

Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2019

Tokyo, Japan, August 9, 2019—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 64,305 million yen and profit attributable to owners of parent of 7,266 million yen, or 64.71 yen per share, for the three months ended June 30, 2019 (April 1, 2019 – June 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 three months ended June 30, 2019 rose 3.2% from the level of the year-ago period, to 72,705 million yen, and net sales increased 3.3%, to 64,305 million yen. Operating profit was 10,182 million yen, up 528.9% versus the year-ago period, profit before tax was 10,375 million yen, up 447.5%, and profit attributable to owners of parent amounted to 7,266 million yen, up 396.7%. Operating profit and profit at other levels rose significantly, chiefly reflecting a gain on the sale of fixed assets of 4,764 million yen in the first quarter under review and the absence of a provision for an allowance for loss on transfer of business of 2,869 million yen posted in the same quarter of the previous fiscal year.

Looking at the market environment surrounding the Kurita Group, in Japan, production in the manufacturing industry was weak as exports saw sluggish growth. Meanwhile, capital expenditure was firm on the back of robust corporate earnings. 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 build closer relationships with customers. Meanwhile, the Group promoted proposals of total solutions that will contribute to solving issues of customers, such as a reduced environmental impact, energy saving and productivity improvement.

From the first quarter under review, the operating results at U.S.-based U.S. Water Services, Inc., which was acquired in the previous fiscal year, as well as U.S.-based Avista Technologies, Inc. and U.K.-based Avista Technologies (UK) Ltd., which were acquired in the first quarter under review are consolidated.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 28,946 million yen, up 7.8% versus the same period of the fiscal year ended March 31, 2019, while net sales rose 10.2%, to 28,023 million yen.

Operating profit stood at 2,387 million yen, moving into profit from an operating loss of 545 million yen in the same period of the previous fiscal year, chiefly reflecting a decrease in other expenses from the same period of the previous fiscal year due to the absence of a provision for an allowance for loss on transfer of business of 2,869 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, 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 three months) in the water treatment chemicals business at U.S. Water Services, Inc.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 43,758 million yen, up 0.4% versus the same period of the previous fiscal year. Net sales declined 1.5%, to 36,281 million yen.

Operating profit came to 7,889 million yen, up 257.0% year on year, reflecting a gain on sale of fixed assets of 4,746 million yen posted in other income resulting primarily from the sale of certain equipment in the ultrapure water supply business and the absence of the effect of unprofitable projects 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 remained flat. Both orders and net sales in maintenance services fell in reaction to strong orders and net sales in the same period of the previous fiscal year. Both orders and net sales of facilities for electric power plants increased. Orders for soil remediation rose sharply due to orders for a large project, but net sales declined, reflecting a stalling of sales from large projects.

Overseas, orders increased, chiefly attributable to the new consolidation of operating results (for three 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 certain customers.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 384,369 million yen, an increase of 25,703 million yen from the end of the previous fiscal year)

Current assets totaled 150,462 million yen at the end of the first quarter (June 30, 2019), a decrease of 663 million yen from the end of the previous fiscal year (March 31, 2019). This was mainly attributable to a decrease in cash and cash equivalents of 3,745 million yen, chiefly reflecting the payment of acquisition expenses in North America and Europe (Water Treatment Chemicals business) and payments for facilities in the ultrapure water supply business (Water Treatment Facilities business), offsetting an increase in trade and other receivables of 2,370 million yen chiefly due to an increase in sales.

Non-current assets totaled 233,906 million yen at the end of the first quarter, an increase of 26,366 million yen from the end of the previous fiscal year. Property, plant and equipment increased 6,037 million yen, chiefly due to capital investment in the ultrapure water supply business (Water Treatment Facilities business). Right-of-use assets rose 6,505 million yen, chiefly reflecting the acquisition of the right of use of land. Goodwill climbed 6,997 million yen due to acquisitions of Avista Technologies, Inc. and Avista Technologies (UK) Ltd. Investments accounted for using equity method increased 6,469 million yen owing to an increase in equity method affiliates (Water Treatment Chemicals business and Water Treatment Facilities business).

2) Liabilities: 144,651 million yen, an increase of 25,100 million yen from the end of the previous fiscal year.

Current liabilities totaled 92,246 million yen at the end of the period, an increase of 19,124 million yen from the end of the previous fiscal year. This was mainly due to an increase in borrowings of

19,992 million yen resulting from the implementation of a commitment line of 20,000 million yen.

Non-current liabilities totaled 52,404 million yen at the end of the period, an increase of 5,976 million yen from the end of the previous fiscal year. This was primarily attributable to an increase in lease liabilities of 6,303 million yen due to the acquisition of land-use rights.

3) Equity: 239,717 million yen, an increase of 603 million yen from the end of the previous fiscal year

This mainly reflected an increase in retained earnings of 4,439 million yen chiefly due to the posting of a profit for the period, partly offset by a decrease in other components of equity of 3,768 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 quarter (June 30, 2019) totaled 31,801 million yen, a decrease of 3,745 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 quarter ended June 30, 2019 totaled 3,831 million yen, a decrease of 20,280 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 10,375 million yen, depreciation and amortization of 4,004 million yen, and a decrease in trade and other receivables of 1,664 million yen were partly offset by a decrease in trade and other payables of 1,975 million yen and income taxes paid of 5,677 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 22,658 million yen, an increase of 13,363 million yen from the same period of the previous fiscal year. Cash was used for purchases of property, plant and equipment of 6,904 million yen, payments for acquisition of business of 8,326 million yen, and purchases of shares and investments in capital of subsidiaries and affiliates of 5,799 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 15,702 million yen, an increase of 20,586 million yen from the same period of the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings of 19,999 million yen were partly offset by dividends paid of 2,910 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 first quarter under review, the Group has concluded commitment line contracts with four financial institutions (realized borrowings: 20,000 million yen; unrealized borrowings: 50,600 million yen).

Outlook for the Fiscal Year Ending March 31, 2020

The Group revises the earnings forecasts for the first half and the full year of the fiscal year ending March 31, 2020 that were disclosed in "Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2019" announced on May 13, 2019 to reflect the effects of the acquisition of U.S.-based Avista Technologies, Inc. and UK-based Avista Technologies (UK) Ltd. in the first quarter under review as well as other income, which is expected to exceed the initial forecast and other expenses, which are likely to be less than the initial forecast.

(Consolidated business forecasts)

Revision to the consolidated business forecast for the first half of the fiscal year ending March 31, 2020 (April 1, 2019 – September 30, 2019)

	Net sales	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	Million yen 133,800	Million yen 15,500	Million yen 15,600	Million yen 11,000	Yen 97.97
Revised forecast (B)	134,600	16,300	16,400	11,600	103.31
Change (B-A)	800	800	800	600	5.34
Percentage change (%)	0.6	5.2	5.1	5.5	5.5

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

	Net sales	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	Million yen 278,000	Million yen 29,000	Million yen 29,200	Million yen 20,600	Yen 183.47
Revised forecast (B)	280,000	30,000	30,200	21,300	189.71
Change (B-A)	2,000	1,000	1,000	700	6.24
Percentage change (%)	0.7	3.4	3.4	3.4	3.4

(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 first half of the fiscal year ended March 31, 2019 and 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 Outlook for the Fiscal Year Ending March 31, 2020 on page 3 to see the assumptions for the results forecast and a note on the use of the results 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 June 30, 2019
Assets			
Current assets			
Cash and cash equivalents	60,531	35,547	31,801
Trade and other receivables	89,354	100,497	102,867
Other financial assets	2,809	1,709	2,788
Inventories	8,078	9,348	10,360
Other current assets	2,619	4,022	2,643
Total current assets	163,393	151,125	150,462
Non-current assets			
Property, plant and equipment	81,336	103,275	109,312
Right-of-use assets	11,331	12,226	18,731
Goodwill	19,966	37,954	44,951
Intangible assets	10,197	17,515	16,992
Investments accounted for using equity method	1,098	956	7,425
Other financial assets	40,103	28,592	29,310
Deferred tax assets	4,581	6,803	6,923
Other non-current assets	277	216	259
Total non-current assets	168,893	207,540	233,906
Total assets	332,287	358,666	384,369

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of June 30, 2019
Liabilities and equity			
Current liabilities			
Trade and other payables	40,139	49,576	52,047
Borrowings	2,963	385	20,377
Lease liabilities	2,958	3,818	3,970
Other financial liabilities	12	1	1
Income taxes payable	4,737	5,887	3,284
Provisions	572	1,026	1,205
Other current liabilities	10,729	12,427	11,359
Total current liabilities	62,113	73,122	92,246
Non-current liabilities			
Borrowings	2,331	1,717	1,460
Lease liabilities	9,397	9,628	15,931
Other financial liabilities	1,122	1,771	2,005
Retirement benefit liability	16,374	16,580	16,848
Provisions	331	491	491
Deferred tax liabilities	547	854	896
Other non-current liabilities	761	15,385	14,770
Total non-current liabilities	30,868	46,428	52,404
Total liabilities	92,981	119,551	144,651
Equity			
Share capital	13,450	13,450	13,450
Capital surplus	10,959	10,265	10,290
Treasury shares	(10,943)	(10,932)	(10,933)
Other components of equity	16,785	4,838	1,070
Retained earnings	207,005	219,590	224,029
Total equity attributable to owners of parent	237,257	237,212	237,908
Non-controlling interests	2,048	1,902	1,809
Total equity	239,305	239,114	239,717
Total liabilities and equity	332,287	358,666	384,369

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	62,276	64,305
Cost of sales	43,664	42,126
Gross profit	18,612	22,179
Selling, general and administrative expenses	14,090	16,553
Other income	334	4,855
Other expenses	3,237	298
Operating profit	1,619	10,182
Finance income	343	258
Finance costs	87	97
Share of profit of investments accounted for using equity method	20	31
Profit before tax	1,895	10,375
Income tax expense	416	3,118
Profit for the period	1,479	7,256
Profit attributable to		
Owners of parent	1,463	7,266
Non-controlling interests	16	(9)
Profit for the period	1,479	7,256
Earnings per share		
Basic earnings per share (yen)	13.04	64.71
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit for the period	1,479	7,256
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	(509)	(359)
Remeasurements of defined benefit plans	(7)	(20)
Total of items that will not be reclassified to profit or loss	(517)	(379)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,158)	(3,358)
Cash flow hedges	149	104
Share of other comprehensive income of investments accounted for using equity method	(20)	55
Total of items that may be reclassified to profit or loss	(4,029)	(3,199)
Other comprehensive income, net of tax	(4,547)	(3,579)
Comprehensive income for the period	(3,067)	3,677
Comprehensive income attributable to		
Owners of parent	(2,971)	3,706
Non-controlling interests	(95)	(29)
Comprehensive income	(3,067)	3,677

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2018 (April 1, 2018 - June 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	–	–	–	(4,068)	149	(509)
Total comprehensive income for the period	–	–	–	(4,068)	149	(509)
Purchase of treasury shares	–	–	(0)	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	(120)	–	(23)	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Other	–	(549)	–	–	–	–
Total transactions with owners	–	(669)	(0)	(23)	–	–
Balance as of June 30, 2018	13,450	10,290	(10,944)	(4,091)	151	16,274

(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	–	–	1,463	1,463	16	1,479
Other comprehensive income	(7)	(4,435)	–	(4,435)	(111)	(4,547)
Total comprehensive income for the period	(7)	(4,435)	1,463	(2,971)	(95)	(3,067)
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	(2,927)	(2,927)	(5)	(2,932)
Share-based payment transactions	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	(23)	–	(143)	(411)	(554)
Transfer from other components of equity to retained earnings	7	7	(7)	–	–	–
Other	–	–	365	(184)	783	599
Total transactions with owners	7	(16)	(2,569)	(3,254)	367	(2,887)
Balance as of June 30, 2018	–	12,334	205,898	231,029	2,318	233,348

Three months ended June 30, 2019 (April 1, 2019 - June 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	-	-	-	(3,285)	104	(359)
Total comprehensive income for the period	-	-	-	(3,285)	104	(359)
Purchase of treasury shares	-	-	(0)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	29	-	-	-	-
Changes in ownership interests in subsidiaries	-	(4)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	(227)
Other	-	-	-	-	-	-
Total transactions with owners	-	24	(0)	-	-	(227)
Balance as of June 30, 2019	13,450	10,290	(10,933)	(7,956)	415	8,611

(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	-	-	7,266	7,266	(9)	7,256
Other comprehensive income	(18)	(3,559)	-	(3,559)	(19)	(3,579)
Total comprehensive income for the period	(18)	(3,559)	7,266	3,706	(29)	3,677
Purchase of treasury shares	-	-	-	(0)	-	(0)
Dividends	-	-	(3,040)	(3,040)	(9)	(3,049)
Share-based payment transactions	-	-	-	29	2	31
Changes in ownership interests in subsidiaries	-	-	-	(4)	(56)	(60)
Transfer from other components of equity to retained earnings	18	(208)	208	-	-	-
Other	-	-	5	5	-	5
Total transactions with owners	18	(208)	(2,826)	(3,010)	(63)	(3,074)
Balance as of June 30, 2019	-	1,070	224,029	237,908	1,809	239,717

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from operating activities		
Profit before tax	1,895	10,375
Depreciation and amortization	4,534	4,004
Share of loss (profit) of investments accounted for using equity method	(20)	(31)
Loss (gain) on sale of fixed assets	(0)	(4,762)
Decrease (increase) in inventories	(981)	(1,005)
Decrease (increase) in trade and other receivables	860	1,664
Increase (decrease) in trade and other payables	16,817	(1,975)
Other	5,538	1,047
Subtotal	28,643	9,316
Interest received	38	1
Dividends received	276	197
Interest paid	(41)	(6)
Income taxes paid	(4,806)	(5,677)
Net cash provided by (used in) operating activities	24,111	3,831
Cash flows from investing activities		
Payments into time deposits	(244)	(604)
Proceeds from withdrawal of time deposits	685	295
Purchase of property, plant and equipment	(6,504)	(6,904)
Proceeds from sale of property, plant and equipment	6	496
Purchase of intangible assets	(329)	(325)
Payments for acquisition of business (after deduction of cash and cash equivalents included in acquired assets)	(2,334)	(8,326)
Purchase of shares and investments in capital of subsidiaries and affiliates	-	(5,799)
Other	(574)	(1,490)
Net cash provided by (used in) investing activities	(9,295)	(22,658)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(506)	19,999
Repayments of long-term borrowings	(218)	(216)
Dividends paid	(2,848)	(2,910)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(550)	(60)
Other	(762)	(1,110)
Net cash provided by (used in) financing activities	(4,884)	15,702
Effect of exchange rate changes on cash and cash equivalents	(829)	(620)
Net increase (decrease) in cash and cash equivalents	9,102	(3,745)
Cash and cash equivalents at beginning of period	60,531	35,547
Cash and cash equivalents at end of period	69,634	31,801

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Three months ended June 30, 2019 (April 1, 2019 – June 30, 2019)

Not applicable

(Segment Information)

Information of reportable segments

Three months ended June 30, 2018 (April 1, 2018 – June 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	25,428	36,848	62,276	—	62,276
Inter-segment sales and transfers	177	235	412	(412)	—
Total	25,605	37,083	62,689	(412)	62,276
Segment income (loss)	(545)	2,210	1,664	(45)	1,619
Finance income					343
Finance costs					87
Share of profit of investments accounted for using equity method					20
Profit before tax					1,895

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

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

Three months ended June 30, 2019 (April 1, 2019 – June 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	28,023	36,281	64,305	—	64,305
Inter-segment sales and transfers	174	356	531	(531)	—
Total	28,198	36,638	64,836	(531)	64,305
Segment income	2,387	7,889	10,277	(94)	10,182
Finance income					258
Finance costs					97
Share of profit of investments accounted for using equity method					31
Profit before tax					10,375

(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 under review. 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	(2,311)	8,078	(1), (2)	Inventories
Other	2,531	(2,713)	2,801	2,619	(1)	Other current assets
Allowance for doubtful accounts	(464)	464	–	–		
Total current assets	160,409	(1,595)	4,579	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	476	(755)	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	476	5,780	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 noncurrent 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 First Quarter of the Previous Fiscal Year (June 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	71,553	(1,919)	–	69,634		Cash and cash equivalents
Notes and accounts receivable – trade	86,491	(81)	1,159	87,569	(2)	Trade and other receivables
	–	2,694	7	2,702		Other financial assets
Finished products	4,147	(4,147)	–	–		
Work in process	1,681	(1,681)	–	–		
Raw materials and supplies	2,952	(2,952)	–	–		
	–	8,781	(57)	8,724	(2)	Inventories
Other	3,083	(1,159)	33	1,957		Other current assets
Allowance for doubtful accounts	(466)	466	–	–		
Total current assets	169,443	–	1,143	170,588		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	89,077	(89,077)	–	–		
	–	82,851	76	82,928	(3)	Property, plant and equipment
	–	6,225	4,849	11,075	(4)	Right-of-use assets
Intangible fixed assets	31,311	(31,311)	–	–		
	–	21,260	52	21,312	(5)	Goodwill
	–	10,051	(111)	9,940		Intangible assets
Investments and other assets						
Investment securities	34,692	(34,692)	–	–		
	–	1,124	(11)	1,113		Investments accounted for using equity method
	–	38,651	1,012	39,663	(6)	Other financial assets
Deferred tax assets	5,838	(1,119)	776	5,495	(7)	Deferred tax assets
Other	6,010	(6,010)	–	–		
	–	750	(273)	477		Other non-current assets
Allowance for doubtful accounts	(175)	175	–	–		
Total non-current assets	166,753	(1,119)	6,367	172,006		Total non-current assets
Total assets	336,197	(1,119)	7,510	342,595		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	25,631	(25,631)	–	–		
Accounts payable – other	12,315	(12,315)	–	–		
	–	42,753	(571)	42,182		Trade and other payables
	–	2,330	–	2,330		Borrowings
	–	981	2,090	3,072	(4)	Lease liabilities
Income taxes payable	1,327	–	–	1,327		Income taxes payable
Provision for bonuses	1,416	(1,416)	–	–		
Other provision	3,875	(3,875)	–	–		
	–	3,555	–	3,555		Provisions
Other	14,294	(6,382)	2,444	10,356	(8), (9)	Other current liabilities
Total current liabilities	58,861	–	3,963	62,824		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	5,416	(5,416)	–	–		
	–	2,047	–	2,047		Borrowings
	–	5,416	3,783	9,199	(4)	Lease liabilities
	–	1,651	37	1,688	(11)	Other financial liabilities
Net defined benefit liability	16,801	–	(233)	16,568	(10)	Retirement benefit liability
Provision	175	–	207	382		Provisions
Deferred tax liabilities related to revaluation	1,119	132	(702)	549	(7)	Deferred tax liabilities
Other	19,003	(4,949)	1,927	15,986		Other non-current liabilities
Total noncurrent liabilities	42,516	(1,119)	5,019	46,422		Total non-current liabilities
Total liabilities	101,377	(1,119)	8,982	109,246		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,839	–	(549)	10,290	(11)	Capital surplus
Retained earnings	207,201	–	(1,303)	205,898	(12), (13)	Retained earnings
Accumulated other comprehensive income	11,999	–	335	12,334	(12)	Other components of equity
Treasury stock	(10,944)	–	–	(10,944)		Treasury shares
	232,546	–	(1,517)	231,029		Total equity attributable to owners of parent
Non-controlling interests	2,273	–	45	2,318	(13)	Non-controlling interests
Total net assets	234,820	–	(1,472)	233,348		Total equity
Total liabilities and net assets	336,197	(1,119)	7,510	342,595		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	(127)	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		Other current liabilities
Total current liabilities	68,072	–	5,050	73,122	(8), (9)	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 noncurrent 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)	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 Quarter of Previous Fiscal Year (from April 1, 2018 to June 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	64,349	–	(2,072)	62,276	(2)	Net sales
Cost of sales	45,669	–	(2,005)	43,664	(2), (4), (8)	Cost of sales
Gross profit	18,679	–	(67)	18,612		Gross profit
Selling, general and administrative expenses	14,432	–	(341)	14,090	(4), (5), (8)	Selling, general and administrative expenses
	–	316	18	334		Other income
	–	3,225	11	3,237		Other expenses
Operating income	4,247	(2,909)	281	1,619		Operating profit
Non-operating income	707	(707)	–	–		
Non-operating expenses	691	(440)	(251)	–		
Extraordinary income	–	–	–	–		
Extraordinary losses	2,869	(2,869)	–	–		
	–	381	(37)	343		Finance income
	–	83	4	87	(4)	Finance costs
	–	9	10	20		Share of profit of investments accounted for using equity method
Income before income taxes	1,394	–	501	1,895		Profit before tax
Income taxes	462	–	(46)	416	(7)	Income tax expense
Net income	931	–	548	1,479		Profit for the period
Profit attributable to non-controlling interests	15	–	0	16		Non-controlling interests
Profit attributable to owners of parent	915	–	547	1,463		Owners of parent
Other comprehensive income						Other comprehensive income
Unrealized gains (losses) on available-for-sale securities	(505)	505	–	–		
Deferred gains (losses) on hedges	152	(152)	–	–		
Foreign currency translation adjustments	(1,480)	1,480	–	–		
Remeasurements of defined benefit plans, net of tax	0	(0)	–	–		
Share of other comprehensive income of associates accounted for using equity method	(24)	24	–	–		
						Items that will not be reclassified to profit or loss
	–	(505)	(3)	(509)	(6)	Net change in the fair value of financial assets measured through other comprehensive income
	–	0	(8)	(7)	(10)	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
	–	(1,480)	(2,677)	(4,158)		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
	–	152	(2)	149		Cash flow hedges
	–	(24)	3	(20)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(1,858)	–	(2,688)	(4,547)		Other comprehensive income, net of tax
Comprehensive income	(927)	–	(2,140)	(3,067)		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
	–	978	(67)	910		Other income
	–	6,908	(77)	6,831		Other expenses
Operating income	24,326	(5,929)	1,350	19,746		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)	–	–		
	–	890	5	896		Finance income
	–	317	205	522	(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

	-	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 early 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 June 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))	—	389	1,643
Reconciliation of other financial assets (Refer to (6))	(207)	43	(52)
Reconciliation of unused paid leave (Refer to (8))	(1,875)	(1,875)	(1,908)
Reconciliation of other current liabilities (Refer to (9))	(161)	(158)	(154)
Reconciliation of employees' retirement benefits (Refer to (10))	225	225	104
Reconciliation of other components of equity (Refer to (12))	(193)	(197)	(193)
Other	(6)	70	(462)
Sum of reconciliations	(2,720)	(1,879)	(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)	(1,303)	(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.