

Quarterly Consolidated Financial Results for the Nine Months Ended December 31, 2016 [IFRS]



1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

	(Millions of yen)		
	Transition date (April 1, 2015)	Prior fiscal year (As of March 31, 2016)	Current third quarter (As of December 31, 2016)
ASSETS			
Current assets:			
Cash and cash equivalents	7,911	6,695	6,593
Trade and other receivables	30,201	30,928	29,102
Other financial assets	232	234	21
Inventories	32,429	33,077	35,277
Other current assets	2,277	1,958	3,085
Total current assets	73,051	72,894	74,080
Non-current assets:			
Property, plant and equipment, net	130,952	124,987	117,036
Intangible assets	1,825	1,666	1,489
Investments accounted for using equity method	10,939	10,393	10,890
Other financial assets	30,417	24,568	26,378
Deferred tax assets	2,066	1,692	1,680
Other non-current assets	3,779	3,605	4,702
Total non-current assets	179,981	166,913	162,178
Total assets	253,032	239,807	236,258

	(Millions of yen)		
	Transition date (April 1, 2015)	Prior fiscal year (As of March 31, 2016)	Current third quarter (As of December 31, 2016)
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21,174	19,817	20,107
Bonds and loans payable	35,207	33,986	30,826
Other financial liabilities	1,233	763	1,071
Accrued income taxes	2,430	1,419	1,214
Provisions	5,953	5,835	4,268
Other current liabilities	8,322	7,755	6,501
Total current liabilities	74,322	69,578	63,989
Non-current liabilities:			
Bonds and loans payable	52,260	46,323	40,767
Other financial liabilities	1,978	1,534	1,349
Deferred tax liabilities	2,759	870	1,455
Provisions	669	490	451
Net defined benefit liability	557	434	411
Other non-current liabilities	1,088	1,135	1,136
Total non-current liabilities	59,314	50,788	45,571
Total liabilities	133,636	120,366	109,561
Equity:			
Shareholders' equity:			
Capital stock, no par value			
Authorized: March 31 and December 31, 2016			
- 60,000,000 shares	12,460	12,460	12,460
Issued: March 31 and December 31, 2016			
- 18,168,390 shares			
Capital surplus	10,013	9,430	9,430
Less: Treasury stock, at cost	(4,487)	(4,450)	(4,453)
Retained earnings	90,726	95,723	101,418
Other components of equity	9,710	5,013	6,300
Total equity attributable to owners of parent	118,422	118,177	125,155
Non-controlling interests	973	1,263	1,541
Total equity	119,396	119,440	126,697
Total liabilities and equity	253,032	239,807	236,258

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

Condensed Quarterly Consolidated Statements of Income

(Millions of yen)

	Prior third quarter (From April 1, 2015 To December 31, 2015)	Current third quarter (From April 1, 2016 To December 31, 2016)
Net sales	103,753	93,411
Cost of sales	74,788	66,451
Gross profit	28,964	26,959
Selling, general and administrative expenses	20,594	19,712
Share of profit of entities accounted for using equity method	1,533	1,160
Other income	498	1,224
Other expenses	4,072	294
Operating income	6,330	9,337
Finance income	749	511
Finance costs	923	704
Profit before tax	6,157	9,144
Income tax expense	2,331	1,734
Profit (loss) for the period	3,825	7,409
Profit attributable to:		
Owners of parent	3,947	7,317
Non-controlling interests	(121)	92
Total	3,825	7,409
Earnings per share (in Yen):		
Basic	229.71	425.80
Diluted	191.04	354.09

Condensed Quarterly Consolidated Statements of Comprehensive Income

	Prior third quarter (From April 1, 2015 To December 31, 2015)	Current third quarter (From April 1, 2016 To December 31, 2016)
Profit for the year	3,825	7,409
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	2,391	1,143
Remeasurements of defined benefit plans	68	192
Total	2,459	1,335
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(374)	99
Cash flow hedges	(2)	0
Share of other comprehensive income of entities accounted for using equity method	(132)	169
Total	(509)	269
Total other comprehensive income (loss), net of tax	1,950	1,605
Comprehensive income (loss)	5,776	9,015
Comprehensive income (loss) attributable to:		
Owners of parent	5,956	8,860
Non-controlling interests	(180)	154
Comprehensive income (loss)	5,776	9,015

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Prior fiscal year (From April 1, 2015 To December 31, 2015)

	Total equity attributable to owners of parent						
	Other components of equity						
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Stock acquisition rights	Exchange differences on translating foreign operations	
BALANCE-APRIL 1, 2015	12,460	10,013	(4,487)	90,726	323	—	(7)
Profit for the period				3,947			
Other comprehensive income						(492)	(2)
Comprehensive income	—	—	—	3,947	—	(492)	(2)
Acquisition of treasury stock			(3)				
Disposal of treasury stock							
Share-based payment transaction			40	(6)	(22)		
Dividends				(2,061)			
Changes in Equity		(337)				(1)	
Increase of subsidiaries							
Reclassification from other components of equity to retained earnings.				(1,520)			
Total transactions with owners	—	(337)	37	(548)	(22)	(1)	—
BALANCE-DECEMBER 31, 2015	12,460	9,635	(4,449)	94,125	300	(494)	(10)

	Total equity attributable to owners of parent					
	Other components of equity					Total net assets
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non- controlling interests	
BALANCE-APRIL 1, 2015	9,394	—	9,710	118,422	973	119,396
Profit for the period			—	3,947	(121)	3,825
Other comprehensive income	2,436	68	2,008	2,008	(58)	1,950
Comprehensive income	2,436	68	2,008	5,956	(180)	5,776
Acquisition of treasury stock			—	(3)		(3)
Disposal of treasury stock			—	—		—
Share-based payment transaction			(22)	11		11
Dividends			—	(2,061)	(30)	(2,092)
Changes in Equity			(1)	(379)	352	(26)
Increase of subsidiaries			—	—		—
Reclassification from other components of equity to retained earnings.	(1,451)	(68)	(1,520)	—		—
Total transactions with owners	(1,451)	(68)	(1,544)	(2,432)	322	(2,110)
BALANCE-DECEMBER 31, 2015	10,378	—	10,174	121,946	1,115	123,061

Current fiscal year (From April 1, 2016 To December 31, 2016)

		Total equity attributable to owners of parent						
		Other components of equity						
		Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2016		12,460	9,430	(4,450)	95,723	304	(2,682)	(2)
Profit for the period					7,317			
Other comprehensive income							258	0
Comprehensive income		—	—	—	7,317	—	258	0
Acquisition of treasury stock				(3)				
Disposal of treasury stock			0	0				
Share-based payment transaction						11		
Dividends					(1,890)			
Changes in Equity								
Increase of subsidiaries								
Reclassification from other components of equity to retained earnings.					266			
Total transactions with owners		—	0	(3)	(1,623)	11	—	—
BALANCE-DECEMBER 31, 2016		12,460	9,430	(4,453)	101,418	315	(2,424)	(1)

		Total equity attributable to owners of parent					
		Other components of equity					
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total net assets
BALANCE-APRIL 1, 2016		7,393	—	5,013	118,177	1,263	119,440
Profit for the period				—	7,317	92	7,409
Other comprehensive income		1,091	192	1,542	1,542	62	1,605
Comprehensive income		1,091	192	1,542	8,860	154	9,015
Acquisition of treasury stock				—	(3)		(3)
Disposal of treasury stock				—	0		0
Share-based payment transaction				11	11		11
Dividends				—	(1,890)	(35)	(1,926)
Changes in Equity				—	—		—
Increase of subsidiaries				—	—	159	159
Reclassification from other components of equity to retained earnings.		(74)	(192)	(266)	—		—
Total transactions with owners		(74)	(192)	(255)	(1,882)	123	(1,758)
BALANCE-DECEMBER 31, 2016		8,410	—	6,300	125,155	1,541	126,697

(4) Notes concerning condensed quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Notes to condensed quarterly consolidated financial statements)

(Segment Information)

(1) Overview of the reportable segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group has separate divisions by product, and each division formulates a comprehensive strategy for business activities in domestic and overseas markets.

Accordingly, the Group consists of segments by product and service on the basis of the business divisions, and has the five reportable segments of "Advanced materials," "Specialty chemicals," "Specialty plastics," "Construction-related," and "Other operations."

Major products and services for each segment are as follows:

Segment	Products and services
Advanced materials	polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), carbon fiber, bead-shaped activated carbon, anode materials for lithium ion batteries, polyglycolic acid (PGA)
Specialty chemicals	therapeutic agent for chronic renal failure, anti-cancer agent, agricultural and horticultural fungicides, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty plastics	household plastic wrap, garbage bags for kitchen sink, food containers and cooking paper, PVDF fishing lines, vinylidene chloride (PVDC) film, PVDC compound, multilayer heat-shrinkable film, multilayer bottle, auto-pack machinery (for food packaging)
Construction	civil engineering and construction contracting business, construction and management service
Other operations	environmental engineering, industrial waste management, transport and warehousing, physiochemical and biochemical testing, analysis and measurement services

(2) Segment revenue and performance

The accounting policies for the reportable segments are the same as those of the Group stated in “3. Significant Accounting Policies.”, included in “Quarterly Consolidated Financial Results for the Three Months Ended June 30, 2016”. Intersegment revenue is principally based on the market price.

The Group’s segment information is as follows.

Three months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)							(Millions of yen)	
	Reportable segments						Reconcili-	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	ations (Note)	
Revenue								
Revenue to external customers	26,794	22,226	32,911	10,191	11,629	103,753	—	103,753
Intersegment revenue	591	332	169	4,469	4,333	9,897	(9,897)	—
Total	27,386	22,559	33,080	14,660	15,963	113,650	(9,897)	103,753
Operating income (loss)	1,188	3,768	3,302	791	786	9,837	(3,507)	6,330
Finance income								749
Finance costs								(923)
Profit before tax								6,157

Note:

Operating income reconciliation consists of 66 million yen of income by elimination of intersegment transaction, mainly 498 million yen of other revenue and 4,072 million yen of other expenses (mainly 3,242 million yen of Business restructuring costs) not allocated to reportable segments.

Three months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)							(Millions of yen)	
	Reportable segments						Reconcili-	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	ations (Note)	
Revenue								
Revenue to external customers	22,033	18,090	32,138	9,225	11,922	93,411	—	93,411
Intersegment revenue	448	224	134	3,883	4,173	8,864	(8,864)	—
Total	22,482	18,315	32,273	13,108	16,096	102,275	(8,864)	93,411
Operating income (loss)	685	1,846	4,174	614	1,054	8,376	961	9,337
Finance income								511
Finance costs								(704)
Profit before tax								9,144

Note:

Operating income reconciliation consists of 30 million yen of income by elimination of intersegment transaction, mainly 1,224 million yen of other revenue (mainly 957 million yen of Income from government grants, which consists of 7,849 million yen of proceeds from subsidy income and 6,891 million yen of reduction of non-current assets) and 294 million yen of other expenses not allocated to reportable segments.

(First-time adoption of IFRS)

The Group has adopted IFRS from the first quarter of the fiscal year beginning on April 1, 2016, and the full-year consolidated financial statements for the fiscal year beginning on April 1, 2016 are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2015. The Group had previously adopted Japanese GAAP and the closing date of the accounting period stated on the most recent consolidated financial statements under Japanese GAAP is March 31, 2016.

In principle, IFRS 1 requires the retrospective application of IFRS for entities adopting IFRS for the first time. However, certain exemptions are available. The exemptions that the Group has applied are as follows:

- The Group has elected not to retrospectively apply IFRS 2 *Share-based Payment* to past share-based compensation that was vested before the transition date.
- The Group has elected not to retrospectively apply IFRS 3 *Business Combinations* to past business combination that occurred before the transition date.
- The cumulative foreign currency translation differences for foreign operations are deemed to be zero as of the transaction date.
- The Group uses fair value at the transition date as deemed cost for certain land under IFRS.

The table below presents reconciliations requiring disclosure in the first-time adoption of IFRS.

Reconciliation of equity as of the transition date (April 1, 2015) and prior year-end (March 31, 2016), and reconciliation of profit or loss and comprehensive income for the previous fiscal year (from April 1, 2015 to March 31, 2016) are provided in “(4) Notes concerning condensed quarterly consolidated financial statements (First-time adoption of IFRS)”, included in “Quarterly Consolidated Financial Results for the Three Months Ended June 30, 2016”.

Equity reconciliations as of December 31, 2015 (prior quarter-end)

						(Millions of yen)
Line item under Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and time deposits	8,224		120	8,344	(1)	Cash and cash equivalents
Trade notes and accounts receivable	30,122	142	203	30,468	(1),(3)	Trade and other receivables
		218	(191)	27	(1)	Other financial assets
Merchandise and finished goods	27,192	7,580	(544)	34,228	(1),(3)	Inventories
Work in process	1,878	(1,878)				
Raw materials and supplies	5,702	(5,702)				
Others	5,981	(3,080)	(16)	2,885	(1),(3)	Other current assets
Less: Allowance for doubtful accounts	(210)	210				
Total current assets	78,890	(2,508)	(428)	75,954		Total current assets
Non-current assets:						Non-current assets:
Property, plant and equipment, net:						
Buildings and structures, net	41,624	(41,624)				
Machinery, equipment and vehicles, net	54,782	(54,782)				
Construction in progress	5,446	(5,446)				
Others, net	17,398	(17,398)				
		119,252	7,772	127,025	(1),(3),(4)	Property, plant and equipment, net
Intangible assets:	2,343	(582)	1	1,761	(1)	Intangible assets
Investments and other assets:						
Investment securities	26,726	(26,726)				
		10,832	348	11,181	(2)	Investments accounted for using equity method
		31,956	(1,572)	30,384	(1),(7)	Other financial assets
		3,312	(1,578)	1,734	(1),(3),(5),(6),(7),(8),(9)	Deferred tax assets
Others	21,039	(16,386)	33	4,686	(1),(8)	Other non-current assets
Less: Allowance for doubtful accounts	(101)	101				
Total intangible assets	169,259	2,508	5,006	176,774		Total non-current assets
Total assets	248,150	—	4,577	252,728		Total assets

(Millions of yen)						
Line item under Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
LIABILITIES AND NET ASSETS						LIABILITIES AND EQUITY
Current liabilities:						Current liabilities:
Trade notes and accounts payable	15,950	4,834	239	21,025	(1)	Trade and other payables
Short-term loans payable	16,943	19,076	585	36,604	(1)	Bonds and loans payable
Current portion of long-term loans payable	14,076	(14,076)				
		1,041	142	1,183	(1)	Other financial liabilities
Accrued income taxes	1,206		13	1,219	(1)	Accrued income taxes
Provision for bonuses	1,164	106	2,847	4,119	(1),(6)	Provisions
Provision for directors' bonuses	106	(106)				
Others	19,360	(10,878)	128	8,609	(1),(5)	Others
Total current liabilities	68,807	(2)	3,956	72,761		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Bonds payable	17,000	31,247	518	48,765	(1),(7)	Bonds and loans payable
Bonds with stock acquisition rights	15,000	(15,000)				
Long-term loans payable	16,247	(16,247)				
		1,123	1,319	2,443	(1),(10)	Other financial liabilities
		3,980	(516)	3,464	(4),(7),(8),(9)	Deferred tax liabilities
Retirement allowance for directors and corporate auditors	224	369		594		Provisions
Reserve for environmental measures	369	(369)				
Net defined benefit liability	545		2	548	(1)	Net defined benefit liability
Asset retirement obligations	813	(813)				
Others	5,376	(4,288)		1,088		Others
Total long-term liabilities	55,577	2	1,323	56,904		Total non-current liabilities
Total liabilities	124,385	—	5,280	129,666		Total liabilities
Net assets:						Equity:
Shareholders' equity:						
Capital, no par value	12,460			12,460		Capital stock, no par value
Capital surplus	9,986		(351)	9,635	(10)	Capital surplus
Retained earnings	86,900		7,225	94,125	(12)	Retained earnings
Less: Treasury stock, at cost	(4,449)			(4,449)		Less: Treasury stock, at cost
Accumulated other comprehensive income (loss):						
Unrealized gain on available-for-sale securities	10,117	6,464	(6,407)	10,174	(2),(7),(8),(10),(11)	Others
Deferred loss on hedges	(8)	8				
Translation adjustments	6,887	(6,887)				
Remeasurements of defined benefit plans	(459)	459				
Stock acquisition rights	46	(46)				
		—	466	121,946		Total equity attributable to owners of parent
Non-controlling interests	2,285	—	(1,169)	1,115	(4),(7),(8),(9),(10)	Non-controlling interests
Total net assets	123,764	—	(702)	123,061		Total equity
Total liabilities and net assets	248,150	—	4,577	252,728		Total liabilities and equity

Notes on reconciliation of equity

(1) Reclassification

Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows:

- The current portion of deferred tax assets and deferred tax liabilities is reclassified as non-current items.
- “Investments accounted for using equity method” are presented separately.
- Financial assets and financial liabilities are presented separately.
- “Accumulate other comprehensive income” and “Stock acquisition rights” are presented in “Other components of equity.”

(2) Differences in recognition and measurement

1) Review of scope of consolidation

While Japanese GAAP does not require a not-for-profit entity to be included in the scope of consolidation, IFRS requires it to be consolidated as long as it is controlled by the Group; therefore not-for-profit entities are included in the scope of consolidation as consolidated subsidiaries.

2) Reconciliation of the closing date of an entity accounted for using the equity method

When the closing date of an entity accounted for using the equity method differs from that of the parent, an additional financial statement as of the closing date of the parent will be prepared by such entity to be accounted for using the equity method.

3) Reconciliation of trade receivables and inventories

While trade receivables for certain sale of goods had been recognized at the time of shipment under Japanese GAAP, in accordance with IFRS, trade receivables are recognized at the time of arrival when risks and rewards associated with the goods are transferred to customers.

Under Japanese GAAP, cost variance arising from seasonal fluctuation of the operation rate had been accounted for using a special accounting treatment for preparing the quarterly consolidated financial statements and deferred as current assets during the period, whereas under IFRS, such cost variance is allocated to cost of sales and inventories.

While spare parts for equipment and goods for sales promotion had been recognized as supplies as part of inventories under Japanese GAAP, spare parts for equipment are recognized as property, plant and equipment and goods for sales promotion are recognized as selling, general and administrative expenses under IFRS.

4) Reconciliation of property, plant and equipment

The Group has elected an exemption under the provisions of IFRS 1 and uses the fair value at the transition date as deemed cost for certain lands.

While under Japanese GAAP, real estate acquisition tax had been expensed as incurred, it is included in cost of property, plant and equipment as an expense directly attributable to acquisition under IFRS.

Regarding the reduction entry to account for subsidies other than government grants, Japanese GAAP allows an entity to reduce the subsidized amount directly from the cost of property, plant and equipment. However, as IFRS does not allow such a treatment, the Group has cancelled the reduction entry.

5) Reconciliation of levies

Levies such as property tax that had been expensed at the time of payment under Japanese GAAP, are recognized at once as liabilities and expenses when the obligating event occurs in accordance with IFRS.

6) Reconciliation of liabilities associated with paid leaves

Unused paid leaves that are not recognized as a liability under Japanese GAAP has been recognized as a liability in accordance with IAS 19 *Employee Benefits*.

7) Reconciliation of financial instruments

Unlisted stocks that had been carried at cost under Japanese GAAP are measured at fair value under IFRS.

Corporate bonds that had been carried at the amount of a debt obligation, or face amount, under Japanese GAAP are measured using the amortized cost method under IFRS.

Convertible bonds with stock acquisition rights that had been recorded as liabilities in its entirety under Japanese GAAP, are split between bonds as liabilities and stock acquisition rights as equity under IFRS.

8) Reconciliation of retirement benefit plan

Whereas actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss by amortizing them over a certain period under Japanese GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While Japanese GAAP uses the discount rate and expected return on plan assets, IFRS uses only the discount rate that is applied to net defined benefit liability (asset).

9) Reconciliation of deferred tax assets and deferred tax liabilities

In calculating tax effect with respect to elimination of unrealized gains and losses, while Japanese GAAP had applied the seller's tax rate, IFRS applies the buyer's tax rate. The Group has reviewed the recoverability of deferred tax assets following the adoption of IFRS.

The Group has changed the offset amount of financial assets and liabilities following the adoption of IFRS.

10) Reconciliation of non-controlling interests

While under Japanese GAAP, the excess amount arising when the subsidiaries' losses allocated to non-controlling interests exceeds the amount required to be borne by the non-controlling interests were borne by the parent, under IFRS, such losses are allocated to non-controlling interests without any adjustments.

Non-voting preferred stock issued by subsidiaries and its dividends are recognized as non-controlling interests under Japanese GAAP, while they are recognized as liabilities under IFRS.

11) Reconciliation of other components of equity

The Group has elected an exemption under the provisions of IFRS 1, and reclassified the balance of exchange differences on translating foreign operations into retained earnings as of the transition date.

12) Reconciliation of retained earnings	(Millions of yen)
	End of the third quarter of the previous fiscal year (December 31, 2015)
Review of scope of consolidation	(575)
Reconciliation of the closing dates of entities accounted for using the equity method	392
Reconciliation of trade receivables and inventories	(344)
Reconciliation of property, plant and equipment	2,297
Reconciliation of levies	(87)
Reconciliation of liabilities associated with paid leaves	(1,900)
Reconciliation of financial instruments	(33)
Reconciliation of retirement benefit plan	(533)
Reconciliation of deferred tax assets and deferred tax liabilities	316
Reconciliation of non-controlling interests	390
Reconciliation of other components of equity	7,277
Other	27
Total	7,225

Reconciliation of profit or loss and comprehensive income for the third quarter of the previous fiscal year (from April 1, 2015 to December 31, 2015)

(Millions of yen)						
Items under Japanese GAAP	Amount under J-GAAP	Reclassification	Differences in Recognition and Measurement	Amount under IFRS	Notes	Items under IFRS
Net sales	105,427	(341)	(1,332)	103,753	(1),(3)	Net sales
Cost of sales	75,542		(754)	74,788	(1),(3),(4),(6)	Cost of sales
Gross profit	29,884	(341)	(578)	28,964		Gross profit
Selling, general and administrative expenses	20,567		26	20,594	(1),(4),(6)	Selling, general and administrative expenses
		149	1,384	1,533	(2)	Share of profit of entities accounted for using equity method
		507	(8)	498	(1)	Other income
		4,059	12	4,072	(1)	Other expenses
Operating income	9,317	(3,743)	757	6,330		Operating income
Non-operating income	1,352	(1,352)				
		2,938	(2,188)	749	(1),(5)	Finance income
Non-operating expenses	1,337	(1,337)				
		922	1	923	(1),(5)	Finance costs
Extraordinary gains	2,242	(2,242)				
Extraordinary losses	3,985	(3,985)				
Income before income taxes	7,589	—	(1,432)	6,157		Profit before tax
Income taxes	2,859		(527)	2,331	(1),(3),(4),(5),(6),(7)	Income tax expense
Profit	4,730	—	(904)	3,825		Profit for the period
Profit attributable to:						
Profit attributable to non-controlling interests	(96)		(24)	(121)		Non-controlling interests
Profit attributable to owners of parent	4,827		(879)	3,947		Owners of parent

(Millions of yen)

Items under Japanese GAAP	Amount under J-GAAP	Reclassification	Differences in Recognition and Measurement	Amount under IFRS	Notes	Items under IFRS
Profit	4,730	—	(904)	3,825		Profit for the period
Other comprehensive income (loss):						Other comprehensive income (loss):
Unrealized gain (loss) on available-for-sale securities	766		1,624	2,391	(5)	Financial assets measured at fair value through other comprehensive income
Deferred gain on hedges	(2)		(0)	(2)		Cash flow hedges
Translation adjustments	(347)		(26)	(374)		Exchange differences on translating foreign operations
Remeasurements of defined benefit plans	158		(90)	68	(6)	Remeasurements of defined benefit plans
Share of other comprehensive income in affiliates	(54)		(77)	(132)	(2)	Share of other comprehensive income of entities accounted for using equity method
Total other comprehensive income (loss)	520	—	1,430	1,950		Total other comprehensive income (loss), net of tax
Comprehensive income	5,250	—	525	5,776		Comprehensive income (loss)
Comprehensive income attributable to:						Comprehensive income (loss) attributable to:
Owners of parent	5,360		596	5,956		Owners of parent
Non-controlling interests	(109)		(70)	(180)		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassification

Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows:

- Among items that are classified as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses under Japanese GAAP, finance-related items are classified as finance income or finance costs and other items are classified as other income or other expenses under IFRS.

(2) Differences in recognition and measurement

1) Review of scope of consolidation

While Japanese GAAP does not require a not-for-profit entity to be included in the scope of consolidation, IFRS requires it to be consolidated as long as it is controlled by the Group; therefore not-for-profit entities are included in the scope of consolidation as consolidated subsidiaries.

2) Reconciliation of the closing date of an entity accounted for using the equity method

When the closing date of an entity accounted for using the equity method differs from that of the parent, an additional financial statement as of the closing date of the parent will be prepared by such entity to be accounted for using the equity method.

3) Reconciliation of revenue and cost of sales

While revenue for certain sale of goods had been recognized at the time of shipment under Japanese GAAP, in accordance with IFRS, revenue is recognized at the time of arrival when risks and rewards associated with the goods are transferred to customers.

While under Japanese GAAP, gross amount was presented as sales in transactions where the Group acted as an agent, in accordance with IFRS, net amount of sales and cost of sales corresponding to the amount of fee is presented as net sales.

Under Japanese GAAP, cost variance arising from seasonal fluctuation of the operation rate had been accounted for using a special accounting treatment for preparing the quarterly consolidated financial statements and deferred as current assets during the period, whereas under IFRS, such cost variance is allocated to cost of sales and inventories.

4) Reconciliation of levies

Levies such as property tax that had been expensed at the time of payment under Japanese GAAP, are recognized at once as liabilities and expenses when the obligating event occurs in accordance with IFRS.

5) Reconciliation of financial instruments

Unlisted stocks that had been carried at cost under Japanese GAAP have been measured at fair value under IFRS.

Corporate bonds that had been carried at the amount of a debt obligation, or face amount, under Japanese GAAP have been measured using the amortized cost method under IFRS.

Gains and losses on sale of stocks and other securities previously recognized in profit or loss under Japanese GAAP are recognized as other comprehensive income under IFRS.

6) Reconciliation of retirement benefit plan

Whereas actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss by amortizing them over a certain period under Japanese GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While Japanese GAAP uses the discount rate and expected return on plan assets, IFRS uses only the discount rate that is applied to net defined benefit liability (asset).

7) Reconciliation of income tax

In calculating tax effect with respect to elimination of unrealized gains and losses, under the Japanese GAAP seller's tax rate is used while IFRS applies buyer's tax rate.