

Summary of Financial Results for the Fiscal Year Ended March 31, 2019 (IFRS)

June 25, 2019

TSUGAMI CORPORATION

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1. Consolidated business performance for the fiscal year ended March 31, 2019

(From April 1, 2018 to March 31, 2019)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results

(Figures in percentages denote the year-on-year change.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	68,486	20.6	10,215	59.3	10,384	68.8	7,907	77.3	6,192	57.1	5,881	5.2
Fiscal year ended March 31, 2018	56,794	—	6,412	—	6,151	—	4,460	—	3,942	—	5,592	—

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Profit before tax to total assets	Operating profit on revenue
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2019	117.98	115.22	19.1	15.2	14.9
Fiscal year ended March 31, 2018	70.62	68.01	12.5	10.2	11.3

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2019	69,692	40,072	33,244	47.7	641.69
Fiscal year ended March 31, 2018	66,761	37,407	31,591	47.3	595.14

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2019	1,643	-1,362	355	11,112
Fiscal year ended March 31, 2018	6,278	-633	-478	10,466

2. State of dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity attributable to owners of the parent (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2018	—	9.00	—	9.00	18.00	976	25.5	3.2
Fiscal year ended March 31, 2019	—	9.00	—	12.00	21.00	1,095	17.8	3.4
Fiscal year ending March 31, 2020 (forecast)	—	12.00	—	12.00	24.00		24.9	

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Revenue		Operating profit		Profit before tax to total assets		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	31,000	—	4,350	—	2,550	—	49.19
Full-year	61,000	-10.9	8,500	-16.8	5,000	-19.3	96.44

*Notes

(1) Important changes in subsidiaries during the fiscal year under review (changes in specified subsidiaries that caused the scope of consolidation to change): none

(2) Changes in accounting policy and in accounting estimates, and restatements

(i) Changes in accounting policies required by IFRS: none

(ii) Changes in accounting policy other than those stated in item: none

(iii) Changes in accounting estimates: none

(3) Numbers of outstanding shares (common stock)

(i) Numbers of outstanding shares at the end of the terms
(including treasury stock):

(ii) Numbers of treasury shares at the end of the terms:

(iii) Average numbers of shares outstanding during the
periods:

March 2019	55,000,000 shares	March 2018	55,000,000 shares
March 2019	3,192,312 shares	March 2018	1,918,101 shares
March 2019	52,490,611 shares	March 2018	55,834,996 shares

* This document is not subject to audit procedures based on the Financial Instruments and Exchange Act.

* Explanations for the appropriate use of business forecasts and other items warranting special mention

(Regarding the adoption of International Financial Reporting Standards (IFRS))

The Group has adopted IFRS from the fiscal year ended March 2019. This consolidated financial summary and its attached documents voluntarily disclose the Group's main financial information based on IFRS among the items disclosed in the securities report submitted by the Company on June 25, 2019.

(Regarding forward-looking statements)

Forward-looking statements including the results forecast contained in this document are based on information available to the Company at the time of the announcement and certain assumptions that the Company considers reasonable, and actual results may differ materially due to various factors.

Accompanying Documents

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1. Consolidated Financial Statements and Significant Notes

(1) Consolidated statement of financial position

		(Million yen)	
	Transition Date (April 1, 2017)	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2019)
Assets			
Current assets			
Cash and cash equivalents	5,432	10,466	11,112
Trade and other receivables	11,437	16,781	17,150
Other financial assets	105	104	30
Inventories	18,019	18,933	22,462
Other current assets	1,592	1,515	1,737
Total current assets	36,588	47,802	52,493
Non-current assets			
Property, plant and equipment	8,722	9,158	8,871
Intangible assets	85	88	557
Retirement benefit asset	178	145	104
Other financial assets	7,637	8,594	6,444
Deferred tax assets	177	211	233
Other non-current assets	763	762	988
Total non-current assets	17,565	18,959	17,199
Total assets	54,153	66,761	69,692

(Million yen)

	Transition Date (April 1, 2017)	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10,609	15,447	13,476
Borrowings	7,947	7,426	11,121
Other financial liabilities	8	6	6
Income taxes payable	518	1,066	477
Provisions	325	457	576
Contract liabilities	939	2,218	1,630
Other current liabilities	460	668	645
Total current liabilities	20,809	27,290	27,933
Non-current liabilities			
Other financial liabilities	10	4	15
Retirement benefit liability	859	883	914
Deferred tax liabilities	811	1,145	511
Other non-current liabilities	30	30	244
Total non-current liabilities	1,711	2,063	1,686
Total liabilities	22,520	29,354	29,620
Equity			
Share capital	12,345	12,345	12,345
Capital surplus	1,321	3,378	3,214
Treasury shares	-2,986	-1,814	-2,943
Other components of equity	3,492	4,427	2,576
Retained earnings	17,345	13,254	18,052
Equity attributable to owners of the parent	31,517	31,591	33,244
Non-controlling interests	115	5,815	6,827
Total equity	31,632	37,407	40,072
Total liabilities and net equity	54,153	66,761	69,692

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

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Revenue	56,794	68,486
Cost of sales	-42,302	-48,507
Gross profit	14,492	19,978
Selling, general and administrative expenses	-7,592	-9,803
Other income	245	193
Other expenses	-732	-154
Operating profit	6,412	10,215
Finance income	217	340
Finance costs	-477	-171
Profit before tax	6,151	10,384
Income tax expense	-1,691	-2,476
Profit	4,460	7,907
Profit for the year attributable to:		
Owners of the parent	3,942	6,192
Non-controlling interests	517	1,714
Profit	4,460	7,907
Earnings per share		
Basic earnings per share (yen)	70.62	117.98
Diluted earnings per share (yen)	68.01	115.22

(Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Profit	4,460	7,907
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	924	-1,523
Remeasurement of defined benefit pension plans	-18	-43
Total items that will not be reclassified to profit or loss	905	-1,567
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	226	-458
Total items that may be reclassified to profit or loss	226	-458
Total other comprehensive income	1,132	-2,026
Comprehensive income	5,592	5,881
Total comprehensive income for the year attributable to:		
Owners of parent	5,158	4,297
Non-controlling interests	434	1,583
Comprehensive income	5,592	5,881

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Million yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2017	12,345	1,321	-2,986	–	3,492
Profit					
Other comprehensive income				309	924
Total comprehensive income for the year	–	–	–	309	924
Purchase of treasury shares			-6,842		
Disposal of treasury shares		-139	376		
Cancellation of treasury shares		-478	7,637		
Dividends					
Changes in share-based payment transactions		127			
Transfer to retained earnings					-147
Equity transactions with non-controlling interests		2,547		-150	
Share-based payment transactions	–	2,057	1,171	-150	-147
Balance as of March 31, 2018	12,345	3,378	-1,814	158	4,269

	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, 2017	–	3,492	17,345	31,517	115	31,632	
Profit			3,942	3,942	517	4,460	
Other comprehensive income	-18	1,215		1,215	-82	1,132	
Total comprehensive income for the year	-18	1,215	3,942	5,158	434	5,592	
Purchase of treasury shares				-6,842		-6,842	
Disposal of treasury shares			-25	211		211	
Cancellation of treasury shares			-7,159	–		–	
Dividends			-978	-978		-978	
Changes in share-based payment transactions				127		127	
Transfer to retained earnings	18	-129	129	–		–	
Equity transactions with non-controlling interests		-150		2,396	5,266	7,662	
Share-based payment transactions	18	-280	-8,034	-5,084	5,266	181	
Balance as of March 31, 2018	–	4,427	13,254	31,591	5,815	37,407	

Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)

(Million yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2018	12,345	3,378	-1,814	158	4,269
Profit					
Other comprehensive income				-327	-1,523
Total comprehensive income for the year	–	–	–	-327	-1,523
Purchase of treasury shares			-1,831		
Disposal of treasury shares		-277	703		
Dividends					
Changes in share-based payment transactions		116			
Transfer to retained earnings					
Equity transactions with non-controlling interests		-4		-0	
Share-based payment transactions	–	-164	-1,128	-0	–
Balance as of March 31, 2019	12,345	3,214	-2,943	-169	2,745

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total	Total		
	Remeasurements of defined benefit plans	Total					
Balance as of April 1, 2018	–	4,427	13,254	31,591	5,815	37,407	
Profit			6,192	6,192	1,714	7,907	
Other comprehensive income	-43	-1,895		-1,895	-130	-2,026	
Total comprehensive income for the year	-43	-1,895	6,192	4,297	1,583	5,881	
Purchase of treasury shares				-1,831		-1,831	
Disposal of treasury shares			-399	26		26	
Dividends			-951	-951	-574	-1,525	
Changes in share-based payment transactions				116		116	
Transfer to retained earnings	43	43	-43	–		–	
Equity transactions with non-controlling interests		-0		-4	1	-2	
Share-based payment transactions	43	43	-1,394	-2,643	-572	-3,216	
Balance as of March 31, 2019	–	2,576	18,052	33,244	6,827	40,072	

(4) Consolidated Statements of Cash Flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before tax	6,151	10,384
Depreciation and amortization	1,013	1,039
Impairment losses (reversal of impairment losses)	—	40
Finance income	-217	-330
Finance costs	121	68
Loss on retirement of fixed assets	344	42
Loss (gain) on sale of fixed assets	-30	-2
Decrease (increase) in inventories	-980	-3,915
Decrease (increase) in trade and other receivables	-5,323	-697
Increase (decrease) in trade and other payables	4,582	-1,568
Increase (decrease) in contract liabilities	1,266	-562
Increase or decrease in retirement benefit asset or liability	55	72
Increase (decrease) in provisions	186	193
Other	512	-180
Subtotal	7,688	4,587
Interest and dividends received	191	330
Interest paid	-137	-68
Proceeds from subsidy income	91	66
Payments for performance of warranty against defects	-12	—
Income taxes paid	-1,542	-3,271
Net cash provided by (used in) operating activities	6,278	1,643
Cash flows from investing activities		
Payments into time deposits	-124	-51
Proceeds from withdrawal of time deposits	124	124
Proceeds from withdraw of deposit	270	—
Purchase of property, plant and equipment	-1,272	-1,405
Proceeds from sale of property, plant and equipment	122	404
Payments for retirement of property, plant and equipment	-56	-1
Purchase of intangible assets	-30	-414
Purchase of long-term prepaid expenses	—	-253
Proceeds from sale and redemption of investments	183	—
Collection of investments in capital	152	—
Proceeds from subsidy income	—	214
Other	-2	20
Cash flows from investing activities	-633	-1,362

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Net increase (decrease) in short-term borrowings	-612	3,695
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation	2,288	—
Proceeds from share issuance to non-controlling shareholders	5,837	—
Proceeds from sale of treasury shares	211	26
Purchase of treasury shares	-6,848	-1,833
Dividends paid	-978	-951
Dividends paid to non-controlling interests	—	-574
Payment for commission fee	-367	—
Repayments of lease obligations	-8	-7
Net cash provided by (used in) financing activities	-478	355
Effect of exchange rate changes on cash and cash equivalents	-133	9
Net increase (decrease) in cash and cash equivalents	5,034	645
Cash and cash equivalents at beginning of period	5,432	10,466
Cash and cash equivalents at end of period	10,466	11,112

(5) Notes concerning the Consolidated Financial Statements
(Segment information)

1. Summary of reportable segments

The Company's reportable segments are its constituent units that disclose financial information separately. They fall under the scope of periodic reviews the Company's Board of Directors performs to determine the distribution of its management resources and to assess its operating results.

The Group manufactures and sells machine tools in Japan and abroad. The Group consists of geographic segments based on its manufacturing and sales organizations. The Company's reportable segments are Japan, China, India, South Korea and Other which are the areas where Group companies are located.

2. Segment revenues and operating results

Inter-segment revenues are based on market prices.

Revenues and operating results of the Group's reportable segments are as follows.

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
External	24,793	28,363	1,904	1,218	514	56,794	—	56,794
Inter-segment	8,645	10,624	16	28	133	19,448	-19,448	—
Total	33,439	38,988	1,920	1,247	647	76,243	-19,448	56,794
Segment profit (loss)	1,512	5,266	81	13	-14	6,859	40	6,900
Other income and expenses, net								-487
Operating profit								6,412
Finance income and expenses, net								-260
Profit before tax								6,151
Other items								
Depreciation and amortization	224	721	32	42	4	1,025	-11	1,013
Segment assets	24,688	31,128	2,835	940	542	60,135	6,625	66,761
Capital expenditure	689	768	70	155	0	1,683	—	1,683

(Note) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2. "Adjustment" of segment income of ¥40 million is the adjustment of unrealized income.

3. "Adjustment" of segment assets of ¥6,625 million includes Company-wide assets of ¥11,754 million and an effect of intersegment adjustments of ¥-5,128 million.

4. From the fiscal year under review, the accounting reports of the reportable segments conform to IFRS, whereas until the previous fiscal year, they conformed to the Japanese accounting standards. IFRS is therefore applied retroactively to the accounting process of the reportable segments for the previous fiscal year presented in this report.

Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)
(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
External	29,983	33,804	2,974	1,143	579	68,486	—	68,486
Inter-segment	9,756	13,638	13	61	123	23,593	-23,593	—
Total	39,740	47,443	2,988	1,205	702	92,080	-23,593	68,486
Segment profit (loss)	2,304	7,787	173	59	-13	10,310	-135	10,175
Other income and expenses, net								39
Operating profit								10,215
Finance income and expenses, net								168
Profit before tax								10,384
Other items								
Depreciation and amortization	258	735	34	20	2	1,050	-11	1,039
Impairment losses	40	—	—	—	—	40	—	40
Segment assets	28,243	32,588	4,666	1,445	552	67,497	2,195	69,692
Capital expenditure	689	1,383	122	101	0	2,297	—	2,297

(Note) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales revenue.

2. "Adjustment" of segment income of ¥-135 million is the adjustment of unrealized income.

3. "Adjustment" of segment assets of ¥2,195 million includes Company-wide assets of ¥8,570 million and an effect of intersegment adjustments of ¥-6,375 million.

(Per Share information)

(1) Basis for calculation of basic earnings per share

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)
Profit attributable to owners of the parent (million yen)	3,942	6,192
Profit not attributable to common shareholders of the parent (million yen)	–	–
Profit used to calculate basic earnings per share (million yen)	3,942	6,192
Weighted average number of common shares (thousand shares)	55,834	52,490
Basic earnings per share (yen)	70.62	117.98

(2) Basis for calculation of diluted earnings per share

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)
Profit used to calculate basic earnings per share (million yen)	3,942	6,192
Adjustment on profit (million yen)	-32	–
Profit used to calculate diluted earnings per share (million yen)	3,910	6,192
Weighted average number of common shares (thousand shares)	55,834	52,490
Increase in common shares (thousand shares)		
Share acquisition rights (thousand shares)	1,656	1,255
Weighted average number of diluted common shares (thousand shares)	57,491	53,745
Diluted earnings per share (yen)	68.01	115.22

2. Disclosure on Transition to IFRS

The Group discloses its consolidated financial statements in accordance with IFRS from the end of the current consolidated fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the fiscal year ending March 31, 2018, and the transition date to IFRS is April 1, 2017.

(1) IFRS 1 exemptions

In principle, IFRS requires entities that are adopting IFRS for the first time (hereinafter referred to as "first-time adopters") to adopt the standards required by IFRS retrospectively. However, IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1") stipulates some of the standards for which exemptions are mandatory and voluntary. The impact of applying these exemptions is adjusted with retained earnings or other components of equity as of the IFRS transition date. The Group adopted the following exemptions when transitioning from Japanese GAAP to IFRS.

- Business combinations

First-time adopters are permitted to choose not to apply IFRS 3 "Business Combinations" (hereinafter referred to as "IFRS 3") retroactively to business combinations conducted before the IFRS transition date. The Group has adopted this exemption, and has elected not to apply IFRS 3 retrospectively to business combinations made before the transition date.

- Exchange differences of foreign operations

IFRS 1 permits first-time adopters to choose to regard the accumulated exchange differences of foreign operations as of the IFRS transition date as zero. The Group has elected to regard the accumulated exchange differences of overseas operations as zero as of the transition date.

- Share-based payment

IFRS 1 recommends that first-time adopters apply IFRS 2 to share-based payments granted on or after November 7, 2002 and vested before the IFRS transition date, but this is not required. The Group has elected not to apply IFRS 2 to share-based payments vested before the transition date.

- Lease

IFRS 1 permits first-time adopters to make an assessment of whether the contract includes a lease as at the IFRS transition date. The Group applies this exemption and determines whether the contract contains a lease based on the facts and circumstances existing as at the transition date.

- Borrowing costs

IFRS 1 permits first-time adopters to regard the start date of capitalization of borrowing costs for eligible assets as the transition date. The Group has adopted this exemption.

- Designation of financial instruments recognized before the transition date

IFRS 1 permits first-time adopters to judge classification under IFRS 9 based on the facts and circumstances as at the transition date, not the facts and circumstances existing at the time of initial recognition. In addition, based on this judgment, it is permitted to designate equity financial assets as financial assets to be measured at fair value through other comprehensive income. The Group applies this exemption and designates some equity financial assets as financial assets to be measured at fair value through other comprehensive income.

(2) Mandatory exception of IFRS 1

IFRS 1 prohibits the retrospective application of IFRS in items such as “estimate,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests” and “classification and measurement of financial assets.” The Group applies the exception to these items from the transition date onward.

(3) Reconciliations

The reconciliations required for the first-time application of IFRS are as follows.

“Reclassified presentation” and “differences in recognition and measurement” in the table below include items that do not affect retained earnings and comprehensive income and items that affect retained earnings and comprehensive income, respectively.

Adjustments to Capital as of April 1, 2017 (IFRS transition date)

(Million yen)

Japan GAAP line item	Japan GAAP	Reclassified presentation	Differences in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	4,666	-105	871	5,432	A, I	Cash and cash equivalents
Notes and accounts receivable - trade	9,846	47	1,543	11,437	B, C, I, J, K	Trade and other receivables
	-	105	-	105	A	Other financial assets
Inventories	16,114	-	1,905	18,019	I, J	Inventories
Consumption taxes receivable	718	-718	-	-	B	
Deferred tax assets	488	-488	-	-	G, O	
Other	676	629	287	1,592	B, I	Other current assets
Allowance for doubtful accounts	-41	41	-	-	C	
Total current assets	32,468	-488	4,607	36,588		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	8,196	-	526	8,722	I	Property, plant and equipment
Intangible assets	649	-603	39	85	F, I	Intangible assets
Investments and other assets						
Investment securities	7,157	803	-322	7,637	E, I, N	Other financial assets
Shares of subsidiaries and associates	11	-	-11	-	I	
Investments in capital of subsidiaries and associates	915	-209	-706	-	I	
Long-term loans receivable	593	-593	-	-	E	
Deferred tax assets	2	488	-313	177	G, O	Deferred tax assets
	-	-	178	178	P	Retirement benefit asset
Other	131	602	29	763	E, F, I	Other non-current assets
Total non-current assets	17,659	488	-582	17,565		Total non-current assets
Total assets	50,127	-	4,025	54,153		Total assets

(Million yen)

Japan GAAP line item	Japan GAAP	Reclassified presentation	Differences in recognition and measurement	IFRS	Note	IFRS line item
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	9,606	881	121	10,609	B, I, M	Current liabilities
Short-term borrowings	4,183	–	3,763	7,947	K	Trade and other payables
	–	8	–	8	E	Borrowings
Income taxes payable	525	–	-6	518	I	Other financial liabilities
Provision for bonuses	232	-232	–	–	D	Income taxes payable
Advances received	905	–	33	939	B, I	Contract liabilities
Provision for product warranties	322	–	3	325	D, I	Provisions
Other	986	-657	131	460	B, L, I	Other current liabilities
Total current liabilities	16,762	–	4,046	20,809		Total current liabilities
Non-current liabilities						Non-current liabilities
Retirement benefit liability	718	22	117	859	P	Other financial liabilities
Provision for retirement benefits for directors (and other officers)	22	-22	–	–	D	Retirement benefit liability
Deferred tax liabilities	1,125	–	-314	811	G, O	Deferred tax liabilities
Other	36	-10	5	30	E, I	Other non-current liabilities
Total non-current liabilities	1,902	–	-191	1,711		Total non-current liabilities
Total liabilities	18,665	–	3,855	22,520		Total Liabilities
Net assets						Equity
Share capital	12,345	–	–	12,345		Share capital
Capital surplus	478	842	–	1,321	H	Capital surplus
Treasury shares	-2,986	–	–	-2,986		Treasury shares
Total accumulated other comprehensive income	3,533	–	-40	3,492	I, N, P, Q	Other components of equity
Retained earnings	17,250	–	95	17,345	R	Retained earnings
	30,620	842	54	31,517		Total equity attributable to owners of parent
Share acquisition rights	842	-842	–	–	H	
	–	–	115	115	I	Non-controlling interests
Total net assets	31,462	–	170	31,632		Total equity
Total liabilities and net assets	50,127	–	4,025	54,153		Total liabilities and equity

Adjustments to Capital as of March 31, 2018 (Date of most recent Japan GAAP financial statements)

(Million yen)

Japan GAAP line item	Japan GAAP	Reclassified presentation	Differences in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	10,286	-104	285	10,466	A, I	Cash and cash equivalents
Notes and accounts receivable - trade	14,482	135	2,163	16,781	B, C, I, J, K	Trade and other receivables
	-	104	-	104	A	Other financial assets
Inventories	17,364	-	1,568	18,933	I, J	Inventories
Consumption taxes receivable	1,046	-1,046	-	-	B	
Deferred tax assets	525	-525	-	-	G, O	
Other	516	853	145	1,515	B, I	Other current assets
Allowance for doubtful accounts	-56	56	-	-	C	
Total current assets	44,165	-525	4,162	47,802		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	9,145	-	12	9,158	I	Property, plant and equipment
Intangible assets	696	-608	-	88	F, I	Intangible assets
Investments and other assets						
Investment securities	8,278	142	172	8,594	E, I, N	Other financial assets
Shares of subsidiaries and associates	11	-	-11	-	I	
Investments in capital of subsidiaries and associates	67	-0	-67	-	I	
Long-term loans receivable	3	-3	-	-	E	
Deferred tax assets	3	525	-318	211	G, O	Deferred tax assets
	-	-	145	145	P	Retirement benefit asset
Other	282	469	10	762	E, F, I	Other non-current assets
Total non-current assets	18,490	525	-57	18,959		Total non-current assets
Total assets	62,656	-	4,104	66,761		Total assets

(Million yen)

Japan GAAP line item	Japan GAAP	Reclassified presentation	Differences in recognition and measurement	IFRS	Note	IFRS line item
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	14,035	1,365	46	15,447	B, I, M	Current liabilities
Short-term borrowings	3,200	–	4,226	7,426	K	Trade and other payables
	–	6	–	6	E	Borrowings
Income taxes payable	1,068	–	-2	1,066	I	Other financial liabilities
Provision for bonuses	275	-275	–	–	D	Income taxes payable
Advances received	2,166	–	52	2,218	B, I	Contract liabilities
Provision for product warranties	457	–	–	457	D, I	Provisions
Other	1,618	-1,096	145	668	B, L, I	Other current liabilities
Total current liabilities	22,821	–	4,469	27,290		Total current liabilities
Non-current liabilities						Non-current liabilities
	–	4	–	4	E	Other financial liabilities
Retirement benefit liability	716	21	145	883	P	Retirement benefit liability
Provision for retirement benefits for directors (and other officers)	21	-21	–	–	D	
Deferred tax liabilities	1,550	–	-405	1,145	G, O	Deferred tax liabilities
Other	29	-4	5	30	E, I	Other non-current liabilities
Total non-current liabilities	2,318	–	-254	2,063		Total non-current liabilities
Total liabilities	25,139	–	4,214	29,354		Total Liabilities
Net assets						Equity
Share capital	12,345	–	–	12,345		Share capital
Capital surplus	2,806	656	-83	3,378	H	Capital surplus
Treasury shares	-1,814	–	–	-1,814		Treasury shares
Total accumulated other comprehensive income	4,489	–	-61	4,427	I, N, P, Q	Other components of equity
Retained earnings	13,257	–	-3	13,254	R	Retained earnings
	31,083	656	-149	31,591		Total equity attributable to owners of parent
Share acquisition rights	656	-656	–	–	H	
Non-controlling interests	5,776	–	39	5,815	I	Non-controlling interests
Total net assets	37,516	–	-109	37,407		Total equity
Total liabilities and net assets	62,656	–	4,104	66,761		Total liabilities and equity

Note on adjustments

to equity

i) Reclassification of line items

A. Transfer of cash and deposits

Time deposits with a deposit term of more than 3 months included in "cash and deposits" under Japanese GAAP are presented as "other financial assets (current)" under IFRS.

B. Transfer of accounts receivable, payables, accrued expenses and advances received

Accounts receivable included in "other" of current assets under Japanese GAAP are presented as "trade and other receivables" under IFRS, and "consumption taxes receivable" presented separately under Japanese GAAP are presented as "other current assets" under IFRS. In addition, payables and accrued expenses included in "other" of current liabilities under Japanese GAAP are presented as "trade and other payables" under IFRS, and "advances received" presented separately under Japanese GAAP are presented as "contract liabilities" under IFRS.

C. Transfer of allowance for doubtful accounts

"Allowance for doubtful accounts (current)," which was presented separately under Japanese GAAP, is presented as a net amount by deducting it directly from "trade and other receivables" under IFRS.

D. Transfer of reserves

"Provisions for bonuses" and "provision for retirement benefits for directors," which were presented separately under Japanese GAAP, are presented as "other current liabilities" and "retirement benefit liability," respectively, under IFRS. In addition, "provision for product warranties," which was presented separately under Japanese GAAP, is presented as "provisions (current)" under IFRS.

E. Transfer of other financial assets and financial liabilities

Separately presented "investment securities" and "long-term loans receivable" and funds included in "other" under Japanese GAAP are presented as "other financial assets (non-current)" under IFRS. In addition, lease obligations included in "other" of current liabilities and "other" of non-current liabilities under Japanese GAAP are shown as "other financial liabilities (current)" and "other financial liabilities (non-current)" under IFRS, respectively.

F. Transfer of leasehold interests in land

"Leasehold interests in land" included in intangible assets under Japanese GAAP is shown in "other non-current assets" as long-term prepaid expenses under IFRS.

G. Adjustment for deferred tax assets and deferred tax liabilities

Under Japanese GAAP, deferred tax assets and deferred tax liabilities were presented as current assets, non-current assets and non-current liabilities. Under IFRS, however, all amounts are shown as non-current assets and non-current liabilities.

H. Transfer of stock acquisition rights

"Subscription rights to shares" stated separately under Japanese GAAP are presented as "capital surplus" under IFRS.

ii) Differences in recognition and measurement

I. Review of scope of consolidation

Under Japanese GAAP, certain subsidiaries, which had been designated as non-consolidated subsidiaries, have been reviewed as consolidated subsidiaries under IFRS.

J. Adjustment of trade receivables and inventories in conjunction with changes at the time of revenue recognition

Under Japanese GAAP, some goods sales transactions are recognized on a shipping basis. Under IFRS, however, the time when the customer recognizes that he or she has gained control over the product, etc. by checking them against the contractual conditions is the fulfillment timing of the contract's performance obligation. Revenue is recognized upon the arrival of the product, etc. at the customer, based mainly on inspection and trade conditions.

K. Transfer of financial assets

Among the liquidation claims such as discounted notes that have been derecognized due to transfer under Japanese GAAP, those that require the Group to pay retroactively if the obligor does not pay are included in "trade and other receivables" and "borrowings (current)" because they do not meet the requirements of financial assets derecognition under IFRS.

L. Unused paid leave

Unused paid leave that was not accounted for under Japanese GAAP is recognized as "other current liabilities" under IFRS.

M. Levies

As for fixed asset tax levied in Japan, under Japanese GAAP, expenses were recognized for the fiscal year in which tax was paid, but under IFRS, liabilities and expenses are recognized collectively when an obligating event occurs.

N. Financial assets measured at fair value through other comprehensive income

Under Japanese GAAP, non-marketable equity financial assets were measured at the acquisition price and impaired as necessary. Under IFRS, they are measured at fair value, in principle.

O. Adjustment for deferred tax assets and deferred tax liabilities

For the tax effect of the elimination of internal unrealized gains, the deferral method was used under Japanese GAAP, but now the asset and liability method is used under IFRS. In addition, with the adoption of IFRS, the Company is reconsidering the recoverability of deferred tax assets.

Moreover, under Japanese GAAP, deferred tax assets and deferred tax liabilities were offset in each of the current and non-current categories, but under IFRS, the offsets have increased due to reclassification, and deferred tax assets and deferred items have decreased.

P. Adjustment of net defined benefit liability

Under Japanese GAAP, actuarial differences are recognized in other comprehensive income as they occur, and they are expensed from the year after the occurrence, proportionally divided by a certain number of years within the average remaining service period of employees. Under IFRS, however, they are recognized in other comprehensive income when they occur and are immediately transferred to retained earnings.

Q. Transfer of accumulated exchange differences related to overseas subsidiaries

When applying IFRS for the first time, the Company selected the exemptions specified in IFRS 1 and transferred all accumulated exchange differences on the transition date to retained earnings.

R. Adjustments to retained earnings

(Million yen)

	Transition date (April 1, 2017)	Previous consolidated fiscal year (March 31, 2018)
Adjustment by changing the scope of consolidation	46	49
Adjustment to revenue	-131	-194
Adjustment to employee benefits	-149	-164
Adjustment to levies	-38	-38
Transfer of accumulated exchange differences related to overseas subsidiaries	329	329
Other	37	14
Total	95	-3

Adjustments to profit and loss and comprehensive income in the previous consolidated fiscal year
(April 1, 2017 to March 31, 2018) (the most recent fiscal year of Japanese GAAP consolidated
financial statements)

(Million yen)

Japan GAAP line item	Japan GAAP	Reclassified presentation	Differences in recognition and measurement	IFRS	Note	IFRS line item
Net sales	57,576	–	-781	56,794	A	Revenue
Cost of sales	-43,021	–	719	-42,302	B	Cost of sales
Gross profit	14,554	–	-62	14,492		Gross profit
Selling, general and administrative expenses	-7,612	–	20	-7,592	A, B	Selling, general and administrative expenses
	–	424	-178	245	C, D	Other income
	–	-718	-14	-732	D	Other expenses
Operating profit	6,942	-294	-235	6,412		Operating profit
Non-operating income	332	-332	–	–	D	
Non-operating expenses	-764	764	–	–	D	
Extraordinary income	308	-308	–	–	D	
Extraordinary losses	-378	378	–	–	D	
	–	217	0	217	D	Finance income
	–	-424	-53	-477	D	Finance costs
Profit before income taxes	6,440	–	-288	6,151		Profit before tax
Total income taxes	-1,756	–	64	-1,691		Income tax expense
Profit	4,684	–	-223	4,460		Profit
Profit attributable to owners of parent	4,171	–	-228	3,942		Profit attributable to Owners of parent
Profit attributable to non-controlling interests	513	–	4	517		Non-controlling interests
Accumulated other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	840	–	83	924	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	35	–	-54	-18	B	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	252	–	-25	226		Foreign currency translation adjustments
Total other comprehensive income	1,128	–	3	1,132		Other comprehensive income
Comprehensive income	5,813	–	-220	5,592		Comprehensive income

Comprehensive income attributable to owners of parent	5,367	–	-209	5,158	Comprehensive income attributable to Owners of parent
Comprehensive income attributable to non-controlling interests	445	–	-10	434	Non-controlling interests

Notes on adjustments to profit and loss and comprehensive income

A. Adjustment to revenue

Under Japanese GAAP, some goods sales transactions are recognized on a shipping basis. Under IFRS, however, the time when the customer recognizes that he or she has gained control over the product, etc. by checking them against the contractual conditions is the fulfillment timing of the contract's performance obligation. Revenue is recognized upon the arrival of the product etc. at the customer, based mainly on inspection and trade conditions. In addition, some rebates, etc. were presented in "selling, general and administrative expenses" under Japanese GAAP, but are deducted from "revenue" under IFRS.

B. Accounting for net defined benefit liability

Under Japanese GAAP, actuarial differences are recognized in other comprehensive income as they occur, and they are expensed from the year after their occurrence, proportionally divided by a certain number of years within the average remaining service period of employees. Under IFRS, however, they are recognized in other comprehensive income when they occur and are immediately transferred to retained earnings.

C. Financial assets measured at fair value through other comprehensive income

Under Japanese GAAP, gain or loss on sales of investment securities was recognized as profit or loss. Under IFRS, however, with regard to equity financial assets selected as financial assets to be measured at fair value through other comprehensive income, gain or loss on sales of such equity financial assets is recognized as "other comprehensive income."

D. Adjustment for line items

For items that were presented in "non-operating income," "non-operating expenses," "extraordinary income," and "extraordinary loss" under Japanese GAAP, financial related gains and losses are recorded as "financial income" and "financial expenses," and other items are shown in "other income" and "other expenses" under IFRS.

Adjustments to cash flows in the previous consolidated fiscal year (April 1, 2017 to March 31, 2018) (the most recent fiscal year of Japanese GAAP consolidated financial statements)

There are no significant differences between the consolidated statement of cash flows disclosed under Japanese GAAP and the consolidated statement of cash flows disclosed under IFRS.