–	14
Changes in ownership interests in subsidiaries	–	(21)	–	(315)	(782)	(1,098)
Transfer from other components of equity to retained earnings	(25)	(1,655)	1,655	–	–	–
Other	–	–	49	(508)	783	274
Total transactions with owners	(25)	(1,677)	(1,222)	(3,739)	(5)	(3,744)
Balance as of September 30, 2018	–	15,770	211,558	239,955	1,963	241,919

Six months ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	(5,243)	323	(197)
Total comprehensive income for the period	-	-	-	(5,243)	323	(197)
Purchase of treasury shares	-	-	(1)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	53	42	-	-	-
Changes in ownership interests in subsidiaries	-	(4)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	(256)
Other	-	(0)	-	-	-	-
Total transactions with owners	-	48	40	-	-	(256)
Balance as of September 30, 2019	13,450	10,313	(10,891)	(9,914)	633	8,745

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2019	-	4,838	219,590	237,212	1,902	239,114
Profit for the period	-	-	13,490	13,490	30	13,521
Other comprehensive income	(4)	(5,123)	-	(5,123)	(42)	(5,165)
Total comprehensive income for the period	(4)	(5,123)	13,490	8,367	(11)	8,356
Purchase of treasury shares	-	-	-	(1)	-	(1)
Dividends	-	-	(3,040)	(3,040)	(10)	(3,050)
Share-based payment transactions	-	-	-	95	16	111
Changes in ownership interests in subsidiaries	-	-	-	(4)	(56)	(60)
Transfer from other components of equity to retained earnings	4	(251)	251	-	-	-
Other	-	-	(12)	(12)	-	(12)
Total transactions with owners	4	(251)	(2,801)	(2,963)	(50)	(3,014)
Balance as of September 30, 2019	-	(535)	230,279	242,616	1,839	244,456

(4) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before tax	8,297	18,772
Depreciation and amortization	9,459	8,561
Share of loss (profit) of investments accounted for using equity method	(33)	(89)
Loss (gain) on sale of fixed assets	(5)	(4,795)
Decrease (increase) in inventories	(784)	(1,059)
Decrease (increase) in trade and other receivables	(3,345)	532
Increase (decrease) in trade and other payables	14,854	(1,951)
Other	3,341	(504)
Subtotal	31,784	19,466
Interest received	29	24
Dividends received	446	214
Interest paid	(95)	(45)
Income taxes paid	(4,829)	(5,784)
Net cash provided by (used in) operating activities	27,334	13,875
Cash flows from investing activities		
Payments into time deposits	(15,437)	(980)
Proceeds from withdrawal of time deposits	1,505	800
Purchase of property, plant and equipment	(13,287)	(19,104)
Proceeds from sale of property, plant and equipment	15	508
Purchase of intangible assets	(556)	(641)
Proceeds from sale of investments	3,438	41
Payments for acquisition of business (after deduction of cash and cash equivalents included in acquired assets)	(2,338)	(8,501)
Purchase of shares and investments in capital of subsidiaries and affiliates	–	(5,860)
Other	(607)	(1,522)
Net cash provided by (used in) investing activities	(27,267)	(35,260)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	383	30,008
Repayments of long-term borrowings	(308)	(268)
Dividends paid	(2,945)	(3,061)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,094)	(60)
Other	(1,480)	(2,246)
Net cash provided by (used in) financing activities	(5,445)	24,371
Effect of exchange rate changes on cash and cash equivalents	(237)	(979)
Net increase (decrease) in cash and cash equivalents	(5,616)	2,007
Cash and cash equivalents at beginning of period	60,531	35,547
Cash and cash equivalents at end of period	54,915	37,554

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

Not applicable

(Segment Information)

Information of reportable segments

Six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Million yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (Note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	51,894	74,648	126,542	–	126,542
Inter-segment sales and transfers	395	691	1,086	(1,086)	–
Total	52,289	75,340	127,629	(1,086)	126,542
Segment income	2,443	5,813	8,256	(124)	8,132
Finance income					369
Finance costs					237
Share of profit of investments accounted for using equity method					33
Profit before tax					8,297

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating income level.

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Million yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (Note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	58,484	73,274	131,758	–	131,758
Inter-segment sales and transfers	361	955	1,317	(1,317)	–
Total	58,846	74,229	133,076	(1,317)	131,758
Segment income	6,435	12,145	18,580	(76)	18,504
Finance income					387
Finance costs					210
Share of profit of investments accounted for using equity method					89
Profit before tax					18,772

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating income level.

(First-time Adoption)

The Group is disclosing quarterly consolidated financial statements complying with IFRS from the first quarter of this fiscal year. The most recent consolidated financial statements prepared under Japanese GAAP are those for the fiscal year ended March 31, 2019. The date of transition to IFRS is April 1, 2018.

(1) Exemptions set out in IFRS 1

In principle, an entity that applies IFRS for the first time (hereinafter “First-time Adopter”) is requested to retrospectively apply IFRS. However, IFRS 1 - First-time Adoption of International Financial Reporting Standards (hereinafter “IFRS 1”) sets out standards to which exemptions have to be applied mandatorily and standards to which exemptions are applied optionally. The effects of the applied exemptions are adjusted by retained earnings or other components of equity on the date of transition to IFRS. When the Group moved from Japanese GAAP to IFRS, it applied the following exemptions:

I. Business Combinations

The First-time Adopter is allowed to choose not to retrospectively apply IFRS 3 Business Combinations (hereinafter “IFRS 3”) to business combinations before the date of transition to IFRS. The Group has applied the exemption and has chosen not to retrospectively apply IFRS 3 to business combinations before the date of transition. As a result, goodwill that resulted from business combinations before the date of transition is based on the book value on the date of transition under Japanese GAAP.

The Group conducted an impairment test related to goodwill on the date of transition regardless of the existence of signs of impairment.

II. Deemed Cost

IFRS 1 allows entities to use the fair value of property, plant and equipment, investment property and intangible assets on the date of transition to IFRS as a deemed cost on the date of transition. The Group uses the fair value of certain property, plant and equipment on the date of transition as deemed cost on the date of transition under IFRS.

III. Cumulative Translation Differences for Foreign Operations

IFRS 1 allows entities to choose to deem cumulative translation differences for foreign operations as of the date of transition to IFRS to be zero. The Group has chosen to deem cumulative translation differences for foreign operations to be zero as of the date of transition.

IV. Share-based Payment Transactions

The Group has chosen not to apply IFRS 2 to stock compensation that was vested before the date of transition.

V. Leases

IFRS 1 allows the First-time Adopter to determine whether contracts existing as of the date of transition to IFRS include leases, based on facts and circumstances existing on the date of transition. It also allows the First-time Adopter to measure lease liabilities at the present value of the remaining lease payments, which is calculated by discounting the remaining lease payments using the lessee’s incremental borrowing rate on the date of transition, and to make the amount of right-of-use assets the same as the amount of lease liabilities. The First-time Adopter is allowed to recognize as expenses leases whose term expires within 12 months of the date of transition and leases whose underlying assets are of low value.

The Group applies the exemption to recognize and measure leases.

(2) Mandatory exceptions in retrospective application set out in IFRS 1

IFRS 1 prohibits retrospective application of IFRS in relation to estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests, classification and measurement of financial assets, etc. The Group has been applying these items from the date of transition onwards.

(3) Reconciliation from Japanese GAAP to IFRS

The tables below are reconciliation sheets required in IFRS 1.

The reclassification column is for the figures of items that do not affect retained earnings or comprehensive income. The difference due to changes in recognition, measurement and accounting period column is for the figures of items that affect retained earnings and comprehensive income.

I. Reconciliation of Assets on Date of Transition to IFRS (April 1, 2018)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	61,086	(1,652)	1,097	60,531	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	86,865	(464)	2,954	89,354	(1), (2)	Trade and other receivables
	–	2,769	40	2,809	(1)	Other financial assets
Finished products	3,968	(3,968)	–	–		
Work in process	3,621	(3,621)	–	–		
Raw materials and supplies	2,800	(2,800)	–	–		
	–	10,390	(2,312)	8,078	(1), (2)	Inventories
Other	2,531	(1,119)	1,206	2,619	(1)	Other current assets
Allowance for doubtful accounts	(464)	464	–	–		
Total current assets	160,409	–	2,984	163,393		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	86,028	(86,028)	–	–		
	–	81,603	(266)	81,336	(1), (3)	Property, plant and equipment
	–	4,455	6,875	11,331	(1), (4)	Right-of-use assets
Intangible fixed assets	31,003	(31,003)	–	–		
	–	20,362	(396)	19,966	(1), (5)	Goodwill
	–	10,610	(412)	10,197	(1)	Intangible assets
Investments and other assets						
Investment securities	35,683	(35,683)	–	–		
	–	1,147	(48)	1,098	(1)	Investments accounted for using equity method
	–	38,630	1,473	40,103	(1), (6)	Other financial assets
Deferred tax assets	4,860	(1,119)	840	4,581	(1), (7)	Deferred tax assets
Other	5,238	(5,238)	–	–		
	–	967	(690)	277	(1)	Other non-current assets
Allowance for doubtful accounts	(176)	176	–	–		
Total non-current assets	162,637	(1,119)	7,376	168,893		Total non-current assets
Total assets	323,046	(1,119)	1,0360	332,287		Total assets

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	28,875	(28,875)	–	–		
Accounts payable – other	10,995	(10,995)	–	–		
	–	38,575	1,564	40,139	(1)	Trade and other payables
	–	1,337	1,625	2,963	(1)	Borrowings
	–	–	12	12	(1)	Other financial liabilities
	–	635	2,322	2,958	(1), (4)	Lease liabilities
Income taxes payable	4,806	–	(68)	4,737	(1)	Income taxes payable
Provision for bonuses	2,420	(2,420)	–	–		
Other provision	695	(695)	–	–		
	–	549	23	572	(1)	Provisions
Other	8,355	1,888	486	10,729	(1), (8), (9)	Other current liabilities
Total current liabilities	56,149	–	5,964	62,113		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	4,038	(4,038)	–	–		
	–	2,388	(56)	2,331	(1)	Borrowings
	–	4,038	5,359	9,397	(1), (4)	Lease liabilities
	–	1,644	(522)	1,122	(1)	Other financial liabilities
Net defined benefit liability	16,610	–	(235)	16,374	(1), (10)	Retirement benefit liability
Provision	191	(190)	330	331	(1)	Provisions
Deferred tax liabilities related to revaluation	1,119	(492)	(79)	547	(1), (7)	Deferred tax liabilities
Other	4,084	(4,469)	1,146	761	(1)	Other non-current liabilities
Total non-current liabilities	26,044	(1,119)	5,943	30,868		Total non-current liabilities
Total liabilities	82,193	(1,119)	11,907	92,981		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,959	–	–	10,959		Capital surplus
Retained earnings	209,149	–	(2,144)	207,005	(1), (12), (13)	Retained earnings
Accumulated other comprehensive income	16,187	–	597	16,785	(1), (12), (13)	Other components of equity
Treasury stock	(10,943)	–	–	(10,943)		Treasury shares
	238,803	–	(1,546)	237,257		Total equity attributable to owners of parent
Non-controlling interests	2,049	–	(1)	2,048	(1), (13)	Non-controlling interests
Total net assets	240,853	–	(1,547)	239,305		Total equity
Total liabilities and net assets	323,046	(1,119)	10,360	332,287		Total liabilities and equity

II. Reconciliation of Assets at End of Second Quarter of the Previous Fiscal Year (September 30, 2018)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	69,579	(14,663)	–	54,915		Cash and cash equivalents
Notes and accounts receivable – trade	91,081	158	966	92,207	(2)	Trade and other receivables
	–	16,612	(4)	16,608		Other financial assets
Finished products	4,103	(4,103)	–	–		
Work in process	1,940	(1,940)	–	–		
Raw materials and supplies	2,653	(2,653)	–	–		
	–	8,696	(44)	8,652	(2)	Inventories
Other	4,294	(2,587)	137	1,844		Other current assets
Allowance for doubtful accounts	(480)	480	–	–		
Total current assets	173,172	–	1,055	174,227		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	91,996	(91,996)	–	–		
	–	85,819	67	85,887	(3)	Property, plant and equipment
	–	6,176	4,721	10,897	(4)	Right-of-use assets
Intangible fixed assets	31,292	(31,292)	–	–		
	–	21,567	1,041	22,608	(5)	Goodwill
	–	9,725	(116)	9,608		Intangible assets
Investments and other assets						
Investment securities	35,910	(35,910)	–	–		
	–	996	(37)	959		Investments accounted for using equity method
	–	38,917	1,704	40,621	(6)	Other financial assets
Deferred tax assets	4,923	(1,119)	895	4,699	(7)	Deferred tax assets
Other	5,855	(5,855)	–	–		
	–	1,673	(954)	719		Other non-current assets
Allowance for doubtful accounts	(177)	177	–	–		
Total non-current assets	169,801	(1,119)	7,322	176,004		Total non-current assets
Total assets	342,973	(1,119)	8,378	350,231		Total assets

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	24,944	(24,944)	–	–		
Accounts payable – other	9,250	(9,250)	–	–		
	–	38,243	407	38,650		Trade and other payables
	–	3,319	–	3,319		Borrowings
	–	972	2,162	3,135	(4)	Lease liabilities
Income taxes payable	3,569	–	(6)	3,563		Income taxes payable
Provision for bonuses	2,783	(2,783)	–	–		
Other provision	1,159	(1,159)	–	–		
	–	846	–	846		Provisions
Other	15,670	(5,244)	1,679	12,104	(8), (9)	Other current liabilities
Total current liabilities	57,377	–	4,243	61,621		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	5,379	(5,379)	–	–		
	–	1,976	–	1,976		Borrowings
	–	5,379	3,648	9,027	(4)	Lease liabilities
	–	1,654	38	1,693	(11)	Other financial liabilities
Net defined benefit liability	16,688	–	(228)	16,459	(10)	Retirement benefit liability
Provision	175	(175)	382	382		Provisions
Deferred tax liabilities related to revaluation	1,119	3	(581)	541	(7)	Deferred tax liabilities
Other	19,602	(4,579)	1,586	16,609		Other non-current liabilities
Total non-current liabilities	42,965	(1,119)	4,844	46,690		Total non-current liabilities
Total liabilities	100,343	(1,119)	9,088	108,312		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,665	–	(558)	10,107	(11)	Capital surplus
Retained earnings	212,703	–	(1,145)	211,558	(12), (13)	Retained earnings
Accumulated other comprehensive income	14,845	–	925	15,770	(12), (13)	Other components of equity
Treasury stock	(10,931)	–	–	(10,931)		Treasury shares
	240,733	–	(777)	239,955		Total equity attributable to owners of parent
Non-controlling interests	1,895	–	68	1,963	(13)	Non-controlling interests
Total net assets	242,629	–	(709)	241,919		Total equity
Total liabilities and net assets	342,973	(1,119)	8,378	350,231		Total liabilities and equity

III. Reconciliation of Assets at End of Previous Fiscal Year (March 31, 2019)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	35,351	196	–	35,547		Cash and cash equivalents
Notes and accounts receivable – trade	99,247	113	1,137	100,497	(2)	Trade and other receivables
	–	1,599	109	1,709		Other financial assets
Finished products	5,106	(5,106)	–	–		
Work in process	1,235	(1,235)	–	–		
Raw materials and supplies	3,133	(3,133)	–	–		
	–	9,474	(126)	9,348	(2)	Inventories
Other	6,136	(2,570)	456	4,022		Other current assets
Allowance for doubtful accounts	(659)	659	–	–		
Total current assets	149,550	–	1,575	151,125		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	109,669	(109,669)	–	–		
	–	103,278	(3)	103,275	(3)	Property, plant and equipment
	–	6,391	5,835	12,226	(4)	Right-of-use assets
Intangible fixed assets	53,958	(53,958)	–	–		
	–	36,301	1,652	37,954	(5)	Goodwill
	–	17,656	(140)	17,515		Intangible assets
Investments and other assets						
Investment securities	22,203	(22,203)	–	–		
	–	1,100	(144)	956		Investments accounted for using equity method
	–	26,850	1,742	28,592	(6)	Other financial assets
Deferred tax assets	7,929	(1,119)	(6)	6,803	(7)	Deferred tax assets
Other	6,724	(6,724)	–	–		
	–	829	(613)	216		Other non-current assets
Allowance for doubtful accounts	(149)	149	–	–		
Total non-current assets	200,335	(1,119)	8,324	207,540		Total non-current assets
Total assets	349,885	(1,119)	9,899	358,666		Total assets

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	26,362	(26,362)	–	–		
Accounts payable – other	19,737	(19,737)	–	–		
	–	50,134	(558)	49,576		Trade and other payables
	–	385	–	385		Borrowings
	–	–	1	1		Other financial liabilities
	–	1,176	2,641	3,818	(4)	Lease liabilities
Income taxes payable	5,890	–	(3)	5,887		Income taxes payable
Provision for bonuses	2,520	(2,520)	–	–		
Other provision	1,158	(1,158)	–	–		
	–	1,026	–	1,026		Provisions
Other	12,403	(2,942)	2,966	12,427	(8), (9)	Other current liabilities
Total current liabilities	68,072	–	5,050	73,122		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	5,250	(5,250)	–	–		
	–	1,717	–	1,717		Borrowings
	–	5,250	4,377	9,628	(4)	Lease liabilities
	–	1,663	108	1,771	(11)	Other financial liabilities
Net defined benefit liability	16,648	–	(68)	16,580	(10)	Retirement benefit liability
Provision	359	(358)	490	491		Provisions
Deferred tax liabilities related to revaluation	1,119	(361)	95	854	(7)	Deferred tax liabilities
Other	18,961	(3,781)	205	15,385		Other non-current liabilities
Total non-current liabilities	42,339	(1,119)	5,208	46,428		Total non-current liabilities
Total liabilities	110,412	(1,119)	10,258	119,551		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,665	–	(400)	10,265	(11)	Capital surplus
Retained earnings	220,234	–	(643)	219,590	(12), (13)	Retained earnings
Accumulated other comprehensive income	4,187	–	651	4,838	(12), (13)	Other components of equity
Treasury stock	(10,932)	–	–	(10,932)		Treasury shares
	237,604	–	(392)	237,212		Total equity attributable to owners of parent
Non-controlling interests	1,868	–	33	1,902	(13)	Non-controlling interests
Total net assets	239,473	–	(358)	239,114		Total equity
Total liabilities and net assets	349,885	(1,119)	9,899	358,666		Total liabilities and equity

IV. Reconciliation of Income in First Half of Previous Fiscal Year (from April 1, 2018 to September 30, 2018)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Net sales	128,587	–	(2,044)	126,542	(2)	Net sales
Cost of sales	89,290	–	(1,961)	87,328	(2), (4), (8)	Cost of sales
Gross profit	39,297	–	(83)	39,213		Gross profit
Selling, general and administrative expenses	29,024	–	(742)	28,282	(4), (5), (8)	Selling, general and administrative expenses
	–	753	(77)	676		Other income
	–	3,471	3	3,475		Other expenses
Operating income	10,272	(2,718)	578	8,132		Operating profit
Non-operating income	1,109	(1,109)	–	–		
Non-operating expenses	1,005	(754)	(251)	–		
Extraordinary income	2,162	(0)	(2,162)	–	(6)	
Extraordinary losses	2,885	(2,885)	–	–		
	–	321	47	369		Finance income
	–	168	69	237	(4)	Finance costs
	–	33	–	33		Share of profit of investments accounted for using equity method
Income before income taxes	9,653	–	(1,355)	8,297		Profit before tax
Income taxes	3,152	–	(603)	2,548	(6), (7)	Income tax expense
Net income	6,500	–	(751)	5,749		Profit for the period
Profit attributable to non-controlling interests	(15)	–	(11)	(26)		Non-controlling interests
Profit attributable to owners of parent	6,516	–	(740)	5,775		Owners of parent
Other comprehensive income						Other comprehensive income
Unrealized gains (losses) on available-for-sale securities	1,242	(1,242)	–	–		
Deferred gains (losses) on hedges	(89)	89	–	–		
Foreign currency translation adjustments	(131)	131	–	–		
Remeasurements of defined benefit plans, net of tax	(0)	0	–	–		
Share of other comprehensive income of associates accounted for using equity method	(31)	31	–	–		
						Items that will not be reclassified to profit or loss
	–	1,242	1,624	2,866	(6)	Net change in the fair value of financial assets measured through other comprehensive income
	–	(0)	25	25	(10)	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
	–	(131)	(2,038)	(2,169)		Exchange differences on translation of foreign operations

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
	–	(89)	(3)	(92)		Cash flow hedges
	–	(31)	10	(20)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	989	–	(380)	609		Other comprehensive income, net of tax
Comprehensive income	7,490	–	(1,132)	6,358		Comprehensive income for the period

V. Reconciliation of Income in Previous Fiscal Year (from April 1, 2018 to March 31, 2019)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Net sales	259,409	–	(2,078)	257,331	(2)	Net sales
Cost of sales	176,663	–	(1,993)	174,670	(2), (4), (8)	Cost of sales
Gross profit	82,746	–	(84)	82,661		Gross profit
Selling, general and administrative expenses	58,420	–	(1,425)	56,994	(4), (5), (8)	Selling, general and administrative expenses
	–	1,091	(67)	1,024		Other income
	–	6,908	(77)	6,831		Other expenses
Operating income	24,326	(5,816)	1,350	19,860		Operating profit
Non-operating income	2,006	(2,006)	–	–		
Non-operating expenses	2,413	(2,162)	(251)	–		
Extraordinary income	8,676	–	(8,676)	–	(6)	
Extraordinary losses	5,063	(5,063)	–	–		
	–	776	5	781		Finance income
	–	316	205	521	(4)	Finance costs
	–	136	10	146		Share of profit of investments accounted for using equity method
Income before income taxes	27,532	–	(7,264)	20,267		Profit before tax
Income taxes	10,207	–	(1,927)	8,279	(6), (7)	Income tax expense
Net income	17,325	–	(5,337)	11,987		Profit for the period
Profit attributable to non-controlling interests	1	–	(64)	(63)		Non-controlling interests
Profit attributable to owners of parent	17,323	–	(5,273)	12,050		Owners of parent
Other comprehensive income						Other comprehensive income
Unrealized gains (losses) on available-for-sale securities	(7,904)	7,904	–	–		
Deferred gains (losses) on hedges	315	(315)	–	–		
Foreign currency translation adjustments	(2,208)	2,208	–	–		
Remeasurements of defined benefit plans, net of tax	(3)	3	–	–		
Share of other comprehensive income of associates accounted for using equity method	(46)	46	–	–		
						Items that will not be reclassified to profit or loss
	–	(7,904)	6,860	(1,044)	(6)	Net change in the fair value of financial assets measured through other comprehensive income
	–	(3)	(69)	(72)	(10)	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
	–	(2,208)	(2,384)	(4,593)		Exchange differences on translation of foreign operations

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
	–	315	(6)	308		Cash flow hedges
	–	(46)	(106)	(153)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(9,848)	–	4,293	(5,554)		Other comprehensive income, net of tax
Comprehensive income	7,476	–	(1,044)	6,432		Comprehensive income for the period

VI. Notes on Reconciliation

(i) Reclassification

Of the items that were included in Non-operating income, Non-operating expenses, Extraordinary income, and Extraordinary losses under Japanese GAAP, finance-related items are reclassified as Finance income or Finance costs under IFRS, and the other items are reclassified as Other income, Other expenses or Share of profit of investments accounted for using equity method under IFRS.

(ii) Differences due to changes in recognition, measurement and accounting period

(1) Reconciliation related to the unification of reporting periods

Under Japanese GAAP, if the reporting date of a subsidiary and that of the Company are different, consolidated financial statements were prepared based on the financial statements of the subsidiary on the reporting date of the subsidiary. Under IFRS, the reporting date of a subsidiary is made the same as that of the Company or a provisional financial closing is conducted on the same reporting date as that of the Company unless that is impossible practically. This has resulted in a difference in each account.

(2) Reconciliation of revenue recognition

Under Japanese GAAP, if reliable estimates are available for the work completed in construction work, the percentage of completion method is used, and the completed-contract method is used for other construction work. Under IFRS, under a contract where control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the period regardless of the legal form of the contract.

(3) Reconciliation of property, plant and equipment

For certain property, plant and equipment, the Group applies an optional exemption where the fair value on the date of transition to IFRS is used as a deemed cost.

(4) Reconciliation of leases

Under Japanese GAAP, an operating lease was expensed. Under IFRS, due to the adoption of IFRS 16, right-of-use assets and lease liabilities are posted.

(5) Reconciliation of goodwill

Under Japanese GAAP, goodwill was amortized over a certain period of time. Under IFRS, goodwill is not amortized. Goodwill amortized under Japanese GAAP on or after the date of transition to IFRS is reversed.

(6) Reconciliation of other financial assets (non-current)

Under Japanese GAAP, unlisted shares were posted based on acquisition cost and impairment losses were recorded in accordance with deterioration in the financial position of the issuing company. Under IFRS, unlisted shares are measured at fair value through other comprehensive income. Loss (gain) on sale and impairment loss of financial instruments recognizable as capital are recognized as profit or loss under Japanese GAAP. Under IFRS, changes in fair value are recognized as other comprehensive income, and loss (gain) on sale and impairment loss are not recognized as profit or loss.

(7) Reconciliation of deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the deferred method was employed for tax effects associated with the elimination of unrealized intercompany profits. Under IFRS, the asset and liability method is employed. The recoverability of deferred tax assets is examined under IFRS. Temporary differences have occurred due to adjustments associated to the transition from Japanese GAAP to IFRS, and deferred tax assets and deferred tax liabilities have been adjusted accordingly.

(8) Reconciliation of unused paid leave

Under Japanese GAAP, no accounting process were required for unused paid leave. Under IFRS, the Group has recorded liabilities related to unused paid leave.

(9) Reconciliation of other current liabilities

Under Japanese GAAP, expenses were recognized throughout a fiscal year when fixed assets tax etc. was paid. Under IFRS, the amount expected to be paid is recognized as liabilities when debts to the government are determined.

(10) Reconciliation of employees' retirement benefits

Under Japanese GAAP, the Group recorded actuarial differences as expenses in a year or two, on a pro-rata basis, from the fiscal year when the differences occurred. Under IFRS, actuarial differences are recognized in other comprehensive income when they occur and are transferred to retained earnings immediately. Prior service cost is recognized as profit or loss at the time of occurrence.

(11) Liabilities related to put option contracts for non-controlling interests

If the Group is required to buy the non-controlling interests of certain subsidiaries under certain conditions at the request of the shareholders of the non-controlling interests, financial liabilities are recognized and capital surplus is reduced under IFRS.

(12) Reconciliation of other components of equity

The Group has chosen an exemption set out in IFRS 1 and transferred all cumulative translation differences related to foreign subsidiaries to retained earnings on the date of transition to IFRS, April 1, 2018.

(13) Reconciliation of retained earnings

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of September 30, 2018	As of March 31, 2019
Reconciliation due to the unification of reporting periods (Refer to (1))	(123)	—	—
Reconciliation of property, plant and equipment (Refer to (3))	(380)	(380)	(200)
Reconciliation of goodwill (Refer to (5))	—	824	1,643
Reconciliation of other financial assets (Refer to (6))	(207)	84	(52)
Reconciliation of unused paid leave (Refer to (8))	(1,875)	(1,875)	(1,908)
Reconciliation of other current liabilities (Refer to (9))	(161)	(154)	(154)
Reconciliation of employees' retirement benefits (Refer to (10))	225	225	104
Reconciliation of other components of equity (Refer to (12))	(193)	(193)	(193)
Other	(6)	(252)	(462)
Sum of reconciliations	(2,720)	(1,721)	(1,222)
Tax effect related to the adjustments above and increase (decrease) in non-controlling interests	576	576	579
Reconciliation of retained earnings	(2,144)	(1,145)	(643)

VII. Reconciliation of Cash Flows

There is no significant difference between the consolidated statement of cash flows under the Japanese GAAP and the consolidated statement of cash flows under IFRS.