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# Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Under IFRS]

February 12, 2025

| | | | |
|---|---|---|---|
| Company name: | Dexerials Corporation | Listing: | Tokyo Stock Exchange |
| Security code: | 4980 | URL: | https://www.dexerials.jp/en |
| Representative: | Yoshihisa Shinya, Representative Director and President | | |
| Contact: | Shinji Tomita, General Manager, PR&IR Department, Business Management Division | | Phone: +81-285-39-7950 |
| Scheduled date to commence dividend payments | | – | |
| Preparation of supplementary material on financial results: | | Yes | |
| Holding of financial results briefing: | | Yes (for securities analysts and institutional investors) | |

(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative) (Percentage indicates year-on-year changes.)

| | Net sales | | Business profit | | EBITDA | | Operating profit | | Profit before tax | |
|---|---|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2024 | 87,163 | 8.0 | 31,865 | 12.6 | 36,795 | 14.0 | 32,848 | 24.3 | 32,487 | 28.4 |
| December 31, 2023 | 80,717 | – | 28,303 | – | 32,288 | – | 26,424 | – | 25,306 | – |

| | Profit | | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen | Yen |
| December 31, 2024 | 23,356 | 26.7 | 23,356 | 26.3 | 22,628 | 17.2 | 135.97 | 130.03 |
| December 31, 2023 | 18,442 | – | 18,490 | – | 19,313 | – | 106.17 | 101.01 |

Notes: 1. For details of business profit and EBITDA, please refer to "* Proper use of earnings forecast, and other special notes, (Business profit and EBITDA)" on the next page.

2. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|---|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| December 31, 2024 | 161,040 | 96,790 | 96,790 | 60.1 | 568.50 |
| March 31, 2024 | 140,373 | 85,122 | 85,122 | 60.6 | 496.30 |

Note: Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, equity attributable to owners of parent per share was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

2. Cash dividends

| | Annual dividends per share | | | | |
|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2024 | – | 35.00 | – | 65.00 | 100.00 |
| Fiscal year ending March 31, 2025 | – | 78.00 | – | | |
| Fiscal year ending March 31, 2025 (forecast) | | | | 32.00 | – |

Notes: 1. Revisions to dividend forecast published most recently: Yes

2. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, the amount of the fiscal year-end dividend for the fiscal year ending March 31, 2025 (forecast) is presented on a post-stock split basis and the total amount of annual dividends per share is indicated by an en-dash (–). Without considering the stock split, the fiscal year-end dividend per share for the fiscal year ending March 31, 2025 (forecast) would be 96.00 yen, and the total amount of annual dividend per share would be 174.00 yen.

3. For the forecast dividends for the fiscal year ending March 31, 2025, please refer to "Notice of Revised Year-End Dividend Forecast (Dividend Increase)" released on February 12, 2025.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

| | Net sales | | Business profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year | 110,000 | 4.6 | 37,000 | 8.5 | 37,700 | 22.0 | 27,000 | 19.6 | 155.19 |

Notes: 1. Revisions to earnings forecast published most recently: Yes

2. For the purpose of calculating the amount of basic earnings per share, the number of shares of the Company held by the Trust as of the end of the fiscal year ended March 31, 2024 was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period.

3. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, the amount of basic earnings per share is presented on a post-stock split basis. Without considering the stock split, the amount of basic earnings per share would be 465.58 yen.

4. For the revision of the earnings forecast, please refer to "Notice of Revised Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025" released on February 12, 2025.

**[Notes]**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (Company name: Dexerials Marketing Taiwan Corporation)

Excluded: 1 company (Company name: Dexerials Hong Kong Limited)

(2) Changes in accounting policies and changes in accounting estimates

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

(ii) Changes in accounting policies due to reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

(a) Total number of issued shares at end of the period (including treasury shares)

As of December 31, 2024: 180,672,600 shares

As of March 31, 2024: 180,576,600 shares

(b) Number of treasury shares at the end of the period

As of December 31, 2024: 10,417,561 shares

As of March 31, 2024: 9,063,933 shares

(c) Average number of shares outstanding during the period

Nine months ended December 31, 2024: 171,777,063 shares

Nine months ended December 31, 2023: 174,155,316 shares

Notes: 1. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, the number of issued shares (common shares) was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

2. The number of issued shares as of December 31, 2024 has increased by 96,000 shares as the number of shares issued increased by 96,000 shares upon the exercise of stock options during the nine months ended December 31, 2024.

3. As the Company has introduced a stock compensation plan which delivers shares with restrictions on transfer, the Company's shares are included in the number of treasury shares at the end of the period (871,758 shares as of December 31, 2024 and 881,400 shares as of March 31, 2024) mainly for the purpose of allotting them as restricted shares.

4. As the Company has introduced an Employee Stock Ownership Plan ("J-ESOP") and a Board Benefit Trust (BBT), the number of shares of the Company held by the Trust is included in the number of treasury shares as of the end of the period. In addition, the number of shares of the Company held by the Trust (an average of 8,881,857 treasury shares during the nine months ended December 31, 2024 and an average of 11,141,172 treasury shares during the nine months ended December 31, 2023) was included in the number of treasury shares to be deducted in the calculation of the average number of shares outstanding during the period.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary).

* Proper use of earnings forecast, and other special notes

(Application of International Financial Reporting Standards (IFRS))

The Group has adopted IFRS from the fiscal year ending March 31, 2025. The consolidated financial statements most recently prepared in accordance with Japanese GAAP are those for the fiscal year ended March 31, 2024, and the date of transition to IFRS is April 1, 2023. For differences between IFRS and Japanese GAAP with respect to consolidated financial figures, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to quarterly consolidated financial statements (First-time adoption of IFRS)" on page 22 of the attached materials.

(Business profit and EBITDA)

Although business profit and EBITDA are not disclosures under IFRS, the Company believes that these disclosures provide useful information to investors. The details of business profit and EBITDA are as follows.

Business profit: A profit indicator that measures the Company's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales

EBITDA: A profit indictor that is determined by adding back depreciation, which is recorded as cost of sales and selling, general and administrative expenses, to business profit

(Method of obtaining supplementary materials on financial results)

Supplementary materials on financial results will be posted on our website at https://www.dexerials.jp/en/ir/library/index.html.

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including results forecasts contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Accordingly, the Company does not intend to promise their achievement. Actual results may differ from these forecasts and forward-looking statements due to various factors.

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## 1. Overview of Consolidated Financial Results

The Group has adopted International Financial Reporting Standards (hereinafter, "IFRS") from the fiscal year ending March 31, 2025. In addition, financial figures for the nine months ended December 31, 2023 and the previous fiscal year have been reclassified to conform to IFRS for purposes of comparative analysis.

For differences between IFRS and Japanese GAAP with respect to financial figures, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to quarterly consolidated financial statements (First-time adoption of IFRS)" on page 22 of the attached materials.

### (1) Operating results

The Group's operating results for the nine months ended December 31, 2024 (hereinafter, the "period under review") were as follows: net sales were ¥87,163 million (up 8.0% year-on-year), business profit was ¥31,865 million (up 12.6% year-on-year), operating profit was ¥32,848 (up 24.3% year-on-year), and profit attributable to owners of parent was ¥23,356 million (up 26.3% year-on-year). Such a strong business performance was attributable mainly to the weakened yen and a continuous growth in differentiated technology products in the consumer IT product market, despite the discontinuation of sale of Phosphor films.

Operating results by segment and sales by product category are presented as follows.

#### a. Optical Materials and Components Business

During the period under review, the Optical films product category reported a year-on-year increase in sales thanks to the volume growth of Anti-reflection films resulting from the robust demand for laptop PC displays, and the higher sales for in-vehicle displays due to an increase in the number of car models adopted, though adversely affected by the discontinuation of sale of Phosphor films.

The Optical resin materials product category also reported a year-on-year increase in sales mainly due to the continued steady sales of Smart precision adhesives (SA) and Optical elastic resin (SVR).

As a result, the business segment reported net sales of 41,696 million (up 5.3% year-on-year) and business profit of ¥13,636 million (up 5.8% year-on-year).

#### b. Electronic Materials and Components Business

During the period under review, the Anisotropic conductive films (ACF) product category reported a year-on-year increase in sales thanks to the continued increase in demand for particle-arrayed ACFs for smartphones in China and South Korea.

The surface-mounted type fuse product category performed at a similar level as last year. This was because products for smartphones continued to face challenges, while inventory adjustments for power tools had bottomed out.

The overall Photonics product category was in line with the previous year's level. Specifically, sales of optical semiconductors for sensor applications decreased due to the delayed recovery of demand in China, while those for telecommunication increased by starting shipments of products for optical transceivers to new customers. Meanwhile, sales of micro devices increased because of the winning of new contracts.

As a result, the business segment reported net sales of ¥46,000 million (up 10.5% year-on-year) and business profit of ¥18,228 million (up 18.3% year-on-year)

Note: Segment sales include inter-segment transactions.

### (2) Financial position

Total assets at the end of the period under review amounted to ¥161,040 million, up ¥20,666 million from the end of the previous fiscal year, due to increases in property, plant and equipment, assets held for sale, and cash and cash equivalents, which were partially offset by decreases in other current assets and inventories. Total liabilities amounted to ¥64,250 million, up ¥8,998 million from the end of the previous fiscal year, due to increases in other financial liabilities and interest-bearing liabilities (current), which were partially offset by a decrease in interest-bearing liabilities (non-current). Total equity amounted to ¥96,790 million, an increase of ¥11,667 million due to an increase in retained earnings, which was partially offset by an increase in treasury shares.

**(3) Forward-looking statements including consolidated earnings forecast**

(i) Revised Consolidated Earnings Forecast

With respect to consolidated operating results for the nine months ended December 31, 2024, both sales and profits remained higher than expected. This was due to the expansion of high value-added products such as Anti-reflective films and Anisotropic conductive films (ACF), despite the end of sales of Phosphor films. Additionally, the exchange rate moved towards a weaker yen compared to the initial assumptions. The assumed exchange rate for the fourth quarter has also been revised from 140.0 yen/US$ to 152.7 yen/US$, and we have decided to revise upward the forecast as shown below.

Revised full-year consolidated earnings forecast for the fiscal year ending March 31, 2025
(from April 1, 2024 to March 31, 2025)

| | Net sales | Business profit | Profit before income taxes | Profit attributable to owners of parent | Basic earnings per share |
|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Yen |
| Previous forecast (A) | 107,000 | 33,500 | 32,000 | 23,000 | 132.20 |
| Revised forecast (B) | 110,000 | 37,000 | 37,700 | 27,000 | 155.19 |
| Amount changed (B-A) | 3,000 | 3,500 | 5,700 | 4,000 | 22.99 |
| Percent change (%) | 2.8 | 10.4 | 17.8 | 17.4 | 17.4 |
| (Reference)<br>Results for the fiscal year ended March 31, 2024 | 105,198 | 34,086 | 30,891 | 22,575 | 129.76 |

Note: Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

(ii) Revised Year-End Dividend Forecast

Based on the Shareholder Return Policy in Mid-Term Management Plan 2028 “Achieving Evolution,” the revision of the full-year earnings forecast and stable dividends, we have decided to increase the year-end dividend forecast by 6 yen from 26 yen per share to 32 yen per share. As a result, the annual dividend after the stock split is expected to be 58 yen per share (with the total payout ratio of 75.2%, reflecting the amount of treasury shares to be acquired).

| | Dividend per share | | |
|---|---|---|---|
| | Second quarter-end | Fiscal year-end | Total |
| Previous forecast<br>(announced on May 13, 2024) | 78.00 yen | 26.00 yen | ― yen |
| Revised forecast | | 32.00 yen | ― yen |
| Actual result | 78.00 yen | | |
| Results for the previous fiscal year ended March 31, 2024 | 35.00 yen | 65.00 yen | 100.00 yen |

Note: Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. For dividends on or before the second quarter of the fiscal year ending March 2025, the actual dividend amounts before the stock split are listed. For the year-end dividend per share forecast for the fiscal year ending March 2025, the amount reflects the impact of the stock split, and the total annual dividend is indicated as "-". The year-end dividend forecast for the fiscal year ending March 2025, converted to pre-stock split terms, is 96.00 yen per share, and the annual dividend is 174.00 yen per share.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly consolidated statement of financial position

(Millions of yen)

| | Date of transition (As of April 1, 2023) | Previous fiscal year (As of March 31, 2024) | Current quarter (As of December 31, 2024) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 29,454 | 35,328 | 40,118 |
| Trade and other receivables | 14,099 | 15,588 | 14,594 |
| Inventories | 11,281 | 9,916 | 8,744 |
| Other financial assets | 122 | 60 | 27 |
| Other current assets | 4,469 | 3,025 | 1,843 |
| Subtotal | 59,427 | 63,919 | 65,327 |
| Assets held for sale | – | 5,522 | 11,594 |
| Total current assets | 59,427 | 69,442 | 76,922 |
| Non-current assets | | | |
| Property, plant and equipment | 34,308 | 37,390 | 47,576 |
| Goodwill | 21,288 | 21,288 | 21,288 |
| Intangible assets | 5,973 | 5,807 | 6,242 |
| Investments accounted for using equity method | 121 | 140 | 2,619 |
| Other financial assets | 1,294 | 1,245 | 1,447 |
| Deferred tax assets | 4,164 | 4,861 | 4,702 |
| Other non-current assets | 218 | 197 | 241 |
| Total non-current assets | 67,368 | 70,931 | 84,117 |
| Total assets | 126,795 | 140,373 | 161,040 |

(Millions of yen)

| | Date of transition (As of April 1, 2023) | Previous fiscal year (As of March 31, 2024) | Current quarter (As of December 31, 2024) |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11,259 | 13,378 | 14,083 |
| Interest-bearing liabilities | 9,546 | 7,444 | 9,027 |
| Employee benefits accruals | 4,222 | 4,138 | 3,133 |
| Income taxes payable | 4,706 | 4,378 | 4,798 |
| Other financial liabilities | 6,648 | 2,547 | 13,057 |
| Other current liabilities | 1,425 | 1,539 | 2,591 |
| Subtotal | 37,808 | 33,426 | 46,691 |
| Liabilities directly associated with assets held for sale | – | 266 | 784 |
| Total current liabilities | 37,808 | 33,692 | 47,475 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 12,032 | 15,754 | 12,090 |
| Retirement benefit liability | 4,346 | 4,059 | 3,722 |
| Provisions | 253 | 275 | 271 |
| Deferred tax liabilities | 1,276 | 1,444 | 649 |
| Other financial liabilities | 2,459 | – | – |
| Other non-current liabilities | 9 | 23 | 40 |
| Total non-current liabilities | 20,379 | 21,558 | 16,774 |
| Total liabilities | 58,187 | 55,251 | 64,250 |
| Equity | | | |
| Share capital | 16,194 | 16,251 | 16,262 |
| Capital surplus | 14,582 | 17,700 | 19,149 |
| Retained earnings | 52,895 | 54,777 | 69,769 |
| Treasury shares | (15,908) | (5,085) | (9,309) |
| Other components of equity | (26) | 1,478 | 918 |
| Total equity attributable to owners of parent | 67,737 | 85,122 | 96,790 |
| Non-controlling interests | 870 | – | – |
| Total equity | 68,608 | 85,122 | 96,790 |
| Total liabilities and equity | 126,795 | 140,373 | 161,040 |

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

Quarterly consolidated statement of profit or loss

(Millions of yen, except for per share data)

| | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) | Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024) |
|---|---|---|
| Net sales | 80,717 | 87,163 |
| Cost of sales | (36,752) | (37,378) |
| Gross profit | 43,965 | 49,784 |
| Selling, general and administrative expenses | (15,661) | (17,918) |
| Other income | 302 | 1,925 |
| Other expenses | (2,182) | (942) |
| Operating profit | 26,424 | 32,848 |
| Finance income | 466 | 211 |
| Finance costs | (1,589) | (691) |
| Share of profit of investments accounted for using equity method | 4 | 118 |
| Profit before tax | 25,306 | 32,487 |
| Income tax expense | (6,863) | (9,130) |
| Profit | 18,442 | 23,356 |
| | | |
| Profit attributable to: | | |
| Owners of parent | 18,490 | 23,356 |
| Non-controlling interests | (47) | — |
| Profit | 18,442 | 23,356 |
| | | |
| Earnings per share | | |
| Basic earnings per share (Yen) | 106.17 | 135.97 |
| Diluted earnings per share (Yen) | 101.01 | 130.03 |

Quarterly consolidated statement of comprehensive income

(Millions of yen)

| | Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023) | Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024) |
|---|---|---|
| Profit | 18,442 | 23,356 |
| Other comprehensive income, net of tax: | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurements of defined benefit plans | 46 | (169) |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | – | (8) |
| Share of other comprehensive income of investments accounted for using equity method | 11 | – |
| Total of items that will not be reclassified to profit or loss | 58 | (177) |
| Items that may be reclassified to profit or loss: | | |
| Cash flow hedges | (126) | (86) |
| Hedging costs | 178 | 20 |
| Exchange differences on translation of foreign operations | 761 | (475) |
| Share of other comprehensive income of investments accounted for using equity method | – | (10) |
| Items that may be reclassified to profit or loss | 812 | (551) |
| Total other comprehensive income (after tax effect) | 870 | (728) |
| Comprehensive income | 19,313 | 22,628 |
| Comprehensive income attributable to: | | |
| Owners of parent | 19,359 | 22,628 |
| Non-controlling interests | (45) | – |
| Comprehensive income | 19,313 | 22,628 |

**(3) Notes to quarterly consolidated financial statements**

(Going concern assumption)

Not applicable.

(Reporting entity)

Dexerials Corporation (the "Company") is a joint-stock company incorporated in Japan. The address of its registered head office is Shimotsuke City, Tochigi Prefecture. The Company's quarterly consolidated financial statements comprise the financial statements of the Company and its consolidated subsidiaries (collectively, the "Group") as well as its interests in associates.

The Group is principally engaged in the manufacturing and distribution of optical materials and electronic materials. It is divided into two reportable segments: Optical Materials and Components Business and Electronic Materials and Components Business.

(Material accounting policies)

The Group applies the following accounting policies to all periods presented in the quarterly consolidated financial statements for the period under review (including the consolidated statement of financial position at the date of transition to IFRS), unless otherwise provided.

(1) Basis of consolidation

(i) Subsidiaries

A subsidiary refers to an entity controlled by the Group. The Group determines that it controls an entity when the Group has variable exposures, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Financial statements of a subsidiary are included in the consolidated financial statements from the date on which the Group obtains control of the subsidiary until the date on which it loses control of the subsidiary. If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements as necessary. The balances of receivables and payables and transactions between Group companies, and unrealized gains or losses arising from transactions between Group companies are eliminated in the preparation of the quarterly consolidated financial statements. Comprehensive income of a subsidiary is attributed to owners of the parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the Company makes a partial disposal of an interest in a subsidiary and continues controlling it, the disposal is accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration is directly recognized in equity as interests attributable to owners of the parent. If the Group loses control of a subsidiary, it recognizes gains or losses resulting from the loss of control in profit or loss.

(ii) Associates

An associate refers to an investee over which the Group has significant influence in terms of the finance and business policies but does not have control or joint control. If the Group holds 20% or more but no more than 50% of the voting rights of the entity, it is presumed that the Group has significant influence over the entity.

An investment in an associate is accounted for using the equity method from the date the investee is determined to be an associate until the date the investee is determined not to be an associate.

If any accounting policies adopted by an associate differ from those adopted by the Group, adjustments are made to the associate's financial statements as necessary. When an entity ceases to be an associate and is no longer accounted for by the equity method, gains or losses resulting from the cessation of applying the equity method is recognized as profit or loss.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration of acquisition is measured as the aggregate of assets transferred in exchange for control of an acquiree, assumed liabilities and the acquisition-date fair value of equity interests issued by the Company. If the aggregate of the consideration transferred, the amount of any non-controlling interests in an acquiree, and the fair value of any equity interests in the acquiree previously held by the acquirer exceeds the net value of the identifiable assets and liabilities acquired, goodwill is measured as the excess.

The Company selects whether to measure non-controlling interests at fair value or at their proportionate share of the recognized amount of identifiable net assets for each business combination.

The Company accounts for acquisition-related costs incurred, including brokerage fees, legal fees, and due diligence costs, when they are incurred.

If initial accounting for the business combination was not completed by the end of the consolidated fiscal year in which a business combination occurred, items that were not completed are reported at their provisional amounts. If the Company obtained facts and circumstances that had existed at the acquisition date in the period that would have affected the measurement of the amount to be recognized had they been known at an initial acquisition date (the "measurement period"), the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect that information. When newly obtained information results in a new recognition of assets and liabilities, additional assets and liabilities are recognized. The maximum measurement period is one year. Additional acquisitions of non-controlling interests after control has been obtained are accounted for as equity transactions; therefore, goodwill is not recognized because of the transactions.

The identifiable assets and liabilities of the acquiree are measured at the acquisition-date fair value, except for the following:

- Deferred tax assets or deferred tax liabilities;
- Assets and liabilities related to employee benefit arrangements, initial;
- Share-based payment arrangement of the acquiree;
- Right-of-use assets and lease liabilities associated with leases in which the acquiree is the lessee
- Assets or a disposal group classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In the case of a business combination achieved in stages, the interest in the acquiree previously held by the Group is remeasured at fair value on the date that control is acquired, and gains or losses incurred is recognized in profit or loss.

The Group has adopted the exemption provisions of IFRS 1, and does not apply IFRS 3 *Business Combination* retrospectively to the business combinations that took place before the date of transition to IFRS (April 1, 2023). Consequently, the amount of goodwill arising from acquisitions before the date of transition is recorded based on the carrying amount as of the date of transition in accordance with the previous accounting standard (Japanese GAAP).

(3) Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group company using the exchange rates at the dates of the transactions.

Foreign currency monetary assets and liabilities at the closing date are translated into the functional currency at the exchange rate prevailing at the closing date. Foreign currency non-monetary assets and liabilities measured at fair value are translated into the functional currency at the exchange rate prevailing at the date of the fair value calculation.

Translation differences arising from translation or settlement are recognized in profit or loss. However, translation differences arising from cash flow hedges are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into the Japanese yen using the exchange rates at the closing date. Revenue and expenses of the foreign operations are translated into the Japanese yen using the average exchange rates during the period unless the exchange rates fluctuate significantly. Translation differences arising from translating the financial statements of the foreign operations are recognized in other comprehensive income, and are recognized in profit or loss in the period in which the foreign operations are disposed of.

The Group has elected the exemption provisions specified in IFRS 1, and the cumulative exchange differences recognized as of the date of transition to IFRS were transferred to "Retained earnings."

(4) Financial Instruments

(i) Financial assets (excluding derivatives)

A. Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost. This classification is made at initial recognition. The Group also initially recognizes financial assets at the transaction date on which it becomes a party to the contract of the financial instrument.

All financial assets are measured at fair value plus transaction costs directly attributable to the acquisition, unless the assets are classified as those measured at fair value through profit or loss. However, trade receivables that do not contain a significant financing component are measured at their transaction price.

The Group classifies financial assets as those measured at amortized cost if both of the following conditions are met:

- the financial assets are held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as those measured at fair value.

B. Subsequent measurement

After initial recognition, financial assets are measured as follows in accordance with their classification.

(a) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method. Interest is recognized in profit or loss as part of finance income.

(b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss.

However, changes in the fair value of equity instruments designated as those measured at fair value through other comprehensive income are recognized in other comprehensive income. Dividends from those instruments are recognized in profit or loss as part of finance income.

C. Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

At the closing date of each reporting period, the Group assesses whether credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognizes 12-month expected credit losses as a loss allowance. Meanwhile, if the credit risk has increased significantly since initial recognition, the Group recognizes an amount equal to lifetime expected credit losses as a loss allowance. However, the Group always recognizes lifetime expected credit losses as a loss allowance on trade receivables and lease receivables that do not contain a significant financing component.

D. Derecognition of financial assets

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or the Group transfers substantially all the risks and rewards of ownership of the financial assets. If the Group has retained control of the financial assets transferred, it recognizes the assets and related liabilities to the extent of its continuing involvement in the financial assets.

(ii) Financial liabilities (excluding derivatives)

A. Initial recognition and measurement

The Group initially recognizes all financial liabilities at the date on which it becomes a party to the contract of the financial instrument and measures them at amortized cost. The Group also measures them at fair value less transaction costs directly attributable to their issuance upon initial recognition.

B. Subsequent measurement

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method with interest recognized in profit or loss as part of finance costs.

C. Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented net in the quarterly consolidated statement of financial position only when the Group has the legal right to offset the balances and has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivatives and hedge accounting

The Group uses derivatives, including foreign currency forward contracts and foreign exchange options, to hedge foreign currency risk. These derivatives are initially recognized at fair value when the contracts are entered into, and are subsequently measured at fair value. Changes in the fair value of the derivatives are recognized in profit or loss.

When applying the hedge accounting, the Group formally designates and documents, at the inception of a hedge, the hedging relationship to which it plans to apply hedging accounting and its risk management objective and strategy for undertaking the hedge. The documentation includes the specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the method of assessing the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Specifically, the Group determines that the hedge is effective if all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group assesses on an ongoing basis whether the hedging relationship is effective prospectively.

The Group has appropriately established the hedge ratio in light of an economic relationship between the hedged item and the hedging instrument and its risk management strategy.

The Group readjusts the hedge ratio to make the hedging relationship effective again if the hedging relationship is deemed to be no longer effective, but its risk management objective remains unchanged. If the risk management objective for the hedging relationship has changed, hedge accounting for the hedging relationship is discontinued.

The Group accounted for hedges meeting criteria for hedge as follows:

*Cash flow hedges*
The effective portion of gains or losses on the hedging instrument is recognized in other comprehensive income, and the ineffective portion of them is immediately recognized in profit or loss.

If the hedging instrument is a forward exchange contract, the forward exchange contract is classified into a forward element and a spot element, and only changes in the value of the spot element are designated as the hedging instrument. Changes in the fair value of the forward element are separately accounted for as hedging costs.

When a currency option is used as the hedging instrument, the Company classifies the currency option into intrinsic value and time value and designates only changes in the intrinsic value element as the hedging instrument. Changes in the fair value of the time value element are separately accounted for as hedging costs.

The amount recorded in other comprehensive income is transferred to profit or loss at the time when the transaction for a hedged item affects profit or loss.

When a hedging instrument expires, is sold, terminated or exercised, the hedge accounting is discontinued prospectively if the hedge does not qualify for the hedge accounting. If a forecast transaction or a firm commitment is no longer expected to occur, the cumulative gains or losses recognized in equity through other comprehensive income are transferred to profit or loss. If the hedged future cash flows are still expected to occur, the amount recognized in equity through other comprehensive income remains in equity until the future cash flows occur.

Derivatives that do not qualify for hedge accounting are recognized at fair value, with changes in fair value recognized in net income or loss.

(v) Liabilities arising from put options written on non-controlling interests
For written put options on shares of subsidiaries granted by the Group to owners of non-controlling interests, the Group recognizes a financial liability as an obligation to purchase the non-controlling interests, and accordingly, the put option to the non-controlling shareholders is recorded as “Other financial liabilities (non-current)” and “Capital surplus” is reduced. When the non-controlling shareholders exercise their rights, “Other financial liabilities (non-current)” and “Non-controlling interests” are reversed and the difference between the amount of the reversal and the amount paid is recorded in “Capital surplus.”

(5) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

(6) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost includes purchase costs, processing costs, and all costs incurred until the inventories reach the current location and condition and is calculated based on the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs of sale.

(7) Property, plant and equipment
Property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and any accumulated impairment losses. The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over their respective estimated useful lives. The estimated useful lives of major property, plant and equipment are as follows.

- Buildings and structures: 2 to 60 years
- Machinery and vehicles: 2 to 15 years

Estimated useful lives, residual values, and depreciation methods are reviewed at each financial year-end, and any changes are applied prospectively as changes in accounting estimates.

(8) Goodwill and intangible assets

(i) Goodwill

The Group initially measures goodwill as the fair value of the consideration for transfer, including the recognized amount of any non-controlling interests in the acquiree measured as of the acquisition date, less the net recognized amount of identifiable assets acquired and liabilities assumed as of the acquisition date (usually at fair value).

Goodwill is not amortized but is allocated to a cash-generating unit or group of cash-generating units and tested for impairment once a year or whenever an indication of impairment exists. Goodwill impairment losses are recognized in the quarterly consolidated statement of profit or loss and are not subsequently reversed. Goodwill is stated at cost, less any accumulated impairment losses in the quarterly consolidated statement of financial position.

(ii) Intangible assets

Intangible assets are measured using the cost model and stated at cost less any accumulated amortization and any accumulated impairment losses.

Separately acquired intangible assets are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination is measured at fair value at the date control is obtained.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Software: 5 years
- Patents: 8 to 15 years
- Customer-related intangible assets (identifiable intangible assets): 17 years

Estimated useful lives and depreciation methods are reviewed at each financial year-end, and any changes are applied prospectively as changes in accounting estimates.

(9) Leases

(i) As lessee

The Group assesses contracts to determine whether a contract is, or contains, a lease. If the contract is, or contains, a lease, a right-of-use asset and a lease liability are recognized at the commencement date of the lease. The lease liability is measured at the present value of total lease payments yet to be paid. The right-of-use asset is measured at cost, adjusted to the amount of the initial measurement of the lease liability for any lease payments made at or before the commencement date, etc., any initial direct costs incurred by the lessee, and the costs to be incurred as the obligation for restoration, etc. required by the terms and conditions of the lease.

Right-of-use assets are stated at cost, less any accumulated depreciation and any accumulated impairment losses and are included in property, plant and equipment in the quarterly consolidated statement of financial position. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful life and the lease term.

Lease liabilities are measured subsequently at an amount that reflects the interest expense on the lease liability, lease payments made and, if applicable, any reassessment of the lease liability or lease modifications. Lease liabilities are included in "Interest-bearing liabilities" in the quarterly consolidated statement of financial position.

Lease payments are allocated between finance costs and repayments of lease liabilities, with finance costs recognized in the quarterly consolidated statement of profit or loss. The lease term is the non-cancellable period of the lease plus the period covered by the extension option that the lessee is reasonably certain to exercise and the period covered by the termination option that the lessee is reasonably certain not to exercise.

However, for short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, the right-of-use assets and lease liabilities are not recognized, but the lease payments are recognized as expenses over the lease term on a systematic basis.

(ii) As lessor

The Group classifies leases as either finance leases or operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In finance lease transactions, the underlying asset is derecognized and net investment in the lease is recognized as a receivable. In operating lease transactions, the underlying asset continues to be recognized and the lease payments to be received are recognized as revenue on a straight-line basis over the lease term.

(10) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, excluding inventories and deferred tax assets, are reviewed at each balance sheet date for indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill is estimated annually and whenever an indication of impairment exists.

The recoverable amount of an asset or cash-generating unit is defined as the higher of its value in use and its fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks inherent in the asset.

Assets that are not tested individually in impairment testing are integrated into the smallest cash-generating unit that, through continued use, generates cash inflows that are largely independent of the cash inflows of other assets or asset groups. When testing goodwill for impairment, the cash-generating units to which goodwill is allocated are integrated so that impairment is tested to reflect the smallest unit to which the goodwill relates. Goodwill acquired through a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate independent cash inflows. When there is an indication that a corporate asset may be impaired, the impairment test is performed by determining the recoverable amount of the cash-generating unit to which the corporate asset belongs.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit are allocated first to reduce the carrying amount of goodwill allocated to that unit and then allocated to reduce the carrying amounts of other assets within the cash-generating unit in proportion to their carrying amounts.

No impairment losses related to goodwill are reversed. For assets other than goodwill, impairment losses recognized in prior periods are assessed at each balance sheet date to determine whether there is any indication that the impairment loss will decrease or disappear. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount determined or the carrying amount (net of depreciation or amortization) that would have been determined if no impairment loss had been recognized in prior periods.

(11) Employee benefits
(i) Post-employment benefit plans
A. Defined contribution pension plans
The Company and certain consolidated subsidiaries have defined contribution pension plans. A defined contribution pension plan is a post-employment benefit plan under which the employer makes a fixed amount of contribution to another independent entity and has no legal or constructive obligation to pay more than the amount contributed. Contribution obligations for defined contribution pension plans are recognized in profit or loss as employee benefit expenses in the period in which the employees render the related services.

B. Defined benefit pension plans
The present value of defined benefit plan obligations and service cost are calculated for each plan using the projected unit credit method.

The discount rate is based on the market yield of high-quality corporate bonds at the end of the period corresponding to the discount period, which is established based on the period up to the expected date of benefit payments each year in the future.

The liability or asset for a defined benefit pension plan is calculated as the present value of the defined benefit pension plan obligation less the fair value of plan assets. The remeasurement amount arising from a defined benefit pension plan consists of actuarial gains and losses, return on plan assets (excluding interest), and changes in the effect of the asset ceiling. It is recognized in other comprehensive income in a lump sum for the period in which they arise and immediately reclassified from "Other components of equity” to “Retained earnings.” Past service cost is recognized in profit or loss in the period in which it is incurred.

(ii) Other employee benefit plans

Short-term employee benefits are not discounted, but are charged to expense when the related services are rendered. Bonuses are recognized as a liability at the amount estimated to be payable under the plan when the Group has a legal or constructive obligation to pay as a result of services provided by the employee in the past and when a reliable estimate of the obligation can be made.

The liability for long-term employee benefits other than post-employment benefit plans is recorded at the present value of the estimated future benefits earned by employees for services rendered in prior and current years.

Paid leave is recognized as a liability at the time the employee provides service that increases the right to future paid leave.

(12) Share-based payment

(i) Stock options

The Company has adopted a stock option plan as an equity-settled, share-based compensation plan. Stock options are estimated based on their fair value at the grant date and recognized as an expense in the quarterly consolidated statement of profit or loss over the vesting period, considering the number of stock options expected to ultimately vest, and the same amount is recognized as an increase in equity in the quarterly consolidated statement of financial position. The fair value of options granted is determined, considering the terms and conditions of the options. The terms and conditions are periodically reviewed and the estimate of the number of units to vest is revised.

The Group has adopted the exemption of IFRS 1 and has not applied IFRS 2 *Share-based Payment* retrospectively to stock options that vested prior to the date of transition to IFRS.

(ii) Stock benefit trusts (J-ESOP and BBT)

The Group has established two stock benefit trusts: an Employee Stock Ownership Plan (“J-ESOP”) for employees and a Board Benefit Trust (BBT) for directors and executive officers (excluding directors who are Audit and Supervisory Committee members and outside directors). The Company’s shares held by each trust are deducted at cost from equity. As these share-based payment plans fall into equity-settled, share-based payments, the services received and the corresponding increase in equity are measured at the fair value of the equity instrument at the grant date, expensed over the vesting period, and the same amount is recognized as an increase in capital surplus. The fair value of the Company’s shares granted is determined by adjusting the market price of the shares to take into account the contractual conditions under which the shares were granted. The terms and conditions are periodically reviewed and the estimate of the number of units to vest is revised.

Since the Group meets the requirements for control over the trust, the trust is included in the scope of consolidation and deposits held by the trust are recorded as “Cash and cash equivalents.”

(13) Provisions

A provisions is recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax interest rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount over time is recognized as finance costs.

(14) Revenue

By applying the following steps, the Group recognizes revenue, except for interest income and other income under IFRS 9 *Financial Instruments*, when it determines, based on the terms and conditions of the contract with the customer, that the customer has obtained control over products or others sold by the Group and that the performance obligation has been satisfied.

Step 1: Identify the contract with the customer.
Step 2: Identify performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

(15) Finance income and finance costs

Finance income consists primarily of interest income, dividend income, foreign exchange gains, and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized using the effective interest method.

Finance costs consist primarily of interest expenses, foreign exchange losses, and changes in the fair value of financial liabilities measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method.

(16) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to assets are recognized by deducting the grants from the cost of the assets, whereas government grants related to expenses are recognized as income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

(17) Income taxes

Income tax expense consists of current tax expense and deferred tax expense, both of which are recognized in profit or loss, except when they arise from items recognized directly in equity or other comprehensive income, or from business combinations.

Current tax expense is measured by the amount expected to be paid to, or refunded from, the tax authorities based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax expense is recognized for temporary differences, which are differences between the tax base of an asset or liability and its carrying amount at the balance sheet date. A deferred tax asset is recognized for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized, whereas a deferred tax liability is generally recognized for all taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset and a liability arising from a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable income (tax loss); and at the time of the transaction, does not give rise to equal taxable and deductible temporary difference;
- Deductible temporary differences associated with investments in subsidiaries and associates, for which it is not probable that the temporary differences will reverse in the foreseeable future, or for which it is not probable that the future taxable profit from the investments will be available against which the temporary difference can be utilized;
- Taxable temporary differences associated with investments in subsidiaries and associates, for which it is probable that the Group is able to control the timing of the reversal of temporary differences; and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit or part of all of those deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates expected to apply in the period in which the deferred tax assets are expected to be recovered or the deferred tax liabilities are expected to be settled based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on the same taxable entity.

Income tax expense for the nine months of the fiscal year has been determined based on the estimated average annual effective tax rate.

(18) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to owners of parent by the weighted average number of common shares issued adjusted for treasury shares during the period. Diluted earnings per share is calculated after adjusting for the effect of all dilutive potential shares.

(19) Segment information

An operating segment is a component of business activities from which revenues are earned and expenses are incurred including transactions with other operating segments. The business results of all operating segments, for which discrete financial information is available, are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to each segment and assess its performance.

(20) Assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered primarily through sale transactions rather than through continuing use, and if it is highly probable that they will be sold within one year, they are available for immediate sale in their present condition, and the Group's management is committed to a plan to sell them.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortized after they are classified as held for sale.

(21) Equity

(i) Common shares

The common shares issued by the Company are credited to share capital and capital surplus at the issue price.

(ii) Treasury shares

Treasury shares are carried at cost with the consideration paid, including direct transaction costs net of tax effects, being deducted from equity. No gain or loss is recognized on repurchase, sale, or retirement of treasury shares. The difference between the carrying amount and the consideration upon sale is recognized as equity.

(Quarterly consolidated statements of cash flows)

While the quarterly consolidated statement of cash flows for the nine months ended December 31, 2024 is not prepared, depreciation and amortization for the nine months ended December 31, 2024 and 2023 was as follows.

(Millions of yen)

| | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) | Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024) |
|---|---|---|
| Depreciation and amortization | 4,127 | 4,975 |

(Significant changes in the amount of equity attributable to owners of parent)

The Company acquired 2,028,000 treasury shares based on the resolution at the Board of Directors meeting held on November 13, 2024. Accordingly, the balance of treasury shares as of December 31, 2024 amounted to ¥9,309 million as a result of an increase in treasury shares by ¥4,999 million during the nine months ended December 31, 2024.

(Segment information)

I Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Information on net sales and profit (loss) by reportable segment

(Millions of yen)

| | Reportable Segment | | | Adjustment | Consolidated |
|---|---|---|---|---|---|
| | Optical Materials and Components | Electronic Materials and Components | Total | | |
| Net sales | | | | | |
| Sales to external customers | 39,228 | 41,489 | 80,717 | – | 80,717 |
| Intersegment sales and transfers | 361 | 129 | 491 | (491) | – |
| Total | 39,590 | 41,619 | 81,209 | (491) | 80,717 |
| Business profit (Note) | 12,894 | 15,408 | 28,303 | – | 28,303 |
| Other income | | | | | 302 |
| Other expenses | | | | | (2,182) |
| Operating profit | | | | | 26,424 |
| Finance income | | | | | 466 |
| Finance costs | | | | | (1,589) |
| Share of profit of investments accounted for using equity method | | | | | 4 |
| Profit before tax | | | | | 25,306 |
| Other items<br>Depreciation and amortization | 1,849 | 2,277 | 4,127 | – | 4,127 |

(Note) Business profit is a profit indicator that measures the Group's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales.

(Reference) Net sales by region

| | | | | | |
|---|---|---|---|---|---|
| Japan | ¥16,974 million | China | ¥24,644 million | South Korea | ¥15,113 million |
| Taiwan | ¥14,349 million | Other | ¥9,635 million | | |

II Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

Information on net sales and profit (loss) by reportable segment

(Millions of yen)

| | Reportable Segment | | | Adjustment | Consolidated |
|---|---|---|---|---|---|
| | Optical Materials and Components | Electronic Materials and Components | Total | | |
| Net sales | | | | | |
| Sales to external customers | 41,229 | 45,933 | 87,163 | – | 87,163 |
| Intersegment sales and transfers | 466 | 66 | 533 | (533) | – |
| Total | 41,696 | 46,000 | 87,696 | (533) | 87,163 |
| Business profit (Note) | 13,636 | 18,228 | 31,865 | – | 31,865 |
| Other income | | | | | 1,925 |
| Other expenses | | | | | (942) |
| Operating profit | | | | | 32,848 |
| Finance income | | | | | 211 |
| Finance costs | | | | | (691) |
| Share of profit of investments accounted for using equity method | | | | | 118 |
| Profit before tax | | | | | 32,487 |
| Other items | | | | | |
| Depreciation and amortization | 2,542 | 2,432 | 4,975 | – | 4,975 |

(Note) Business profit is a profit indicator that measures the Group's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales.

(Reference) Net sales by region

| | | | | | |
|---|---|---|---|---|---|
| Japan | ¥24,901 million | China | ¥22,955 million | South Korea | ¥13,079 million |
| Taiwan | ¥14,934 million | Other | ¥11,293 million | | |

(Assets held for sale)

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

(Millions of yen)

| | Previous fiscal year (As of March 31, 2024) | Current quarter (As of December 31, 2024) |
|---|---|---|
| Assets held for sale | | |
| Cash and cash equivalents | 2,396 | 6,566 |
| Trade and other receivables | 2,869 | 4,225 |
| Other current assets | 187 | 482 |
| Other financial liabilities (non-current) | – | 110 |
| Other | 68 | 209 |
| Total | 5,522 | 11,594 |
| Liabilities directly associated with assets held for sale | | |
| Trade and other payables | 5 | 190 |
| Income taxes payable | 177 | 264 |
| Other | 82 | 328 |
| Total | 266 | 784 |

(1) Previous fiscal year (As of March 31, 2024)

In accordance with the resolution by the Board of Directors dated February 5, 2024, the Company decided to enter into a share transfer agreement and a shareholders agreement to make Dexerials Hong Kong Limited a joint venture, and entered into such agreements with Restar Holdings Corporation (currently Restar Corporation). As a result of the share transfer under these agreements on July 1, 2024, Dexerials Hong Kong Limited was excluded from our consolidated subsidiaries and became our associate accounted for using the equity method. In addition, effective the same date, the said company was renamed Restar Dexerials Hong Kong Limited.

Other components of equity associated with assets held for sale amounted to ¥475 million as of March 31, 2024.

(2) Nine months ended December 31, 2024 (As of December 31, 2024)

In accordance with the resolution by the Board of Directors dated September 25, 2024, the Company decided to enter into a share transfer agreement and a shareholders agreement to make Dexerials Korea Corporation and Dexerials Taiwan Corporation joint ventures, and entered into such agreements with Restar Corporation. As a result of the share transfer under these agreements, Dexerials Korea Corporation and Dexerials Taiwan Corporation were excluded from our consolidated subsidiaries and became our associates accounted for using the equity method effective on January 2, 2025 and February 3, 2025, respectively(*). In addition, effective on the respective date of the share transfer, Dexerials Korea Corporation was renamed Restar Dexerials Korea Corporation and Dexerials Taiwan Corporation was renamed Restar Dexerials Taiwan Corporation.

Other components of equity associated with assets held for sale amounted to ¥246 million as of December 31, 2024.

(*) The scheduled date for the share transfer of Dexerials Taiwan Corporation was January 1, 2025; however, due to the time required for various procedures for the share transfer, this was postponed to February 3, 2025.

(Subsequent events)

(Decision regarding details of repurchase and retirement of treasury shares)

At the Board of Directors' meeting held on February 12, 2025, the Company resolved matters pertaining the repurchase of its treasury shares pursuant to Article 459, paragraph 1 of the Companies Act of Japan and Article 35 of Dexerials' Articles of Incorporation, and at the same time resolved matters pertaining the retirement of the treasury shares pursuant to Article 178 of the said Act.

(1) Reasons for repurchase and retirement of treasury shares

To improve capital efficiency and enhance shareholder returns as part of implementing capital policy according to the business environment, in consideration of factors such as opportunities for strategic investment and the Company's financial condition.

(2) Details of repurchase of treasury shares

| | | |
|---|---|---|
| (i) | Class of shares to be repurchased | : Common stock of the Company |
| (ii) | Total number of shares to be repurchased | : Up to 3,000,000 shares<br>(1.69% of the total number of shares outstanding excluding treasury shares) |
| (iii) | Total amount of repurchase price | : Up to ¥5,000 million |
| (iv) | Repurchase period | : From February 13, 2025 to March 17, 2025 |
| (v) | Method of repurchase | : Purchase from the open market on the Tokyo Stock Exchange<br>(through discretionary trading by a securities company) |

(3) Details of retirement of treasury shares

| | | |
|---|---|---|
| (i) | Class of shares to be retired | : Common stock of the Company |
| (ii) | Number of shares to be retired | : All treasury shares to be repurchased through the transaction as described in item (2) above |
| (iii) | Scheduled date of retirement | : March 27, 2025 |

(Reference) Holding status of treasury shares as of December 31, 2024

| | | |
|---|---|---|
| (i) | Total number of shares outstanding (excluding treasury shares) | : 177,771,639 shares |
| (ii) | Number of treasury shares | : 2,900,961 shares |

Regarding the 2,028,000 shares of treasury stock acquired between November 14, 2024, and December 20, 2024, included in the above number of treasury shares, all shares were cancelled on January 17, 2025.

Notes: 1. As of October 1, 2024, a stock split was conducted at a ratio of 3 shares for every 1 share of common stock, and the number of shares listed above reflects this stock split.

Notes: 2. The treasury shares as disclosed above do not include 7,516,600 shares of the Company held by a Board Benefit Trust (BBT) for directors and other officers and an Employee Stock Ownership Plan ("J-ESOP") for employees in Japan. Note that the Company has introduced a stock compensation plan, which delivers shares with restrictions on transfer, and the treasury shares as disclosed above include 871,758 treasury shares held under the plan mainly for the purpose of allotting them as restricted shares.

The Company continues to hold treasury shares held for the incentive plans for employees and officers because we believe that the plans contribute to the Company's sustainable growth and corporate value enhancement.

(First-time adoption of IFRS)

The Group has adopted IFRS from the fiscal year ending March 31, 2025. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the fiscal year ended March 31, 2024, and the date of transition to IFRS is April 1, 2023.

(1) Exemptions from IFRS 1

IFRS, in principle, requires an entity applying IFRS for the first time (hereinafter, the "first-time adopter") to retrospectively apply the standards required by IFRS. However, IFRS 1 *First-time Adoption of International Financial Reporting Standards* (hereinafter, "IFRS 1") specifies optional exemptions for certain requirement in IFRS. The effect of the application of such exemptions is adjusted in retained earnings or other components of equity at the date of transition to IFRS. The exemptions applied by the Group in transitioning from Japanese GAAP to IFRS are as follows.

(i) Business combinations

The first-time adopter may choose not to apply IFRS 3 *Business Combinations* (hereinafter, "IFRS 3") retrospectively to business combinations that were entered into prior the date of transition to IFRS. Accordingly, the Group has applied this exemption and elected not to apply IFRS 3 retrospectively to business combinations that were entered into prior to the date of transition to IFRS. As a result, the amount of goodwill arising from business combinations prior to the date of transition to IFRS is based on the carrying amount as of the date of transition to IFRS in accordance with Japanese GAAP.

Goodwill was tested for impairment as of the date of transition to IFRS, regardless of whether there is any indication of impairment.

(ii) Translation differences of foreign operations

IFRS 1 permits the first-time adopter to elect to treat the cumulative translation differences for foreign operations as zero at the date of transition to IFRS. Accordingly, the Group has elected to treat the accumulated translation differences of foreign operations as zero as of the date of transition to IFRS.

(iii) Share-based compensation

IFRS 1 permits the first-time adopter to elect not to apply IFRS 2 *Share-Based Payment* (hereinafter, "IFRS 2") for share-based payments granted on or after November 7, 2002 and vested prior to the later of the date of transition to IFRS or January 1, 2005. Accordingly, the Group has elected not to apply IFRS 2 for share-based payments that vested prior to the date of transition to IFRS.

(iv) Leases

IFRS 1 permits the first-time adopter to assess at the date of transition to IFRS whether a contract contains a lease. Accordingly, the Group has applied this exemption and determines whether a contract contains a lease based on the facts and circumstances that existed at the date of transition to IFRS.

The Group measured the lease liability as of the date of transition to IFRS, which is the present value of the remaining lease payments discounted at the lessee's incremental borrowing rate as of the date of transition to IFRS. The carrying amount of right-of-use assets is measured on a lease-by-lease basis as if IFRS 16 *Leases* had been applied from the inception of each lease at an amount discounted at the lessee's incremental borrowing rate as of the date of transition to IFRS.

(2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS concerning "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial instruments," and others. The Group has applied IFRS prospectively from the date of transition to IFRS for these items.

(3) Reconciliations

Reconciliations required to be disclosed on first-time adoption of IFRS are as follows.

In these reconciliations, the amounts under "Reclassification" include those of items that do not affect retained earnings or comprehensive income, while the amounts under "Difference in recognition and measurement" include those of items that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2023 (date of transition)

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets: | | | | | | Current assets |
| Cash and deposits | 29,286 | – | 167 | 29,454 | H | Cash and cash equivalents |
| Notes and accounts receivable - trade | 13,126 | | | | | |
| Electronically recorded monetary claims - operating | 342 | | | | | |
| Allowance for doubtful accounts | (2) | | | | | |
| Subtotal | 13,466 | 474 | 158 | 14,099 | A, I | Trade and other receivables |
| Merchandise and finished goods | 4,111 | | | | | |
| Work in process | 2,883 | | | | | |
| Raw materials and supplies | 4,358 | | | | | |
| Subtotal | 11,352 | – | (70) | 11,281 | | Inventories |
| Other | 5,133 | (5,010) | – | 122 | | Other financial assets |
| | | 4,585 | (116) | 4,469 | H | Other current assets |
| **Total current assets** | **59,238** | **49** | **138** | **59,427** | | **Total current assets** |
| Non-current assets: | | | | | | Non-current assets |
| Property, plant and equipment: | | | | | | |
| Buildings and structures | 13,732 | | | | | |
| Machinery, equipment and vehicles | 7,167 | | | | | |
| Land | 2,524 | | | | | |
| Construction in progress | 6,646 | | | | | |
| Other | 2,214 | | | | | |
| Subtotal | 32,284 | 0 | 2,023 | 34,308 | J, K, L | Property, plant and equipment |
| Intangible assets: | | | | | | |
| Goodwill | 21,444 | – | (156) | 21,288 | M | Goodwill |
| Patent right | 695 | | | | | |
| Customer-related intangible assets | 2,884 | | | | | |
| Other | 2,295 | | | | | |
| Subtotal | 5,875 | – | 97 | 5,973 | | Intangible assets |
| Investments and other assets: | | | | | | |
| Shares of subsidiaries and associates | 117 | (10) | 13 | 121 | | Investments accounted for using equity method |
| | | 1,703 | (409) | 1,294 | E, N | Other financial assets |
| Deferred tax assets | 2,389 | – | 1,775 | 4,164 | O | Deferred tax assets |
| Retirement benefit asset | 3,242 | | | | | |
| Other | 1,799 | | | | | |
| Allowance for doubtful accounts | (13) | | | | | |
| Subtotal | 5,028 | (1,678) | (3,132) | 218 | P | Other non-current assets |
| **Total non-current assets** | **67,141** | **15** | **211** | **67,368** | | **Total non-current assets** |
| **Total assets** | **126,379** | **65** | **350** | **126,795** | | **Total assets** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities |
| Notes and accounts payable - trade | 5,972 | | | | | |
| Electronically recorded obligations - operating | 2,569 | | | | | |
| Subtotal | 8,541 | 2,726 | (8) | 11,259 | B | Trade and other payables |
| Short-term borrowings | 2,000 | | | | | |
| Current portion of long-term borrowings | 6,560 | | | | | |
| Subtotal | 8,560 | 90 | 894 | 9,546 | C, L | Interest-bearing liabilities |
| | | 6,647 | 0 | 6,648 | F | Other financial liabilities |
| Income taxes payable | 4,705 | – | 1 | 4,706 | | Income taxes payable |
| Provision for bonuses | 2,558 | (2,558) | – | – | D | |
| | | 2,558 | 1,664 | 4,222 | D, Q, S | Employee benefits |
| Accounts payable - other | 7,817 | (7,817) | – | – | | |
| Accrued expenses | 856 | | | | | |
| Other | 2,034 | | | | | |
| Subtotal | 2,891 | (1,198) | (266) | 1,425 | T | Other current liabilities |
| **Total current liabilities** | **35,074** | **448** | **2,285** | **37,808** | | **Total current liabilities** |
| Non-current liabilities: | | | | | | Non-current liabilities |
| Long-term borrowings | 11,152 | 132 | 748 | 12,032 | C, L | Interest-bearing liabilities |
| Retirement benefit liability | 4,273 | – | 73 | 4,346 | P | Retirement benefit liability |
| | | 256 | (2) | 253 | D | Provisions |
| Deferred tax liabilities | 1,323 | – | (46) | 1,276 | O | Deferred tax liabilities |
| Other | 780 | (771) | 0 | 9 | | Other non-current liabilities |
| | | – | 2,459 | 2,459 | U | Other financial liabilities |
| **Total non-current liabilities** | **17,530** | **(382)** | **3,231** | **20,379** | | **Total non-current liabilities** |
| **Total liabilities** | **52,605** | **65** | **5,517** | **58,187** | | **Total liabilities** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Net assets | | | | | | Equity |
| Shareholders' equity: | | | | | | |
| Share capital | 16,194 | – | – | 16,194 | | Share capital |
| Capital surplus | 16,147 | – | (1,565) | 14,582 | R, U | Capital surplus |
| Retained earnings | 52,663 | – | 231 | 52,895 | W | Retained earnings |
| Treasury shares | (15,908) | – | – | (15,908) | | Treasury shares |
| **Total shareholders' equity** | **69,097** | **–** | **(1,333)** | **67,763** | | |
| Accumulated other comprehensive income: | | | | | | |
| Deferred gains or losses on hedges | (26) | | | | | |
| Foreign currency translation adjustment | 3,278 | | | | | |
| Remeasurements of defined benefit plans | 547 | | | | | |
| Total accumulated other comprehensive income | 3,799 | – | (3,825) | (26) | V | Other components of equity |
| | | | | **67,737** | | **Equity attributable to owners of parent** |
| Non-controlling interests | 878 | – | (7) | 870 | | Non-controlling interests |
| **Total net assets** | **73,774** | **–** | **(5,166)** | **68,608** | | **Total equity** |
| **Total liabilities and net assets** | **126,379** | **65** | **350** | **126,795** | | **Total liabilities and equity** |

Reconciliation of equity as of December 31, 2023 (end of the first nine months of the previous fiscal year)

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets: | | | | | | Current assets |
| Cash and deposits | 34,012 | – | 325 | 34,337 | H | Cash and cash equivalents |
| Notes and accounts receivable - trade | 20,452 | | | | | |
| Electronically recorded monetary claims - operating | 481 | | | | | |
| Allowance for doubtful accounts | (6) | | | | | |
| Subtotal | 20,927 | 245 | 142 | 21,315 | A, I | Trade and other receivables |
| Merchandise and finished goods | 3,780 | | | | | |
| Work in process | 2,869 | | | | | |
| Raw materials and supplies | 3,449 | | | | | |
| Subtotal | 10,099 | – | (68) | 10,031 | | Inventories |
| Other | 3,618 | (3,133) | – | 484 | | Other financial assets |
| | | 3,126 | (324) | 2,801 | H | Other current assets |
| **Total current assets** | **68,657** | **238** | **74** | **68,970** | | **Total current assets** |
| Non-current assets: | | | | | | Non-current assets |
| Property, plant and equipment: | | | | | | |
| Buildings and structures | 14,080 | | | | | |
| Machinery, equipment and vehicles | 6,698 | | | | | |
| Land | 2,565 | | | | | |
| Construction in progress | 7,810 | | | | | |
| Other | 2,353 | | | | | |
| Subtotal | 33,508 | – | 1,771 | 35,279 | J, K, L | Property, plant and equipment |
| Intangible assets: | | | | | | |
| Goodwill | 19,732 | – | 1,556 | 21,288 | M | Goodwill |
| Patent right | | | | | | |
| Customer-related intangible assets | 2,749 | | | | | |
| Other | 2,413 | | | | | |
| Subtotal | 5,740 | – | 124 | 5,865 | | Intangible assets |
| Investments and other assets: | | | | | | |
| Shares of subsidiaries and associates | 131 | (10) | 20 | 141 | | Investments accounted for using equity method |
| | | 1,721 | (435) | 1,285 | E, N | Other financial assets |
| Deferred tax assets | 2,153 | – | 1,720 | 3,874 | O | Deferred tax assets |
| Retirement benefit asset | 3,314 | | | | | |
| Other | 1,850 | | | | | |
| Allowance for doubtful accounts | (14) | | | | | |
| Subtotal | 5,150 | (1,711) | (3,229) | 209 | P | Other non-current assets |
| **Total non-current assets** | **66,416** | **–** | **1,527** | **67,944** | | **Total non-current assets** |
| **Total assets** | **135,074** | **238** | **1,601** | **136,914** | | **Total assets** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities |
| Notes and accounts payable - trade | 8,014 | | | | | |
| Electronically recorded obligations - operating | 2,066 | | | | | |
| Subtotal | 10,081 | 2,439 | (31) | 12,490 | B | Trade and other payables |
| Short-term borrowings | 4,000 | | | | | |
| Current portion of long-term borrowings | 2,709 | | | | | |
| Subtotal | 6,709 | 76 | 893 | 7,679 | C, L | Interest-bearing liabilities |
| | | 3,274 | 1 | 3,275 | F | Other financial liabilities |
| Income taxes payable | 2,198 | – | – | 2,198 | | Income taxes payable |
| Provision for bonuses | 1,491 | (1,491) | – | – | D | |
| | | 1,491 | 1,646 | 3,138 | D, Q, S | Employee benefits |
| Accounts payable - other | 3,900 | (3,900) | – | – | | |
| Accrued expenses | 1,149 | | | | | |
| Other | 2,374 | | | | | |
| Subtotal | 3,524 | (1,027) | (902) | 1,594 | T | Other current liabilities |
| **Total current liabilities** | **27,905** | **862** | **1,608** | **30,376** | | **Total current liabilities** |
| Non-current liabilities: | | | | | | Non-current liabilities |
| Long-term borrowings | 15,471 | 124 | 458 | 16,053 | C, L | Interest-bearing liabilities |
| Retirement benefit liability | 4,186 | – | (13) | 4,173 | P | Retirement benefit liability |
| | | 274 | 0 | 273 | D | Provisions |
| Deferred tax liabilities | 1,473 | – | (146) | 1,327 | O | Deferred tax liabilities |
| Other | 1,043 | (1,022) | 0 | 20 | | Other non-current liabilities |
| **Total non-current liabilities** | **22,174** | **(623)** | **297** | **21,848** | | **Total non-current liabilities** |
| **Total liabilities** | **50,080** | **238** | **1,905** | **52,224** | | **Total liabilities** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Net assets | | | | | | Equity |
| Shareholders' equity: | | | | | | |
| Share capital | 16,238 | – | – | 16,238 | | Share capital |
| Capital surplus | 14,860 | – | 1,264 | 16,125 | R, U | Capital surplus |
| Retained earnings | 53,870 | – | 2,142 | 56,013 | W | Retained earnings |
| Treasury shares | (4,472) | – | – | (4,472) | | Treasury shares |
| **Total shareholders' equity** | **80,497** | **–** | **3,407** | **83,905** | | |
| Accumulated other comprehensive income: | | | | | | |
| Deferred gains or losses on hedges | 25 | | | | | |
| Foreign currency translation adjustment | 4,030 | | | | | |
| Remeasurements of defined benefit plans | 440 | | | | | |
| Total accumulated other comprehensive income | 4,496 | – | (3,711) | 784 | V | Other components of equity |
| | | | | **84,690** | | **Equity attributable to owners of parent** |
| **Total net assets** | **84,994** | **–** | **(304)** | **84,690** | | **Total equity** |
| **Total liabilities and net assets** | **135,074** | **238** | **1,601** | **136,914** | | **Total liabilities and equity** |

Reconciliation of equity as of March 31, 2024 (end of the previous fiscal year)

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets: | | | | | | Current assets |
| Cash and deposits | 37,410 | (2,396) | 315 | 35,328 | H | Cash and cash equivalents |
| Notes and accounts receivable - trade | 17,436 | | | | | |
| Electronically recorded monetary claims - operating | 589 | | | | | |
| Allowance for doubtful accounts | (7) | | | | | |
| Subtotal | 18,019 | (2,580) | 149 | 15,588 | A, I | Trade and other receivables |
| Merchandise and finished goods | 3,691 | | | | | |
| Work in process | 2,688 | | | | | |
| Raw materials and supplies | 3,661 | | | | | |
| Subtotal | 10,040 | (60) | (63) | 9,916 | | Inventories |
| Other | 3,593 | (3,533) | – | 60 | | Other financial assets |
| | | 3,279 | (254) | 3,025 | H | Other current assets |
| | | 5,522 | – | 5,522 | G | Assets held for sale |
| **Total current assets** | **69,063** | **231** | **146** | **69,442** | | **Total current assets** |
| Non-current assets: | | | | | | Non-current assets |
| Property, plant and equipment: | | | | | | |
| Buildings and structures | 13,969 | | | | | |
| Machinery, equipment and vehicles | 7,897 | | | | | |
| Land | 3,984 | | | | | |
| Construction in progress | 7,425 | | | | | |
| Other | 2,427 | | | | | |
| Subtotal | 35,703 | (7) | 1,694 | 37,390 | J, K, L | Property, plant and equipment |
| Intangible assets: | | | | | | |
| Goodwill | 19,161 | – | 2,126 | 21,288 | M | Goodwill |
| Patent right | 538 | | | | | |
| Customer-related intangible assets | 2,704 | | | | | |
| Other | 2,435 | | | | | |
| Subtotal | 5,679 | – | 128 | 5,807 | | Intangible assets |
| Investments and other assets: | | | | | | |
| Shares of subsidiaries and associates | 140 | (10) | 9 | 140 | | Investments accounted for using equity method |
| | | 1,580 | (334) | 1,245 | E, N | Other financial assets |
| Deferred tax assets | 2,287 | – | 2,573 | 4,861 | O | Deferred tax assets |
| Retirement benefit asset | 4,287 | | | | | |
| Other | 1,707 | | | | | |
| Allowance for doubtful accounts | (15) | | | | | |
| Subtotal | 5,979 | (1,570) | (4,211) | 197 | P | Other non-current assets |
| **Total non-current assets** | **68,952** | **(7)** | **1,987** | **70,931** | | **Total non-current assets** |
| **Total assets** | **138,016** | **223** | **2,133** | **140,373** | | **Total assets** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities |
| Notes and accounts payable - trade | 8,658 | | | | | |
| Electronically recorded obligations - operating | 1,872 | | | | | |
| Subtotal | 10,531 | 2,868 | (21) | 13,378 | B | Trade and other payables |
| Short-term borrowings | 4,000 | | | | | |
| Current portion of long-term borrowings | 2,459 | | | | | |
| Subtotal | 6,459 | 85 | 898 | 7,444 | C, L | Interest-bearing liabilities |
| | | 2,546 | 0 | 2,547 | F | Other financial liabilities |
| Income taxes payable | 4,555 | (177) | 0 | 4,378 | | Income taxes payable |
| Provision for bonuses | 2,513 | (2,513) | – | – | D | |
| | | 2,503 | 1,635 | 4,138 | D, Q, S | Employee benefits |
| Accounts payable - other | 4,387 | (4,387) | – | – | | |
| Accrued expenses | 924 | | | | | |
| Other | 1,626 | | | | | |
| Subtotal | 2,550 | (248) | (761) | 1,539 | T | Other current liabilities |
| | | 266 | – | 266 | G | Liabilities directly associated with assets held for sale |
| **Total current liabilities** | **30,996** | **943** | **1,752** | **33,692** | | **Total current liabilities** |
| Non-current liabilities: | | | | | | Non-current liabilities |
| Long-term borrowings | 15,276 | 124 | 354 | 15,754 | C, L | Interest-bearing liabilities |
| Retirement benefit liability | 4,081 | 0 | (20) | 4,059 | P | Retirement benefit liability |
| | | 274 | 1 | 275 | D | Provisions |
| Deferred tax liabilities | 1,566 | – | (122) | 1,444 | O | Deferred tax liabilities |
| Other | 1,141 | (1,117) | 0 | 23 | | Other non-current liabilities |
| **Total non-current liabilities** | **22,065** | **(720)** | **213** | **21,558** | | **Total non-current liabilities** |
| **Total liabilities** | **53,062** | **223** | **1,965** | **55,251** | | **Total liabilities** |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Net assets | | | | | | Equity |
| Shareholders' equity: | | | | | | |
| Share capital | 16,251 | – | – | 16,251 | | Share capital |
| Capital surplus | 14,873 | – | 2,827 | 17,700 | R, U | Capital surplus |
| Retained earnings | 53,023 | – | 1,753 | 54,777 | W | Retained earnings |
| Treasury shares | (5,085) | – | – | (5,085) | | Treasury shares |
| **Total shareholders' equity** | **79,063** | **–** | **4,580** | **83,644** | | |
| Accumulated other comprehensive income: | | | | | | |
| Deferred gains or losses on hedges | (78) | | | | | |
| Foreign currency translation adjustment | 4,827 | | | | | |
| Remeasurements of defined benefit plans | 1,141 | | | | | |
| Total accumulated other comprehensive income | 5,890 | – | (4,412) | 1,478 | V | Other components of equity |
| | | | | **85,122** | | **Equity attributable to owners of parent** |
| **Total net assets** | **84,953** | **–** | **168** | **85,122** | | **Total equity** |
| **Total liabilities and net assets** | **138,016** | **223** | **2,133** | **140,373** | | **Total liabilities and equity** |

*Notes on reconciliation of equity*

The major accounting differences associated with the transition from Japanese GAAP to IFRS are as follows:

(1) Reclassification

We have performed reconciliations to conform to IFRS. The major items of reconciliations are as follows.

A. Trade and other receivables

Accounts receivable-other, which was included in “Other (current assets)” under Japanese GAAP, has been reclassified to and presented as “Trade and other receivables” under IFRS.

B. Trade and other payables

Certain items of “Accounts payable - other,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Trade and other payables” under IFRS.

C. Interest-bearing liabilities

“Short-term borrowings” and “Current portion of long-term borrowings,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Interest-bearing liabilities (current liabilities)” under IFRS. “Long-term borrowings,” which was separately presented as non-current liabilities under Japanese GAAP, have been reclassified to and presented as “Interest-bearing liabilities (non-current liabilities)” under IFRS.

Lease obligations included in “Other (current liabilities)” or “Other (non-current liabilities)” under Japanese GAAP have been reclassified to and presented as “Interest-bearing liabilities (current liabilities)” or “Interest-bearing liabilities (non-current liabilities)” under IFRS, respectively.

D. Provisions

“Provision for bonuses,” which was separately presented as current liabilities under Japanese GAAP, has been included in “Employee benefits accruals” under IFRS. Asset retirement obligations, which were included in “Other (non-current liabilities)” under Japanese GAAP, have been reclassified to and presented as “Provisions” under IFRS.

E. Other financial assets

Investments in limited liability investment partnerships, which were included in “Other (investments and other assets)” under Japanese GAAP, have been reclassified to and presented as “Other financial assets (non-current assets)” under IFRS.

F. Other financial liabilities

Short-term derivative liabilities included in “Other (current liabilities)” under Japanese GAAP have been reclassified to and presented as “Other financial liabilities (current liabilities)” under IFRS.

Certain items of “Accounts payable - other,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Other financial liabilities (current liabilities)” under IFRS.

G. Assets held for sale and liabilities

Assets held for sale and liabilities directly associated with assets held for sale are separately presented under IFRS. For details, please refer to “Notes to quarterly consolidated financial statements, (Assets held for sale).”

(2) Difference in recognition and measurement

H. Scope or consolidation

The Group excluded immaterial subsidiaries from the scope of consolidation and recorded them as “Shares of subsidiaries and associates” under Japanese GAAP. However, under IFRS, such subsidiaries are included in the scope of consolidation.

Under Japanese GAAP, the Employee Stock Ownership Plan (“J-ESOP”) and the Board Benefit Trust (BBT) (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) were not included in the scope of consolidation. Deposits held by these trusts were recorded under “Other (current assets).” The net amount of dividends related to the Company’s shares held by the trusts, as well as any expenses related to the trusts, were recorded under “Other (current liabilities).” In contrast, under IFRS, these trusts are included in the scope of consolidation because the Group meets the requirements for control over them. Deposits held by the trusts are recorded as “Cash and cash equivalents,” and income and expenses related to the trusts are recorded under “Finance income” and “Finance costs,” respectively.

I. Sublease

Under Japanese GAAP, the company expensed the rent for the contracted leased company housing as rental expenses. Under IFRS, however, the head lease from an external party is recorded as a right-of-use asset. The lease to the employees is treated as a sublease transaction. In this case, sublease transactions are transferred from the right-of-use asset. The employee's share of the rent is recorded under "Trade and other receivables," while the company's share of the rent is recorded as an expense.

J. Government grants

Government grants related to assets were collectively recorded in extraordinary income as grant income under Japanese GAAP, whereas under IFRS, such grants are deducted from the cost of "Property, plant and equipment."

K. Low-value assets

According to the Group's policy, tools, furniture, and supplies with a low-value were expensed under Japanese GAAP. However, under IFRS, items expected to be useful for more than one year have been reclassified to "Property, plant and equipment."

L. Leases

Under Japanese GAAP, lessee leases were classified as either finance leases or operating leases, and operating leases were accounted for as ordinary rental transactions. Whereas under IFRS, basically all leases are accounted for as "Property, plant and equipment" and "Interest-bearing liabilities (current liabilities and non-current liabilities)," since there is no distinction between finance leases and operating leases for leases as lessee.

M. Impairment on non-financial assets

Under Japanese GAAP, goodwill and shared assets were, in principle, not allocated to each asset group but were grouped into larger units. When there was an indication of a possible impairment of a fixed asset, the carrying amount of the fixed asset was compared with its estimated undiscounted future cash flows, and only if the carrying amount of the fixed asset exceeded its estimated undiscounted future cash flows, an impairment loss was recognized in the amount by which the carrying amount of the fixed asset exceeded its recoverable amount. Under IFRS, however, goodwill is allocated to each cash-generating unit as the unit that is expected to benefit from the synergies of the business combination, and corporate assets are allocated, in principle, to each cash-generating unit, and when there is an indication that a fixed asset may be impaired, the amount by which the carrying amount of the fixed asset exceeds its recoverable amount (the higher of value in use and fair value less costs of disposal) is recognized as an impairment loss on the fixed asset.

Accordingly, goodwill and corporate assets allocated to cash-generating units that were discontinued by the date of transition to IFRS were subject to retrospectively recognizing impairment losses in full, which were transferred to "Retained earnings" as of the date of transition to IFRS.

In addition, under Japanese GAAP, goodwill was amortized on a straight-line basis over the period during which the reasonably estimated effect of goodwill is expected to be realized. Under IFRS, however, goodwill is not amortized after the date of transition to IFRS.

N. Investment in limited liability investment partnerships

Under Japanese GAAP, investments in limited liability investment partnerships (the "Partnerships") were carried at each period end at an amount equal to our share of the net gain or loss based on the Partnerships' results plus the acquisition cost. Under IFRS, however, investments in the Partnerships are valued as financial assets measured at fair value through profit or loss. Accordingly, the difference between the Japanese GAAP and the IFRS valuations as of the date of transition to IFRS has been transferred to "Retained earnings."

O. Deferred taxes

With the adoption of IFRS, the Company has reassessed the recoverability of all deferred tax assets. "Deferred tax assets" and "Deferred tax liabilities" are recognized for temporary differences arising from the transition from Japanese GAAP to IFRS.

P. Retirement benefits

Under Japanese GAAP, when a defined benefit plan was overfunded, the entire excess was recorded as an "Retirement benefit asset," whereas under IFRS, the amount that can be recorded is the asset ceiling, which is the present value of available future economic benefits in the form of a cash refund or a reduction in future contributions. Accordingly, "Retirement benefit asset" has been fully reversed as of the date of transition to IFRS.

Under Japanese GAAP, actuarial gains and losses and past service costs were recognized as “Accumulated other comprehensive income” when incurred and expensed over a period of time calculated based on employees’ average remaining service period. Under IFRS, actuarial gains and losses are recognized as “Other components of equity” when incurred and immediately transferred to “Retained earnings,” and past service costs are recognized as profit or loss when incurred.

Q. Unused paid leave

Unused paid leave, which was not recognized as a liability under Japanese GAAP, is recognized as a liability and included in “Employee benefits accruals” under IFRS.

R. Share-based payment

Under Japanese GAAP, the amount of shares or other benefits expected to be paid was recorded as a liability for stock benefit trusts (“J-ESOP” and BBT). Under IFRS, however, both J-ESOP and BBT are classified as equity-settled share-based payment plans, and therefore, they are measured at their fair value on the grant date and recognized as equity.

Accordingly, as of the date of transition to IFRS, “Other (current liabilities)” or “Other (non-current liabilities)” related to share-based payment recorded under Japanese GAAP was reversed. The balance measured at fair value was then recorded in “Capital surplus,” and the difference was recorded in “Retained earnings.”

S. Long-term employee benefits

The Company and some of its consolidated subsidiaries have an accumulated leave system that allows employees to accumulate expired annual paid leave for specific purposes, such as injury, illness, or nursing care. This leave does not expire until their retirement. Such accrued paid leave was not recognized as a liability under Japanese GAAP. Under IFRS, however, since accumulated unused annual paid leave is classified as long-term employee benefits, it is recognized as a liability in “Employee benefits accruals.”

Under IFRS, however, accumulated unused annual paid leave is recognized as a liability and included in “Employee benefits accruals” by applying the provisions for defined benefit plans because such accumulated unused annual paid leave falls into long-term employee benefits under IFRS and the Company does not have the right as of the end of the reporting period to defer the settlement of the liability for at least 12 months after the end of the reporting period.

T. Levies

Under Japanese GAAP, property tax was recognized as “Other (current liabilities)” upon receipt of the payment and expensed pro rata over the months throughout the year. Under IFRS, however, the full amount is recognized as “Other current liabilities” and expensed in a lump sum on January 1, the date of imposition.

U. Liability for put option contracts to non-controlling interests

Under Japanese GAAP, no liability was recognized for written put options granted to owners of non-controlling interests. Under IFRS, however, a financial liability is recognized for these put options as an obligation to purchase non-controlling interests. Therefore, as of the date of transition to IFRS, the put option to the non-controlling shareholder is recorded as “Other financial liabilities (non-current liabilities)” and “Capital surplus” is concurrently reduced. When the non-controlling shareholders exercise their rights, “Other financial liabilities (non-current liabilities)” and “Non-controlling interests” are reversed and the difference between the amount of the reversal and the amount paid is recorded in “Capital surplus.”

V. Reclassification of cumulative translation differences for foreign subsidiaries

The Company elected to adopt the exemption provided in IFRS 1 and transferred all cumulative translation differences included in “Accumulated other comprehensive income” to “Retained earnings” at the date of transition to IFRS.

W. Adjustments to retained earnings

The effect of reconciliation from Japanese GAAP to IFRS on retained earnings (after tax effect adjustment) is as follows:

(Millions of yen)

| | Date of transition (As of April 1, 2023) | As of December 31, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Transfer of cumulative translation differences for foreign operations | 3,278 | 3,278 | 3,278 |
| Post-employment benefits | (1,735) | (1,831) | (1,802) |
| Low-value assets | 551 | 581 | 570 |
| Share-based compensation | (168) | (465) | (1,476) |
| Unused paid leave | (970) | (970) | (962) |
| Amortization of goodwill | – | 1,712 | 2,283 |
| Other | (724) | (162) | (138) |
| Total | 231 | 2,142 | 1,753 |

Reconciliation of profit or loss and comprehensive income for the nine months ended December 31, 2023 (end of the first nine months of the previous fiscal year)

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Net sales | 80,717 | – | 0 | 80,717 | | Net sales |
| Cost of sales | 36,560 | – | 192 | 36,752 | C, D, E | Cost of sales |
| Gross profit | 44,157 | – | (192) | 43,965 | | Gross profit |
| Selling, general and administrative expenses | 17,498 | (321) | (1,515) | 15,661 | B, C, D, E, F | Selling, general and administrative expenses |
| | | 323 | (20) | 302 | A | Other income |
| | | 2,120 | 61 | 2,182 | A | Other expenses |
| Operating profit | 26,658 | (1,475) | 1,241 | 26,424 | | Operating profit |
| Non-operating income | 363 | | | | | |
| Interest income | 162 | (162) | | | | |
| Share of profit of entities accounted for using equity method | 1 | (1) | | | | |
| Compensation income | 35 | (35) | | | | |
| Rental income | 12 | (12) | | | | |
| Other | 150 | (150) | | | | |
| Non-operating expenses | 3,669 | | | | | |
| Interest expenses | 44 | (44) | | | | |
| Foreign exchange losses | 3,385 | (3,385) | | | | |
| Loss on investments in investment partnerships | 22 | (22) | | | | |
| Depreciation | 142 | (142) | | | | |
| Other | 73 | (73) | | | | |
| Ordinary profit | 23,352 | | | | | |
| Extraordinary income | 123 | | | | | |
| Gain on sale of non-current assets | 11 | (11) | | | | |
| Gain on sale of shares of subsidiaries and associate | 112 | (112) | | | | |
| Extraordinary losses | 24 | | | | | |
| Loss on retirement of property, plant and equipment | 24 | (24) | | | | |
| | | 162 | 304 | 466 | A | Finance income |
| | | 1,573 | 16 | 1,589 | A | Finance costs |
| | | 1 | 3 | 4 | A | Share of profit of investments accounted for using equity method |
| Profit before income taxes | 23,452 | 321 | 1,532 | 25,306 | | Profit before tax |
| Income taxes-current | 6,353 | 321 | (11) | | | |
| Income taxes-deferred | 302 | – | (102) | | | |
| | | 321 | (114) | 6,863 | B, G | Income tax expense |
| Profit | 16,795 | – | 1,646 | 18,442 | | Profit |
| Profit (loss) attributable to non-controlling interests | (47) | – | 0 | (47) | | Non-controlling interests |
| Profit attributable to owners of parent | 16,843 | – | 1,646 | 18,490 | | Profit (attributable to owners of parent) |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Profit | 16,795 | – | 1,646 | 18,442 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income, net of tax |
| | | | | | | Items that will not be reclassified to profit or loss: |
| Remeasurements of defined benefit plans | (106) | – | 153 | 46 | H | Remeasurements of defined benefit plans |
| | | – | 11 | 11 | | Share of other comprehensive income of investments accounted for using equity method |
| | | | | 58 | | Total of items that will not be reclassified to profit or loss |
| | | | | | | Items that may be reclassified to profit or loss: |
| Deferred gains or losses on hedges | 51 | – | (178) | (126) | | Cash flow hedges |
| | | | 178 | 178 | | Hedging costs |
| Foreign currency translation adjustment | 751 | – | 9 | 761 | | Translation differences on foreign operations |
| | | | | 812 | | Total of items that may be reclassified to profit or loss |
| Total other comprehensive income | 696 | – | 174 | 870 | | Total other comprehensive income, net of tax |
| Comprehensive income | 17,492 | – | 1,820 | 19,313 | | Comprehensive income |
| Comprehensive income attributable to: | | | | | | Comprehensive income attributable to: |
| Owners of parent | 17,540 | – | 1,818 | 19,359 | | Owners of parent |
| Non-controlling interests | (47) | – | 1 | (45) | | Non-controlling interests |

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2024

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Net sales | 105,198 | – | 0 | 105,198 | | Net sales |
| Cost of sales | 47,930 | – | 758 | 48,688 | C, D, E | Cost of sales |
| Gross profit | 57,268 | – | (757) | 56,510 | | Gross profit |
| Selling, general and administrative expenses | 23,846 | (424) | (998) | 22,423 | B, C, D, E, F | Selling, general and administrative expenses |
| | | 369 | (22) | 346 | A | Other income |
| | | 2,586 | (37) | 2,548 | A | Other expenses |
| Operating profit | 33,421 | (1,791) | 255 | 31,884 | | Operating profit |
| Non-operating income | 521 | | | | | |
| Interest income | 273 | (273) | | | | |
| Share of profit of entities accounted for using equity method | 11 | (11) | | | | |
| Compensation income | 37 | (37) | | | | |
| Rental income | 16 | (16) | | | | |
| Other | 183 | (183) | | | | |
| Non-operating expenses | 3,914 | | | | | |
| Interest expenses | 67 | (67) | | | | |
| Foreign exchange losses | 3,357 | (3,357) | | | | |
| Loss on investments in investment partnerships | 166 | (166) | | | | |
| Depreciation | 191 | (191) | | | | |
| Other | 131 | (131) | | | | |
| Ordinary profit | 30,028 | | | | | |
| Extraordinary income | 131 | | | | | |
| Gain on sale of non-current assets | 18 | (18) | | | | |
| Gain on sale of shares of subsidiaries and associates | 112 | (112) | | | | |
| Extraordinary losses | 225 | | | | | |
| Loss on sale of property, plant and equipment | 2 | (2) | | | | |
| Loss on retirement of property, plant and equipment | 215 | (215) | | | | |
| Impairment loss | 7 | (7) | | | | |
| | | 273 | 304 | 577 | A | Finance income |
| | | 1,553 | 20 | 1,574 | A | Finance costs |
| | | 11 | (6) | 4 | A | Share of profit of investments accounted for using equity method |
| Profit before income taxes | 29,935 | 424 | 531 | 30,891 | | Profit before tax |
| Income taxes-current | 8,635 | 424 | (9) | | | |
| Income taxes-deferred | (35) | – | (651) | | | |
| | | 424 | (661) | 8,363 | B, G | Income tax expense |
| Profit | 21,334 | – | 1,193 | 22,527 | | Profit |
| Profit (loss) attributable to non-controlling interests | (47) | – | 0 | (47) | | Non-controlling interests |
| Profit attributable to owners of parent | 21,382 | – | 1,193 | 22,575 | | Profit (attributable to owners of parent) |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|---|---|---|---|---|---|
| Profit | 21,334 | – | 1,193 | 22,527 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income, net of tax |
| | | | | | | Items that will not be reclassified to profit or loss: |
| Remeasurements of defined benefit plans | 593 | – | (482) | 110 | H | Remeasurements of defined benefit plans |
| | | | 11 | 11 | | Share of other comprehensive income of investments accounted for using equity method |
| | | | | 122 | | Total of items that will not be reclassified to profit or loss |
| | | | | | | Items that may be reclassified to profit or loss: |
| Deferred gains or losses on hedges | (51) | – | (161) | (213) | | Cash flow hedges |
| | | | 161 | 161 | | Hedging costs |
| Foreign currency translation adjustment | 1,548 | – | 8 | 1,557 | | Translation differences on foreign operations |
| | | | | 1,506 | | Total of items that may be reclassified to profit or loss |
| Total other comprehensive income | 2,090 | – | (462) | 1,628 | | Total other comprehensive income, net of tax |
| Comprehensive income | 23,425 | – | 731 | 24,156 | | Comprehensive income |
| Comprehensive income attributable to: | | | | | | Comprehensive income attributable to: |
| Owners of parent | 23,473 | – | 729 | 24,202 | | Owners of parent |
| Non-controlling interests | (47) | – | 1 | (45) | | Non-controlling interests |

*Notes on reconciliation of profit and loss and comprehensive income*

The major accounting differences associated with the transition from Japanese GAAP to IFRS are as follows:

(1) Reclassification

We have reclassified line items to conform to IFRS Standards. The major items that were reclassified are as follows:

A. Reclassification of line items

Among the items that were included in "Non-operating income," "Non-operating expenses," "Extraordinary income," and "Extraordinary losses" under Japanese GAAP, finance-related gains and losses have been included in "Finance income" and "Finance costs," while the other items have been included in "Other income," "Other expenses," and "Share of profit of investments accounted for using equity method" under IFRS.

B. Income tax expense

Under Japanese GAAP, corporate enterprise tax (on value-added basis) was recorded in "Selling, general and administrative expenses" and corporate residents' tax (on a per capita basis) was recorded in "Income taxes-current." Under IFRS, size-based business tax (on value-added basis) has been recorded in "Income tax expense" and corporate residents' tax (on a per capita basis) in "Selling, general and administrative expenses."

(2) Difference in recognition and measurement

C. Unused paid leave

Unused paid leave, which was not recognized as a liability under Japanese GAAP, has been recorded in "Cost of sales" and "Selling, general and administrative expenses" under IFRS.

D. Share-based payment

Under Japanese GAAP, the amount of shares or other benefits expected to be paid was recorded as a liability for stock benefit trusts ("J-ESOP" and BBT). Under IFRS, however, both J-ESOP and BBT have been classified as equity-settled share-based payment plans, and therefore, they have been recognized as equity and measured at their fair value on the grant date.

Accordingly, the liability recorded under Japanese GAAP was reversed and the balance measured at fair value was recorded as "Capital surplus" and the difference was recorded in "Cost of sales" and "Selling, general and administrative expenses" for the current period.

E. Levies

Under Japanese GAAP, property tax was recognized as a liability upon receipt of the tax payment notification and the amount prorated for each month was recorded in "Cost of sales" or "Selling, general and administrative expenses" on a monthly basis. Under IFRS, however, the full amount in a lump sum has been recorded as a liability and "Cost of sales" and "Selling, general and administrative expenses" on January 1, the date of assessment.

F. Amortization of goodwill

Under Japanese GAAP, goodwill was amortized as "Selling, general and administrative expenses" on a straight-line basis over the period during which the reasonably estimated effect of goodwill is expected to be realized. Under IFRS, however, goodwill was not amortized after the date of transition to IFRS.

G. Income tax expense

The amounts of income tax expense have been adjusted due to temporary differences arising from the reconciliation of Japanese GAAP to IFRS. The tax effect of the elimination of unrealized gains and losses was calculated using the tax rate of the seller under Japanese GAAP, while the tax rate of the buyer has been used under IFRS.

H. Employee benefits

Under Japanese GAAP, actuarial gains and losses and past service costs were recognized as "Accumulated other comprehensive income" when incurred and expensed over a period of time calculated based on employees' average remaining service period. Under IFRS, actuarial gains and losses are recognized as "Other components of equity" when incurred and immediately transferred to "Retained earnings," and past service costs are recognized as profit or loss when incurred.