

July 2, 2021

Consolidated Financial Results

Kikkoman Corporation Flash Report 2021 (IFRS) (Consolidated)

Year ended March 31, 2021

Listed company name:	Kikkoman Corporation
Shares listed:	Tokyo (1st Section)
Code No.:	2801
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Representative:	Shozaburo Nakano, President and Chief Operating Officer
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Notes:

1. All information has been prepared in accordance with accounting principles and practices generally accepted in Japan.
2. Amounts less than ¥1 million, except for per share amounts, have been rounded in the following tables.

1. Business Performance for the Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

1) Business Performance

(Millions of yen)

	Revenue		Business profit		Operating profit		Profit before income taxes	
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)
Apr. 1, 2020 –Mar. 31, 2021	439,411	(0.0)	42,650	12.1	41,672	19.4	43,194	14.2
Apr. 1, 2019 –Mar. 31, 2020	439,627	—	38,041	—	34,903	—	37,814	—

	Profit for the year attributable to owners of the parent		Total comprehensive income for the period	
	Amount	Y o Y (%)	Amount	Y o Y (%)
Apr. 1, 2020 –Mar. 31, 2021	31,159	16.1	44,346	169.3
Apr. 1, 2019 –Mar. 31, 2020	26,827	—	16,465	—

	Basic earnings per share (yen)	Diluted earnings per share (yen)	ROE attributable to owners of the parent	Profit before income taxes to total assets	Business profit to Revenue
Apr. 1, 2020 –Mar. 31, 2021	162.31	—	10.7%	10.3%	9.7%
Apr. 1, 2019 –Mar. 31, 2020	139.74	—	10.0%	9.6%	8.7%

(Reference) Share of profit of associates accounted for using the equity method

April 1, 2020 to March 31, 2021: ¥ 206 million

April 1, 2019 to March 31, 2020: ¥ 209 million

(Note) Business profit is profit after deducting the cost of sales and selling, general and administrative expenses from revenue.

2) Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (yen)
Mar. 31, 2021	438,508	313,514	308,130	70.3%	1,605.08
Mar. 31, 2020	398,698	277,543	272,258	68.3%	1,418.20

3) Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
Apr. 1, 2020 –Mar. 31, 2021	57,167	(16,886)	(15,420)	55,678
Apr. 1, 2019 –Mar. 31, 2020	41,958	(28,777)	(11,400)	28,103

2. Cash Dividends

	Cash dividends per share (yen)					Total cash dividends (full year) (millions of yen)	Dividend payout ratio (consolidated)	Dividend to equity attributable to owners of the parent (consolidated)
	Three-month period ended	Six-month period ended	Nine-month period ended	Full year ended	Total			
Apr. 1, 2019 –Mar. 31, 2020	—	21.00	—	21.00	42.00	8,065	30.1%	3.0%
Apr. 1, 2020 –Mar. 31, 2021	—	21.00	—	24.00	45.00	8,641	27.7%	3.0%
Apr. 1, 2021 –Mar. 31, 2022 (Estimated)	—	22.00	—	23.00	45.00		29.7%	

3. Forecasts of Business Performance for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Revenue		Business profit		Operating profit		Profit before income taxes	
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)
Apr. 1, 2021 –Sep. 30, 2021	228,500	7.3	21,850	(0.5)	21,450	(3.2)	22,050	(3.2)
Apr. 1, 2021 –Mar. 31, 2022	462,800	5.3	43,400	1.8	41,800	0.3	42,900	(0.7)

	Profit for the year attributable to owners of the parent		Basic earnings per share (yen)
	Amount	Y o Y (%)	
Apr. 1, 2021 –Sep. 30, 2021	15,240	(6.4)	79.39
Apr. 1, 2021 –Mar. 31, 2022	29,100	(6.6)	151.58

(Note) In the Japanese GAAP-based flash report (consolidated financial results for the fiscal year ended March 31, 2021), the Group announced its forecasts of consolidated business performance for the fiscal year ending March 31, 2022 based on Japanese GAAP. However, due to the voluntary adoption of the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the securities report for the fiscal year ended March 31, 2021, the Group announces new forecasts of consolidated business performance for the fiscal year ending March 31, 2022 based on IFRS.

[Notes]

1) Changes in important subsidiaries during the period (Changes in certain specific subsidiaries resulting in a revised scope of consolidation): None

2) Changes in accounting policy and changes in accounting estimates

- ① Changes in accounting policies required by IFRS: None
- ② Changes in accounting policy other than those in ① above: None
- ③ Changes in accounting estimates: None

3) Issued and outstanding shares (common stock)

- ① Shares issued and outstanding at end of period (including treasury stock)

March 31, 2021	—	193,883,202 shares	March 31, 2020	—	193,883,202 shares
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- ② Treasury stock at end of period

March 31, 2021	—	1,911,533 shares	March 31, 2020	—	1,908,731 shares
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- ③ Shares outstanding during the period (cumulative for period, consolidated)

March 31, 2021	—	191,973,212 shares	March 31, 2020	—	191,975,974 shares
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* This flash report is not included in the scope of an audit by certified public accountants or the audit corporations.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Adoption of the International Financial Reporting Standards (IFRS))

Starting with the consolidated financial statements in the securities report for the fiscal year ended March 31, 2021, the Group adopted the International Financial Reporting Standard (hereinafter called "IFRS").

In addition, the Group announced a Japanese GAAP-based flash report (consolidated financial results for the fiscal year ended March 31, 2021) on April 27, 2021.

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1. Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Millions of yen)

	(Transition date) April 1, 2019	March 31, 2020 2021	
Assets			
Current assets:			
Cash and cash equivalents	27,253	28,103	55,678
Trade and other receivables	61,700	61,608	62,579
Inventories	59,222	60,956	63,085
Other financial assets	3,998	3,096	5,598
Other current assets	4,681	5,949	5,403
Total current assets	156,856	159,714	192,346
Non-current assets:			
Property, plant and equipment	114,806	125,189	127,077
Investment properties	9,583	9,467	9,388
Right-of-use assets	23,934	22,110	22,145
Goodwill	4,993	4,847	5,006
Intangible assets	5,280	4,946	5,075
Investments in associates accounted for using the equity method	3,118	3,043	3,545
Other financial assets	62,338	61,059	63,267
Employee defined benefit assets	5,736	4,875	7,440
Deferred tax assets	3,347	3,204	3,005
Other non-current assets	250	240	209
Total non-current assets	233,389	238,983	246,162
Total assets	390,245	398,698	438,508

(Millions of yen)

	(Transition date) April 1, 2019	March 31, 2020 2021	
Liabilities			
Current liabilities:			
Trade and other payables	45,289	47,005	50,600
Short-term borrowings	3,487	5,311	3,950
Short-term lease liabilities	4,458	4,621	4,967
Income tax payable	3,206	3,271	4,210
Other financial liabilities	455	897	445
Other current liabilities	7,720	7,009	8,522
Total current liabilities	64,617	68,117	72,696
Non-current liabilities:			
Long-term borrowings	13,602	13,602	13,400
Long-term lease liabilities	20,877	19,149	19,346
Deferred tax liabilities	8,020	6,511	8,529
Employee defined benefit liabilities	6,778	8,380	5,047
Other financial liabilities	5,762	4,149	4,067
Other non-current liabilities	1,290	1,244	1,906
Total non-current liabilities	56,332	53,037	52,297
Total liabilities	120,950	121,155	124,993
Equity			
Equity:			
Share capital	11,599	11,599	11,599
Capital surplus	13,695	13,695	13,695
Retained earnings	223,602	240,646	267,073
Treasury stock	(3,631)	(3,641)	(3,658)
Other components of equity	19,042	9,958	19,420
Total equity attributable to owners of the parent	264,308	272,258	308,130
Non-controlling interests	4,986	5,285	5,384
Total equity	269,295	277,543	313,514
Total liabilities and equity	390,245	398,698	438,508

2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income (Consolidated Statements of Profit or Loss)

(Millions of yen)

	Years ended March 31,	
	2020	2021
Revenue	439,627	439,411
Cost of sales	287,398	285,178
Gross profit	152,228	154,233
Selling, general and administrative expenses	114,187	111,583
Business profit	38,041	42,650
Other income	2,042	5,223
Other expenses	5,179	6,201
Operating profit	34,903	41,672
Finance income	4,037	4,272
Finance costs	1,336	2,956
Share of profit of associates accounted for using the equity method	209	206
Profit before income taxes	37,814	43,194
Income taxes	10,575	11,572
Profit for the year	27,238	31,621
Profit for the year attributable to:		
Owners of the parent	26,827	31,159
Non-controlling interests	411	462
Profit for the year	27,238	31,621
Earnings per share (yen)	139.74	162.31

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Years ended March 31,	
	2020	2021
Profit for the year	27,238	31,621
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured at FVOCI, net of taxes	(3,663)	2,002
Remeasurements of defined benefit plans	(1,419)	2,687
Share of other comprehensive income (loss) of associates accounted for using the equity method	(245)	322
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(5,443)	7,724
Cash flow hedges	(1)	(12)
Other comprehensive income for the period, net of tax	(10,773)	12,724
Total comprehensive income for the period	16,465	44,346
Total comprehensive income for the period attributable to:		
Owners of the parent	16,018	43,919
Non-controlling interests	446	426

3) Consolidated Statements of Changes in Equity

Year ended March 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of the period	11,599	13,695	223,602	(3,631)	—	(4)
Profit for the year			26,827			
Other comprehensive income (loss)					(5,453)	(1)
Total comprehensive income (loss)	—	—	26,827	—	(5,453)	(1)
Purchase of treasury stock				(8)		
Disposal of treasury stock		0		0		
Dividends			(8,065)			
Transfer from other components of equity to retained earnings			(1,718)			
Transfer to non-financial assets						6
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				(1)		
Other increase (decrease)						
Total transactions with owners of the parent	—	0	(9,783)	(9)	—	6
Balance at end of the period	11,599	13,695	240,646	(3,641)	(5,453)	0

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in fair value of financial assets measured at FVOCI	Remeasurements of defined benefit plans	Total			
Balance at beginning of the period	19,046	—	19,042	264,308	4,986	269,295
Profit for the year				26,827	411	27,238
Other comprehensive income (loss)	(3,852)	(1,500)	(10,809)	(10,809)	35	(10,773)
Total comprehensive income (loss)	(3,852)	(1,500)	(10,809)	16,018	446	16,465
Purchase of treasury stock				(8)		(8)
Disposal of treasury stock				0		0
Dividends				(8,065)	(134)	(8,199)
Transfer from other components of equity to retained earnings	217	1,500	1,718	—		—
Transfer to non-financial assets			6	6		6
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				(1)		(1)
Other increase (decrease)				—	(14)	(14)
Total transactions with owners of the parent	217	1,500	1,724	(8,068)	(148)	(8,217)
Balance at end of the period	15,411	—	9,958	272,258	5,285	277,543

Year ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of the period	11,599	13,695	240,646	(3,641)	(5,453)	0
Profit for the year			31,159			
Other comprehensive income (loss)					7,761	(12)
Total comprehensive income (loss)	—	—	31,159	—	7,761	(12)
Purchase of treasury stock				(17)		
Disposal of treasury stock		0		0		
Dividends			(8,065)			
Transfer from other components of equity to retained earnings			3,333			
Transfer to non-financial assets						35
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				0		
Other increase (decrease)						
Total transactions with owners of the parent	—	0	(4,732)	(17)	—	35
Balance at end of the period	11,599	13,695	267,073	(3,658)	2,308	23

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in fair value of financial assets measured at FVOCI	Remeasurements of defined benefit plans	Total			
Balance at beginning of the period	15,411	—	9,958	272,258	5,285	277,543
Profit for the year				31,159	462	31,621
Other comprehensive income (loss)	2,235	2,774	12,759	12,759	(35)	12,724
Total comprehensive income (loss)	2,235	2,774	12,759	43,919	426	44,346
Purchase of treasury stock				(17)		(17)
Disposal of treasury stock				0		0
Dividends				(8,065)	(435)	(8,500)
Transfer from other components of equity to retained earnings	(558)	(2,774)	(3,333)	—		—
Transfer to non-financial assets			35	35		35
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				0		0
Other increase (decrease)				—	107	107
Total transactions with owners of the parent	(558)	(2,774)	(3,297)	(8,046)	(327)	(8,374)
Balance at end of the period	17,088	—	19,420	308,130	5,384	313,514

4) Consolidated Statements of Cash Flows

	<i>(Millions of yen)</i>	
	Years ended March 31,	
	2020	2021
Cash flows from operating activities		
Profit before income taxes	37,814	43,194
Depreciation and amortization	18,259	19,235
Impairment losses	303	1,185
Interest and dividend income	(1,236)	(1,116)
Interest paid	724	919
Share of (profit) loss of associates accounted for using the equity method	(209)	(206)
Increase (decrease) in net defined benefit assets and liabilities	597	(1,690)
(Gain) loss on sales and disposal of property, plant and equipment	1,181	975
(Increase) decrease in trade and other receivables	(1,642)	1,355
(Increase) decrease in inventories	(3,347)	533
Increase (decrease) in trade and other payables	3,380	1,710
Other	(4,338)	1,070
Subtotal	51,486	67,167
Interest received	981	1,028
Dividends received	268	149
Interest paid	(713)	(932)
Income taxes paid	(10,064)	(10,245)
Net cash provided by operating activities	41,958	57,167
Cash flows from investing activities		
Acquisition of property, plant and equipment	(24,873)	(15,718)
Proceeds from sale of property, plant and equipment	124	269
Acquisition of intangible assets	(1,159)	(1,353)
Proceeds from sale of intangible assets	1	28
Acquisition of financial instruments	(3,429)	(1,949)
Proceeds from sale of financial instruments	374	1,142
Addition to loans receivable	(1,529)	(373)
Collection of loans receivable	1,031	425
Other	683	642
Net cash provided by (used in) investing activities	(28,777)	(16,886)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,949	(1,581)
Payment of principal portion of lease liabilities	(5,051)	(5,444)
Purchase of treasury stock	(16)	(33)
Disposal of treasury stock	0	0
Dividends paid	(8,065)	(8,065)
Dividends paid to non-controlling interests	(215)	(295)
Net cash used in financing activities	(11,400)	(15,420)
Effect of exchange rate changes on cash and cash equivalents	(930)	2,714
Net increase (decrease) in cash and cash equivalents	849	27,574
Cash and cash equivalents at beginning of the year	27,253	28,103
Cash and cash equivalents at end of the year	28,103	55,678

5) Notes on consolidated financial statements (Notes Regarding Going Concern)

No applicable items.

(Segment Information)

(a) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available. The Group's Board of Directors uses these operating segments periodically to make decisions on the allocation of management resources and to evaluate business performance. The Group does not aggregate the operation segments in determining the reportable segments.

The Company, as a holding company, mainly formulates Group strategies and manages operating companies. Under this structure, Japanese companies are categorized into companies that primarily engage in the manufacturing and sale of foods and others. Overseas business is operated by the holding company's overseas business divisions, and the operating companies are categorized into companies that engage in foods manufacturing and sales and companies that engage in wholesale of oriental food products.

Accordingly, the Group consists of four reportable segments that are a matrix of domestic and overseas regions and types of business: "Domestic Foods—Manufacturing and Sales," "Domestic Others," "Overseas Foods—Manufacturing and Sales" and "Overseas Foods— Wholesale.

The Domestic Foods—Manufacturing and Sales segment engages in the manufacturing and sale of soy sauce, food products, beverages, liquor and wine in Japan. The Domestic Others segment engages in the manufacturing and sale of pharmaceuticals and chemical products and in real estate rentals, logistics, back-office functions and other businesses in Japan. The Overseas Foods—Manufacturing and Sales segment engages in the manufacturing, sale and exporting of soy sauce, Del Monte products and health foods and in the export and sales of products for overseas market. The Overseas Foods—Wholesale segment purchases and sells oriental foods in domestic and overseas markets.

(b) Information about reportable segments

Segment profit (loss) represents business profit, the amount obtained by deducting cost of sales, selling, general and administrative expenses from revenue. Inter-segment revenue and transfers are determined based on prevailing market prices.

(c) Information about revenue, profit or loss and other items by reportable segment is set out below:

For the year ended March 31, 2020							
	Domestic Foods— Manufacturing and Sales	Domestic Others	Overseas Foods— Manufacturing and Sales	Overseas Foods— Wholesale	Total	Adjustments	Consolidated
	(Millions of yen)						
Revenue							
External revenue	149,478	7,221	83,241	199,684	439,627	—	439,627
Inter-segment revenue	2,163	14,119	12,081	443	28,808	(28,808)	—
Total	151,641	21,341	95,323	200,128	468,435	(28,808)	439,627
Segment profit (loss)	11,252	1,678	18,586	8,320	39,836	(1,795)	38,041
Other income	—	—	—	—	—	—	2,042
Other expenses	—	—	—	—	—	—	5,179
Finance income	—	—	—	—	—	—	4,037
Finance costs	—	—	—	—	—	—	1,336
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	209
Profit before income taxes	—	—	—	—	—	—	37,814
Other items:							
Depreciation and amortization	7,253	1,949	4,166	3,507	16,876	1,390	18,266
Impairment losses	—	301	1	—	303	—	303
Capital expenditure	10,376	1,486	7,275	6,051	25,190	3,912	29,103

(Note)

- Adjustments are as follows:

- (1) Adjustment of segment income is mainly due to the difference in allocation of corporate expenses.
- (2) Adjustments for depreciation and amortization are depreciation and amortization related to corporate assets.
- (3) Adjustments to capital expenditures are expenditures related to corporate assets.

- Accounting treatment for the reportable segments disclosed in the financial statements for the year ended March 31, 2020 was in accordance with Japanese GAAP but has been in accordance with IFRS in the financial statements for the year ended March 31, 2021. Accordingly, the Group has retrospectively applied IFRS for the accounting treatment of reportable segments for the year ended March 31, 2020.

For the year ended March 31, 2021							
	Domestic Foods— Manufacturing and Sales	Domestic Others	Overseas Foods— Manufacturing and Sales	Overseas Foods— Wholesale	Total	Adjustments	Consolidated
	(Millions of yen)						
Revenue							
External revenue	145,319	7,541	88,681	197,869	439,411	—	439,411
Inter-segment revenue	2,802	13,644	12,151	462	29,061	(29,061)	—
Total	148,122	21,186	100,832	198,332	468,473	(29,061)	439,411
Segment profit (loss)	11,631	1,915	20,416	10,556	44,519	(1,869)	42,650
Other income	—	—	—	—	—	—	5,223
Other expenses	—	—	—	—	—	—	6,201
Finance income	—	—	—	—	—	—	4,272
Finance costs	—	—	—	—	—	—	2,956
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	206
Profit before income taxes	—	—	—	—	—	—	43,194
Other items:							
Depreciation and amortization	7,476	1,826	4,340	4,014	17,658	1,658	19,317
Impairment losses	1,185	—	—	—	1,185	—	1,185
Capital expenditure	8,670	1,558	4,988	4,651	19,869	1,077	20,946

(Note)

Adjustments are as follows:

- (1) Adjustment of segment income is mainly due to the difference in allocation of corporate expenses.
- (2) Adjustments for depreciation and amortization are depreciation and amortization related to corporate assets.
- (3) Adjustments to capital expenditures are expenditures related to corporate assets.

(Per Share Information)

Basic earnings per share and the basis for calculation are as follows.

Diluted earnings per share is not shown because there are no dilutive potential common stocks:

	For the year ended March 31,	
	2020	2021
	<i>(Yen)</i>	
Basic earnings per share	139.74	162.31

	For the year ended March 31,	
	2020	2021
	<i>(Millions of yen)</i>	
Profit for the year attributable to common shareholders of the Company	26,827	31,159
Profit for the year not attributable to common shareholders of the Company	—	—
Profit for the year attributable to common shareholders used for calculation of basic earnings per share	26,827	31,159
Weighted-average number of common shares used for calculation of basic earnings per share	<i>(Thousands of shares)</i>	
	191,975	191,973

(Material Subsequent Events)**Acquisition of Own shares**

At a meeting of the Board of Directors held on April 27, 2021, the Company resolved to acquire its own shares under Article 156 of the Companies Act of Japan, applied pursuant to Article 165-3 of the said Act.

1. Reason for the acquisition of own shares

To promote an expeditious financial strategy according to changes in the business environment.

2. Details of the acquisition

- (1) Class of shares to be acquired: Common shares of the Company
- (2) Total number of shares to be acquired: 2,200,000 shares (maximum)
(Equivalent to 1.15% of outstanding shares (excluding treasury shares))
- (3) Total acquisition price: ¥10,000 million (maximum)
- (4) Acquisition period: From May 6, 2021 to March 31, 2022
- (5) Acquisition method: Market transactions on the Tokyo Stock Exchange

2. First-time Adoption of IFRS

The Group has adopted IFRSs from the consolidated fiscal year ended March 31, 2021. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those financial statements for the fiscal year ended March 31, 2020, and the date of transition to IFRSs is April 1, 2019.

In principle, IFRS 1 requires an entity that adopts IFRSs for the first time to apply IFRS standards retrospectively. However, there are exceptions that allow a first-time adopter to voluntarily choose to apply certain standards retrospectively and prohibit retrospective application of IFRSs in some areas.

The Group has elected to apply the following exemptions from retrospective application specified in IFRS 1.

- Business Combinations

The Group has elected not to apply IFRS 3 “Business Combinations,” retrospectively to business combinations that occurred before the date of transition. As a result, the amount of goodwill arising from business combinations prior to the date of transition is determined based on the carrying amount in accordance with Japanese GAAP. An impairment test of the goodwill was performed as of the date of transition regardless of whether there was an indication of impairment.

- Translation differences for foreign operations

Under IFRS 1, a first-time adopter may elect to deem the cumulative translation differences for foreign operations to be zero at the date of transition to IFRS. The Group has elected to apply this exemption and the cumulative translation differences for foreign operations are deemed to be zero at the date of transition.

- Leases

Under IFRS 1, a first-time adopter may assess whether the contract existing at the date of transition to IFRS contains a lease. The Group has applied this exemption and assessed whether a contract contains a lease on the basis of facts and circumstances existing at the date of transition.

- Designation of previously recognized financial instruments

Under IFRS 1, a first-time adopter may determine the classification of financial instruments under IFRS 9 “Financial Instruments,” (hereinafter “IFRS 9”) on the basis of facts and circumstances at the date of transition, not on the basis of facts and circumstances existing at the time financial instruments are initially recognized. A first-time adopter may also designate changes in fair value of equity instruments as financial assets measured through other comprehensive income on the basis of facts and circumstances existing at the date of transition.

- Borrowing costs

IFRS 1 permits the commencement date of capitalization of borrowing costs on qualifying assets to be the date of transition to IFRS. The Group has applied this exemption.

Exceptions to the retrospective application of other IFRS standards

IFRS 1 prohibits retrospective application of some aspects of other IFRS standards, such as “Estimates,” “Derecognition of financial assets and financial liabilities,” “Hedge accounting,” “Non-controlling interests,” “Classification and measurement of financial assets” and “Impairment of financial assets.”

The Group has applied those IFRS standards prospectively from the date of transition.

Reconciliations to be disclosed for the first-time adoption of IFRS are as follows.

Also, items that do not affect retained earnings and comprehensive income are included in “Reclassification” and items that affect retained earnings and comprehensive income are included in “Differences in recognition and measurement” of the reconciliations.

<Adjustments to equity as of April 1, 2019 (transition date)>

(Millions of yen)

Japanese GAAP	Japanese GAAP amount	Reclassification adjustments	Differences in recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	30,162	(3,006)	97	27,253	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	60,719	1,079	(97)	61,700	(2)	Trade and other receivables
Merchandise and finished goods	42,513	(42,513)	—	—		
Work in process	10,997	(10,997)	—	—		
Raw materials and supplies	5,330	(5,330)	—	—		
	—	58,841	381	59,222	(3)	Inventories
	—	3,998	—	3,998	(1)(4)	Other financial assets
Other	7,512	(3,208)	377	4,681	(2)(4)	Other current assets
Allowance for doubtful accounts	(717)	717	—	—	(2)	
Total current assets	156,518	(421)	759	156,856		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	123,390	(9,583)	999	114,806	(5)(6)(i)	Property, plant and equipment
	—	9,583	—	9,583	(5)	Investment properties
	—	400	23,534	23,934	(6)(ii)	Right-of-use assets
Intangible fixed assets						
Goodwill	4,969	—	24	4,993		Goodwill
Other assets	5,339	—	(58)	5,280		Intangible assets
	—	3,118	—	3,118	(7)	Investments in associates accounted for using the equity method
Investments and other assets						
Investment securities	59,207	(59,207)	—	—	(4)(7)	
Long-term loans receivable	1,491	(1,491)	—	—	(4)	
	—	60,119	2,219	62,338	(4)(iii)	Other financial assets
Retirement benefit related assets	5,936	—	(200)	5,736		Employee defined benefit assets
Deferred tax assets	3,053	4	289	3,347		Deferred tax assets
Other assets	3,940	(3,831)	141	250	(4)	Other non-current assets
Allowance for doubtful accounts	(1,726)	1,726	—	—	(4)	
Total fixed assets	205,601	839	26,949	233,389		Total non-current assets
Total assets	362,119	418	27,708	390,245		Total assets

Japanese GAAP	Japanese GAAP amount	Reclassification adjustments	Differences in recognition and measurement	IFRS	Notes	IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	22,383	21,733	1,173	45,289	(8) (iv)	Trade and other payables
Short-term loans payable	3,487	—	—	3,487		Short-term borrowings
Lease obligations	50	—	4,408	4,458	(ii)	Short-term lease liabilities
Accounts payable-other	18,872	(18,872)	—	—	(8)	
Income taxes payable	3,230	(24)	—	3,206		Income taxes payable
	—	455	—	455	(4)	Other financial liabilities
Allowance for bonuses	2,592	(2,592)	—	—	(9)	
Allowance for directors' bonuses	125	(125)	—	—	(9)	
					(4) (8)	
Other liabilities	5,497	(483)	2,705	7,720	(9) (v)	Other current liabilities
Total current liabilities	56,240	91	8,286	64,617		Total current liabilities
Fixed liabilities						Non-current liabilities
Long-term debt	13,602	—	—	13,602		Long-term borrowings
Lease obligations	90	—	20,788	20,877	(ii)	Long-term lease liabilities
Deferred tax liabilities	7,934	—	87	8,020		Deferred tax liabilities
Allowance for directors' retirement benefits	711	(711)	—	—		
Allowance for environmental measures	31	(31)	—	—		
Liabilities for retirement benefits	5,511	711	556	6,778		Employee defined benefit liabilities
	—	5,762	—	5,762	(4)	Other financial liabilities
Other liabilities	7,546	(5,404)	(851)	1,290	(4) (ii)	Other non-current liabilities
Total long-term liabilities	35,427	327	20,578	56,332		Total non-current liabilities
Total liabilities	91,667	418	28,865	120,950		Total liabilities
Net assets						Equity
Capital stock	11,599	—	—	11,599		Share capital
Capital surplus	13,695	—	—	13,695		Capital surplus
Retained earnings	225,835	—	(2,232)	223,602	(vii)	Retained earnings
Treasury stock	(3,631)	—	—	(3,631)		Treasury stock
Accumulated other comprehensive income (loss)	17,930	—	1,111	19,042	(iii) (vi)	Other components of equity
				264,308		Total equity attributable to owners of the parent
Non-controlling interests	5,022	—	(36)	4,986		Non-controlling interests
Total net assets	270,451	—	(1,157)	269,295		Total equity
Total liabilities and net assets	362,119	418	27,708	390,245		Total liabilities and equity

<Adjustments to equity as of April 1, 2020>

(Millions of yen)

Japanese GAAP	Japanese GAAP amount	Reclassification adjustments	Differences in recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	30,088	(1,985)	—	28,103	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	61,145	363	99	61,608	(2)	Trade and other receivables
Merchandise and finished goods	43,255	(43,255)	—	—		
Work in process	11,798	(11,798)	—	—		
Raw materials and supplies	5,901	(5,901)	—	—		
	—	60,955	0	60,956	(3)	Inventories
	—	3,096	—	3,096	(1)(4)	Other financial assets
Other	8,543	(2,893)	300	5,949	(2)(4)	Other current assets
Allowance for doubtful accounts	(1,192)	1,192	—	—	(2)	
Total current assets	159,540	(226)	400	159,714		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	149,067	(25,375)	1,497	125,189	(5)(6)(i)	Property, plant and equipment
	—	9,467	—	9,467	(5)	Investment properties
	—	15,824	6,285	22,110	(6)(ii)	Right-of-use assets
Intangible fixed assets						
Goodwill	4,164	—	683	4,847		Goodwill
Other assets	5,004	—	(58)	4,946		Intangible assets
	—	3,043	—	3,043	(7)	Investments in associates accounted for using the equity method
Investments and other assets						
Investment securities	57,672	(57,672)	—	—	(4)(7)	
Long-term loans receivable	1,881	(1,881)	—	—	(4)	
	—	59,013	2,045	61,059	(4)(iii)	Other financial assets
Retirement benefit related assets	4,934	—	(58)	4,875		Employee defined benefit assets
Deferred tax assets	3,416	12	(225)	3,204		Deferred tax assets
Other assets	3,799	(3,711)	151	240	(4)	Other non-current assets
Allowance for doubtful accounts	(2,153)	2,153	—	—	(4)	
Total fixed assets	227,788	873	10,320	238,983		Total non-current assets
Total assets	387,329	647	10,721	398,698		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP amount	Reclassification adjustments	Differences in recognition and measurement	IFRS	Notes	IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	23,414	22,411	1,180	47,005	(8) (iv)	Trade and other payables
Short-term loans payable	5,311	—	—	5,311		Short-term borrowings
Lease obligations	2,437	—	2,184	4,621	(ii)	Short-term lease liabilities
Accounts payable-other	19,249	(19,249)	—	—	(8)	
Income taxes payable	3,297	(26)	—	3,271	(4)	Income taxes payable
	—	894	3	897	(4)	Other financial liabilities
Allowance for bonuses	2,662	(2,662)	—	—	(9)	
Allowance for directors' bonuses	129	(129)	—	—	(9)	
					(4) (8)	
Other liabilities	5,288	(626)	2,346	7,009	(9) (v)	Other current liabilities
Total current liabilities	61,791	611	5,715	68,117		Total current liabilities
Fixed liabilities						Non-current liabilities
Long-term debt	13,602	—	—	13,602		Long-term borrowings
Lease obligations	13,997	—	5,151	19,149	(ii)	Long-term lease liabilities
Deferred tax liabilities	6,847	—	(336)	6,511		Deferred tax liabilities
Allowance for directors' retirement benefits	732	(732)	—	—		
Allowance for environmental measures	31	(31)	—	—		
Liabilities for retirement benefits	7,243	732	404	8,380		Employee defined benefit liabilities
	—	4,149	—	4,149	(4)	Other financial liabilities
Other liabilities	5,326	(4,081)	—	1,244	(4) (ii)	Other non-current liabilities
Total long-term liabilities	47,780	36	5,220	53,037		Total non-current liabilities
Total liabilities	109,571	647	10,935	121,155		Total liabilities
Net assets						Equity
Capital stock	11,599	—	—	11,599		Share capital
Capital surplus	13,695	—	—	13,695		Capital surplus
Retained earnings	244,044	—	(3,397)	240,646	(vii)	Retained earnings
Treasury stock	(3,641)	—	—	(3,641)		Treasury stock
Accumulated other comprehensive income (loss)	6,736	—	3,221	9,958	(iii) (vi)	Other components of equity
				272,258		Total equity attributable to owners of the parent
Non-controlling interests	5,322	—	(37)	5,285		Non-controlling interests
Total net assets	277,757	—	(214)	277,543		Total equity
Total liabilities and net assets	387,329	647	10,721	398,698		Total liabilities and equity

(Notes on adjustments to equity)

Reconciliations between Japanese GAAP and IFRS are primarily attributable to the following factors:

(a) Reclassification adjustments

The main elements of reclassification are as follows:

(1) Cash and cash equivalents

Time deposits with maturities of more than three months included in “Cash and deposits” under Japanese GAAP are reclassified to “Other financial assets (current)” under IFRS.

(2) Trade and other receivables

“Trade notes and accounts receivable,” “Allowance for doubtful receivables” and receivables included in “Others” of current assets, which were separately presented under Japanese GAAP, are reclassified and presented as “Trade and other receivables” under IFRS.

(3) Inventories

“Merchandise and finished goods,” “Work in process” and “Raw materials and supplies,” which were separately presented under Japanese GAAP, are presented as “Inventories” under IFRS.

(4) Other financial assets and other financial liabilities

“Other financial assets” and “Other financial liabilities” are separately presented based on the presentation requirements under IFRS

Derivative assets included in “Others” of current assets under Japanese GAAP are reclassified and presented as “Other financial assets” under IFRS.

“Investment securities,” “Long-term loans,” “Allowance for doubtful receivables” and payment for lease and guarantee deposits included in “Others” of “Investments and other assets,” which were separately presented in “Property, plant and equipment” under Japanese GAAP are reclassified and presented as “Other financial assets” under IFRS.

Deposits received included in “Others” of current liabilities under Japanese GAAP are reclassified and presented as “Other financial liabilities” under IFRS.

Customer deposits and guarantee deposits received, which were included in “Others” of non-current liabilities under Japanese GAAP, are reclassified and presented as “Other financial liabilities” under IFRS.

(5) Investment properties

“Property, plant and equipment” is reclassified and presented as “Investment properties” based on the presentation requirements under IFRS.

(6) Right-of-use assets

“Right-of-use assets” included in “Property, plant and equipment” under Japanese GAAP are separately presented under IFRS.

(7) Investments in associates accounted for using the equity method

“Investments in associates accounted for using the equity method” included in “Investment securities” under Japanese GAAP are separately presented under IFRSs.

(8) Trade and other payables

“Trade notes and accounts payable,” “Other accounts payable” and accrued expenses included in “Others” of current liabilities, which were separately presented under Japanese GAAP, are reclassified and presented as “Trade and other payables” under IFRS.

(9) Other current liabilities

“Provision for employees’ bonuses” and “Provision for directors’ bonuses,” which were separately presented as current liabilities under Japanese GAAP, are reclassified and presented as “Other current liabilities” under IFRS.

(b) Differences in recognition and measurement

(i) Property, plant and equipment

Under IFRS, property, plant and equipment has increased due to the capitalization of real estate acquisition taxes, which had been expensed under Japanese GAAP. In addition, the residual values of property, plant and equipment have been reviewed upon the adoption of IFRS.

(ii) Right-of-use assets and lease liabilities

Under Japanese GAAP, leases by lessees are classified as either finance leases or operating leases, and operating leases are accounted for using a method equivalent to the method used for ordinary rental transactions. Under IFRS, leases by lessees are not classified as either finance leases or operating lease but both "right-of-use assets" and "lease liabilities" are recognized for lease transactions.

In addition, long-term accrued rental expenses, which were included in "Other" under long-term liabilities in Japanese GAAP, have been derecognized.

(iii) Other financial assets

Under Japanese GAAP, unlisted equity securities were recognized based on their cost of acquisition, and, if necessary, impairment losses were recognized based on the deterioration in the financial position of the issuing company.

Under IFRS, such unlisted equity securities are designated as financial assets measured at fair value through other comprehensive income, and the changes in fair value are recognized in other comprehensive income.

(iv) Trade and other payables

Under Japanese GAAP, levies such as property taxes were recognized based on notifications such as tax notices. Under IFRS, levies are recognized based on the estimated amount of payment when the obligation of payment arises, and, as a result, "Trade and other payables" increased.

(v) Other current liabilities

"Other current liabilities" has increased due to the recognition of a liability for unused paid vacations, which were not recognized under Japanese GAAP.

(vi) Other components of equity

Upon first-time adoption, the Group has elected to adopt the exemption provided in IFRS 1 and has transferred all cumulative translation differences at the transition date to retained earnings.

Under Japanese GAAP, unrecognized actuarial gains and losses on defined benefit plans were recognized in net assets through other comprehensive income as incurred and expensed over a fixed number of years within the average remaining service period of employees. Under IFRS, the remeasurement of defined benefit plans is recognized in other comprehensive income and immediately transferred to retained earnings. Under IFRS, the remeasurement of defined benefit plans is recognized in other comprehensive income and immediately transferred to retained earnings.

(vii) Retained earnings

(Millions of yen)

Adjustment to	April 1, 2019	March 31, 2020
Property, plant and equipment	855	985
Goodwill	—	690
Leases	(279)	(130)
Employee benefit assets or liabilities	(536)	(331)
Deferred tax assets	(162)	(171)
Levies	(812)	(817)
Unused paid vacations	(1,526)	(1,601)
Translation differences of foreign operations	1,081	1,081
Remeasurement of defined benefit plans	(667)	(2,898)
Other	(182)	(204)
Total adjustments to retained earnings	(2,232)	(3,397)

<Reconciliation to profit or loss and comprehensive income for the year ended March 31, 2020
(April 1, 2019 to March 31, 2020)>

Items of consolidated statements of profit or loss

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Notes	Presentation Under IFRS
Net sales	468,616	(28,870)	(119)	439,627	(1)	Revenue
Cost of sales	286,978	424	(4)	287,398	(2) (i)	Cost of sales
Gross profit	181,638	(29,295)	(114)	152,228	(1) (2)	Gross profit
Selling, general and administrative expenses	141,812	(27,566)	(58)	114,187	(i) (ii)	Selling, general and administrative expenses
	—	—	—	38,041		Business profit
	—	2,041	0	2,042	(2)	Other income
	—	5,311	(131)	5,179	(2)	Other expenses
Operating profit	39,826	(4,998)	75	34,903		Operating profit
Non-operating income	6,264	(6,264)	—	—	(2)	
Non-Operating Expenses	7,012	(7,012)	—	—	(2)	
Ordinary profit	39,078					
Extraordinary income	217	(217)	—	—	(2)	
Extraordinary loss	1,365	(1,365)	—	—	(2)	
	—	4,238	(200)	4,037	(2)	Finance income
	—	1,438	(101)	1,336	(2)	Finance costs
	—	209	—	209	(2)	Equity in earnings of unconsolidated subsidiaries and affiliates
Profit before income taxes and minority interests	37,930	(92)	(23)	37,814		Profit before income taxes
Total income taxes	10,925	(92)	(257)	10,575	(iii)	Income tax expense
Profit	27,005	—	233	27,238		Profit for the year
Profit attributable to owners of the parent	26,595	—	232	26,827		Profit for the year attributable to Owners of the parent
Profit attributable to non-controlling interests	409	—	1	411		Non-controlling interests

Items of consolidated statements of profit or loss

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net profit (loss)	27,005	—	233	27,238		Profit (loss) for the year
Other comprehensive income						Other comprehensive income
Net unrealized gains on available-for-sale securities	(3,320)	—	(342)	(3,663)		Items that will not be reclassified to net profit or loss
Adjustment for retirement benefits	(2,149)	—	730	(1,419)	(i)	Net change in fair value of financial assets measured through other comprehensive income
		(241)	(4)	(245)		Remeasurement of defined benefit plans
Foreign currency translation adjustments	(5,447)	—	3	(5,443)		Share of other comprehensive income (loss) of associates accounted for using the equity method
Deferred gains or losses on hedges	4	—	(6)	(1)		Items that may be reclassified subsequently to profit or loss
Share of other comprehensive income of associates accounted for using equity method	(241)	241				Translation differences on foreign operations
Total other comprehensive income	(11,154)		380	(10,773)		Cash flow hedges
Comprehensive income	15,850		614	16,465		Other comprehensive income, net of tax
(Breakdown)						Comprehensive income for the year
Comprehensive income attributable to owners of the parent	15,401		616	16,018		Attribution of comprehensive income for the year
Comprehensive income attributable to noncontrolling interests	448		(1)	446		Owners of the parent
						Non-controlling interests

(Notes to Reconciliation of Profit or Loss and Comprehensive Income)

The reconciliation of the differences between Japanese GAAP and IFRS in the reconciliation table above is as follows:

(a) Reclassification adjustments

The main items of the reclassification adjustments are as follows:

(1) Revenue

While rebates were recognized in selling, general and administrative expenses under Japanese GAAP, certain rebates are deducted from revenue under IFRS.

(2) Cost of sales, selling, general and administrative expenses, other income, other expenses, finance income, finance costs and gain or loss on investments in associates accounted for using the equity method

Of the items that were presented in "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary loss" under Japanese GAAP, finance-related are presented in "Finance income" and "Finance costs," and other items are presented in "Cost of sales", "Selling, general and administrative expenses," "Other income," "Other expenses" and "Gain or loss on investments in associates accounted for using the equity method" under IFRS.

(b) Differences in recognition and measurement

The main components of the differences in recognition and measurement are as follows:

(i) Adjustments for defined benefit plans

Under Japanese GAAP, actuarial gains and losses and prior service costs of defined benefit plans were recognized in equity through other comprehensive income as incurred and amortized on a straight-line basis over a fixed number of years within the average remaining service period of employees. Under IFRS, the remeasurement of defined benefit plans is recognized in equity through other comprehensive income as incurred, and prior service cost is recognized as income or expense in a lump sum as incurred.

(ii) Adjustment of the recorded amount of goodwill

Under Japanese GAAP, goodwill is amortized on a straight-line basis over the period of its effect, but under IFRS, goodwill is not amortized after the transition date.

(iii) Adjustment of income tax expense

The amount of income tax expense has been adjusted due to the temporary difference arising from the adjustment from Japanese GAAP to IFRS.

Reconciliation of cash flows for the year ended March 31, 2020 to cash flows for the year ended March 31, 2019

Under Japanese GAAP, lease payments and rental expenses related to operating leases and rental contracts are classified as cash flows from operating activities. However, in principle, under IFRS, the recognition of lease liabilities is required for all leases by lessees, and the repayment of such liabilities is classified as a cash flow from financing activities.