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CONSOLIDATED FINANCIAL STATEMENTS
BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2017

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Consolidated Statement of Financial Position

FY2016 (As of March 31, 2017)

	Notes	Millions of yen			Thousands of U.S. dollars
		Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Assets					
Current assets					
Cash and cash equivalents	8, 40	105,347	67,387	112,032	1,000,286
Trade and other receivables	9, 40	96,404	94,750	96,112	858,143
Other financial assets	10, 40	9,367	16,100	9,701	86,616
Inventories	11	121,982	126,542	112,432	1,003,857
Other current assets	12	13,366	15,383	14,701	131,259
Subtotal		346,468	320,164	344,980	3,080,179
Non-current assets classified as held for sale	13	385	—	245	2,188
Total current assets		346,854	320,164	345,225	3,082,366
Non-current assets					
Property, plant and equipment	14, 17	117,453	128,920	120,767	1,078,277
Investment property	15	7,609	6,907	6,646	59,339
Goodwill and intangible assets	16, 17	17,954	168,117	147,012	1,312,607
Investments accounted for using the equity method	18	1,343	1,437	1,506	13,446
Other financial assets	10, 19, 40	42,753	26,881	29,640	264,643
Deferred tax assets	20	17,618	16,872	16,691	149,027
Other non-current assets	12, 25	7,871	6,000	6,617	59,080
Total non-current assets		212,604	355,137	328,881	2,936,438
Total assets		559,458	675,301	674,107	6,018,813

	Notes	Millions of yen: Date of transition to IFRS (As of April 1, 2015)	Millions of yen: FY2015 (As of March 31, 2016)	Millions of yen: FY2016 (As of March 31, 2017)	Thousands of U.S. dollars: FY2016 (As of March 31, 2017)
Equity and liabilities					
Liabilities					
Current liabilities					
Trade and other payables	23, 40	73,817	62,139	66,268	591,679
Bonds and borrowings	21, 40	10,494	20,701	20,509	183,116
Other financial liabilities	21, 22, 24, 40	7,787	2,558	3,053	27,259
Income tax payables		14,449	2,888	6,461	57,688
Provisions	26	5,351	6,889	5,691	50,813
Other current liabilities	27	42,442	46,550	50,350	449,554
Subtotal		154,342	141,728	152,337	1,360,152
Liabilities directly associated with assets classified as held for sale	13	—	—	20	179
Total current liabilities		154,342	141,728	152,357	1,360,330
Non-current liabilities					
Bonds and borrowings	21, 40	4,705	137,786	117,082	1,045,375
Other financial liabilities	21, 22, 24, 40	5,858	11,754	10,969	97,938
Retirement benefits liabilities	25	19,564	17,033	17,612	157,250
Provisions	26	3,701	2,852	3,376	30,143
Deferred tax liabilities	20	2,601	11,212	7,843	70,027
Other non-current liabilities	27	2,848	2,947	3,154	28,161
Total non-current liabilities		39,279	183,586	160,040	1,428,929
Total liabilities		193,622	325,315	312,398	2,789,268
Equity					
Capital stock	28	19,209	19,209	19,209	171,509
Capital surplus	28	17,200	17,321	17,455	155,848
Retained earnings		331,165	363,864	407,843	3,641,455
Treasury stock	28	(24,224)	(24,225)	(24,230)	(216,339)
Other components of equity		6,110	(42,729)	(75,216)	(671,571)
Equity attributable to owners of the parent company		349,460	333,440	345,061	3,080,902
Non-controlling interests		16,375	16,545	16,647	148,634
Total equity		365,835	349,986	361,709	3,229,545
Total equity and liabilities		559,458	675,301	674,107	6,018,813

Consolidated Statement of Income

FY2016 (Year Ended March 31, 2017)

	Notes	Millions of yen		Thousands of U.S. dollars
		FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Revenue	6, 15, 30	682,119	641,185	5,724,866
Cost of sales	11, 14, 15, 16, 31	(400,023)	(368,016)	(3,285,857)
Gross profit		282,095	273,169	2,439,009
Selling, general and administrative expenses	14, 16, 32, 39	(227,161)	(212,410)	(1,896,518)
Other income	33, 34	9,317	3,647	32,563
Other expenses	17, 33	(5,611)	(5,253)	(46,902)
Operating profit	6	58,640	59,152	528,143
Finance income	35	5,315	3,600	32,143
Finance expenses	35	(6,729)	(1,648)	(14,714)
Share of profit/(loss) of investments accounted for using the equity method	18	(33)	152	1,357
Profit before income taxes		57,192	61,257	546,938
Income tax expenses	20	(15,581)	(13,817)	(123,366)
Profit for the year		41,610	47,440	423,571
Profit for the year attributable to:				
Owners of the parent company		41,238	47,242	421,804
Non-controlling interests		372	198	1,768
Profit for the year		41,610	47,440	423,571

	Notes	Yen		U.S. dollars
		FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Earnings per share				
Basic earnings per share	36	158.83	181.96	1.62
Diluted earnings per share	36	158.47	181.46	1.62

Consolidated Statement of Comprehensive Income

FY2016 (Year Ended March 31, 2017)

	Notes	Millions of yen		Thousands of U.S. dollars
		FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Profit for the year		41,610	47,440	423,571
Other comprehensive income, net of income tax				
Items that will not be reclassified subsequently to profit or loss				
Gains on investments in equity instruments designated as FVTOCI	37	—	2,689	24,009
Remeasurement of the net defined benefit liability	37	40	63	563
Share of other comprehensive income of investments accounted for using the equity method	18, 37	(6)	(21)	(188)
Total of items that will not be reclassified subsequently to profit or loss		34	2,730	24,375
Items that may be reclassified subsequently to profit or loss				
Unrealized losses on available-for-sale securities	37	(2,972)	—	—
Cash flow hedges	37	247	38	339
Exchange differences on translating foreign operations	37	(46,151)	(28,948)	(258,464)
Total of items that may be reclassified subsequently to profit or loss		(48,876)	(28,909)	(258,116)
Other comprehensive income for the year, net of income tax		(48,842)	(26,179)	(233,741)
Comprehensive income for the year		(7,231)	21,260	189,821
Comprehensive income for the year attributable to:				
Owners of the parent company		(7,561)	20,983	187,348
Non-controlling interests		330	277	2,473
Comprehensive income for the year		(7,231)	21,260	189,821

Consolidated Statement of Changes in Equity

FY2015 (Year Ended March 31, 2016)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Cash flow hedges
Balance as of April 1, 2015		19,209	17,200	331,165	(24,224)	—	(447)
Profit for the year		—	—	41,238	—	—	—
Other comprehensive income/(loss)		—	—	—	—	(46,083)	247
Total comprehensive income/(loss) for the year		—	—	41,238	—	(46,083)	247
Acquisition of treasury stock		—	—	—	(8)	—	—
Disposal of treasury stock		—	0	—	7	—	—
Dividends paid	29	—	—	(8,579)	—	—	—
Share-based payment transaction	39	—	120	—	—	—	—
Increase/(decrease) due to newly consolidated subsidiaries		—	—	—	—	—	—
Transfer to retained earnings		—	—	39	—	—	—
Total transaction with owners		—	121	(8,539)	(0)	—	—
Balance as of March 31, 2016		19,209	17,321	363,864	(24,225)	(46,083)	(200)

	Notes	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
		Other components of equity					
		Unrealized gains/(losses) on available-for-sale securities	Remeasurement of the net defined benefit liability (asset)	Total	Total		
Balance as of April 1, 2015		6,557	—	6,110	349,460	16,375	365,835
Profit for the year		—	—	—	41,238	372	41,610
Other comprehensive income/(loss)		(3,003)	39	(48,800)	(48,800)	(42)	(48,842)
Total comprehensive income/(loss) for the year		(3,003)	39	(48,800)	(7,561)	330	(7,231)
Acquisition of treasury stock		—	—	—	(8)	—	(8)
Disposal of treasury stock		—	—	—	8	—	8
Dividends paid	29	—	—	—	(8,579)	(195)	(8,774)
Share-based payment transaction	39	—	—	—	120	—	120
Increase/(decrease) due to newly consolidated subsidiaries		—	—	—	—	35	35
Transfer to retained earnings		—	(39)	(39)	—	—	—
Total transactions with owners		—	(39)	(39)	(8,458)	(159)	(8,618)
Balance as of March 31, 2016		3,554	—	(42,729)	333,440	16,545	349,986

FY2016 (Year Ended March 31, 2017)

(Millions of yen)

		Equity attributable to owners of the parent company						
						Other components of equity		
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Cash flow hedges	Unrealized gains/ (losses) on available-for-sale securities
Balance as of March 31, 2016		19,209	17,321	363,864	(24,225)	(46,083)	(200)	3,554
Cumulative effect of adoption of the new accounting standards		—	—	3,420	—	—	—	(3,554)
Balance as of April 1, 2016		19,209	17,321	367,285	(24,225)	(46,083)	(200)	—
Profit for the year		—	—	47,242	—	—	—	—
Other comprehensive income/(loss)		—	—	—	—	(28,971)	38	—
Total comprehensive income/(loss) for the year		—	—	47,242	—	(28,971)	38	—
Acquisition of treasury stock		—	—	—	(26)	—	—	—
Disposal of treasury stock		—	(9)	—	22	—	—	—
Dividends paid	29	—	—	(9,359)	—	—	—	—
Share-based payment transaction	39	—	143	—	—	—	—	—
Reclassification to retained earnings		—	—	2,674	—	—	—	—
Other increase/(decrease)		—	—	0	—	—	—	—
Total transactions with owners		—	133	(6,684)	(4)	—	—	—
Balance as of March 31, 2017		19,209	17,455	407,843	(24,230)	(75,055)	(161)	—

		Equity attributable to owners of the parent company					
		Other components of equity					
	Notes	Gains/(Losses) on investments in equity instruments designated as FVTOCI	Remeasurement of the net defined benefit liability (asset)	Total	Total	Non-controlling interests	Total equity
Balance as of March 31, 2016		—	—	(42,729)	333,440	16,545	349,986
Cumulative effect of adoption of the new accounting standards		—	—	(3,554)	(133)	44	(88)
Balance as of April 1, 2016		—	—	(46,284)	333,307	16,589	349,897
Profit for the year		—	—	—	47,242	198	47,440
Other comprehensive income/(loss)		2,644	30	(26,258)	(26,258)	79	(26,179)
Total comprehensive income/(loss) for the year		2,644	30	(26,258)	20,983	277	21,260
Acquisition of treasury stock		—	—	—	(26)	—	(26)
Disposal of treasury stock		—	—	—	12	—	12
Dividends paid	29	—	—	—	(9,359)	(215)	(9,575)
Share-based payment transaction	39	—	—	—	143	—	143
Reclassification to retained earnings		(2,644)	(30)	(2,674)	—	—	—
Other increase/(decrease)		—	—	—	0	(3)	(3)
Total transactions with owners		(2,644)	(30)	(2,674)	(9,229)	(219)	(9,449)
Balance as of March 31, 2017		—	—	(75,216)	345,061	16,647	361,709

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the parent company						
						Other components of equity		
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Cash flow hedges	Unrealized gains/(losses) on available-for-sale securities
Balance as of March 31, 2016		171,509	154,652	3,248,786	(216,295)	(411,455)	(1,786)	31,732
Cumulative effect of adoption of the new accounting standards		—	—	30,536	—	—	—	(31,732)
Balance as of April 1, 2016		171,509	154,652	3,279,330	(216,295)	(411,455)	(1,786)	—
Profit for the year		—	—	421,804	—	—	—	—
Other comprehensive income/(loss)		—	—	—	—	(258,670)	339	—
Total comprehensive income/(loss) for the year		—	—	421,804	—	(258,670)	339	—
Acquisition of treasury stock		—	—	—	(232)	—	—	—
Disposal of treasury stock		—	(80)	—	196	—	—	—
Dividends paid	29	—	—	(83,563)	—	—	—	—
Share-based payment transaction	39	—	1,277	—	—	—	—	—
Reclassification to retained earnings		—	—	23,875	—	—	—	—
Other increase/(decrease)		—	—	0	—	—	—	—
Total transactions with owners		—	1,188	(59,679)	(36)	—	—	—
Balance as of March 31, 2017		171,509	155,848	3,641,455	(216,339)	(670,134)	(1,438)	—

	Notes	Equity attributable to owners of the parent company					
		Other components of equity					
		Gains/(Losses) on investments in equity instruments designated as FVTOCI	Remeasurement of the net defined benefit liability (asset)	Total	Total	Non-controlling interests	Total equity
Balance as of March 31, 2016		—	—	(381,509)	2,977,143	147,723	3,124,875
Cumulative effect of adoption of the new accounting standards		—	—	(31,732)	(1,188)	393	(786)
Balance as of April 1, 2016		—	—	(413,250)	2,975,955	148,116	3,124,080
Profit for the year		—	—	—	421,804	1,768	423,571
Other comprehensive income/(loss)		23,607	268	(234,446)	(234,446)	705	(233,741)
Total comprehensive income/(loss) for the year		23,607	268	(234,446)	187,348	2,473	189,821
Acquisition of treasury stock		—	—	—	(232)	—	(232)
Disposal of treasury stock		—	—	—	107	—	107
Dividends paid	29	—	—	—	(83,563)	(1,920)	(85,491)
Share-based payment transaction	39	—	—	—	1,277	—	1,277
Reclassification to retained earnings		(23,607)	(268)	(23,875)	—	—	—
Other increase/(decrease)		—	—	—	0	(27)	(27)
Total transactions with owners		(23,607)	(268)	(23,875)	(82,402)	(1,955)	(84,366)
Balance as of March 31, 2017		—	—	(671,571)	3,080,902	148,634	3,229,545

Consolidated Statement of Cash Flows

FY2016 (Year Ended March 31, 2017)

	Notes	Millions of yen		Thousands of U.S. dollars
		FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Cash flows from operating activities				
Profit before income taxes		57,192	61,257	546,938
Depreciation and amortization		34,934	33,811	301,884
Finance expenses/(income)		1,414	(1,952)	(17,429)
Share of (profit)/loss of investments accounted for using the equity method		33	(152)	(1,357)
Losses/(gains) on sale or disposal of fixed assets		(871)	761	6,795
Decrease/(increase) in trade and other receivables		8,225	(2,962)	(26,446)
Decrease/(increase) in inventories		(6,720)	9,609	85,795
Increase/(decrease) in trade and other payables		(10,206)	5,748	51,321
Decrease/(increase) in retirement benefit assets		2,210	(523)	(4,670)
Increase/(decrease) in retirement benefit liabilities		(1,964)	1,321	11,795
Other		(5,760)	4,144	37,000
Subtotal		78,486	111,063	991,634
Interest received		1,012	937	8,366
Dividends received		381	361	3,223
Interest paid		(823)	(1,130)	(10,089)
Income taxes paid		(27,752)	(12,076)	(107,821)
Net cash provided by operating activities		51,304	99,155	885,313
Cash flows from investing activities				
Purchases of property, plant and equipment		(32,017)	(20,497)	(183,009)
Proceeds from sales of property, plant and equipment		1,358	542	4,839
Purchases of intangible assets		(8,864)	(8,454)	(75,482)
Purchases of investments in equity instruments		(637)	(425)	(3,795)
Proceeds from sales of investments in equity instruments		2,964	2,292	20,464
Purchases of investments in debt instruments		(2,599)	(8,126)	(72,554)
Proceeds from sales or redemption of investments in debt instruments		8,273	12,371	110,455
Payments for acquisition of business	7	(186,462)	(140)	(1,250)
Other		988	(831)	(7,420)
Net cash used in investing activities		(216,997)	(23,271)	(207,777)
Cash flows from financing activities				
Proceeds from short-term borrowings		179,977	—	—
Repayment of short-term borrowings		(175,000)	(6,361)	(56,795)
Proceeds from long-term borrowings		109,427	—	—
Repayment of long-term borrowings		(10,236)	(12,312)	(109,929)
Issuance of bonds		41,430	—	—
Repayment of lease obligations		(1,993)	(1,878)	(16,768)
Dividends paid		(8,579)	(9,359)	(83,563)
Dividends paid to non-controlling interests		(195)	(215)	(1,920)
Other		(514)	(261)	(2,330)
Net cash provided by (used in) financing activities		134,317	(30,389)	(271,330)
Effect of exchange rate changes on cash and cash equivalents		(6,584)	(849)	(7,580)
Net increase/(decrease) in cash and cash equivalents		(37,960)	44,645	398,616
Cash and cash equivalents at the beginning of the year	8	105,347	67,387	601,670
Cash and cash equivalents at the end of the year	8	67,387	112,032	1,000,286

Notes to the Consolidated Financial Statements

1. Reporting Entity

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the "Company") is a corporation located in Japan. The consolidated financial statements of the Company consist of the financial statements of the Company, its consolidated subsidiaries (collectively, the "Group") and its share of interests in associates.

The Group operates 6 businesses, consisting of the Printing & Solutions Business, Personal & Home Business, Machinery Business, Network and Contents Business, Domino Business and Others Business. The details of the principal businesses of the Group are described in Note 6 "Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption

The Group meets all of the requirements for a "Specified Company for the designated IFRS" to prepare its consolidated financial statements by applying the designated IFRSs as stipulated under Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance of Japan Regulation No. 28, 1976, hereafter "the Regulation"). Hence, in accordance with Article 93 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS.

The Group first adopted IFRS for the year ended March 31, 2017, and the date of transition to IFRS was April 1, 2015. The effect of transition to IFRS on the financial position, financial performance and cash flows of the Group as of the date of transition to IFRS and in the comparative period is stated in Note 46 "First-time Adoption."

The accounting policies of the Group comply with IFRS effective as of March 31, 2017, except for the IFRS that were not early-adopted and exemptions stipulated in IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

The details of the exemptions that the Group has applied are stated in Note 46 "First-time Adoption."

The Group's consolidated financial statements for the year ended March 31, 2017, were approved on June 21, 2017 by Toshikazu Koike, Representative Director & President of the Company.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments are measured at their fair values.
- Non-derivative financial assets to be measured at fair value are measured at their fair values.
- Defined benefit pension plan assets and liabilities are measured at the present value of defined benefit obligations less the fair value of the plan assets.
- When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, its right to reimbursement is recognized as a separate asset and is measured at fair value.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded down.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥112 to $1, the foreign exchange rate at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(4) Early adoption of new accounting standards

The Group has early adopted IFRS 9 “Financial Instruments” (revised in July 2014) (hereinafter referred to as

"IFRS 9").

As to accounting for financial instruments, as of April 1, 2015 (Date of transition to IFRS) and for the year ended March 31, 2016, the Group complied with its previously-used accounting standards, accounting principles generally accepted in Japan (hereinafter referred to as “Japanese GAAP"), in accordance with IFRS 1 under which the Group could choose not to retrospectively apply IFRS 7 "Financial instruments: Disclosures” ("IFRS 7") and IFRS 9. The differences between the carrying amounts under Japanese GAAP and those under IFRS 9 are accounted for as adjustments to beginning retained earnings and other components of equity.

The effect of the early adoption, between the consolidated statement of financial position as of March 31, 2016 and the consolidated statement of financial position as of April 1, 2017, is to increase “Trade and other receivables” by ¥422 million, “Other financial assets (non-current)” by ¥745 million, “Deferred tax assets ” by ¥206 million, “Other financial liabilities (current)” by ¥2,443 million, “Deferred tax liabilities” by ¥225 million, “Retained earnings” by ¥3,420 million and “Non-controlling interests” by ¥44 million, and to decrease “Other financial assets (current)” by ¥7 million, “Other current liabilities” by ¥34 million, “Bonds and borrowings (non-current)” by ¥1,178 million and “Other components of equity” ¥3,554 million.

3. Significant Accounting Policies

Unless otherwise indicated, the accounting policies stated below have been consistently applied to all the periods reported in the consolidated financial statements, including the consolidated statement of financial position as of April 1, 2015 (Date of transition to IFRS).

(1) Basis of consolidation

<1> Subsidiaries

A subsidiary is an entity that is controlled by the Group. As a result of such control, the Group has exposures and rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over such entity.

The subsidiary is consolidated from the date of acquisition of the control to the date of loss of the control by the Group.

If accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are made to the subsidiary’s financial statements, if necessary. All intra-Group balances, transactions, unrealized gains and losses are eliminated on consolidation.

Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognized directly in equity and attributed to the owners of the parent company.

If loss in control of a subsidiary occurs, the Group recognizes in profit or loss the gains and losses arising from the transaction.

<2> Associates and joint ventures

An associate is an entity over which the Group does not have control or joint control but has significant influence over its financial and operating policies.

A joint venture is an entity based on contractual agreements in which two or more parties have been bounded to conduct significant economic activities through joint control.

Investments in associates are accounted for using the equity method. Under the equity method, the investments in an associate or a joint venture are initially recognized at acquisition cost and the carrying amount is increased or decreased to recognize the Group's share of the net assets of the associate or the joint venture after the date of acquisition. The amount of goodwill recognized at the date of acquisition has been included in the carrying amount of investments without any amortization.

The accounting policies for associates and joint ventures are adjusted as required in order to comply with the accounting policies adopted by the Group.

(2) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group in exchange for control of the acquiree. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously-held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs including finder's fees, legal, due-diligence and other professional fees are recognized in profit or loss as incurred.

Non-controlling interests measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted during the ‘measurement period’ (which cannot exceed one year from the acquisition date) or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at the date.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized. When a business combination is achieved in stages, the Group’s previously-held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard (“IAS”) 12 “Income Taxes” and IAS 19 “Employee Benefits,” respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date; and,
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

(3) Foreign currencies

<1> Foreign currency transaction

Foreign currency transactions are translated into the functional currency of each company in the Group at the rates of exchange prevailing at the date of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was originally determined.

Differences arising from the translation or settlement are recognized in profit or loss, as presented in “Other income” or “Other expenses” in the consolidated statement of income. However, differences relating to financial activities are presented in “Finance income” or “Finance expenses” in the consolidated statement of income. Also, differences arising from financial assets carried at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

<2> Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Foreign exchange differences arising from the translation are initially recognized as "Exchange differences on translating foreign operations" in other comprehensive income and accumulated in “Other components of equity", which are reclassified from equity to profit or loss on disposal.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period. The exchange differences are recognized in “Exchange differences on translating foreign operations” in other comprehensive income and accumulated in "Other components of equity".

(4) Financial instruments

The Group has early-applied IFRS 9 “Financial Instruments” (revised in July 2014). The accounting for financial instruments as of April 1, 2015 (Date of transition to IFRS) and for the year ended March 31, 2016 complied with Japanese GAAP, exempted from the retrospective application of IFRS 7 and IFRS 9 in accordance with IFRS 1. The financial statements for the year ended March 31, 2017 complied with IFRS 7 and IFRS 9, and the relevant Group's accounting policies are as follows:

<1> Financial assets

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at fair value through profit or loss or other comprehensive income and those measured at amortized cost. The classification is determined at the time of initial recognition.

All financial assets other than those measured at fair value through profit or loss are measured at fair value and transaction costs.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset 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 financial assets measured at fair value.

Equity instruments are in principle irrevocably designated as measured at fair value through other comprehensive income (“FVTOCI”). Debt instruments measured at fair value are classified as financial assets measured at fair value through other comprehensive income if the objective of business model has been achieved by both collecting contractual cash flows and selling financial assets.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount. Interest income based on the effective interest method is recognized in profit or loss and included in “Finance income” in the consolidated statement of income. In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income.

(b) Financial assets measured at fair value

Changes in the fair value or gains or losses on disposal of financial assets measured at fair value other than derivatives are recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income. However, remeasurement of fair value and gains or losses on disposal of investments in equity instruments designated as at FVTOCI are recognized as other comprehensive income, and the accumulated amount is reclassified into retained earnings. Dividends from the financial assets are recognized in profit or loss as part of “Finance income” in the consolidated statement of income.

(iii) Impairment on financial assets

An allowance for doubtful accounts is recognized for expected credit losses for financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and lease receivables.

The Group assesses, at the end of each reporting period, whether the credit risk of financial instruments has increased significantly since initial recognition. If certain financial assets are deemed to have low credit risk as of the reporting date, the Group determines that the credit risk on the financial instruments has not significantly increased after the initial recognition.

If the credit risk on financial assets has significantly increased since the initial recognition, or with respect to the credit-impaired financial assets, a loss allowance is recognized for the lifetime expected credit losses. If such risk has not significantly increased, a loss allowance is recognized for the 12-month expected credit losses. Expected credit losses are measured based on the present value of the difference between the contractual cash flows to be received and the cash flows expected to be received.

The Group directly reduces the total carrying amount of financial assets if it does not reasonably expect to collect all or part of certain financial assets.

In regard to operating receivables and lease receivables, lifetime expected credit losses are recognized since the initial recognition.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance is recognized in profit or loss and included in “Other expenses” or “Other income” in the consolidated statement of income.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, the Group recognizes its retained interest on the financial asset and an associated liability for amounts it may have to pay to the extent of its continuing involvement in the financial asset.

<2> Financial liabilities

(i) Initial recognition and measurement

The Group classifies all financial liabilities other than derivatives into financial liabilities measured at amortized cost.

All financial liabilities are measured at fair value at initial recognition. However, those other than derivatives are measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

Financial liabilities other than derivatives are measured at amortized cost using the effective interest method after the initial recognition. Interest expenses using the effective interest method are included in “Finance expenses” in the consolidated statement of income, and gains or losses on derecognition are recognized in profit or loss and included in “Other income” or “Other expenses,” respectively.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

<3> Presentation of financial assets and liabilities

Financial assets are offset against financial liabilities and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

<4> Hedge accounting and derivatives

Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group utilizes derivatives such as foreign exchange contracts to fix cash flows regarding the recognized financial assets and liabilities or the future transactions. The Group does not hold any derivatives for speculative or dealing purposes in accordance with the Group's rule.

The Group has derivatives that are held for hedging purposes but do not qualify for hedge accounting. The fluctuation of the fair value of these derivatives is recognized in profit or loss immediately, and included in "Other income" or "Other expenses" in the consolidated statement of income. However, the fluctuation of the fair value of derivatives related to financial activities are included in "Finance income" or "Finance expenses" in the consolidated statement of income. The effective portion of cash flow hedges is recognized in other comprehensive income.

To assess whether the hedging relationship qualifies for hedge accounting, at the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategies for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in cash flows of hedged item attributable to the hedged risk.

Hedges are determined effective when all of the following requirements are met:

(i)There is an economic relationship between the hedged item and the hedging instrument;

(ii)The effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii)The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the Group actually hedges and the quantity of the hedging instruments that the Group actually uses to hedge that quantity of hedged items.

If a hedging relationship ceases to meet the hedge effectiveness requirements relating to the hedge ratio, but the risk management objective remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Cash flow hedge accounting is applied only for highly probable forecast transactions.

Hedging relationships that meet qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The Group uses only cash flow hedges.

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income, and any remaining gain or loss on the hedging instruments that is determined to be an ineffective hedge is recognized in profit or loss immediately in the consolidated statement of income.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group directly transfers the cash flow hedge reserve to the initial cost or other carrying amount of the asset or liability.

Cash flow hedge reserve on cash flow hedges other than those stated above is reclassified to profit or loss in the same period during which the hedged expected future cash flows affect profit or loss.

However, if that amount is loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss.

When the Group discontinues hedge accounting, if the hedged future cash flows are still expected to occur, the unrealized gain or loss on the cash flow hedge remains as another component of equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur, the unrealized gain or loss on the hedge is immediately reclassified to profit or loss.

The accounting policies under Japanese GAAP that are applied as of the transition date and for the previous fiscal year are as follows:

<1> Investment securities

Securities are classified into held-to-maturity debt securities or available-for-sale securities.

Held-to-maturity debt securities are reported at amortized cost.

Marketable available-for-sale securities are stated at fair value, and gains and losses arising from changes in fair value are recognized at an amount after related tax effects in other comprehensive income in the consolidated statement of comprehensive income. The cost of securities sold is computed using the moving-average method.

Non-marketable available-for-sale securities are stated at cost using the moving-average method.

In cases in which the fair value of securities has declined significantly and is deemed unrecoverable, those securities are written down to their fair value and the resulting losses are included in the consolidated statement of income.

<2> Derivatives and hedge accounting

Derivatives are recognized at fair value as assets or liabilities, and the related gains and losses are included in the consolidated statement of income.

If the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains and losses on the derivatives are deferred until the related gains or losses on the hedged items are recognized.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

(5) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposit and other short-term, highly-liquid investments with original maturities of approximately three months or less and insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined mainly using the weighted-average method.

(7) Property, plant and equipment

Property, plant and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the assets, any cost related to their dismantlement, removal or restoration of land and any borrowing costs eligible for capitalization.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful life of the each component of the assets.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 3 to 60 years
- Machinery and equipment: 3 to 20 years
- Tools, equipment and fixtures: 2 to 20 years

The estimated useful lives, residual values and depreciation methods for property, plant and equipment are reviewed at each year end and changed as necessary.

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of property, plant and equipment is recognized in profit or loss when the item is derecognized and is included in "Other income" or "Other expenses" in the consolidated statement of income.

(8) Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation.

Investment properties are measured by using the cost model and are initially stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives:

Buildings and structures: 3 to 60 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end and changed as necessary.

(9) Goodwill and Intangible assets

<1> Goodwill

Goodwill is measured at the sum of the consideration transferred, the amount of non-controlling interest and the fair value of equity interests in the acquiree held previously by the Group, less the net amount of identifiable assets and liabilities at the acquisition date. Goodwill is recognized at acquisition cost less accumulated impairment losses.

Goodwill is not amortized, but instead tested for impairment annually or whenever there is any indication of impairment. An impairment loss on goodwill is included in “Other expenses” in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

<2> Capitalization of development cost

Expenditures on research activities to gain new scientific or technical knowledge are recognized as expenses as incurred. Expenditures on development activities are capitalized as internally-generated intangible assets only if the

Group can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Initial recognition of the internally-generated intangible assets is the total expenditure incurred from the date when all the above conditions are satisfied to the date when the developments are finished. The internally-generated intangible assets are amortized using the straight-line method over a period in which the funds spent for the development are expected to be recovered (i.e., 2 to 5 years) and are presented in the consolidated statement of financial position at cost, net of accumulated amortization and accumulated impairment losses.

Expenditures on development activities that do not meet the conditions above and research activities are recognized as expenses as incurred.

<3> Other intangible assets

Separately acquired intangible assets are measured at the acquisition at the time of initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets other than goodwill are amortized using the straight-line method over the estimated useful life of the each component of the assets and are stated at the acquisition cost less any accumulated amortization and accumulated impairment losses. The estimated useful lives of major intangible assets are as follows:

- Software: 2 to 5 years
- Patents: 8 to 10 years
- Customer related assets: 15 years

The estimated useful lives, residual values and amortization methods are reviewed at each year-end and changed as necessary.

Intangible assets with indefinite useful lives are recognized at acquisition cost less accumulated impairment losses and are not amortized, but instead tested for impairment annually or whenever there is any indication of impairment.

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their continued use or disposal. The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the item is derecognized and is included in “Other income” or “Other expenses” in the consolidated statement of income.

(10) Non-current assets held for sale

Non-current assets (or disposal groups) for which the carrying amount is expected to be recovered through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) held for sale when the following conditions are met: it is highly probable that the asset or disposal group will be sold within one year, the assets (or disposal groups) are available for immediate sale in their present condition, and the Group management commits to the sale plan. In such cases, they are not depreciated or amortized and are measured at the lower of their carrying amount and the fair value less costs to sell.

(11) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to lessee. All other leases are classified as operating leases.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with IFRIC 4 "Determining whether an Arrangement contains a Lease," even if the arrangement does not take the legal form of a lease.

In finance lease transactions as the lessee, lease assets and lease obligations are initially recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to the initial recognition, the assets are depreciated based on the applicable accounting policies applied to the assets.

Lease payments are allocated to finance expenses and repayment amounts of lease obligations based on the interest method, and finance expenses are included in the consolidated statement of income.

Lease receivables arising from finance lease transactions as lessor are recognized at the amounts of the net investment in the relevant lease transactions.

In operating lease transactions as lessee, lease payments are recognized as an expense over the lease terms using the straight-line method in the consolidated statement of income. Variable lease payments are recognized as an expense over the period in which they are incurred.

In operating lease transactions as lessor, income from operating leases are recognized in profit or loss using the straight-line method over the lease term, and the initial direct cost incurred within the Group at the conclusion of the operating lease agreement is added to the carrying amount of the lease asset and recognized in profit or loss over the lease term under the same criteria as lease income. Variable lease payments receivables are recognized in profit or loss over the period in which they are incurred.

(12) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its non-financial assets, except for inventories and deferred tax assets, and assesses whether there is any indication of impairment regarding each asset or cash-generating unit (or group) to which the asset belongs. Impairment tests are performed if indications of impairment exist. The cash-generating unit (or group) to which an impairment test is performed is the smallest unit (or group) that is identified to generate cash inflows independently of cash inflows from other assets or asset groups. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Goodwill and intangible assets with indefinite useful lives are allocated to appropriate cash-generating units and tested for impairment at least annually, irrespective of whether there is any indication of impairment or whenever there is an indication of impairment.

The recoverable amount of assets or cash-generating units is the higher of the value in use and the fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In measuring fair value less costs of disposal, appropriate valuation models evidenced by available fair value indicators are used.

When the carrying amount of the asset or the cash-generating unit exceeds its recoverable amount, the exceeding amount is recognized as impairment losses in “Other expenses” in the consolidated statement of income. The impairment loss recognized in relation to the cash-generating unit (or group) is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to allocate the impairment loss that exceeds the carrying amount of goodwill to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit (or group).

An impairment loss is reversed if the indication that an impairment loss previously recognized may no longer exist and the recoverable amount exceeds the carrying amount as a result of an estimation of the recoverable amount. The increased carrying amount by the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The impairment loss for goodwill is not reversed.

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale are added to the costs of those assets, until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Employee benefits

<1> Post-employment benefits

The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans as employees' post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the companies pay fixed contributions into separate entities and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Company and certain consolidated subsidiaries calculate the present value and the service cost of defined benefit obligations mainly using the projected unit credit method.

The discount period is determined based on the period until the expected date of future benefit payment in each reporting period, and the discount rate is determined by reference to market yields on high quality corporate bonds at the fiscal year-end corresponding to the discount period.

Net defined benefit liabilities or assets are the present value of defined benefit obligations less the fair value of plan assets and presented as “Retirement benefit liabilities” or included in “Other non-current assets” in the consolidated statement of financial position. When there is a funding surplus, net defined benefit asset is recognized up to the ceiling of the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If it is virtually certain that some or all of the expenditure required to settle defined benefit obligations is expected to be reimbursed by another party, the right of such reimbursement is recognized as an asset and included as part of “insurance reserve funds” in “Other non-current assets” in the consolidated statement of financial position.

The differences arising from the remeasurement of net defined benefit liabilities (assets) are collectively recognized as other comprehensive income in the period in which they occur and are immediately reclassified from other components of equity to retained earnings.

Past service cost, which is the change in the present value of defined benefit obligations resulting from the amendment or curtailment of the plan, is recognized in profit or loss in the period in which it is incurred.

Contributions to the defined contribution plan are recognized as an expense when employees provide related services.

<2> Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Accruals are recognized as a liability when the companies have present legal or constructive obligations to pay as a result of past employee service and when reliable estimates of the obligation can be made.

<3> Other employee benefits

Long-term employee benefit obligations other than retirement benefit obligations are determined by discounting the estimated amount of future benefits obtained as a result of past and current employee service to its present value.

(15) Share-based payments

The Group has adopted a stock option scheme as an equity-settled share-based payment scheme. The fair value determined at the grant date is expensed over the vesting period in the consolidated statement of income, taking into account the estimated number of stock options that will eventually vest, and the same amount is recognized as an increase in capital in the consolidated statement of financial position. The fair value of the option granted is calculated using the Black-Scholes Model or other methods considering the terms and conditions.

(16) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle such obligations and reliable estimates can be made of the amounts. The amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation, discounting to the present value using a pre-tax discount rate that reflects the effect of the time value of money and risks specific to the obligation. Interest expense associated with the passage of time are recognized as finance expenses.

<1> Asset retirement obligations

When legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, the amount calculated by discounting expected future expenditures required for the retirement to the present value is recognized as a liability in the consolidated statement of financial position, and the amount corresponding to the liability is accounted for as part of property, plant and equipment and investment property. Estimated future expenses and the applied discount rate are reviewed annually and added to or subtracted from the respective accounts if adjustments are deemed necessary.

<2> Provision for product warranty

Provision for product warranty is estimated and recognized based on past experience of the occurrence of detective goods and the expected after-sales service costs in the warranty period. The provision of allowance for product warranty is included in “Selling, general and administrative expenses” in the consolidated statement of income.

<3> Other provisions

Other provisions include a provision for adjustments of returned unsold goods.

(17) Revenue

Revenue is measured at the fair value of the consideration received from sales of goods and rendering of services. Revenue is reduced for discounts, rebates and sales-related taxes.

<1> Sale of goods

The Company mainly sells printers, communication/printing equipment (such as multifunctional machines), domestic sewing machines, industrial sewing machines, machine tools, reducers, gears and commercial online karaoke systems, as well as industrial printing equipment. Revenue from the sale of these goods is recognized when the significant risks and rewards of ownership of the goods have transferred to customers, continuing involvement in and substantial control of the goods are not retained, an inflow of future economic benefits into the Group will be probable and the benefits and corresponding cost can be measured reliably.

<2> Rendering of services

The Company provides mainly content distribution services for commercial online karaoke systems and mobile devices. Revenue from rendering of these services is recognized according to the utilization and contract term of the services when the amount of revenue can be measured reliably, an inflow of economic benefits related to the transaction into the entity will be probable, the progress can be measured reliably at the end of the reporting period and the cost incurred related to the transaction and the cost required for the completion of the transaction can be measured reliably.

If the accomplishment of the transaction related to rendering of services cannot be estimated reliably, revenue is recognized only to the extent of costs incurred that are expected to be recoverable.

<3> Royalty

Royalty is recognized with economic benefits on an accrual basis in accordance with the substance of the relevant agreement.

<4> Real estate rental income

Real estate rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

(18) Government grants

Government grants are recognized at fair value until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grant associated with an expense are recognized as revenue in the same accounting period when the expense is incurred. Government grant related to assets are recognized as deferred revenue and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(19) Income taxes

Income taxes represents the sum of the current taxes and deferred taxes. These income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current taxes are measured at the amount expected to be paid to or refunded from local taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group's operating activity in each country.

Deferred taxes are recognized over the temporary differences between the carrying amounts of assets and liabilities and their tax basis, unused tax losses and unused tax credits at the end of each reporting period. The deferred tax assets or liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in transactions that do not affect either accounting profit or taxable profit, except business combination;
- taxable temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable that the temporary difference will reverse in the foreseeable future; and
- deductible temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are only recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

The Group recognizes an asset or liability for the effect of uncertainty in income taxes measured at the reasonable estimate for uncertain tax positions when it is probable, based on the Group's interpretation of tax laws in which the tax positions will be sustained.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury stock. Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

(21) Equity

(Common stock)

The amount of common stock issued by the Company is recognized as “Capital stock” and “Capital surplus” in the consolidated statement of financial position. Direct costs related to the issuance of common stock and stock options are deducted from "Capital surplus."

(Treasury stock)

Treasury stock is measured at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury stock. Any difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(22) Dividends

Dividends to the shareholders of the Company are recognized as liabilities in the period in which the Board of Directors’ meeting approves the distribution.

(23) Fair value measurements

Certain assets and liabilities are measured at fair value. The fair values of these assets and liabilities have been determined using valuation methodologies such as the market approach, the income approach and the cost approach.

There are three levels of inputs that may be used to measure fair value.

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

The fair value of financial instruments categorized as Level 3 is measured in accordance with the Group's accounting policies. In measuring the fair value, the valuation methodologies and inputs which reflect the nature, characteristics and risks of each financial instrument most appropriately are used. The results of the fair value measurement of financial instruments at the end of each reporting period are reviewed and approved by management.

4. Significant Accounting Estimates and Judgments involving estimations

In preparing the consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that have an effect on the application of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these estimates.

The estimates and the underlying assumptions are continuously reviewed. The effects of revisions to the accounting estimates are recognized in the period in which such estimates are revised as well as in the future periods.

Significant estimates and assumptions that have material effects on the consolidated financial statements of the Group are as follows:

- Scope of consolidation: Note 3 “Significant Accounting Policies” (1) Basis of consolidation
- Revenue recognition and measurement: Note 3 “Significant Accounting Policies” (17) Revenue
- Collectability of trade and other receivables: Note 9 “Trade and Other Receivables” and Note 40 “Financial Instruments”
- Valuation of inventories: Note 11 “Inventories”
- Estimates of useful lives and residual values of non-current assets: Note 14 “Property, Plant and Equipment,” Note 15 “Investment Property” and Note 16 “Goodwill and Intangible Assets”
- Impairment losses of property, plant and equipment, intangible assets, including goodwill, and investment property: Note 17 "Impairment of Non-Financial Assets”
- Fair value of financial instruments: Note 40 “Financial Instruments”
- Recoverability of deferred tax assets: Note 20 “Income Taxes”
- Recognition and measurement of provisions: Note 26 “Provisions”
- Measurement of defined benefit obligation: Note 25 “Employee Benefits”

5. New Standards Not Yet Adopted

By the date of approval of the consolidated financial statements, the following new or revised standards and interpretations were issued. However, such standards and interpretations have not yet been adopted by the Group.

The Group is currently assessing the possible impact that this guidance will have on the consolidated financial statements and is unable to estimate the impact at present.

IFRS		Date of mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Description of new standards and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Provides accounting treatment for recognizing revenue and the disclosure thereof
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Provides accounting treatment for leases and the disclosure thereof

6. Segment Information

(1) Outline of reportable segments

Reportable segments of the Group are the components of the Group for which discrete financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group's reportable segments are consistent with its businesses. The Group formulates comprehensive strategies for its products and services in Japan and overseas to develop business activities in six segments: “Printing & Solutions”, “Personal & Home”, “Machinery”, “Network & Contents”, “Domino”, and “Others”.

“Printing & Solutions” consists of sale and production of communications and printing equipment such as printers and All-in-Ones, and of sale and production of electronic stationery products. “Personal & Home” consists of sale and production of home sewing machines. “Machinery” consists of sale and production of industrial sewing machines, garment printers, machine tools, reducers and gears. “Network & Contents” consists of sale and production of online karaoke systems, and of content distribution services. “Domino” consists of sale and production of industrial printing equipment.

The Group changed its operational structure as of April 1, 2016 in accordance with the new mid-term business strategy. Machinery & Solution business and Industrial Parts business have been combined to form Machinery business.

As a result, the Group's reportable segments have been changed from “Printing & Solutions”, “Personal & Home”, “Machinery & Solution”, “Network & Contents”, “Industrial Parts”, “Domino” and “Others” to “Printing & Solutions”, “Personal & Home”, “Machinery”, “Network & Contents”, “Domino” and “Others”.

The segment information for the previous fiscal year has been reclassified accordingly.

Reportable segment profit or loss is measured on the basis of operating profit in the consolidated statement of income. Business segment profit or loss is calculated by subtracting the cost of sales and selling, general and administrative expenses from Revenue for each reportable segment.

(2) Segment revenue and results

The Group's revenue and results by reportable segment are as follows.

Intersegment revenues are based on prevailing market prices.

FY2015 (Year Ended March 31, 2016)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	415,020	50,990	99,301	53,904	48,321	14,582	682,119	—	682,119
Intersegment	—	—	—	—	—	14,119	14,119	(14,119)	—
Total	415,020	50,990	99,301	53,904	48,321	28,701	696,239	(14,119)	682,119
Segment profit	33,551	4,753	11,408	2,175	3,839	1,180	56,909	(1,975)	54,934
Other income and expenses	5,465	118	(29)	(2,645)	(315)	1,113	3,706	—	3,706
Operating profit /(loss)	39,017	4,871	11,379	(470)	3,523	2,294	60,615	(1,975)	58,640
Finance income and costs									(1,414)
Share of profit/(loss) of investments accounted for using the equity method									(33)
Profit before income taxes									57,192

Other items

	Reportable segment						Total	Reconciliations (Note 3)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	19,844	1,362	3,413	5,828	3,675	809	34,934	—	34,934
Impairment losses	18	1	3	2,342	—	0	2,366	—	2,366
Increase in property, plant and equipment and intangible assets	16,353	1,409	9,428	9,242	1,647	215	38,297	3,171	41,469

(Note)

1) “Others” consists of real estate and other areas of business.

2) Reconciliation amount of ¥(1,975) million for segment profit or loss (operating profit or loss) is for the elimination of intersegment transactions at ¥(207) million and expenses related to the acquisition of Domino Printing Sciences plc (“Domino”) of ¥(1,768) million.

3) Reconciliation amount of ¥3,171 million for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

4) “Domino” includes revenue and profit or loss from July 1, 2015 to March 31, 2016.

FY2016 (Year Ended March 31, 2017)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	383,628	44,409	90,944	49,731	59,354	13,117	641,185	—	641,185
Intersegment	—	—	—	—	—	14,621	14,621	(14,621)	—
Total	383,628	44,409	90,944	49,731	59,354	27,738	655,806	(14,621)	641,185
Segment profit	45,654	2,038	6,177	2,213	4,177	697	60,958	(199)	60,759
Other income and expenses	(133)	(158)	(197)	(1,358)	189	52	(1,606)	—	(1,606)
Operating profit	45,520	1,880	5,980	854	4,366	749	59,352	(199)	59,152
Finance income and costs									1,952
Share of profit/(loss) of investments accounted for using the equity method									152
Profit before income taxes									61,257

Other items

	Reportable segment						Total	Reconciliations (Note 3)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	18,304	1,333	3,738	5,459	4,031	944	33,811	—	33,811
Impairment losses	62	0	1	281	60	0	406	—	406
Increase in property, plant and equipment and intangible assets	10,770	891	4,624	4,495	4,613	328	25,723	2,921	28,644

(Note)

1) “Others” consists of real estate and other areas of business.

2) Reconciliation amount of ¥(199) million for segment profit (operating profit) is for the elimination of intersegment transactions.

3) Reconciliation amount of ¥2,921 million for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

FY2016 (Year Ended March 31, 2017)

(Thousands of U.S. dollars)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	3,425,250	396,509	812,000	444,027	529,946	117,116	5,724,866	—	5,724,866
Intersegment	—	—	—	—	—	130,545	130,545	(130,545)	—
Total	3,425,250	396,509	812,000	444,027	529,946	247,661	5,855,411	(130,545)	5,724,866
Segment profit	407,625	18,196	55,152	19,759	37,295	6,223	544,268	(1,777)	542,491
Other income and expenses	(1,188)	(1,411)	(1,759)	(12,125)	1,688	464	(14,339)	—	(14,339)
Operating profit	406,429	16,786	53,393	7,625	38,982	6,688	529,929	(1,777)	528,143
Finance income and costs									17,429
Share of profit/(loss) of investments accounted for using the equity method									1,357
Profit before income taxes									546,938

Other items

	Reportable segment						Total	Reconciliations (Note 3)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	163,429	11,902	33,375	48,741	35,991	8,429	301,884	—	301,884
Impairment losses	554	0	9	2,509	536	0	3,625	—	3,625
Increase in property, plant and equipment and intangible assets	96,161	7,955	41,286	40,134	41,188	2,929	229,670	26,080	255,750

(Note)

1) “Others” consists of real estate and other areas of business.

2) Reconciliation amount of $(1,777) thousand for segment profit (operating profit) is for the elimination of intersegment transactions.

3) Reconciliation amount of $26,080 thousand for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

(3) Information about products and services

Revenue from customers by product and service is as follows:

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Printing & Solutions			
Communications and printing equipment	366,639	338,562	3,022,875
Electronic stationery	48,380	45,066	402,375
Printing & Solutions total	415,020	383,628	3,425,250
Personal & Home	50,990	44,409	396,509
Machinery			
Industrial sewing machines	30,740	26,802	239,304
Machine tools	50,416	45,352	404,929
Industrial parts	18,144	18,789	167,759
Machinery total	99,301	90,944	812,000
Network & Contents	53,904	49,731	444,027
Domino	48,321	59,354	529,946
Others	14,582	13,117	117,116
Total	682,119	641,185	5,724,866

(Note) For the year ended March 31, 2016, “Domino” includes revenue from July 1, 2015 to March 31, 2016.

(4) Information about geographical areas

Revenue and non-current assets by geographical area are as follows.

Revenue from customers

(Millions of yen) (Thousands of U.S. dollars)

	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Japan	122,120	119,525	1,067,188
Overseas			
The Americas			
U.S.A.	171,538	158,224	1,412,714
Others	45,733	44,375	396,205
The Americas total	217,272	202,599	1,808,920
Europe			
Germany	45,957	45,038	402,125
Others	128,193	116,054	1,036,196
Europe total	174,150	161,092	1,438,321
Asia and others			
China	77,349	73,216	653,714
Others	91,225	84,751	756,705
Asia and others total	168,575	157,968	1,410,429
Overseas total	559,999	521,660	4,657,679
Total	682,119	641,185	5,724,866

(Note) Revenue is classified into countries and regions based on the location of customers.

Non-current assets

		(Millions of yen)		(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Japan	81,826	87,612	85,653	764,759
Overseas				
The Americas				
U.S.A.	6,895	8,426	7,849	70,080
Others	1,166	1,182	1,358	12,125
The Americas total	8,061	9,608	9,208	82,214
Europe				
U.K.	1,371	156,451	134,936	1,204,786
Others	4,021	4,804	5,148	45,964
Europe total	5,393	161,255	140,085	1,250,759
Asia and others				
China	16,169	16,077	14,004	125,036
Vietnam	16,009	15,591	13,394	119,589
Philippines	15,006	13,162	11,964	106,821
Others	2,492	2,786	2,308	20,607
Asia and others total	49,677	47,617	41,671	372,063
Overseas total	63,132	218,482	190,964	1,705,036
Total	144,958	306,095	276,617	2,469,795

(Note)
1) Non-current assets are presented based on the physical location of assets. Financial instruments, deferred tax assets and retirement benefit assets are not included.
2) For the year ended March 31, 2016, an increase in “U.K.” is due to the acquisition of Domino.

(5) Information about major customers

The description is omitted because there is no external customer whose revenue exceeds 10% or more of the Group's revenue.

7. Business Combinations

FY2015 (Year ended March 31, 2016)

(1) Acquisition of Domino Printing Sciences

<1> Overview of the business combination

The Company acquired the entire issued share capital of Domino, a British industrial printing company, on June 11, 2015 by means of a scheme of arrangement under the Companies Act 2006 of the United Kingdom. A scheme of arrangement is an amicable, statutory procedure for conducting an acquisition under which the approval from Domino’s shareholders and the court was obtained based on the consent of Domino’s Board of Directors.

Domino manufactures and sells industrial printing equipment.

Domino was acquired in order to strengthen and expand the Group’s business and improve competitiveness and profitability through the acquisition of Domino’s strong business base in the industrial printing sector, in which the Company can make the most use of its strength.

There were no contingent considerations or indemnification assets.

<2> Fair value of the consideration transferred, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

Fair value of the consideration transferred	
Cash	193,185
Total	193,185
Fair value of identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	6,911
Trade and other receivables	13,323
Inventories	8,273
Other current assets	3,922
Property, plant and equipment	11,453
Intangible assets	50,357
Other non-current assets	1,544
Trade and other payables	(3,590)
Bonds and borrowings	(1,783)
Other current liabilities	(11,594)
Deferred tax liabilities	(12,045)
Other non-current liabilities	(320)
Fair value of identifiable net assets acquired	66,451
Goodwill arising on acquisition	126,734

The gross contractual amount of the trade and other receivables acquired was ¥13,944 million and their fair value was ¥13,323 million. All the receivables were expected to be collected based on the best estimate at acquisition date.

Acquisition-related expenses for this business combination were ¥2,236 million and are recognized in “Selling, general and administrative expenses.”

Goodwill arising from this business combination is attributable to the Domino business segment. Goodwill comprises mainly the expected synergy effects with the existing operations and increased earnings power. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

<3> Impact of acquisition on the results of the Group (Unaudited)

The Group’s consolidated statement of income includes revenue of ¥48,311 million and profit for the period of ¥3,645 million for the period after the date of the acquisition of Domino. Had the business combination been effected at April 1, 2015, the revenue of the Group from continuing operations would have been ¥698,723 million, and the profit for the year from continuing operations would have been ¥40,782 million.

This note has been excluded from the scope of the independent auditor’s report.

(2) Net cash outflow on acquisition of a subsidiary

(Millions of yen)

Consideration paid in cash	194,820
Less: cash and cash equivalent balances acquired	(8,358)
Total	186,462

FY2016 (Year ended March 31, 2017)

Disclosure is omitted due to the immateriality.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Cash and cash equivalents				
Cash and deposits	105,347	67,387	112,032	1,000,286
Total	105,347	67,387	112,032	1,000,286

The balance of "Cash and cash equivalents" in the consolidated statement of financial position as of April 1, 2015 (Date of transition to IFRS), March 31, 2016 and March 31, 2017, respectively, reconciles the balance of "Cash and cash equivalents" stated in the consolidated statement of cash flows.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Notes receivable	5,695	5,937	5,542	49,482
Accounts receivable	91,870	89,828	91,935	820,848
Other	1,434	1,509	1,327	11,848
Allowance for doubtful accounts	(2,595)	(2,523)	(2,693)	(24,045)
Total	96,404	94,750	96,112	858,143

The receivables expected to be collected more than one year after April 1, 2015 (Date of transition to IFRS), March 31, 2016 and March 31, 2017 are ¥910 million, ¥742 million and ¥651 million ($5,813 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Current assets				
Financial assets measured at amortized cost	—	—	8,544	76,286
Financial assets measured at cost or amortized cost	3,418	3,215	—	—
Financial assets measured at FVTPL				
Derivatives	2,920	3,247	1,059	9,455
Items other than derivatives	—	—	97	866
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale				
Equity instruments	185	—	—	—
Items other than equity instruments	2,915	9,637	—	—
Allowance for doubtful accounts	(73)	(0)	(0)	(0)
Total	9,367	16,100	9,701	86,616

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Non-current assets				
Financial assets measured at amortized cost	—	—	9,877	88,188
Financial assets measured at cost or amortized cost	5,210	5,542	—	—
Financial assets measured at FVTPL				
Items other than derivatives	—	—	3,045	27,188
Financial assets measured at FVTOCI				
Equity instruments	—	—	17,178	153,375
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale				
Equity instruments	21,783	16,469	—	—
Items other than equity instruments	16,303	5,468	—	—
Allowance for doubtful accounts	(542)	(599)	(460)	(4,107)
Total	42,753	26,881	29,640	264,643

Refer to Note 40 “Financial Instruments” for the names and fair values of major securities held as financial assets measured at fair value through other comprehensive income.

11. Inventories

The breakdown of inventories is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Merchandise and finished goods	80,937	86,568	74,523	665,384
Work in process	12,385	10,687	10,820	96,607
Raw materials and supplies	28,660	29,285	27,089	241,866
Total	121,982	126,542	112,432	1,003,857

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2016 and 2017 are ¥396,592 million and ¥364,659 million ($3,255,884 thousand), respectively.

Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Write-down	3,919	3,507	31,313

12. Other Assets

The breakdown of other assets is as follows:

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017) (Millions of yen)	FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)
Other current assets				
Prepaid expenses	4,216	5,014	4,915	43,884
Advance payments	1,356	946	766	6,839
Consumption taxes receivable	5,076	5,526	5,319	47,491
Income taxes receivable	970	1,441	358	3,196
Other	1,745	2,453	3,341	29,830
Total	13,366	15,383	14,701	131,259
Other non-current assets				
Long-term prepaid expenses	1,476	1,554	1,621	14,473
Retirement benefit assets	3,680	1,556	2,080	18,571
Insurance funds	2,250	2,294	2,345	20,938
Other	464	594	570	5,089
Total	7,871	6,000	6,617	59,080

13. Non-current Assets or Disposal Groups classified as Held for Sale and Directly Related Liabilities

The breakdown of non-current assets or disposal groups that are classified as held for sale and directly related liabilities is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Non-current assets held for sale				
Property, plant and equipment	18	—	245	2,188
Investment property	366	—	—	—
Total	385	—	245	2,188
Liabilities directly associated with assets classified as held for sale				
Other current liabilities	—	—	20	179

Non-current assets held for sale as of April 1, 2015 (Date of transition to IFRS) are mainly investment property, which is included in the segment of "Others" and owned by the Company, and were sold during the year ended March 31, 2016.

Non-current assets held for sale and liabilities directly associated with assets classified as held for sale as of March 31, 2017 are mainly related to property, plant and equipment of Brother Industries Technology (Malaysia), which ceased operations as of March 31, 2017, that meet the criteria for assets classified as held for sale. The sale will be completed during the year ending March 31, 2018.

There are no assets held for sale or related liabilities as of March 31, 2016.

14. Property, Plant and Equipment

(1) Movement

The movement of the carrying amount of property, plant and equipment is as follows:

(Millions of yen)

Cost	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2015	11,745	107,026	79,665	114,814	892	314,145
Acquisitions	161	3,317	5,358	17,175	7,415	33,430
Acquisitions through business combinations	4,909	3,606	2,353	631	—	11,501
Sales or disposals	(21)	(927)	(2,805)	(8,875)	(377)	(13,007)
Foreign exchange differences	(1,013)	(3,413)	(2,899)	(2,363)	(25)	(9,715)
Other	250	2,461	2,379	728	(5,194)	625
Balance as of March 31, 2016	16,032	112,070	84,052	122,112	2,710	336,978
Acquisitions	0	2,017	4,849	9,179	4,143	20,191
Acquisitions through business combinations	—	1	2	—	—	4
Sales or disposals	—	(860)	(4,738)	(8,623)	(97)	(14,319)
Foreign exchange differences	(683)	(1,321)	(1,247)	(1,340)	0	(4,593)
Other	(115)	3,245	240	361	(5,100)	(1,368)
Balance as of March 31, 2017	15,233	115,153	83,160	121,689	1,656	336,893

(Note) Transfers from construction in progress to each item are included in “Other.”

(Thousands of U.S. dollars)

Cost	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2016	143,143	1,000,625	750,464	1,090,286	24,196	3,008,732
Acquisitions	0	18,009	43,295	81,955	36,991	180,277
Acquisitions through business combinations	—	9	18	—	—	36
Sales or disposals	—	(7,679)	(42,304)	(76,991)	(866)	(127,848)
Foreign exchange differences	(6,098)	(11,795)	(11,134)	(11,964)	0	(41,009)
Other	(1,027)	28,973	2,143	3,223	(45,536)	(12,214)
Balance as of March 31, 2017	136,009	1,028,152	742,500	1,086,509	14,786	3007,973

(Millions of yen)

Accumulated depreciation and accumulated impairment loss	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2015	(837)	(49,002)	(55,971)	(90,865)	(15)	(196,691)
Depreciation	—	(4,928)	(6,374)	(13,554)	—	(24,857)
Impairment loss	—	(1,387)	—	(170)	—	(1,557)
Sales or disposals	0	561	2,452	8,345	—	11,360
Foreign exchange differences	—	1,113	1,627	1,616	(0)	4,357
Other	0	(289)	(30)	(364)	15	(668)
Balance as of March 31, 2016	(837)	(53,931)	(58,296)	(94,992)	(0)	(208,058)
Depreciation	—	(4,617)	(6,073)	(13,011)	—	(23,703)
Impairment loss	—	(231)	(37)	(49)	(0)	(318)
Sales or disposals	—	727	4,215	8,194	2	13,139
Foreign exchange differences	(0)	566	621	895	(2)	2,080
Other	70	736	(74)	1	(0)	732
Balance as of March 31, 2017	(767)	(56,750)	(59,644)	(98,963)	(0)	(216,126)

(Note) Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(Thousands of U.S. dollars)

Accumulated depreciation and accumulated impairment loss	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2016	(7,473)	(481,527)	(520,500)	(848,143)	(0)	(1,857,661)
Depreciation	—	(41,223)	(54,223)	(116,170)	—	(211,634)
Impairment loss	—	(2,063)	(330)	(438)	(0)	(2,839)
Sales or disposals	—	6,491	37,634	73,161	18	117,313
Foreign exchange differences	(0)	5,054	5,545	7,991	(18)	18,571
Other	625	6,571	(661)	9	(0)	6,536
Balance as of March 31, 2017	(6,848)	(506,696)	(532,536)	(883,598)	(0)	(1,929,696)

(Millions of yen)

Carrying amount	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2015	10,907	58,024	23,694	23,949	877	117,453
Balance as of March 31, 2016	15,195	58,139	25,755	27,119	2,710	128,920
Balance as of March 31, 2016 (Thousands of U.S. dollars)	135,670	519,098	229,955	242,134	24,196	1,151,071
Balance as of March 31, 2017	14,465	58,402	23,515	22,726	1,656	120,767
Balance as of March 31, 2017 (Thousands of U.S. dollars)	129,152	521,446	209,955	202,911	14,786	1,078,277

(2) Lease assets

The carrying amount of capitalized finance leases included in property, plant and equipment is as follows:

(Millions of yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance as of April 1, 2015	3,759	2	1,079	4,841
Balance as of March 31, 2016	2,796	5	2,058	4,861
Balance as of March 31, 2016 (Thousands of U.S. dollars)	24,964	45	18,375	43,402
Balance as of March 31, 2017	2,488	2	1,491	3,983
Balance as of March 31, 2017 (Thousands of U.S. dollars)	22,214	18	13,313	35,563

15. Investment Property

(1) Movement

The movement of the carrying amount of investment property and the fair value are as follows:

Cost	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Balance at the beginning of the year	12,679	11,315	101,027
Acquisitions	50	0	0
Sales or disposals	(950)	(87)	(777)
Reclassifications	(456)	8	71
Foreign exchange differences	(8)	(25)	(223)
Balance at the end of the year	11,315	11,212	100,107

Accumulated depreciation and accumulated impairment loss	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Balance at the beginning of the year	(5,070)	(4,407)	(39,348)
Depreciation	(263)	(228)	(2,036)
Impairment loss	(50)	—	—
Sales or disposals	669	74	661
Reclassifications	305	(7)	(63)
Foreign exchange differences	1	3	27
Other	—	(0)	(0)
Balance at the end of the year	(4,407)	(4,566)	(40,768)

Carrying amount and fair value	Date of transition to IFRS (As of April 1, 2015) (Millions of yen)		FY2015 (As of March 31, 2016) (Millions of yen)		FY2016 (As of March 31, 2017) (Millions of yen)		FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	7,609	16,990	6,907	15,157	6,646	17,914	59,339	159,946

The fair value of investment property is calculated based mainly on the external appraiser's valuation techniques using market prices of comparable assets. The measurement is categorized within Level 3 of the fair value hierarchy.

(2) Income from and expenses for investment property

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Rental income	1,616	1,566	13,982
Direct operating expenses arising from investment property that generated rental income	(633)	(672)	(6,000)
Direct operating expenses arising from investment property that did not generate rental income	(15)	(18)	(161)

The amount of income from investment property and related direct operating expenses are included in “Revenue” and “Cost of sales” in the consolidated statement of income.

16. Goodwill and Intangible Assets

The movement of the carrying amount of goodwill and intangible assets is as follows:

(Millions of yen)

Cost	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2015	7,746	60,360	12,428	—	—	7,598	88,133
Acquisitions	—	3,405	307	—	—	4,330	8,043
Internal generation	—	—	—	728	—	—	728
Acquisitions through business combinations	127,426	139	—	—	33,244	16,977	177,788
Sales or disposals	(80)	(1,778)	(1)	—	—	(121)	(1,982)
Foreign exchange differences	(17,670)	(802)	—	(74)	(5,313)	(2,953)	(26,815)
Other	—	3,037	—	11	—	(3,077)	(28)
Balance as of March 31, 2016	117,421	64,361	12,734	664	27,931	22,754	245,866
Acquisitions	—	3,219	7	—	—	3,768	6,995
Internal generation	—	—	—	1,452	—	—	1,452
Acquisitions through business combinations	250	—	—	—	—	—	250
Sales or disposals	(20)	(969)	(2)	—	—	(14)	(1,006)
Foreign exchange differences	(14,703)	(545)	—	(96)	(3,767)	(2,051)	(21,164)
Other	—	2,646	—	13	—	(2,198)	461
Balance as of March 31, 2017	102,947	68,712	12,739	2,034	24,164	22,259	232,857

(Thousands of U.S. dollars)

Cost	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of March 31, 2016	1,048,402	574,652	113,696	5,929	249,384	203,161	2,195,232
Acquisitions	—	28,741	63	—	—	33,643	64,455
Internal generation	—	—	—	12,964	—	—	12,964
Acquisitions through business combinations	2,232	—	—	—	—	—	2,232
Sales or disposals	(179)	(8,652)	(18)	—	—	(125)	(8,982)
Foreign exchange differences	(131,277)	(4,866)	—	(857)	(33,634)	(18,313)	(188,964)
Other	—	23,625	—	116	—	(19,625)	4,116
Balance as of March 31, 2017	919,170	613,500	113,741	18,161	215,750	198,741	2,079,080

(Millions of yen)

Accumulated amortization and accumulated impairment loss	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2015	(6,898)	(48,181)	(11,470)	—	—	(3,628)	(70,179)
Amortization	—	(5,328)	(390)	(3)	(1,550)	(2,539)	(9,813)
Impairment loss	(560)	(60)	(0)	—	—	(106)	(727)
Sales or disposals	78	1,739	0	—	—	107	1,925
Foreign exchange differences	3	652	—	—	154	186	996
Other	—	(284)	—	—	—	332	48
Balance as of March 31, 2016	(7,377)	(51,463)	(11,860)	(3)	(1,396)	(5,648)	(77,749)
Amortization	—	(5,567)	(220)	(21)	(1,632)	(2,437)	(9,879)
Impairment loss	(1)	(72)	(0)	—	—	(8)	(82)
Sales or disposals	20	881	2	—	—	(18)	884
Foreign exchange differences	5	496	—	(1)	210	229	940
Other	(0)	28	—	—	—	13	42
Balance as of March 31, 2017	(7,353)	(55,697)	(12,078)	(26)	(2,819)	(7,870)	(85,844)

(Note) Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Thousands of U.S. dollars)

Accumulated amortization and accumulated Impairment losses	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of March 31, 2016	(65,866)	(459,491)	(105,893)	(27)	(12,464)	(50,429)	(694,188)
Amortization	—	(49,705)	(1,964)	(188)	(14,571)	(21,759)	(88,205)
Impairment losses	(9)	(643)	(0)	—	—	(71)	(732)
Sales or disposals	179	7,866	18	—	—	(161)	7,893
Foreign exchange differences	45	4,429	—	(9)	1,875	2,045	8,393
Other	(0)	250	—	—	—	116	375
Balance as of March 31, 2017	(65,652)	(497,295)	(107,839)	(232)	(25,170)	(70,268)	(766,464)

(Millions of yen)

Carrying amount	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2015	848	12,177	957	—	—	3,971	17,954
Balance as of March 31, 2016	110,043	12,898	873	661	26,534	17,105	168,117
Balance as of March 31, 2016 (Thousands of U.S. dollars)	982,527	115,161	7,795	5,902	236,911	152,723	1,501,045
Balance as of March 31, 2017	95,594	13,015	660	2,008	21,344	14,389	147,012
Balance as of March 31, 2017 (Thousands of U.S. dollars)	853,518	116,205	5,893	17,929	190,571	128,473	1,312,607

(Note) Significant intangible assets as of March 31, 2017 are customer related assets. The carrying amount is ¥21,344 million ($190,571 thousand) and the remaining amortization period is 13.25 years.

The research and development expenses are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Research and development expenses	44,639	42,547	379,884

17. Impairment of Non-Financial Assets

The details of assets recognized impairment losses are as follows:
The impairment losses are included in "Other expenses" in the consolidated statement of income.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Property, plant and equipment			
Buildings and structures	1,387	231	2,063
Machinery, equipment and vehicles	—	37	330
Tools, furniture and fixtures	170	49	438
Investment property	50	—	—
Intangible assets			
Goodwill	560	1	9
Software	60	72	643
Patent	0	0	0
Other intangible assets	106	8	71
Other	29	5	45
Total of impairment losses	2,366	406	3,625

(1) Cash-generating units

Non-financial assets are grouped into each minimum unit which can be identified as generating relatively independent cash inflows. Each unit has been set based on the operating business segment.

For any assets held for sale or investment property, the individual assets are tested for impairment.

(2) Impairment loss

For the year ended March 31, 2016, an impairment loss of ¥2,342 million was recognized for the cash-generating unit of the karaoke shops and others that had a lower estimated amount of discounted future cash flows than the carrying amount of assets in the Network & Contents business segment (buildings and structures: ¥1,387 million, tools, furniture and fixtures: ¥169 million, investment property: ¥50 million, goodwill: ¥560 million, software: ¥60 million, patents: ¥0 million, other intangible assets: ¥82 million and other non-current assets: ¥29 million), due to a decrease in expected revenue.

The recoverable amount of the assets is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan for the next five years approved by management to the present value by the weighted-average cost of capital (WACC) of 6.8% of the cash-generating unit. Cash flows during the business plan period are estimated on the basis of the growth rate, etc., projected in each product market.

For the year ended March 31, 2017, there was no significant impairment loss.

(3) Impairment test for goodwill

At the Group level, goodwill is tested for impairment annually or whenever there is any indication of impairment.

The recoverable amount of goodwill is measured at the value in use.

Goodwill is allocated to cash-generating units or groups of cash-generating units on acquisition dates based on the allocation of expected benefits from business combinations for the purpose of impairment testing.

The carrying amounts of goodwill allocated to each cash-generating unit are as follows.

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Domino	—	109,066	94,618	844,804
Other	848	977	976	8,714
Total	848	110,043	95,594	853,518

The value in use of goodwill in the Domino business is calculated by discounting the estimated cash flows based on the business plan for the next five years approved by management to the present value by the weighted-average cost of capital (WACC) of the cash-generating unit. The pre-tax discount rate used for the calculation of the value in use is 9.97% for the year ended March 31, 2016 and 10.61% for the year ended March 31, 2017.

Future cash flows are estimated on the basis of the long-term average growth rate, etc., projected in each product market. The growth rate range used to measure going-concern value is 3.36 to 6.92% for the year ended March 31, 2016 and 3.38 to 5.28% for the year ended March 31, 2017.

The recoverable amount of goodwill exceeds the carrying amount by ¥56,183 million and ¥17,938 million ($160,161 thousand) as of March 31, 2016 and 2017, respectively. However, impairment loss may arise if changes are made to the key assumptions which are the basis of value in use. Such loss may be incurred if the discount rate had increased by 1.90% or the growth rate had decreased by 3.95% for the year ended March 31, 2016, or the discount rate had increased by 0.80% or the growth rate had decreased by 1.58% for the year ended March 31, 2017.

There is no significant goodwill other than that presented above.

18. Investments Accounted for Using the Equity Method

For associates in which the Group holds less than 20% of the voting rights, the Group has judged that it has significant influence over them by its involvement with their Boards of Directors and/or management.

The carrying amount of investments in associates is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Carrying amount total	1,343	1,437	1,506	13,446

The share amount of comprehensive income for the year from associates is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
The share amount of earnings of associates from continuing operations	(33)	152	1,357
The share amount of other comprehensive income from associates	(6)	(21)	(188)
The share amount of comprehensive income from associates	(39)	131	1,170

19. Interests in Unconsolidated Structured Entities

The Group has investment funds as unconsolidated structured entities. The Company invests in investment funds in the United States, Japan and other Asian countries mainly for the purpose of new business development and information collection.

Those funds are formed as a limited partnership venture fund, or investment limited partnership, and the Company invests in the fund as a limited liability partner.

The size of the unconsolidated structured entities, the carrying amount of the Company's investment in the entities and the potential maximum loss exposure to the Company are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Total assets of unconsolidated structured entities	24,237	29,478	35,237	314,616
The Company's maximum exposure to loss				
The carrying amount of the investments recognized by the Company	1,591	1,673	1,955	17,455
Commitments related to additional investments	1,451	1,175	921	8,223
Total	3,043	2,849	2,877	25,688

The Company recognizes investments in "Other financial assets (current assets)" and "Other financial assets (non-current assets)" in the consolidated statement of financial position. The Company recognizes no liabilities for the unconsolidated structured entities.

The potential maximum exposure to loss resulting from the interests in the structured entities is limited to the sum of the carrying amount of the Company's investments and commitments related to additional investments.

The Company's maximum exposure to loss indicates a possible maximum loss amount and does not represent the amount of loss expected from the interests in the structured entities.

The Company neither has provided nor intends to provide financial support or other significant support to the unconsolidated structured entities without a contractual obligation.

20. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of changes in deferred tax assets and deferred tax liabilities is as follows:

FY2015 (Year ended March 31, 2016)

(Millions of yen)

	Balance as of April 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	Foreign exchange differences	Balance as of March 31, 2016
Deferred tax assets						
Inventories	10,743	(536)	—	643	(185)	10,665
Retirement benefit liabilities	5,930	(88)	34	—	(133)	5,743
Property, plant and equipment	3,329	(314)	—	40	(204)	2,851
Accrued bonuses	2,206	(366)	—	114	(27)	1,928
Accrued expenses	1,934	(609)	—	83	(77)	1,329
Accrued unused paid absences	1,910	(75)	—	66	(23)	1,877
Provisions	1,309	(96)	—	28	(30)	1,210
Other	4,804	(1,228)	(168)	124	(559)	2,972
Subtotal	32,169	(3,316)	(133)	1,101	(1,242)	28,578
Deferred tax liabilities						
Assets identified by business combination	—	1,158	—	(11,013)	1,760	(8,094)
Property, plant and equipment	(4,044)	184	—	(166)	87	(3,938)
Unrealized gains/(losses) on available-for-sale securities	(3,360)	—	1,452	(1)	—	(1,909)
Retirement benefit assets	(2,903)	72	30	(27)	(2)	(2,830)
Reserve for deferred gains on fixed assets	(2,611)	(132)	—	—	—	(2,744)
Securities withdrawn from retirement benefit trust	(2,581)	128	—	—	—	(2,453)
Other	(1,651)	708	(17)	(504)	517	(947)
Subtotal	(17,152)	2,118	1,466	(11,714)	2,363	(22,918)
Total	15,016	(1,198)	1,332	(10,612)	1,121	5,660

FY2016 (Year ended March 31, 2017)

(Millions of yen)

	Balance as of March 31, 2016	Cumulative effect of adoption of the new accounting standards	Recognized in profit or loss	Recognized in other comprehensive income	Foreign exchange differences	Balance as of March 31, 2017
Deferred tax assets						
Inventories	10,665	—	(716)	—	(83)	9,865
Retirement benefit liabilities	5,743	—	645	(44)	(261)	6,082
Property, plant and equipment	2,851	—	1,326	—	(216)	3,960
Accrued bonuses	1,928	—	547	—	10	2,485
Accrued unused paid absences	1,877	—	183	—	(9)	2,052
Accrued expenses	1,329	—	(342)	—	41	1,028
Provisions	1,210	—	0	—	(8)	1,203
Other	2,972	231	(160)	223	121	3,387
Subtotal	28,578	231	1,484	178	(406)	30,066
Deferred tax liabilities						
Assets identified by business combination	(8,094)	—	783	—	1,084	(6,225)
Property, plant and equipment	(3,938)	—	(72)	—	141	(3,870)
Retirement benefit assets	(2,830)	—	49	(6)	115	(2,671)
Reserve for deferred gains on fixed assets	(2,744)	—	665	—	—	(2,078)
Securities withdrawn from retirement benefit trust	(2,453)	—	—	—	—	(2,453)
Unrealized gains/ (losses) on available-for-sale securities	(1,909)	1,909	—	—	—	—
Equity instruments designated as FVTOCI	—	(1,690)	—	(872)	—	(2,562)
Other	(947)	(369)	(51)	—	12	(1,356)
Subtotal	(22,918)	(150)	1,374	(878)	1,354	(21,219)
Total	5,660	80	2,859	(700)	947	8,847

(Thousands of U.S. dollars)

	Balance as of March 31, 2016	Cumulative effect of adoption of the new accounting standards	Recognized in profit or loss	Recognized in other comprehensive income	Foreign exchange differences	Balance as of March 31, 2017
Deferred tax assets						
Inventories	95,223	—	(6,393)	—	(741)	88,080
Retirement benefit liabilities	51,277	—	5,759	(393)	(2,330)	54,304
Property, plant and equipment	25,455	—	11,839	—	(1,929)	35,357
Accrued bonuses	17,214	—	4,884	—	89	22,188
Accrued unused paid absences	16,759	—	1,634	—	(80)	18,321
Accrued expenses	11,866	—	(3,054)	—	366	9,179
Provisions	10,804	—	0	—	(71)	10,741
Other	26,536	2,063	(1,429)	1,991	1,080	30,241
Subtotal	255,161	2,063	13,250	1,589	(3,625)	268,446
Deferred tax liabilities						
Assets identified by business combination	(72,268)	—	6,991	—	9,679	(55,580)
Property, plant and equipment	(35,161)	—	643	—	1,259	(34,554)
Retirement benefit assets	(25,268)	—	438	(54)	1,027	(23,848)
Reserve for deferred gains on fixed assets	(24,500)	—	5,938	—	—	(18,554)
Securities withdrawn from retirement benefit trust	(21,902)	—	—	—	—	(21,902)
Unrealized gains/ (losses) on available-for-sale securities	(17,045)	17,045	—	—	—	—
Equity instruments designated as FVTOCI	—	(15,089)	—	(7,786)	—	(22,875)
Other	(8,455)	(3,295)	455	—	107	(12,107)
Subtotal	(204,625)	(1,339)	12,268	(7,839)	12,089	(189,455)
Total	50,536	714	25,527	(6,250)	8,455	78,991

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
			(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets	17,618	16,872	16,691	149,027
Deferred tax liabilities	(2,601)	(11,212)	(7,843)	(70,027)
Net amount	15,016	5,660	8,847	78,991

Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized are as follows:

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
			(Millions of yen)	(Thousands of U.S. dollars)
Deductible temporary differences	39,346	72,508	75,997	678,545
Unused tax losses	35,627	33,390	34,174	305,125
Total	74,973	105,898	110,172	983,679

Expiration of unused tax losses for which no deferred tax assets are recognized are as follows:

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
			(Millions of yen)	(Thousands of U.S. dollars)
1st year	271	646	8,211	73,313
2nd year	197	8,121	11,870	105,982
3rd year	9,377	11,977	7,665	68,438
4th year	14,621	7,806	4,128	36,857
5th year and thereafter	11,160	4,837	2,297	20,509
Total	35,627	33,390	34,174	305,125

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of April 1, 2015 (Date of transition to IFRS), March 31, 2016 and March 31, 2017 are ¥140,500 million, ¥138,047 million and ¥138,906 million ($1,240,232 thousand), respectively. Deferred tax liabilities are not recognized for the above temporary differences as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Current tax expenses			
Current year	14,304	16,209	144,723
Prior years	78	467	4,170
Subtotal	14,383	16,676	148,893
Deferred tax expenses			
Origination and reversal of temporary differences	1,850	(81)	(723)
Changes in tax rates	(837)	(277)	(2,473)
Recognition of previously unrecognized deferred tax assets	(28)	(2,555)	(22,813)
Reversal of deferred tax assets recognized in the prior years	213	54	482
Subtotal	1,198	(2,859)	(25,527)
Total	15,581	13,817	123,366

Current tax expenses include previously unrecognized tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. Current tax expenses decreased by those tax benefits by ¥2,732 million and ¥3,268 million ($29,179 thousand) for the years ended March 31, 2016 and 2017, respectively.

The reconciliation between the statutory tax rates and the average effective tax rates is as follows:

	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)
Statutory tax rate	32.83%	30.70%
Changes in the assessment for the recoverability of deferred tax assets	0.94%	(4.08)%
Tax credit for R&D expenses	(3.25)%	(3.30)%
Lower income tax rates applicable to income in certain foreign subsidiaries	(5.78)%	(2.06)%
Withholding taxes on distributions	1.15%	0.96%
Changes in tax rates	(1.46)%	(0.45)%
Expenses not deductible for tax purposes	1.99%	0.40%
Other	0.83%	0.38%
Average effective tax rate	27.24%	22.56%

The Company and its domestic subsidiaries are subject mainly to corporate tax, residential tax and enterprise tax, and the effective tax rate calculated based on these for the years ended March 31, 2016 and 2017 is 32.83% and 30.70%, respectively. Overseas subsidiaries are subject to income tax at their respective locations.

The "Act for partial amendment of the Income Tax Act, etc." and "Act for partial amendment of the Local Taxation Act, etc." were enacted in Japan on March 29, 2016, and tax rates, including corporate income tax rates for the Company and its domestic subsidiaries, have been determined to be lower from the fiscal year starting from April 1, 2016. The applicable tax rates used to calculate deferred tax assets and liabilities, which will be reversed after April 1, 2016, were changed from 32.83% and 32.06% to 30.70% for temporary differences expected to reverse from April 1, 2016 and April 1, 2017, respectively, and changed to 30.47% for temporary differences expected to reverse after April 1, 2018. Due to the change, deferred tax liabilities (net of deferred tax assets) decreased by ¥62 million as of March 31, 2016.

In addition, the “Act for partial amendment of the Consumption Tax Act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” and the “Act for partial amendment of the Local Taxation Act and the Local Allocation Taxation Act for the drastic reform of the taxation system for ensuring stable financial resources for social security” were enacted in Japan on November 18, 2016, and the timing of the hike in consumption tax to 10% was postponed from April 1, 2017 to October 1, 2019. As a result, the timing for the implementation of the abolishment of special local corporation tax, the revival of corporate enterprise tax, the tax revision in local corporate tax and corporate residential tax were postponed from the fiscal year starting from April 1, 2017 to October 1, 2017. There is no change in effective tax rate, which is used for calculating deferred tax assets and deferred tax liabilities. The above-mentioned change between the national tax and local tax did not have a significant impact on deferred tax assets (net of deferred tax liabilities) and deferred tax expenses for the fiscal year ended March 31, 2017.

Due to a change in tax rate in the United Kingdom, deferred tax liabilities (net of deferred tax assets) decreased by ¥782 million and ¥242 million ($2,161 thousand) as of March 31, 2016 and 2017, respectively

There is no effect on income tax resulting from dividends paid to shareholders.

No liabilities are recognized for uncertain tax positions related to investigations by tax authorities for the years ended March 31, 2016 and 2017.

21. Bonds and borrowings

(1) Breakdown of financial liabilities

The breakdown of bonds and borrowings is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)		
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)	Average interest rate (%)	Maturity date
Short-term bank borrowings	294	6,605	402	3,589	1.25	—
Current portion of long-term borrowings	10,200	12,982	19,373	172,973	1.16	—
Current portion of bonds	—	1,114	733	6,545	—	—
Long-term borrowings	4,705	97,786	77,161	688,938	1.27	2018 to 2023
Bonds	—	40,000	39,921	356,438	0.22	2018 to 2020
Short-term lease obligations	1,534	1,733	1,492	13,321	2.33	—
Long-term lease obligations	2,880	3,908	2,781	24,830	1.80	2018 to 2022
Other	9,232	8,671	9,750	87,054	—	—
Total	28,846	172,801	151,616	1,353,714	—	—
Bonds and borrowings						
Current liabilities	10,494	20,701	20,509	183,116	—	—
Non-current liabilities	4,705	137,786	117,082	1,045,375	—	—
Other financial liabilities						
Current liabilities	7,787	2,558	3,053	27,259	—	—
Non-current liabilities	5,858	11,754	10,969	97,938	—	—
Total	28,846	172,801	151,616	1,353,714	—	—

(Note)
1) The average interest rate represents the weighted-average interest rate to the ending balance of bonds, borrowings and lease obligations.
2) Some of the Group's borrowings are subject to financial covenants. The Group complies with major financial covenants as follows:
- The total equity in the Group's consolidated statement of financial position at the end of the fiscal year should not be below 75% of the total equity in the consolidated statement of financial position for the most recent fiscal year, or should not be below 75% of the total equity in the consolidated balance sheet as of March 31, 2015 under Japanese GAAP.
- Loss before income taxes in the consolidated statement of income for each reporting period should not be recognized for two consecutive fiscal years.

A summary of terms and conditions for the issuance of corporate bonds is as follows:

(Millions of yen) (Thousands of U.S. dollars)

Name	Type	Issue date	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
BROTHER INDUSTRIES, LTD.	The 5th unsecured straight bond	November 26, 2015	—	20,000	19,966	178,268	0.150	None	November 26, 2018
BROTHER INDUSTRIES, LTD.	The 6th unsecured straight bond	November 26, 2015	—	20,000	19,954	178,161	0.285	None	November 26, 2020
BROTHER INDUSTRIES, LTD.	Loan Notes 2020 (unsecured bonds)	June 18, 2015	—	1,114 [6,881 thousand Pound Sterling]	733 [5,237 thousand Pound Sterling]	6,545	—	None	June 18, 2020
Total			—	41,114	40,654	362,982	—	—	—

(2) Assets pledged as collateral
There are no assets pledged as collateral for bonds and borrowings.

22. Leases

(1) Finance lease obligations

As lessee

The details of finance lease obligations are as follows:

	Minimum lease payments (Millions of yen)			(Thousands of U.S. dollars)	Present value of minimum lease payments (Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Within 1 year	1,615	1,820	1,555	13,884	1,534	1,733	1,492	13,321
1 to 5 years	2,969	4,010	2,848	25,429	2,880	3,908	2,781	24,830
Over 5 years	—	—	—	—	—	—	—	—
Total	4,584	5,830	4,404	39,321	4,414	5,641	4,273	38,152
Prospective finance expenses	(170)	(188)	(130)	(1,161)	—	—	—	—
Present value of lease obligations	4,414	5,641	4,273	38,152	4,414	5,641	4,273	38,152

The Group leases assets such as buildings and structures as lessee.

Some lease contracts include renewal options or purchase options. There are no sublease contracts, unpaid variable lease payments, escalation clauses (clauses that prescribe increases in the lease contract amount) or restrictions on dividends, additional loans, additional leases, etc., imposed by lease contracts.

Lease obligations are included in “Other financial liabilities” in the consolidated statement of financial position.

(2) Operating lease contracts

<1> As lessee

Future minimum lease payments under non-cancellable operating leases are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Within 1 year	2,547	3,282	3,363	30,027
1 to 5 years	5,436	7,378	6,923	61,813
Over 5 years	2,975	2,319	1,146	10,232
Total	10,959	12,980	11,433	102,080

Minimum lease payments and contingent rents for operating lease contracts recognized as expenses are as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Minimum lease payments	8,581	6,078	54,268
Sublease payments	337	452	4,036
Contingent lease payments	63	11	98
Total	8,982	6,541	58,402

The Group leases assets such as buildings and structures as lessee.

Some lease contracts include renewal options or purchase options. There are no sublease contracts, unpaid variable lease payments, escalation clauses (clauses that prescribe increases in the lease contract amount) or restrictions on dividends, additional loans, additional leases, etc., imposed by lease contracts.

<2> As lessor

Income relating to future minimum lease payments under non-cancellable operating leases is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Within 1 year	590	1,729	1,643	14,670
1 to 5 years	1,674	4,167	3,562	31,804
Over 5 years	272	779	578	5,161
Total	2,537	6,675	5,784	51,643

The Group mainly rents industrial printing equipment as lessor.

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Notes payable - trade	1,460	1,040	731	6,527
Accounts payable - trade	43,573	36,986	44,202	394,661
Accounts payable - other	28,783	24,112	21,335	190,491
Total	73,817	62,139	66,268	591,679

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017) (Millions of yen)	FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)
Current liabilities				
Lease obligations	1,534	1,733	1,492	13,321
Financial liabilities measured at amortized cost	—	—	119	1,063
Financial liabilities measured at the amount payable or amortized cost.	118	129	—	—
Financial liabilities measured at FVTPL				
Derivatives	6,134	695	1,441	12,866
Total	7,787	2,558	3,053	27,259
Non-current liabilities				
Lease obligations	2,880	3,908	2,781	24,830
Financial liabilities measured at amortized cost	—	—	2,376	21,214
Financial liabilities measured at the amount payable or amortized cost.	2,978	2,684	—	—
Financial liabilities measured at FVTPL				
Derivatives	—	5,161	5,812	51,893
Total	5,858	11,754	10,969	97,938

25. Employee Benefits

The Company, and certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans and defined contribution plans.

Other certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans or defined contribution plans.

(1) Defined benefit plans

The Company has adopted a cash balance plan as a defined benefit plan. Benefits are calculated based on pay credit and interest credit provided according to employees' length of service, job category and grade.

A specified percentage of pay credit and interest credit is accumulated and contributed to the defined benefit plan for future pension payments.

The Company and certain domestic subsidiaries have a fund-type pension plan based on a pension agreement, and enter into an agreement with an insurance company for the payment of premiums and benefits and with a trust bank for the management of the fund.

Certain domestic and foreign subsidiaries also provide defined benefit plans.

The Company, certain domestic subsidiaries, the pension fund board and the pension investment fund are required by law to act giving the highest priority to benefits of plan participants and assume a responsibility of managing plan assets in accordance with prescribed policies.

As of April 1, 2016, certain foreign subsidiaries discontinued their defined benefit plans and shifted to defined contribution plans.

<1> Reconciliations of defined benefit obligations and plan assets

The relationship between defined benefit obligations and plan assets and the net balance of liabilities and assets recognized in the consolidated statement of financial position is as follows:

Domestic plan

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Present value of defined benefit obligations	39,857	44,996	46,237	412,830
Fair value of plan assets	(45,736)	(46,395)	(48,238)	(430,696)
Subtotal	(5,879)	(1,399)	(2,000)	(17,857)
Effect of the asset ceiling	2,404	—	—	—
Present value of the unfunded defined benefit obligation	4,409	4,927	5,158	46,054
Net defined benefit liabilities	935	3,528	3,157	28,188
Balance in the consolidated statement of financial position				
Retirement benefit liabilities	4,615	5,085	5,237	46,759
Retirement benefit assets	(3,680)	(1,556)	(2,080)	(18,571)
Net balance	935	3,528	3,157	28,188

Overseas plan

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Present value of defined benefit obligations	31,373	26,972	25,152	224,571
Fair value of plan assets	(18,434)	(17,161)	(14,965)	(133,616)
Subtotal	12,939	9,811	10,187	90,955
Effect of the asset ceiling	—	—	—	—
Present value of the unfunded defined benefit obligation	2,008	2,136	2,187	19,527
Net defined benefit liabilities	14,948	11,947	12,375	110,491
Balance in the consolidated statement of financial position				
Retirement benefit liabilities	14,948	11,947	12,375	110,491
Retirement benefit assets	—	—	—	—
Net balance	14,948	11,947	12,375	110,491

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of Mach 31, 2017)
			(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit liabilities	19,564	17,033	17,612	157,250
Retirement benefit assets	(3,680)	(1,556)	(2,080)	(18,571)
Net defined benefit liabilities recognized in the consolidated statement of financial position	15,883	15,476	15,532	138,679

Net defined benefit liabilities are presented as "Retirement benefit liabilities" in the consolidated statement of financial position. Net defined benefit assets are included in "Other non-current assets" in the consolidated statement of financial position.

<2> Reconciliations of the present value of defined benefit obligations

The movement of the present value of defined benefit obligations is as follows:

	Domestic plan			Overseas plan		
	(Millions of yen)		(Thousands of U.S. dollars)	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Balance at the beginning of the year	44,266	49,924	445,750	33,382	29,109	259,902
Current service cost	2,274	2,423	21,634	729	438	3,911
Interest expense	506	309	2,759	709	613	5,473
Remeasurement	3,656	803	7,170	(2,426)	2,668	23,821
Actuarial gains or losses arising from changes in demographical assumptions	(57)	1,133	10,116	4	—	—
Actuarial gains or losses arising from changes in financial assumptions	3,298	(860)	(7,679)	(2,412)	2,608	23,286
Actuarial gains or losses arising from experience adjustments	414	530	4,732	(18)	60	536
Past service cost	—	—	—	(505)	—	—
Benefits paid	(1,694)	(2,065)	(18,438)	(1,028)	(799)	(7,134)
Foreign exchange differences	—	—	—	(1,826)	(2,304)	(20,571)
Business combination	915	—	—	—	—	—
Effect by transfer of plans	—	—	—	—	(2,417)	(21,580)
Other	—	—	—	74	31	277
Balance at the end of the year	49,924	51,395	458,884	29,109	27,340	244,107

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2016 were 13.5 years for domestic and 18.6 years for foreign plans. For the year ended March 31, 2017, the durations were 14.1 years for domestic and 17.5 years for overseas plans.

<3> Reconciliations of the fair value of plan assets

The movement of the fair value of plan assets is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Millions of yen)		(Thousands of U.S. dollars)
	Domestic plan			Overseas plan		
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Balance at the beginning of the year	45,736	46,395	414,241	18,434	17,161	153,223
Interest income	555	304	2,714	351	362	3,232
Remeasurement	(1,033)	2,011	17,955	(217)	1,567	13,991
Return on plan assets excluding interest income	(1,033)	2,011	17,955	(217)	1,567	13,991
Employer contributions	1,561	1,042	9,304	704	412	3,679
Benefits paid	(1,430)	(1,519)	(13,563)	(866)	(764)	(6,821)
Foreign exchange differences	—	—	—	(1,260)	(1,473)	(13,152)
Business combination	1,001	—	—	—	—	—
Effect by transfer of plans	—	—	—	—	(2,417)	(21,580)
Other	4	4	36	16	116	1,036
Balance at the end of the year	46,395	48,238	430,696	17,161	14,965	133,616

The Group expects to make a contribution of ¥1,873 million ($16,723 thousand) to the defined benefit plans during the year ending March 31, 2018.

The Company and certain domestic subsidiaries are planning to pay the necessary amount of contributions based on regulatory requirements if the amount of funds is less than the minimum amount of funds required at the time of fund calculation for each reporting period.

<4> Reconciliation of the effect of the asset ceiling

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Balance at the beginning of the year	2,404	—	—
Interest expense	29	—	—
Remeasurement	(2,434)	—	—
Change in the effect of the asset ceiling	(2,434)	—	—
Foreign exchange differences	—	—	—
Balance at the end of the year	—	—	—

<5> Reconciliations of reimbursement rights related to defined benefit plans

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Balance at the beginning of the year	1,749	1,783	15,920
Interest income	8	6	54
Remeasurement	21	8	71
Return on reimbursement rights excluding interest income	21	8	71
Employer contributions	73	94	839
Benefits paid	(54)	(81)	(723)
Foreign exchange differences	(8)	(25)	(223)
Other	(6)	—	—
Balance at the end of the year	1,783	1,786	15,946

Reimbursement rights are insurance policies required for settlement of defined benefit obligations.

<6> The breakdown of fair value of plan assets

The breakdown of fair value of plan assets is as follows:

Domestic plan

Date of transition to IFRS (As of April 1, 2015) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	1,813	1,813
Equity instruments:	14,139	—	14,139
Domestic stocks	7,810	—	7,810
Foreign stocks	6,328	—	6,328
Debt instruments:	12,559	—	12,559
Domestic bonds	10,059	—	10,059
Foreign bonds	2,499	—	2,499
Investments in life insurance company general accounts (Note 1)	—	9,307	9,307
Alternatives (Note2)	—	7,916	7,916
Other	—	—	—
Total	26,698	19,038	45,736

(Note)

1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.

2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2015 (As of March 31, 2016) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	1,171	1,171
Equity instruments	13,186	—	13,186
Domestic stocks	7,371	—	7,371
Foreign stocks	5,814	—	5,814
Debt instruments	13,045	—	13,045
Domestic bonds	10,254	—	10,254
Foreign bonds	2,791	—	2,791
Investments in life insurance company general accounts (Note 1)	—	10,313	10,313
Alternatives (Note 2)	—	8,678	8,678
Other	—	—	—
Total	26,231	20,163	46,395

(Note)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.
2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2016 (As of March 31, 2017) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	640	640
Equity instruments	17,590	—	17,590
Domestic stocks	10,956	—	10,956
Foreign stocks	6,633	—	6,633
Debt instruments	10,709	—	10,709
Domestic bonds	8,543	—	8,543
Foreign bonds	2,166	—	2,166
Investments in life insurance company general accounts (Note 1)	—	9,011	9,011
Alternatives (Note 2)	—	10,286	10,286
Other	—	—	—
Total	28,300	19,937	48,238

(Note)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.
2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	5,714	5,714
Equity instruments	157,054	—	157,054
Domestic stocks	97,821	—	97,821
Foreign stocks	59,223	—	59,223
Debt instruments	95,616	—	95,616
Domestic bonds	76,277	—	76,277
Foreign bonds	19,339	—	19,339
Investments in life insurance company general accounts (Note 1)	—	80,455	80,455
Alternatives (Note 2)	—	91,839	91,839
Other	—	—	—
Total	252,679	178,009	430,696

Overseas plan

Date of transition to IFRS (As of April 1, 2015) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	406	406
Equity instruments	4,135	—	4,135
Domestic stocks	—	—	—
Foreign stocks	4,135	—	4,135
Debt instruments	4,219		4,219
Domestic bonds	—	—	—
Foreign bonds	4,219	—	4,219
Insurance	—	6,356	6,356
Alternatives (Note)	—	2,641	2,641
Other	—	674	674
Total	8,354	10,079	18,434

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2015 (As of March 31, 2016) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	875	875
Equity instruments	3,528	—	3,528
Domestic stocks	—	—	—
Foreign stocks	3,528	—	3,528
Debt instruments	1,767	—	1,767
Domestic bonds	—	—	—
Foreign bonds	1,767	—	1,767
Insurance	—	6,195	6,195
Alternatives (Note)	—	4,340	4,340
Other	—	453	453
Total	5,296	11,864	17,161

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2016 (As of March 31, 2017) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	905	905
Equity instruments	4,265	—	4,265
Domestic stocks	—	—	—
Foreign stocks	4,265	—	4,265
Debt instruments	1,597	—	1,597
Domestic bonds	—	—	—
Foreign bonds	1,597	—	1,597
Insurance	—	3,494	3,494
Alternatives (Note)	—	4,224	4,224
Other	—	477	477
Total	5,863	9,102	14,965

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	8,080	8,080
Equity instruments	38,080	—	38,080
Domestic stocks	—	—	—
Foreign stocks	38,080	—	38,080
Debt instruments	14,259	—	14,259
Domestic bonds	—	—	—
Foreign bonds	14,259	—	14,259
Insurance	—	31,196	31,196
Alternatives (Note)	—	37,714	37,714
Other	—	4,259	4,259
Total	52,348	81,268	133,616

Plan assets are managed for the purpose of securing a total return required within acceptable risks for a long period of time in order to ensure future payments of pension benefits and lump-sum retirement payments.

Based on this purpose, the Company strives to maintain an appropriate asset mix, taking the expected rate of return and risks of investment assets into consideration.

<7> Assumptions used for actuarial valuation

The principal assumption used for the purpose of the actuarial valuation is as follows:

Domestic plan

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Weighted-average discount rate	0.7 to 1.3%	0.2 to 0.7%	0.2 to 0.9%

Overseas plan

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Weighted-average discount rate	0.7 to 3.7%	0.4 to 4.0%	0.7 to 4.0%

<8> Sensitivity analysis

If the discount rate used for actuarial valuation changes by 0.5%, the present value of defined benefit obligations would increase or decrease, as shown below. The sensitivity analysis below have been determined based on reasonably possible change of the assumption occurring at the end of the reporting period, while holding all other assumptions constant. In practice, the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Domestic plan

(Millions of yen) (Thousands of U.S. dollars)

If the discount rate:	The defined benefit obligation would:			
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
increases by 0.5%	decrease by 2,604	decrease by 3,057	decrease by 3,282	decrease by 29,304
decreases by 0.5%	increase by 2,901	increase by 3,437	increase by 3,698	increase by 33,018

Overseas plan

(Millions of yen) (Thousands of U.S. dollars)

If the discount rate:	The defined benefit obligation would:			
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
increases by 0.5%	decrease by 2,631	decrease by 2,253	decrease of 2,240	decrease of 20,000
decreases by 0.5%	increase by 2,765	increase by 2,407	Increase of 2,508	increase of 22,393

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥9,913 million and ¥10,037 million ($89,616 thousand) for the years ended March 31, 2016 and 2017, respectively.

The amounts above included the expense recognized in profit or loss in relation to state pension plans.

(3) Employee benefit expenses

The amounts of employee benefit expenses included in "Cost of sales", "Selling, general and administrative expenses" and “Other expenses” in the consolidated statement of income were ¥152,534 million and ¥147,733 million ($1,319,045 thousand) for the years ended March 31, 2016 and 2017, respectively.

26. Provisions

The breakdown and movement in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for product warranties	Other	Total
Balance as of April 1, 2015	1,476	5,560	2,016	9,052
Increase due to business combination	62	688	543	1,294
Increase	177	5,595	748	6,521
Decrease (used)	(206)	(5,113)	(664)	(5,984)
Decrease (reversal)	―	(633)	(140)	(774)
Increase due to passage of time	19	―	―	19
Foreign exchange differences	(6)	(268)	(113)	(387)
Balance as of March 31, 2016	1,523	5,828	2,389	9,741
Increase	163	4,362	1,812	6,337
Decrease (used)	(155)	(4,652)	(1,725)	(6,533)
Decrease (reversal)	―	(315)	(37)	(353)
Increase due to passage of time	12	―	―	12
Foreign exchange differences	(3)	(143)	10	(136)
Balance as of March 31, 2017	1,540	5,078	2,449	9,068

(Thousands of U.S. dollars)

Balance as of March 31, 2016	13,598	52,036	21,330	86,973
Increase	1,455	38,946	16,179	56,580
Decrease (used)	(1,384)	(41,536)	(15,402)	(58,330)
Decrease (reversal)	―	(2,813)	(330)	(3,152)
Increase due to passage of time	107	―	―	107
Foreign exchange differences	(27)	(1,277)	89	(1,214)
Balance as of March 31, 2017	13,750	45,339	21,866	80,964

(Note)

1) Asset retirement obligations

If legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, future expenses necessary for such retirement are recognized.

The outflow of economic benefits in the future is expected to occur after one year from the end of each reporting period, and it will be affected by future business plans.

2) Provision for product warranty

To provide for costs of after-sales services of products, estimated costs of after-sales services are recognized based on historical records.

The decrease (reversal) during the year is the reversal amount of the unused portion of the provision during the year as the estimate is less than the actual amount.

3) Other provisions

Other provisions include a provision for adjustment of returned unsold goods. The decrease (reversal) during the year is the reversal amount of the unused portion of the provision during the year as the estimate was less than the actual amount.

The breakdown of provisions in the consolidated statement of financial position is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Current liabilities	5,351	6,889	5,691	50,813
Non-current liabilities	3,701	2,852	3,376	30,143
Total	9,052	9,741	9,068	80,964

27. Other Liabilities

The breakdown of other liabilities is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Other current liabilities				
Accrued bonuses	9,982	10,180	12,376	110,500
Accrued unused paid absences	7,441	8,151	7,854	70,125
Accrued expenses	18,379	21,102	21,876	195,321
Other	6,638	7,115	8,243	73,598
Total	42,442	46,550	50,350	449,554
Other non-current liabilities				
Other long-term employee benefits	289	325	321	2,866
Deferred income	1,641	1,820	2,023	18,063
Long-term accrued expenses	836	797	780	6,964
Other	81	3	29	259
Total	2,848	2,947	3,154	28,161

28. Equity and Other Equity Items

(1) Capital stock and capital surplus

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the proceeds of certain issues of common shares shall be credited to “Capital stock”. The remainder of the proceeds may be credited to “Capital surplus”. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from “Capital surplus” to “Capital stock”.

The number of authorized shares, the number of outstanding shares and the amount of capital stock, etc., are as follows:

	Number of authorized shares (Shares)	Number of outstanding shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)	Capital stock (Thousands of U.S. dollars)	Capital surplus (Thousands of U.S. dollars)
Balance as of April 1, 2015	600,000,000	277,535,866	19,209	17,200		
Increase	—	—	—	121		
Balance as of March 31, 2016	600,000,000	277,535,866	19,209	17,321	171,509	154,652
Increase	—	—	—	133	—	1,188
Balance as of March 31, 2017	600,000,000	277,535,866	19,209	17,455	171,509	155,848

(Note) The shares issued by the Company are common shares with no par value and no restriction on the content of rights. Outstanding shares are fully paid.

(2) Retained earnings

The Companies Act of Japan provides that a 10% dividend of retained earnings should be accumulated as “Capital surplus” or a legal reserve until the sum of “Capital surplus” or a legal reserve equal to 25% of “Capital stock”. Accumulated legal reserve can be applied to capital deficit and can be reversed upon resolution of the shareholders’ meeting.

Retained earnings include the transferred amount of the accumulated gains and losses recognized through other comprehensive income when selling financial assets measured at fair value through other comprehensive income.

(3) Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act also allows Japanese companies to purchase treasury stock through market transactions or tender offers by resolution of the board of directors, as long as it is allowed under the articles of incorporation, subject to limitations imposed by the Companies Act.

The movement of the number and the amount of treasury stock is as follows:

	Number of shares (Shares)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Date of transition to IFRS (As of April 1, 2015)	17,903,643	(24,224)	
Increase	5,808	(8)	
Decrease	(8,026)	7	
Balance as of March 31, 2016	17,901,425	(24,225)	(216,295)
Increase	14,604	(26)	(232)
Decrease	(26,234)	22	196
Balance as of March 31, 2017	17,889,795	(24,230)	(216,339)

The increase in treasury stock by 5,808 shares for the year ended March 31, 2016 represents the Company’s purchase of odd lots of 2,969 shares and the portion of treasury stock acquired by associates of 2,839 shares. The decrease in treasury stock by 8,026 shares was due to the exercise of stock options of 7,800 shares and the transfer of odd lots in response to purchase requests of 226 shares.

The increase in treasury stock by 14,604 shares for the year ended March 31, 2017 represents the Company’s purchase of odd lots of 11,788 shares and the portion of treasury stock acquired by associates of 2,816 shares. The decrease in treasury stock by 26,234 shares was due to the exercise of stock options of 20,800 shares, the portion of treasury stock sold by associates of 5,355 shares, and the transfer of odd lots in response to purchase requests of 79 shares.

(4) Other capital surplus

Stock acquisition rights

The Company adopts stock option plans and issues stock acquisition rights based on the Company Act. The contractual terms and the amounts, etc., are provided in Note 39 "Shared-Based Payments."

(5) Other components of equity

Cumulative translation differences for foreign operations

Cumulative translation differences for foreign operations are the foreign exchange differences which are recognized when consolidating the financial statements of foreign operations to the Group.

Effective portion of net changes in the fair value of cash flow hedges

This is the effective portion of changes in the fair value of derivative transactions designated as cash flow hedges.

Gains/(Losses) on investments in equity instruments designated as FVTOCI

This is the valuation difference of Gains/(Losses) on investments in equity instruments designated as FVTOCI.

Remeasurements of the net defined benefit liabilities (assets)

Remeasurements of the net defined benefit liabilities (assets) comprise actuarial gains and losses on defined benefit obligations、the return on plan assets excluding the interest income and changes in the effect of the asset ceiling.

29. Dividends

The Company distributes dividends paid within the limit provided by the Companies Act. The dividend limit is calculated based on the amount of retained earnings in the Company’s accounting books prepared in accordance with Japanese GAAP.

Dividends paid were as follows:

FY2015 (Year ended March 31, 2016)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 15, 2015	3,899	15.00	March 31, 2015	June 2, 2015
The Board of Directors Meeting held on November 2, 2015	4,679	18.00	September 30, 2015	November 30, 2015

FY2016 (Year ended March 31, 2017)

Resolution	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors Meeting held on May 16, 2016	4,679	41,777	18.00	0.16	March 31, 2016	June 3, 2016
The Board of Directors Meeting held on November 7, 2016	4,679	41,777	18.00	0.16	September 30, 2016	November 30, 2016

Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

FY2015 (Year ended March 31, 2016)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May16, 2016	4,679	18.00	March 31, 2016	June 3, 2016

FY2016 (Year ended March 31, 2017)

Resolution	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors Meeting held on May 19, 2017	6,239	55,705	24.00	0.21	March 31, 2017	June 2, 2017

30. Revenue

The breakdown of revenue is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Sale of goods	630,995	590,661	5,273,759
Rendering of services	46,931	46,415	414,420
Royalty	1,868	1,850	16,518
Rental income	2,324	2,258	20,161
Total	682,119	641,185	5,724,866

31. Cost of Sales

The breakdown of cost of sales is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Raw materials costs	298,818	257,950	2,303,125
Employee benefit expenses	62,216	55,936	499,429
Depreciation and amortization	24,015	22,379	199,813
Other	14,973	31,750	283,482
Total	400,023	368,016	3,285,857

32. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Selling commissions	1,798	1,806	16,125
Employee benefit expenses	90,318	90,179	805,170
Depreciation and amortization	10,918	11,431	102,063
Freight expenses	14,828	12,745	113,795
Advertising expenses	19,100	16,555	147,813
Rental expenses	4,540	3,845	34,330
Traveling expenses	5,683	5,662	50,554
Commission expenses	5,647	2,997	26,759
Other	74,324	67,184	599,857
Total	227,161	212,410	1,896,518

33. Other Income and Other Expenses

The breakdown of other income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Gain on sales of fixed assets	2,093	126	1,125
Net gain in the fair value of financial instruments measured at FVTPL			
Derivatives	3,869	2,364	21,107
Gain on sales of investment securities	1,450	—	—
Foreign exchange gains	674	—	—
Income from government grants	481	583	5,205
Other	747	573	5,116
Total	9,317	3,647	32,563

The breakdown of other expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Loss on sales and disposal of fixed assets	1,221	888	7,929
Impairment losses	2,366	406	3,625
Net loss in the fair value of financial instruments measured at FVTPL	—	31	277
Foreign exchange losses	—	391	3,491
Provision of allowance for doubtful accounts	537	—	—
Credit losses	—	667	5,955
Structural reform expenses (Note)	—	1,749	15,616
Other	1,486	1,121	10,009
Total	5,611	5,253	46,902

(Note) Structural reform expenses for the year ended March 31, 2017 are mainly special retirement payments of certain consolidated subsidiaries in the Printing & Solution, Network & Contents and Domino businesses.

34. Government Grants

The Company received government grants to acquire property, plant and equipment in association with the transfer of a factory in China. The government grants received, which are accounted for as deferred income and proportionally recognized as a reduction of cost of sales in profit or loss over the useful lives of the facilities subject to such grants in the consolidated statement of income, are ¥53 million for the year ended March 31, 2016 and ¥45 million ($402 thousand) for the year ended March 31, 2017. Otherwise, “Other income” includes the government grants of ¥481 million for the year ended March 31, 2016 and ¥583 million ($5,205 thousand) for the year ended March 31, 2017 as profit or loss.

There are no unsatisfied conditions and contingencies incidental to the government grants.

35. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Interest income			
Interest income	1,043	—	—
Financial assets measured at amortized cost	—	917	8,188
Financial assets measured at FVTPL	—	15	134
Net gain in the fair value of financial instruments measured at FVTPL			
Derivatives	—	1,300	11,607
Dividend income	312	290	2,589
Foreign exchange gains	3,950	1,072	9,571
Other	8	3	27
Total	5,315	3,600	32,143

The breakdown of finance expenses is as follows:

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Interest expense	829	1,325	11,830
Net interest expense on net defined benefit liability	329	249	2,223
Net loss in the fair value of financial instruments measured at FVTPL			
Derivatives	4,996	—	—
Other	573	74	661
Total	6,729	1,648	14,714

(Note) Foreign exchange gains resulted primarily from corporate bonds and borrowings denominated in foreign currencies. The Company has entered into currency interest rate swap contracts to avoid the effect of fluctuations in the exchange rates of foreign currency-denominated borrowings on profit or loss, and the differences in valuation are recognized as finance income or costs.

36. Earnings per Share

	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)
Profit attributable to ordinary shareholders of the parent company (Millions of yen)	41,238	47,242
Profit attributable to ordinary shareholders of the parent company (Thousands of U.S. dollars)		421,804
Net income used in the calculation of diluted earnings per share (Millions of yen)	41,238	47,242
Net income used in the calculation of diluted earnings per share (Thousands of U.S. dollars)		421,804
Average number of shares – basic	259,629,732	259,635,550
Increase of shares – basic		
Stock acquisition rights (shares)	604,467	709,189
Average number of shares – diluted	260,234,199	260,344,738
Basic earnings per share (Yen)	158.83	181.96
Basic earnings per share (U.S. dollar)		1.62
Diluted earnings per share (Yen)	158.47	181.46
Diluted earnings per share (U.S. dollar)		1.62

37. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and the income tax effect for each item in other comprehensive income, including non-controlling interests, are as follows:

FY2015 (Year ended March 31, 2016)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of the net defined benefit liability (asset)	(24)	—	(24)	64	40
Share of other comprehensive income of investments accounted for using the equity method	(6)	—	(6)	—	(6)
Subtotal	(30)	—	(30)	64	34
Items that may be reclassified to profit or loss					
Unrealized gains/(losses) on available-for-sale securities	(2,825)	(1,582)	(4,408)	1,436	(2,972)
Cash flow hedges	2,351	(1,935)	416	(168)	247
Exchange differences on translating foreign operations	(46,109)	(42)	(46,151)	—	(46,151)
Subtotal	(46,583)	(3,560)	(50,144)	1,267	(48,876)
Total	(46,613)	(3,560)	(50,174)	1,332	(48,842)

FY2016 (Year ended March 31, 2017)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	3,561	—	3,561	(872)	2,689
Remeasurements of the net defined benefit liability (asset)	114	—	114	(51)	63
Share of other comprehensive income of investments accounted for using the equity method	(21)	—	(21)	—	(21)
Subtotal	3,654	—	3,654	(923)	2,730
Items that may be reclassified to profit or loss					
Cash flow hedges	221	(173)	47	(9)	38
Exchange differences on translating foreign operations	(29,185)	4	(29,181)	232	(28,948)
Subtotal	(28,963)	(169)	(29,133)	223	(28,909)
Total	(25,309)	(169)	(25,479)	(700)	(26,179)

(Thousands of U.S. dollars)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	31,795	—	31,795	(7,786)	24,009
Remeasurements of the net defined benefit liability (asset)	1,018	—	1,018	(455)	563
Share of other comprehensive income of investments accounted for using the equity method	(188)	—	(188)	—	(188)
Subtotal	32,625	—	32,625	(8,241)	24,375
Items that may be reclassified to profit or loss					
Cash flow hedges	1,973	(1,545)	420	(80)	339
Exchange differences on translating foreign operations	(260,580)	36	(260,545)	2,071	(258,464)
Subtotal	(258,598)	(1,509)	(260,116)	1,991	(258,116)
Total	(225,973)	(1,509)	(227,491)	(6,250)	(233,741)

Of the above items, the amounts attributable to non-controlling interests (after income tax effect) are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Gains on investments in equity instruments designated as FVTOCI	—	45	402
Remeasurements of the net defined benefit liability (asset)	(5)	11	98
Unrealized gains on available-for-sale securities	31	—	—
Exchange differences on translating foreign operations	(67)	22	196
Total	(42)	79	705

38. Non-Financial Transactions

The purchases of property, plant and equipment related to finance leases are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Property, plant and equipment related to finance leases	2,781	311	2,777

39. Shared-Based Payments

(1) Description of the share-based payment system

The Company has adopted a stock option scheme for directors (excluding external directors) and executive officers (excluding executive officers concurrently working as director) with an aim to increase incentives for the improvement of long-term performance.

Stock options of the Company are all equity-settled, share-based payment and granted on the basis of matters approved at the board of directors' meeting. The exercise period is prescribed in the allocation agreement, and stock options not exercised during such period expire. No vesting conditions are set in the scheme, and stock options are vested on the grant date.

Stock acquisition rights holders may, during the exercise period, exercise their stock acquisition rights within five years from the day immediately following one year after the date on which they resign as director or executive officer of the Company. However, in cases in which the first day of the exercise period does not arrive by 30 years after the following day of the allocation date of stock acquisition rights, on which the subscription requirements for stock acquisition rights are determined, the holders may exercise such rights within one year from the following day.

Details of the Company's stock options are as follows:

Date of grant	Number of options granted	Exercise period	Exercise price	Fair value price at grant date
	Shares		Yen (U.S. dollar)	Yen (U.S. dollar)
March 19, 2007	46,000	30 years starting on the day following the stock option grant date	¥1 ($0.01)	¥1,350 ($12.05)
March 24, 2008	65,100	Same as above	¥1 ($0.01)	¥915 ($8.17)
March 23, 2009	114,500	Same as above	¥1 ($0.01)	¥642 ($5.73)
March 23, 2010	The Company directors 51,900 The Company executive officers 49,600	Same as above	¥1 ($0.01)	The Company directors ¥899 ($8.03) The Company executive officers ¥912 ($8.14)
March 23, 2011	The Company directors 43,200 The Company executive officers 40,300	Same as above	¥1 ($0.01)	The Company directors ¥1,018 ($9.09) The Company executive officers ¥1,034 ($9.23)
March 23, 2012	The Company directors 44,600 The Company Executive Officers 61,800	Same as above	¥1 ($0.01)	The Company directors ¥929 ($8.29) The Company executive officers ¥957 ($8.54)
March 21, 2013	The Company directors 36,600 The Company executive officers 69,500	Same as above	¥1 ($0.01)	The Company directors ¥850 ($7.59) The Company executive officers ¥880 ($7.86)
March 27, 2014	The Company director 30,800 The Company executive officers 49,600	Same as above	¥1 ($0.01)	The Company directors ¥1,169 ($10.44) The Company executive officers ¥1,157 ($10.33)
March 18, 2015	The Company directors 37,300 The Company executive officers 28,800	Same as above	¥1 ($0.01)	The Company directors ¥1,615 ($14.42) The Company executive officers ¥1,655 ($14.78)
March 24, 2016	The Company directors 52,200 The Company executive officers 66,000	Same as above	¥1 ($0.01)	The Company directors ¥1,089 ($9.72) The Company executive officers ¥1,089 ($9.72)
March 24, 2017	The Company directors 29,700 The Company executive officers 43,500	Same as above	¥1 ($0.01)	The Company directors ¥1,981 ($17.69) The Company executive officers ¥1,944 ($17.36)

(2) Number of stock options and weighted-average exercise price

	FY2015 (Year ended March 31, 2016)		FY2016 (Year ended March 31, 2017)		
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)	Weighted-average exercise price (U.S. dollars)
Unexercised balance at beginning of year	603,100	1	713,500	1	0.01
Granted	118,200	1	73,200	1	0.01
Forfeited	—	—	—	—	—
Exercised	7,800	1	20,800	1	0.01
Matured	—	—	—	—	—
Unexercised balance at end of year	713,500	1	765,900	1	0.01
Exercised balance at end of year	20,800	1	—	—	—

The weighted-average stock price on the exercise date is ¥1,305 for the stock options exercised during the year ended March 31, 2016 and ¥2,108 ($18.82) for those exercised during the year ended March 31, 2017.

The exercise price of unexercised stock options is ¥1 as of April 1, 2015 and March 31, 2016, and ¥1($0.01) as of March 31, 2017. The weighted-average remaining contractual term was 24 years for the year ended March 31, 2016 and 22 years for the year ended March 31, 2017.

(3) Fair value of stock options granted during the period and valuation method used

The weighted-average fair value of the stock options granted is ¥1,089 for the year ended March 31, 2016 and ¥1,959 ($17.49) for the year ended March 31, 2017.

The fair value of the stock options granted during the period is assessed using the Black-Scholes Model based on the following:

	FY 2015 (Year ended March 31, 2016)		FY 2016 (Year ended March 31, 2017)	
	The Company directors	The Company executive officers	The Company directors	The Company executive officers
Stock price at the date of grant (Yen)	1,304	1,304	2,358	2,358
Stock price at the date of grant (U.S. dollar)	11.64	11.64	21.05	21.05
Exercise price (Yen)	1	1	1	1
Exercise price (U.S. dollar)	0.01	0.01	0.01	0.01
Expected volatility	41.95%	41.95%	35.69%	41.38%
Expected life	9 years	9 years	8 years	9 years
Expected dividend	1.98%	1.98%	2.17%	2.13%
Risk-free interest rate	(0.15)%	(0.15)%	(0.03)%	0.01%

(Note) Expected volatility is calculated based on daily stock prices during the period corresponding to the expected life. The expected life is estimated based on the average length of tenure of the Company's directors and executive officers and the exercise conditions. Expected dividends are computed on the basis of actual dividends paid during the period corresponding to the expected life. The risk-free rate is based on the yield of government bonds during the period corresponding to the expected life.

(4) Share-based compensation expenses

The amount of share-based compensation expenses included in “Selling, general and administrative expenses” in the consolidated statement of income is ¥128 million for the year ended March 31, 2016 and ¥143 million ($1,277 thousand) for the year ended March 31, 2017.

40. Financial Instruments

(1) Capital management

The Group manages capital for the purpose of maximizing corporate value through sustainable growth.

The comparison between net interest-bearing debt (interest-bearing debt less cash and cash equivalents) and capital (equity attributable to owners of the parent company) is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Interest-bearing debt	15,200	158,487	137,592	1,228,500
Cash and cash equivalents	(105,347)	(67,387)	(112,032)	(1,000,286)
Net interest-bearing debt	(90,147)	91,100	25,560	228,214
Capital (equity attributable to owners of the parent company)	349,460	333,440	345,061	3,080,902

(Note)

1) The Group is not subject to any externally imposed capital requirements.

2) Interest-bearing debt is calculated as the sum of “Bonds and borrowings” in the consolidated statement of financial position.

(2) Financial risk management

The Group is exposed to a variety of financial risks such as market risk (including currency exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk in the course of its business activities and conducts risk management to mitigate such financial risks.

The Group enters into derivative financial instruments in order to reduce foreign currency exchange rate risk and interest rate risk and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

<1> Credit risk management

a. Risk management activities

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group manages such risk by setting credit limits for counterparties based on its credit management policy.

Trade receivables are due from a large number of customers, spread across diverse industries and geographical areas. The Group does not have significant credit risk exposure or concentration of credit risk to any single counterparty or groups of counterparties.

The Group's maximum exposure to credit risk before considering the estimated value of the collateral obtained is the carrying amount of financial assets after deducting impairment losses, which is reported in the consolidated financial statements.

The Company enters into derivative financial instruments only with creditworthy financial institutions to reduce counterparty risk.

b. Credit risk management practice

The assessment of whether there has been a significant increase in credit risk is based on internal and external credit ratings and other information. If a contractual payment is more than 30 days past due, it is generally deemed that there has been a significant increase in credit risk.

The Group determines that a debtor is in default if its credit has been impaired, which is judged based on any events occurring that may have an adverse impact on expected future cash flows of financial assets.

Expected credit losses are assessed individually or by group, in which case debtors are categorized into groups based on common risk characteristics indicating their capabilities. In assessing 12-month and lifetime expected credit losses, the current situation and projection for future losses are considered on the basis of credit impairment history.

c. Changes in allowance for doubtful accounts and subject financial assets

The Group provides an allowance for doubtful accounts taking into consideration the recoverability of operating receivables, etc., according to the credit status of counterparties.

Changes in the allowance for doubtful accounts in relation to trade receivables and other assets are as described below. Assets whose recoverability is likely to be low are classified into credit-impaired financial assets (e.g., when only partial payment is made and interest has occurred or payment for assets 30 days past due is made irregularly).

Changes in allowance for doubtful accounts are as follows:

Changes in allowance for doubtful accounts as of March 31, 2016 were in accordance with Japanese GAAP.

(Millions of yen)

	Allowance for doubtful accounts
Balance as of April 1, 2015	3,234
Increase during the period	2,529
Decrease during the period (used)	(565)
Decrease during the period (reversal)	(1,904)
Foreign exchange differences	(167)
Other	(3)
Balance as of March 31, 2016	3,123

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2016	740	1,870	2,611
Cumulative effect of adoption of the new accounting standards	(422)	—	(422)
Balance as of April 1, 2016	318	1,870	2,189
Reclassification to credit-impaired financial assets	(20)	20	—
Increase resulting from new financial assets and derecognized financial assets	231	959	1,191
Write-offs	(72)	(452)	(524)
Foreign exchange differences	(20)	(59)	(79)
Other	1	(1)	0
Balance as of March 31, 2017	438	2,337	2,776

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2016	6,607	16,696	23,313
Cumulative effect of adoption of the new accounting standards	(3,768)	—	(3,768)
Balance as of April 1, 2016	2,839	16,696	19,545
Reclassification to credit-impaired financial assets	(179)	179	—
Increase resulting from new financial assets and derecognized financial assets	2,063	8,563	10,634
Write-offs	(643)	(4,036)	(4,679)
Foreign exchange differences	(179)	(527)	(705)
Other	9	(9)	0
Balance as of March 31, 2017	3,911	20,866	24,786

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses Credit-impaired financial assets	Total
Balance as of March 31, 2016	166	344	511
Cumulative effect of adoption of the new accounting standards	62	—	62
Balance as of April 1, 2016	229	344	573
Increase (decrease) resulting from new financial assets and derecognized financial assets	(211)	30	(181)
Write-offs	(0)	—	(0)
Foreign exchange differences	(14)	0	(14)
Balance as of March 31, 2017	3	374	377

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses Credit-impaired financial assets	Total
Balance as of March 31, 2016	1,482	3,071	4,563
Cumulative effect of adoption of the new accounting standards	554	—	554
Balance as of April 1, 2016	2,045	3,071	5,116
Increase (decrease) resulting from new financial assets and derecognized financial assets	(1,884)	268	(1,616)
Write-offs	(0)	—	(0)
Foreign exchange differences	(125)	0	(125)
Balance as of March 31, 2017	27	3,339	3,366

Changes in receivables for which an allowance for doubtful accounts is provided are as follows:

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2016	94,871	2,535	97,406
Reclassification to credit-impaired financial assets	(252)	252	—
New financial assets and derecognized financial assets	5,041	(309)	4,732
Write-offs	(104)	(481)	(586)
Foreign exchange differences	(2,554)	(102)	(2,656)
Other	(847)	847	(0)
Balance as of March 31, 2017	96,153	2,742	98,895

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2016	847,063	22,634	869,696
Reclassification to credit-impaired financial assets	(2,250)	2,250	—
New financial assets and derecognized financial assets	45,009	(2,759)	42,250
Write-offs	(929)	(4,295)	(5,232)
Foreign exchange differences	(22,804)	(911)	(23,714)
Other	(7,563)	7,563	(0)
Balance as of March 31, 2017	858,509	24,482	882,991

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2016	5,056	1	370	5,428
Reclassification to credit-impaired financial assets	(30)	—	30	—
New financial assets and derecognized financial assets	(40)	(0)	—	(41)
Write-offs	(2)	—	—	(2)
Foreign exchange differences	(24)	(0)	(0)	(25)
Other	6	—	—	6
Balance as of March 31, 2017	4,964	0	400	5,366

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2016	45,143	9	3,304	48,464
Reclassification to credit-impaired financial assets	(268)	—	268	—
New financial assets and derecognized financial assets	(357)	(0)	—	(366)
Write-offs	(18)	—	—	(18)
Foreign exchange differences	(214)	(0)	(0)	(223)
Other	54	—	—	54
Balance as of March 31, 2017	44,321	0	3,571	47,911

Of financial assets that are written off, there are no financial assets for which collecting activities continue in the year ended March 31, 2017.

d. Risk profile

The description of credit risk profiles by external credit ratings, etc., is as follows:

FY2016 (As of March 31, 2017)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	87,219	157	87,377
Within 30 days past due	5,629	70	5,700
31 to 60 days past due	1,689	23	1,712
61 to 90 days past due	697	78	776
Over 90 days past due	916	2,412	3,329
Total	96,153	2,742	98,895

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	778,741	1,402	780,152
Within 30 days past due	50,259	625	50,893
31 to 60 days past due	15,080	205	15,286
61 to 90 days past due	6,223	696	6,929
Over 90 days past due	8,179	21,536	29,723
Total	858,509	24,482	882,991

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	4,964	0	47	5,011
Over 90 days past due	0	0	353	354
Total	4,964	0	400	5,366

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	44,321	0	420	44,741
Over 90 days past due	0	0	3,152	3,161
Total	44,321	0	3,571	47,911

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	2,206
Rating A	6,753
Total	8,959

(Thousands of U.S. dollars)

	12-month expected credit losses
Rating AAA-AA	19,696
Rating A	60,295
Total	79,991

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2017 is the carrying amount of financial assets. No credit enhancement is provided by taking collateral, etc., as a guarantee.

<2> Liquidity risk management

a. Risk management activities

Liquidity risk is the risk that the Group may be unable to meet its repayment obligations on financial liabilities which are due for settlement.

The Group’s policy in financial activities is to keep liquidity at an appropriate level for present and future business activities and to ensure flexible and efficient funding. In accordance with this policy, the Group, mainly its financial subsidiaries, establishes and manages a cash management system to efficiently utilize the Group's funding. The Group also manages liquidity risk by regularly preparing and updating funding plans and entering into commitment line agreements with several financial institutions to ensure various means of funding.

b. Maturity analysis

The following table details the Group's expected maturity for its financial liabilities:

FY2015 (As of March 31, 2016)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	62,139	62,139	62,139	—	—	—	—	—
Borrowings	117,373	117,373	19,587	19,422	250	19,372	200	58,541
Bonds	41,114	41,114	1,114	—	20,000	—	20,000	—
Lease obligations	5,641	5,641	1,733	1,486	1,205	882	334	—
Other	2,814	2,814	129	1,583	129	—	40	930
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	695	695	695	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps	5,161	5,161	—	—	—	2,449	—	2,712
Total	234,940	234,940	85,399	22,491	21,585	22,704	20,574	62,184

FY2016 (As of March 31, 2017)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	66,268	66,268	66,268	—	—	—	—	—
Borrowings	96,938	97,182	19,776	250	19,339	200	19,339	38,278
Bonds	40,654	40,733	733	20,000	—	20,000	—	—
Lease obligations	4,273	4,290	1,500	1,233	924	385	245	—
Other	2,496	2,496	781	430	185	120	23	954
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	1,322	1,322	1,322	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	5,930	5,930	118	—	1,889	—	1,168	2,754
Total	217,885	218,226	90,502	21,913	22,339	20,706	20,777	41,987

FY2016 (As of March 31, 2017)

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	591,679	591,679	591,679	—	—	—	—	—
Borrowings	865,518	867,696	176,571	2,232	172,670	1,786	172,670	341,768
Bonds	362,982	363,688	6,545	178,571	—	178,571	—	—
Lease obligations	38,152	38,304	13,393	11,009	8,250	3,438	2,188	—
Other	22,286	22,286	6,973	3,839	1,652	1,071	205	8,518
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	11,804	11,804	11,804	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps /Currency swaps	52,946	52,946	1,054	—	16,866	—	10,429	24,589
Total	1,945,402	1,948,446	808,054	195,652	199,455	184,875	185,509	374,884

c. Commitment lines

Total amounts of commitment lines and their usage are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Total commitment lines	10,000	10,000	89,286
Drawn	—	—	—
Undrawn	10,000	10,000	89,286

<3> Foreign currency exchange rate risk management

a. Risk management activities

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilizing derivative financial instruments such as foreign exchange forward contracts and currency options.

b. Exchange sensitivity analysis

The following table details the Group's sensitivity of profit before income taxes in the consolidated statement of income and other comprehensive income in the consolidated statement of comprehensive income from financial assets and financial liabilities to a 1% increase in the Japanese yen against the relevant foreign currencies (i.e., the US dollar, Euro, British pound and Chinese yuan for each reporting period). Note that this analysis holds all other variables such as balance and interest rate constant.

(Millions of yen) (Thousands of U.S. dollars)

	FY2015 (Year ended March 31, 2016)		FY2016 (Year ended March 31, 2017)		FY2016 (Year ended March 31, 2017)	
	Profit before income taxes	Other comprehensive income (before tax effects)	Profit before income taxes	Other comprehensive income (before tax effects)	Profit before income taxes	Other comprehensive income (before tax effects)
USD	(72)	(41)	(107)	(86)	(955)	(768)
EUR	325	348	876	888	7,821	7,929
GBP	(216)	(260)	(54)	(84)	(482)	(750)
CNY	4	11	2	18	18	161

<4> Interest risk management

a. Risk management activities

The Group is exposed to interest rate risk, which influences borrowing costs and the fair value of bonds. This risk is managed by the use of derivative financial instruments such as interest rate swaps in accordance with predetermined policies to minimize the risk.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of each reporting period:

b. Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. If interest rates had been 1% higher and all other variables such as balance and exchange rate were held constant, the Group's profit before income taxes in the consolidated statement of income and other comprehensive income in the consolidated statement of comprehensive income would be as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Profit before income taxes	475	1,033	9,223
Other comprehensive income (before tax effects)	475	1,033	9,223

<5> Market risk management

a. Risk management activities

The Group is exposed to equity price risks arising from equity instruments. The Group holds the equity instruments for strategic rather than trading purposes and regularly checks the market value of the equity instruments and financial situation of issuers.

b. Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of each reporting period. If equity prices had been 1% higher and all other variables were held constant, the other comprehensive income before tax effect accounting would be as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Other comprehensive income (before tax effects)	136	171	1,527

(3) Hedge accounting

<1> Exchange rate risk with receivables and payables denominated in foreign currencies

a. Hedge management strategy

The Group holds assets and liabilities that are exposed to the risk of movements in foreign exchange rates and enters into foreign exchange forward contracts to hedge the risk. Some subsidiaries are also exposed to the risk of movements in foreign exchange differences due to sales and purchases denominated in currencies other than the functional currencies.

The maximum exposure to the risk of movements in foreign exchange differences as of March 31, 2017 is the carrying amount of receivables and payables denominated in foreign currencies. The net amount is the negative amount of ¥20,681 million ($184,652 thousand).

Certain subsidiaries adopt hedge accounting and use foreign exchange forward contracts to hedge the risk of movements in foreign exchange differences for forecast sales and purchase transactions. They enter into such contracts with a maximum of 90% of the value of net future cash flows in currencies other than the functional currencies which arise from future sales and purchase transactions. The period of foreign exchange forward contracts is within a year.

At the inception of a hedge, the Group formally designates and documents hedging relationships to which hedge accounting is applied as well as hedging risk management purposes and strategies. The Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The Group has established an appropriate hedge ratio based on the quantity of hedged items and hedging instruments at the beginning of the hedging relationship, which in principle is set to be one to one. The timing, notional value and currency of forward contracts match those of the hedged items. Therefore, the hedge ineffectiveness is considered to be immaterial. In addition, the effect of credit risk on the fair value of the forward exchange contracts is considered immaterial.

The amounts as of April 1, 2015 (Date of transition to IFRS) and for the year ended March 31, 2016 were in accordance with Japanese GAAP. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

b. Amount, timing and uncertainty of future cash flows

The Group uses foreign exchange forward contracts as hedging instruments. The amounts for each settlement timing are as follows:

FY2015 (As of March 31, 2016)

(Millions of yen)

	Contractual amount	Average rate	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Foreign exchange forward contracts								
Selling								
USD/GBP	2,963	1.50	2,963	—	—	—	—	—
EUR/GBP	2,219	1.30	2,219	—	—	—	—	—
CAD/GBP	653	1.97	653	—	—	—	—	—
CNY/GBP	1,542	9.87	1,542	—	—	—	—	—
Buying								
CHF/GBP	2,247	0.69	2,247	—	—	—	—	—
SEK/GBP	757	0.08	757	—	—	—	—	—
Total	10,384	—	10,384	—	—	—	—	—

FY2016 (As of March 31, 2017)

(Millions of yen)

	Contractual amount	Average rate	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Foreign exchange forward contracts								
Selling								
USD/GBP	2,330	1.32	2,330	—	—	—	—	—
EUR/GBP	1,166	1.19	1,166	—	—	—	—	—
CAD/GBP	679	1.73	679	—	—	—	—	—
CNY/GBP	1,514	9.16	1,514	—	—	—	—	—
Buying								
CHF/GBP	2,174	0.78	2,174	—	—	—	—	—
SEK/GBP	505	0.09	505	—	—	—	—	—
Total	8,370	—	8,370	—	—	—	—	—

(Thousands of U.S. dollars)

	Contractual amount	Average rate	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Foreign exchange forward contracts								
Selling								
USD/GBP	20,804	1.32	20,804	—	—	—	—	—
EUR/GBP	10,411	1.19	10,411	—	—	—	—	—
CAD/GBP	6,063	1.73	6,063	—	—	—	—	—
CNY/GBP	13,518	9.16	13,518	—	—	—	—	—
Buying								
CHF/GBP	19,411	0.78	19,411	—	—	—	—	—
SEK/GBP	4,509	0.09	4,509	—	—	—	—	—
Total	74,732	—	74,732	—	—	—	—	—

There are no forecasted transactions to which hedge accounting was applied in the year ended March 31, 2016, but has discontinued in the year ended March 31, 2017, as they are no longer expected to occur.

c. Impact of hedge accounting on consolidated financial statements

The following tables detail the forward foreign currency contracts outstanding at the end of each reporting period, as well as information regarding their related hedged items:

Hedging instruments designated as cash flow hedges are as follows:

FY2015 (As of March 31, 2016)

(Millions of yen)

	Contractual amount	Over 1 year	Carrying amount		Accounts in consolidated statement of financial position	Changes in fair value used for calculating the ineffective portion of hedges
			Assets	Liabilities		
Foreign exchange forward contracts	10,384	—	191	392	Other financial assets Other financial liabilities	(348)

FY2016 (As of March 31, 2017)

(Millions of yen)

	Contractual amount	Over 1 year	Carrying amount		Accounts in consolidated statement of financial position	Changes in fair value used for calculating the ineffective portion of hedges
			Assets	Liabilities		
Foreign exchange forward contracts	8,370	—	132	285	Other financial assets Other financial liabilities	221

(Thousands of U. S. dollars)

	Contractual amount	Over 1 year	Carrying amount		Accounts in consolidated statement of financial position	Changes in fair value used for calculating the ineffective portion of hedges
			Assets	Liabilities		
Foreign exchange forward contracts	74,732	—	1,179	2,545	Other financial assets Other financial liabilities	1,973

Hedged items designated as cash flow hedges are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Changes in fair value used for calculating the ineffective portion of hedges	348	(221)	(1,973)
Cash flow hedge reserve with continuing hedges	(200)	(161)	(1,438)

The impact of hedge accounting on the consolidated statement of income is as follows:

FY2015 (Year ended March 31, 2016)

(Millions of yen)

	Changes in value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Accounts that reclassification had an impact on
Foreign exchange forward contracts	(348)	(97)	Other income

FY2016 (Year ended March 31, 2017)

(Millions of yen)

	Changes in value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Accounts that reclassification had an impact on
Foreign exchange forward contracts	221	173	Other income

(Thousands of U. S. dollars)

	Changes in value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Accounts that reclassification had an impact on
Foreign exchange forward contracts	1,973	1,545	Other income

<2> Foreign currency exchange rate risk with transactions among the Group

a. Hedge management strategy

Regarding certain transactions among the Group, the Group is exposed to the risk of movements in foreign exchange differences due to transactions denominated in currencies other than the functional currencies because it operates globally. In principle, the Group manages exchange rate risk from the net amount between trade receivables and trade payables denominated in foreign currencies by utilizing foreign exchange forward contracts and currency options. The period of foreign exchange forward contracts and currency options is within one year.

At the inception of a hedge, the Group formally designates and documents hedging relationships to which hedge accounting is applied as well as hedging risk management purposes and strategies. The Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The amounts as of April 1, 2015 (Date of transition to IFRS) and for the year ended March 31, 2016 were in accordance with Japanese GAAP. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

After the adoption of IFRS 9, hedge accounting is not applied to hedge transactions to the above risk.

b. Amount, timing and uncertainty of future cash flows

The Group uses foreign exchange forward contracts as hedging instruments. The amounts for each settlement period are as follows:

Date of transition to IFRS (As of April 1, 2015)

(Millions of yen)

	Contractual amount	Average rate	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Foreign exchange forward contracts								
Selling								
EUR/JPY	28,887	141.26	28,887	—	—	—	—	—
GBP/JPY	7,141	178.53	7,141	—	—	—	—	—
KRW/USD	128	1,121.90	128	—	—	—	—	—
INR/USD	143	63.77	143	—	—	—	—	—
TWD/USD	121	30.87	121					
Buying								
GBP/JPY	103,350	187.91	103,350	—	—	—	—	—
Total	139,772	—	139,772	—	—	—	—	—

c. Impact of hedge accounting on consolidated financial statements

The following tables detail the forward foreign currency contracts outstanding at the end of each reporting period, as well as information regarding their related hedged items:

Hedging instruments designated as cash flow hedges are as follows:

Date of transition to IFRS (As of April 1, 2015)

(Millions of yen)

	Contractual amount	Over 1 year	Carrying amount		Accounts in consolidated statement of financial position	Changes in fair value used for calculating the ineffective portion of hedges
			Assets	Liabilities		
Foreign exchange forward contracts	139,772	—	2,920	6,134	Other financial assets Other financial liabilities	—

<3> Foreign currency exchange rate risk and variable interest risk with borrowings denominated in foreign currencies

a. Hedge management strategy

Regarding certain borrowings, the Group is exposed to the risk of movements in foreign exchange differences due to those borrowings denominated in currencies other than the functional currencies. Also, certain borrowings are contracts based on variable interest rates and are exposed to variable interest risk. The Group manages foreign currency exchange rate risk and variable interest risk by utilizing interest-rate and currency swaps and interest rate swaps.

At the inception of a hedge, the Group formally designates and documents hedging relationships to which hedge accounting is applied as well as hedging risk management purposes and strategies. The Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The amounts as of April 1, 2015 (Date of transition to IFRS) and for the year ended March 31, 2016 were in accordance with Japanese GAAP. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Interest-rate and currency swaps and interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

After the adoption of IFRS 9, hedge accounting is not applied to hedge transactions to the above risk.

b. Amount, timing and uncertainty of future cash flows

The Group uses interest-rate and currency swaps and interest rate swaps as hedging instruments. The amounts for each settlement period are as follows:

FY2015 (As of March 31, 2016)

(Millions of yen)

	Contractual amount	Average rate	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Interest-rate and currency swaps	11,997	121.00	—	—	—	—	—	11,997
Interest rate swaps	44,000	—	4,000	8,000	—	8,000	—	24,000
Total	55,997	—	4,000	8,000	—	8,000	—	35,997

(4) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017) (Millions of yen)	FY2016 (As of March 31, 2017) (Thousands of U.S. dollars)
Assets:				
Financial assets measured at amortized cost				
Cash and cash equivalents	—	—	112,032	1,000,286
Trade and other receivables	—	—	96,112	858,143
Other financial assets	—	—	17,962	160,375
Financial assets measured at acquisition cost or amortized cost				
Cash and cash equivalents	105,347	67,387	—	—
Trade and other receivables	96,404	94,750	—	—
Other financial assets	8,013	8,158	—	—
Financial assets measured at FVTPL				
Other financial assets	2,920	3,247	4,202	37,518
Equity instruments measured at FVTOCI				
Other financial assets	—	—	17,178	153,375
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale				
Other financial assets	41,187	31,575	—	—
Total	253,873	205,119	247,487	2,209,705
Liabilities:				
Lease obligations				
Other financial liabilities	4,414	5,641	4,273	38,152
Financial liabilities measured at amortized cost				
Trade and other payables	—	—	66,268	591,679
Bonds and borrowings	—	—	137,592	1,228,500
Other financial liabilities	—	—	2,496	22,286
Financial liabilities measured at the amount payable or amortized cost				
Trade and other payables	73,817	62,139	—	—
Bonds and borrowings	15,200	158,487	—	—
Other financial liabilities	3,097	2,814	—	—
Financial liabilities measured at FVTPL				
Other financial liabilities	6,134	5,857	7,253	64,759
Total	102,664	234,940	217,885	1,945,402

(5) Fair value of financial instruments

<1> Fair value at the end of the period

a. Fair values and carrying amounts by class at the end of the period

The carrying amounts and fair values of financial instruments are as shown below.

Financial instruments measured at fair value and financial instruments of which the carrying amount approximates the fair value are not included.

						(Millions of yen)		(Thousands of U.S. dollars)
	Date of Transition to IFRS (As of April 1, 2015)		FY2015 (As of March 31, 2016)		FY2016 (As of March 31, 2017)		FY2016 (As of March 31, 2017)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:								
Other financial assets	8,013	8,013	8,158	8,160	17,962	17,953	160,375	160,295
Liabilities:								
Bonds and borrowings	15,200	15,221	158,487	157,235	137,592	136,580	1,228,500	1,219,464
Other financial liabilities	7,511	7,511	8,455	8,455	6,769	6,769	60,438	60,438

The amounts as of April 1, 2015 (Date of transition to IFRS) and March 31, 2016 are in accordance with Japanese GAAP, and the fair value is the amount disclosed as market value under Japanese GAAP.

b. Fair value measurement method

The method of measuring the fair value of a financial instrument is as follows.

(Cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities)

For the items that are settled in a short period of time, the carrying amounts are deemed to be the fair value because the fair values approximate the carrying amounts. The other items are measured at the present value of the future cash flow that is discounted by using a rate reflecting the period up to the due date and credit risk. They are classified in Level 2 of the fair value hierarchy.

(Other financial assets and other financial liabilities)

The fair value of listed shares and corporate bonds is the market price at the end of the period and is categorized as Level 1 of the fair value hierarchy. The fair value of non-listed shares, etc., is measured mainly by the multiple method or the net asset value method using unobservable inputs such as valuation multiples and is classified in Level 3 of the fair value hierarchy. The fair value of financial instruments categorized as Level 3 is measured in accordance with related internal regulations by using valuation techniques and inputs that can reflect the nature, characteristics and risks of the relevant financial instruments in the most appropriate manner. The results of fair value measurement are reviewed by senior managers. The EBIT multiple and the net asset multiple are the major unobservable inputs that are used to measure the fair value of financial instruments in Level 3. The EBIT multiple and the net asset multiple used for fair value measurement in the current fiscal year are between 5.0x and 19.7x and between 0.7x and 4.0x, respectively. The fair value increases (decreases) by an increase (decrease) in the EBIT multiple or the net asset multiple.

With respect to financial instruments categorized in Level 3, there are no significant changes in the fair value when changing unobservable inputs to reasonably possible alternative assumptions.

The fair value of derivatives, etc., is measured based on observable market data such as interest rates and exchange rates offered by counterparty financial institutions, etc. and is classified in Level 2 of the fair value hierarchy.

(Bonds and borrowings)

The fair value of bonds and borrowings is the present value calculated by discounting future cash flows at a rate assumed when executing a new similar contract. This is classified in Level 2 as observable market data is used.

<2> Financial instruments measured at fair value on a recurring basis

a. Fair value hierarchy

Date of transition to IFRS (As of April 1, 2015)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	2,920	—	2,920
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale				
Other financial assets	35,915	2,801	—	38,716
Total	35,915	5,721	—	41,636
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	6,134	—	6,134
Total	—	6,134	—	6,134

FY2015 (As of March 31, 2016)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	3,247	—	3,247
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale				
Other financial assets	27,118	1,651	—	28,770
Total	27,118	4,898	—	32,017
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	5,857	—	5,857
Total	—	5,857	—	5,857

The amounts as of April 1, 2015 (Date of transition to IFRS) and March 31, 2016 are in accordance with Japanese GAAP, and the fair value is the amount disclosed as market value under Japanese GAAP. Non-listed shares, investment funds and others for which determining market values is deemed extremely difficult, as no market prices are available, are measured at acquisition cost under Japanese GAAP and, therefore, not included in the table above.

FY2016 (As of March 31, 2017)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	2,203	1,998	4,202
Financial assets measured at FVTOCI				
Other financial assets	14,977	—	2,200	17,178
Total	14,977	2,203	4,199	21,380
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	7,253	—	7,253
Total	—	7,253	—	7,253

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	19,670	17,839	37,518
Financial assets measured at FVTOCI				
Other financial assets	133,723	—	19,643	153,375
Total	133,723	19,670	37,491	190,893
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	64,759	—	64,759
Total	—	64,759	—	64,759

b. Changes in financial assets of Level 3

The following are changes in financial instruments measured at fair value that are categorized as Level 3.

FY2016 (Year ended March 31, 2017)

(Millions of yen)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2016	1,711	1,890	3,602
Total gains and losses	(28)	255	226
Profit or loss (Note 1)	(28)	—	(28)
Other comprehensive income (Note 2)	—	255	255
Purchase	338	104	442
Sale	—	(50)	(50)
Foreign exchange differences	(4)	(0)	(4)
Other	(17)	—	(17)
Balance as of March 31, 2017	1,998	2,200	4,199

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income.

(Note 2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

FY2016 (Year ended March 31, 2017)

(Thousands of U.S. dollars)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2016	15,277	16,875	32,161
Total gains and losses	(250)	2,277	2,018
Profit or loss (Note 1)	(250)	—	(250)
Other comprehensive income (Note 2)	—	2,277	2,277
Purchase	3,018	929	3,946
Sale	—	(446)	(446)
Foreign exchange differences	(36)	(0)	(36)
Other	(152)	—	(152)
Balance as of March 31, 2017	17,839	19,643	37,491

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in

the consolidated statement of income.
(Note 2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

<3> Financial instruments not measured at fair value

With regard to financial instruments not measured at fair value, fair value measurements are classified in Level 1, 2 and 3 based on the observability and significance of inputs used for the measurement.

Date of transition to IFRS (As of April 1, 2015)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	100	7,913	—	8,013
Total	100	7,913	—	8,013
Liabilities:				
Bonds and borrowings	—	15,221	—	15,221
Other financial liabilities	—	7,511	—	7,511
Total	—	22,732	—	22,732

FY2015 (As of March 31, 2016)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	100	8,060	—	8,160
Total	100	8,060	—	8,160
Liabilities:				
Bonds and borrowings	—	157,235	—	157,235
Other financial liabilities	—	8,455	—	8,455
Total	—	165,690	—	165,690

FY2016 (As of March 31, 2017)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	8,949	9,003	—	17,953
Total	8,949	9,003	—	17,953
Liabilities:				
Bonds and borrowings	—	136,580	—	136,580
Other financial liabilities	—	6,769	—	6,769
Total	—	143,350	—	143,350

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	79,902	80,384	—	160,295
Total	79,902	80,384	—	160,295
Liabilities:				
Bonds and borrowings	—	1,219,464	—	1,219,464
Other financial liabilities	—	60,438	—	60,438
Total	—	1,279,911	—	1,279,911

(6) Investments in equity instruments designated as at FVTOCI

The investments in equity instruments are held not for trading. Instead, they are held for strategic purposes in order to ensure smooth business operations. Accordingly, the Company has elected to designate these investments in equity instruments as at FVTOCI. Major investments in equity instruments and their fair values are as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Nidec Corporation	2,611	2,518	3,464	30,929
Zeon Corporation	2,625	1,721	3,005	26,830
Citizen Watch Co., Ltd.	2,815	1,948	2,180	19,464
Makita Corporation	1,781	2,027	1,520	13,571
Toho Gas Co., Ltd.	701	799	787	7,027
Other	8,777	4,655	6,220	55,536
Total	19,312	13,670	17,178	153,375

The amounts as of April 1, 2015 (Date of transition to IFRS) and March 31, 2016 are measured in accordance with Japanese GAAP, and the amounts of equity instruments (stocks) classified as available-for-sale securities under Japanese GAAP are stated in the table above. In addition, investments in unlisted companies, investment funds and other investments which are measured at acquisition cost are not included in the table above because it deemed to be extremely difficult to determine their market values, as no quoted prices are available under Japanese GAAP.

The breakdown of dividends received that are recognized from equity instruments is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Financial assets held at the end of the period	303	270	2,411
Financial assets derecognized during the period	8	20	179

Equity instruments are sold taking into consideration the fair value status and operational needs. The fair value of the items sold during the period at the date of derecognition and the cumulative gain or loss recognized in other comprehensive income are as follows:

	FY2015 (Year ended March 31, 2016) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Millions of yen)	FY2016 (Year ended March 31, 2017) (Thousands of U.S. dollars)
Fair value	2,964	2,292	20,464
Cumulative gain or loss	1,450	753	6,723

The amounts for the year ended March 31, 2016 are in accordance with Japanese GAAP. The fair value of equity instruments (stocks) classified as available-for-sale securities at the date of derecognition and the cumulative amount of gain or loss recognized in the consolidated statement of income are presented.

Changes in the fair value of equity instruments recognized in other comprehensive income from the year ended March 31, 2017 are reclassified in retained earnings immediately when they occur. The cumulative amount of gain or loss on such reclassification is ¥2,644 million ($23,607 thousand) for the year ended March 31, 2017.

(7) Offsetting financial assets and financial liabilities

The following tables show the amounts of financial assets and liabilities offset in the consolidated statement of financial position and those that are subject to enforceable master netting agreements or similar agreements with counterparties as of April 1 2015, March 31, 2016 and March 31, 2017:

Date of transition to IFRS (As of April 1, 2015)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	106,839	(10,434)	96,404	—	96,404
Derivatives	2,920	—	2,920	(110)	2,809
Total	109,758	(10,434)	99,324	(110)	99,214

The aforementioned “Derivatives” are included in “Other financial assets” in the consolidated statement of financial position.

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	84,251	(10,434)	73,817	—	73,817
Derivatives	6,134	—	6,134	(110)	6,024
Total	90,386	(10,434)	79,952	(110)	79,841

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

FY2015 (As of March 31, 2016)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	105,312	(10,562)	94,750	—	94,750
Derivatives	3,247	—	3,247	(668)	2,578
Total	108,560	(10,562)	97,997	(668)	97,329

The aforementioned "Derivatives" are included in "Other financial assets" in the consolidated statement of financial position.

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	72,701	(10,562)	62,139	—	62,139
Derivatives	5,857	—	5,857	(668)	5,188
Total	78,559	(10,562)	67,977	(668)	67,328

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

FY2016 (As of March 31, 2017)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	105,559	(9,447)	96,112	—	96,112
Derivatives	1,059	(0)	1,059	(213)	846
Total	106,619	(9,447)	97,171	(213)	96,958

The aforementioned "Derivatives" are included in "Other financial assets" in the consolidated statement of financial position.

(Thousands of U.S. dollars)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	942,491	(84,348)	858,143	—	858,143
Derivatives	9,455	(0)	9,455	(1,902)	7,554
Total	951,955	(84,348)	867,598	(1,902)	865,696

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	75,716	(9,447)	66,268	—	66,268
Derivatives	7,253	(0)	7,253	(213)	7,039
Total	82,970	(9,447)	73,522	(213)	73,308

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

(Thousands of U.S. dollars)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	676,036	(84,348)	591,679	—	591,679
Derivatives	64,759	(0)	64,759	(1,902)	62,848
Total	740,804	(84,348)	656,446	(1,902)	654,536

Financial assets and collateral pledged subject to enforceable master netting arrangements and similar agreements are to be set off at the net amounts, if a certain condition, such as a default or cancellation in the arrangement, is met.

(8) Gains and losses arising on financial instruments

The total amounts of gains and losses arising on financial instruments are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Financial instruments measured at FVTPL (derivatives)	(1,127)	3,664	32,714
Financial instruments measured at FVTPL (other than derivatives) (Note)	—	(15)	(134)
Equity instruments measured at FVTOCI	—	290	2,589
Financial assets measured at FVTOCI and recognized through profit or loss at the time of sale	1,750	—	—
Financial assets measured at amortized cost	379	250	2,232
Financial liabilities measured at amortized cost	(1,378)	(1,387)	(12,384)
Total	(375)	(2,803)	(25,027)

(Note) Net gains and losses arising on financial instruments other than derivatives measured at FVTOCI include interest income.

The amounts for the year ended March 31, 2016 are in accordance with Japanese GAAP and include gains and losses recognized in the consolidated statement of income in relation to the derecognition of financial instruments categorized as available-for-sale securities.

41. Significant Subsidiaries

Details of significant consolidated subsidiaries as of March 31, 2017, are as follows:

	Capital in thousands of local currency		Principal business	Equity ownership percentage As of March 31, 2017	
				Directly	Indirectly
Brother International Corporation (U.S.A.)	US$	7,034	P&S, P&H, Machinery	100.0 %	–
Brother International Corporation (Canada) Ltd.	C$	11,592	P&S, P&H	–	100.0 %
Brother International De Mexico, S.A. De C.V.	MEX$	125,926	P&S, P&H	–	100.0
Brother Industries (U.S.A.) Inc.	US$	14,000	P&S, Macinery	–	100.0
Brother International Corporation Do Brazil, Ltda.	R$	49,645	P&S, P&H	–	100.0
Brother Sewing Machines Europe Gmbh	EURO	25	P&H	–	100.0
Brother Nordic A/S	DKr.	42,000	P&S	–	100.0
Brother International Europe Ltd.	Stg.£	26,500	P&S	–	100.0
Brother Holding (Europe) Ltd.	Stg.£	87,013	Other (Holding company)	100.0	–
Brother U.K. Ltd.	Stg.£	17,400	P&S	–	100.0
Brother Internationale Industriemachinen GmbH	EURO	9,000	Machinery	–	100.0
Brother France SAS	EURO	12,000	P&S	–	100.0
Brother International GmbH	EURO	25,000	P&S	–	100.0
Brother Italia S.p.A.	EURO	3,700	P&S	–	100.0
Domino Printing Sciences plc	Stg.£	5,733	Domino	100.0	–
Domino UK Ltd.	Stg.£	0.1	Domino	–	100.0
Domino Amjet, Inc.	US$	1	Domino	–	100.0
Brother Industries (U.K.) Ltd.	Stg.£	9,700	P&S	100.0	–
Brother Finance (U.K.) Plc	Stg.£	2,500	Other (Finance)	100.0	–
Brother Industries (Slovakia) s.r.o.	EURO	5,817	P&S	–	100.0
Taiwan Brother Industries, Ltd.	NT$	242,000	P&H	100.0	–
Zhuhai Brother Industries, Co., Ltd.	CNY	49,105	P&S,P&H, N&C, Domino	100.0	–
Brother International (HK) Ltd.	US$	11,630	P&S, P&H	100.0	–
Brother International (Aust.) Pty. Ltd.	A$	2,500	P&S, P&H	100.0	–
Brother International Singapore Pte. Ltd.	US$	9,527	P&S, P&H	–	100.0
Brother Machinery (Asia) Ltd.	US$	37,000	Machinery	100.0	–
Brother Machinery Xian Co., Ltd.	CNY	282,712	Machinery	100.0	–
Brother (China) Ltd.	CNY	168,465	P&S, P&H	100.0	–
Brother Industries (Vietnam) Ltd.	US$	80,000	P&S	100.0	–
Brother Technology (Shenzhen) Ltd.	CNY	297,755	P&S	–	100.0
Brother Machinery Shanghai Ltd.	CNY	50,000	Machinery	–	100.0
Brother Industries Saigon, Ltd.	US$	28,000	P&H	100.0	–
Brother Industries (Philippines), Inc.	US$	134,000	P&S	100.0	–
Nissei Gear Motor Mfg (Changzhou) Co., Ltd.	CNY	111,600	Machinery	–	100.0
Brother Machinery Vietnam Co., Ltd.	US$	41,000	Machinery	100.0	–

	Capital in thousands of local currency	Principal business	Equity ownership percentage As of March 31, 2017	
			Directly	Indirectly
Brother International Corporation (Japan)	JPY 630 million	P&S, P&H	100.0	—
Brother Real Estate, Ltd.	JPY 300 million	Other (Real estate)	100.0	—
Xing Inc.	JPY 7,122 million	N&C	99.9	—
Brother Sales, Ltd.	JPY 3,500 million	P&S, P&H	100.0	—
Teichiku Entertainment, Inc.	JPY 124 million	N&C	—	96.1
Nissei Corporation	JPY 3,475 million	Machinery	60.2	—
Standard Corp.	JPY 90 million	N&C	—	100.0

(Note) "P&S" represents Printing & Solutions, "P&H" Personal & Home, and "N&C" Network & Contents.

The Company recognizes a significant non-controlling interest in Nissei Corporation.
Details of the non-controlling interest in Nissei Corporation are as follows:

Ownership ratio and voting rights ratio of the non-controlling interest

Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
39.84%	39.84%	39.84%

Profit allocated to the non-controlling interest

	(Millions of yen)	(Thousands of U.S. dollars)
FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
285	185	1,652

Accumulated amount attributable to the non-controlling interest

		(Millions of yen)	(Thousands of U.S. dollars)
Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
16,661	16,842	16,938	151,232

The summarized financial statements of Nissei Corporation are as follows. Amounts in the summarized financial statements are before the elimination of intra-group transactions.

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Current assets	13,224	20,799	21,621	193,045
Non-current assets	33,994	25,410	24,631	219,920
Current liabilities	4,208	3,743	3,465	30,938
Non-current liabilities	472	353	485	4,330

(Millions of yen) (Thousands of U.S. dollars)

	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Revenue	17,051	17,646	157,554
Profit for the year	571	479	4,277
Comprehensive income for the year	635	620	5,536
Cash dividends paid to non-controlling interests	187	209	1,866
Net cash provided by operating activities	749	2,467	22,027
Net cash used in investing activities	(255)	1,389	12,402
Net cash used in financing activities	(493)	(548)	(4,893)
Net cash flow	1	3,307	29,527

42. Related Parties

(1) Related party transactions

FY2015 (Year ended March 31, 2016)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Abeam Systems Corporation	Outsourcing of software developments	4,871	1,038

(Note)
1) Related party transactions are negotiated and decided separately.
2) No collateral is set for balance at the end of the period. All settlement is done in cash.

FY2016 (Year ended March 31, 2017)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Abeam Systems Corporation	Outsourcing of software developments	3,937	1,219

(Thousands of U.S. dollars)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Abeam Systems Corporation	Outsourcing of software developments	35,152	10,884

(Note)
1) Related party transactions are negotiated and decided separately.
2) No collateral is set for balance at the end of the period. All settlement is done in cash.

(2) Compensation for key management personnel

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2015 (Year ended March 31, 2016)	FY2016 (Year ended March 31, 2017)	FY2016 (Year ended March 31, 2017)
Short-term employee benefits	234	301	2,688
Share-based payments	56	58	518
Total	291	360	3,214

43. Commitments

Commitments related to expenditures after the end of the reporting period are as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	Date of transition to IFRS (As of April 1, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2016 (As of March 31, 2017)
Acquisition of property, plant and equipment	3,465	2,838	4,618	41,232
Acquisition of intangible assets	392	85	70	625
Total	3,857	2,924	4,688	41,857

44. Contingent Liabilities

Not applicable.

45. Subsequent Events

Cancellation of treasury stock

At the Board of Directors meeting held on May 9, 2017, the Company resolved to cancel treasury stock pursuant to Article 178 of the Companies Act of Japan and executed the cancellation.

(1) Reason for cancellation: The Company canceled most of its treasury stock with the intent of eliminating concerns about future stock dilution.

(2) Type of shares canceled: Common stock

(3) Number of shares canceled: 15,315,336 shares (5.52% of the total number of issued shares prior to cancellation)

(4) Amount of shares canceled: ¥21,391 million ($190,991 thousand)

(5) Date of cancellation: May 31, 2017

(6) Number of issued shares after cancellation: 262,220,530 shares

46. First-time Adoption

The Group has prepared its consolidated financial statements in accordance with IFRS from the year ended March 31, 2017. Up to the year ended March 31, 2016, the Group prepared its consolidated financial statements in accordance with Japanese GAAP. The date of the transition to IFRS was April 1, 2015.

Exemptions of IFRS 1

In principle, IFRS requires a company that adopts IFRS for the first time (“first-time adopter”) to apply IFRS retrospectively. However, IFRS 1 gives certain mandatory exceptions and optional exemptions from retrospective application. The effects from the application of these requirements are reflected in retained earnings or other components of equity as of April 1, 2015 (Date of transition to IFRS). The exemptions that the Group adopted for transition from Japanese GAAP to IFRS are as follows.

- Business combination

A first-time adopter may choose not to apply IFRS 3 “Business Combination” retrospectively for business combinations prior to its transition to IFRS. The Group has applied this exemption, and as a result, the amount of goodwill arising from business combinations prior to the transition is presented at the carrying amount as of April 1, 2015 (Date of transition to IFRS) under Japanese GAAP. An impairment test was performed on goodwill at April 1, 2015 (Date of transition to IFRS), irrespective of indications of impairment.

- Cumulative translation differences of foreign operations

The Group adopted the exemption set forth in IFRS 1, and the cumulative translation differences were deemed to be zero as of April 1, 2015 (Date of transition to IFRS).

- Restatement of comparative information for IFRS 9

IFRS 1 allows a first-time adopter to keep the previous GAAP accounting for comparative information on items in the scope of IFRS 9 instead of restating such information in accordance with IFRS 7 and IFRS 9 if the first-time adopter is starting its first IFRS reporting period before January 1, 2019 and choosing early adoption of IFRS 9.

The Group adopted the exemption, and recognized and measured items within the scope of IFRS 9 in the comparable consolidated financial statements under Japanese GAAP.

Mandatory exceptions in IFRS 1

IFRS 1 prohibits retrospective application of IFRS for “Estimates” and “Non-controlling interest.” The Group has prospectively applied the requirements of IFRS for these items from April 1, 2015 (Date of transition to IFRS).

A reconciliation for which disclosure is required in the fiscal year in which IFRS was applied for the first time is as shown below. The “Reclassification of line items” on the reconciliation presents the items not affecting retained earnings and comprehensive income, and the “Reconciliation of recognition and measurement” on the reconciliation presents the items affecting retained earnings and comprehensive income. Also, "Changes in fiscal closing date and scope of consolidation" on the reconciliation presents adjustments made for the effects of changes in the scope of consolidation and subsidiaries' fiscal closing dates.

Reconciliation of Equity as of April 1, 2015 (Date of Transition to IFRS)

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Assets							Assets
Current assets							Current assets
Cash and time deposits	107,949	(3,271)	—	670	105,347	(1)	Cash and cash equivalents
Notes and accounts receivable - trade	101,240	(3,481)	(1,204)	(149)	96,404	(2),(8)	Trade and other receivables
Short-term investments	2,915	6,265	—	185	9,367	(1),(5)	Other financial assets
Inventories	122,425	(136)	(470)	164	121,982	(3)	Inventories
Deferred tax assets	21,196	(21,196)	—	—	—	(4)	
Other	17,816	(3,833)	(631)	14	13,366	(5)	Other current assets
Allowance for doubtful accounts	(1,813)	1,813	—	—	—	(2)	
	371,731	(23,840)	(2,307)	884	346,468		Subtotal
	—	385	—	—	385		Non-current assets classified as held for sales
Total current assets	371,731	(23,454)	(2,307)	884	346,854		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	112,143	(7,055)	12,250	114	117,453	(6),(7)	Property, plant and equipment
	—	6,670	939	—	7,609	(6),(7)	Investment property
Goodwill	3,836	17,532	(3,426)	11	17,954	(6),(7)	Goodwill and intangible assets
Other (intangible assets)	16,823	(16,823)	—	—	—	(7)	
Investment securities	39,913	3,475	(0)	(635)	42,753	(8)	Other financial assets
	—	1,343	—	—	1,343	(8)	Investments accounted for using the equity method
Long-term loans receivable	701	(701)	—	—	—	(8)	
Deferred tax assets	4,639	15,888	(2,916)	6	17,618	(4)	Deferred tax assets
Asset for retirement benefits	6,675	(6,675)	—	—	—	(9)	
Other (investments and other assets)	12,315	(810)	(3,653)	20	7,871	(6),(7),(8),(9),(19)	Other non-current assets
Allowance for doubtful accounts	(1,551)	1,551	—	—	—	(8)	
Total non-current assets	195,499	14,394	3,194	(482)	212,604		Total non-current assets
Total assets	567,230	(9,060)	887	402	559,458		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable - trade	44,712	29,004	—	101	73,817	(10),(15)	Trade and other payables
Short-term borrowings	576	10,200	—	(281)	10,494	(11)	Bonds and borrowings
Current portion of long-term borrowing	10,200	(10,200)	—	—	—	(11)	
	—	7,784	3	—	7,787	(12)	Other financial liabilities
Accrued expenses	30,709	(30,709)	—	—	—	(15)	
Income taxes payable	14,923	(483)	—	8	14,449	(13)	Income taxes payable
Deferred tax liabilities	85	(85)	—	—	—		
Accrued bonuses	9,776	(9,776)	—	—	—	(15)	
Accrued bonuses for directors	63	(63)	—	—	—	(15)	
Provision for product warranties	5,457	(106)	—	—	5,351	(14),(18)	Provisions
Provision for copyright fee	1,310	(1,310)	—	—	—	(14)	
Asset retirement obligations	31	(31)	—	—	—	(14)	
Other	35,541	19	6,992	(112)	42,442	(10),(12), (15)	Other current liabilities
Total current liabilities	153,389	(5,758)	6,995	(284)	154,342		Total current liabilities
Long-term liabilities							Non-current liabilities
Long-term borrowing	4,705	—	—	—	4,705	(16)	Bonds and borrowings
Deferred tax liabilities	12,980	(5,222)	(5,174)	17	2,601	(20)	Deferred tax liabilities
Accrued retirement benefits for directors	556	(556)	—	—	—	(19)	
Liability for retirement benefits	18,036	637	864	26	19,564	(19)	Retirement benefit liabilities
Asset retirement obligations	1,442	2,257	0	1	3,701	(18)	Provisions
	—	5,858	—	(0)	5,858	(17)	Other financial liabilities
Other	8,834	(6,276)	290	—	2,848	(17)	Other non-current liabilities
Total long-term liabilities	46,556	(3,302)	(4,019)	45	39,279		Total non-current liabilities
Total liabilities	199,945	(9,060)	2,976	(238)	193,622		Total liabilities

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Equity							Equity
Common stock	19,209	—	—	—	19,209		Capital stock
Capital surplus	16,695	615	(111)	—	17,200	(21)	Capital surplus
Retained earnings	314,892	—	15,846	425	331,165	(22),(23)	Retained earnings
Treasury stock	(24,224)	—	—	—	(24,224)		Treasury stock
Accumulated other comprehensive income	23,589	—	(17,672)	192	6,110	(23)	Other components of equity
Stock acquisition rights	615	(615)	—	—	—	(21)	
	350,778	—	(1,936)	617	349,460		Equity attributable to owners of the parent company
Non-controlling interests	16,505	—	(152)	22	16,375		Non-controlling interests
Total equity	367,284	—	(2,089)	640	365,835		Total equity
Total liabilities and equity	567,230	(9,060)	887	402	559,458		Total equity and liabilities

Note on the Reconciliation of Equity as of April 1, 2015 (Date of Transition to IFRS)

(1) Cash and cash equivalents
Reclassification of accounts
A time deposit of ¥3,271 million with a deposit term exceeding three months, which was included in cash and time deposits under Japanese GAAP, is presented in “Other financial assets” (current assets) under IFRS.

(2) Trade and other receivables
Reclassification of accounts
An allowance for doubtful accounts (current assets) of ¥1,813 million, which was separately stated under Japanese GAAP, is included in “Trade and other receivables” under IFRS.

Reconciliation of recognition/measurement
Revenue was recognized mainly at the time of shipment under Japanese GAAP. Under IFRS, it is recognized when significant risks and rewards incidental to ownership of goods are transferred to customers, resulting in a decrease of ¥1,218 million in “Trade and other receivables.”

(3) Inventories
Reconciliation of recognition/measurement
Revenue was recognized mainly at the time of shipment under Japanese GAAP. Under IFRS, it is recognized when significant risks and rewards incidental to ownership of goods are transferred to customers, resulting in an increase of ¥715 million in “Inventories”.
“Inventories” were also reduced by ¥825 million due to the retrospective change in functional currencies of certain overseas subsidiaries.

(4) Deferred tax assets
Reclassification of accounts
Deferred tax assets of ¥21,196 million, which were separately stated in current assets under Japanese GAAP, are presented as “Deferred tax assets” in non-current assets. The deferred tax assets that meet the offsetting requirements as a result of this change have been offset with “Deferred tax liabilities,” leading to a decrease of ¥5,300 million in “Deferred tax assets.”

Reconciliation of recognition/measurement
“Deferred tax assets” decreased by ¥1,416 million as a result of examining, based on IFRS, the probability of generating taxable income which can realize the benefits of deductible temporary differences in relation to changes in temporary differences associated with the reconciliation of other accounts in the statement of financial position and the recoverability of deferred tax assets.
Tax effects from eliminating unrealized gains for inventories were calculated using the effective tax rate of the seller under Japanese GAAP, whereas they are computed using the effective tax rate of the buyer under IFRS, which resulted in a decline of ¥1,499 million in “Deferred tax assets.”

(5) Other current assets
Reclassification of accounts
Derivatives, etc., of ¥2,810 million, which was presented in “Other” under current assets in accordance with Japanese GAAP, are included in “Other financial assets” (current assets).

(6) Property, plant and equipment
Reclassification of accounts
Property held for rental income of ¥6,670 million, which was included in property, plant and equipment under Japanese GAAP, is presented in “Investment property.”

Reconciliation of recognition/measurement
“Property, plant and equipment” and “Investment property” increased by ¥13,891 million and ¥939 million, respectively, due to changes made in depreciation methods and useful lives in adopting IFRS.
Under Japanese GAAP, when there were indications of impairment, the carrying amounts of fixed assets of the cash-generating unit were reduced to their recoverable amounts and such reduction was recognized as an impairment loss, if undiscounted cash flows were below the carrying amounts.
Under IFRS, when there are indications of impairment, the carrying amounts of assets of the cash-generating unit are reduced to their recoverable amounts and such reduction is recognized as an impairment loss if discounted cash flows are below the carrying amounts. As a result of an impairment test to each cash-generating unit based on the

business plan at April 1, 2015 (Date of transition to IFRS), an impairment loss of ¥1,521 million was recognized for the gear manufacturing facility for the industrial parts operation of the machinery business segment (property, plant and equipment of ¥1,517 million, which consists of land: ¥259 million, buildings and structures: ¥363 million, machinery, equipment and vehicles: ¥869 million, tools, furniture and fixtures: ¥25 million, goodwill and intangible assets of ¥3 million, which consists of software: ¥3 million, other intangible assets: ¥0, other non-current assets of ¥0).

The recoverable amount of assets is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan for the next five years approved by management to the present value by the weighted average cost of capital (WACC) of 6.9% of the cash-generating unit. Cash flows during the business plan period are estimated on the basis of the growth rate, etc., projected in each product market.

(7) Goodwill and intangible assets

Reclassification of accounts

Goodwill of ¥3,836 million and other intangible assets of ¥16,823 million, which were separately stated in intangible assets under Japanese GAAP, are included in “Goodwill and intangible assets.”

Reconciliation of recognition/measurement

Under Japanese GAAP, goodwill was amortized over the effective life on a straight-line basis. Only when indications of impairment existed, the carrying amount was reduced to its recoverable amount and such reduction was recognized as an impairment loss if undiscounted cash flows were below the carrying amount.

Under IFRS, goodwill is not amortized, and an impairment test is performed every fiscal year regardless of whether an indication of impairment is recognized to compare the carrying amount of each group of cash-generating units, including goodwill, with a discounted cash flow. The Group recognizes impairment loss by writing-down the carrying amount to the recoverable amount, i.e., the discounted cash flow.

As a result of an impairment test to each cash-generating unit based on the business plan on April 1, 2015 (Date of transition to IFRS), the recoverable amount was below the carrying amount, including goodwill, due to a decrease in expected revenue, etc. Accordingly, an impairment loss of ¥4,720 million was recognized for the cash-generating unit of the karaoke equipment sales department and others in several regions whose estimated discounted future cash flows were below the carrying amounts of assets in the network and contents business segment (property, plant and equipment of ¥563 million, which consists of land: ¥4 million, buildings and structures: ¥228 million, tools, furniture and fixtures: ¥257 million, construction in progress: ¥15 million, lease assets: ¥58 million, investment property of ¥11 million, goodwill and intangible assets of ¥3,498 million, which consists of goodwill: ¥1,930 million, software: ¥830 million, other intangible assets: ¥737 million), other non-current assets of ¥647 million.

The recoverable amount of assets is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan for the next five years approved by management to the present value by the weighted average cost of capital (WACC) of 7.8% of the cash-generating unit. Cash flows during the business plan period are estimated on the basis of the growth rate, etc., projected in each product market.

(8) Other financial assets (non-current assets)

Reclassification of accounts

Shares in associates of ¥1,343 million, which were included in investment securities under Japanese GAAP, are presented as “Investments accounted for using the equity method.” Long-term loans of ¥701 million that were separately stated and lease and guarantee deposits of ¥4,143 million that were included in “Other” under investments and other assets are included in “Other financial assets” (non-current assets).

An allowance for doubtful accounts (non-current asset) of ¥1,551 million, which was separately presented under Japanese GAAP, is included in “Other financial assets” (non-current assets) and “Trade and other receivables.”

(9) Other non-current assets

Reclassification of accounts

¥6,675 million, which was separately presented as assets for retirement benefits under Japanese GAAP, is included in “Other non-current assets.”

(10) Trade and other payables

Reclassification of accounts

Of the accounts payable - other that were included in "Other" under current liabilities in accordance with Japanese GAAP, ¥32,073 million that met the requirements of financial liabilities are included in as “Trade and other payables.”

(11) Bonds and borrowings (current liabilities)

Reclassification of accounts

Short-term bank borrowings of ¥576 million and the current portion of long-term borrowing of ¥10,200 million, which were separately stated under Japanese GAAP, are presented as “Bonds and borrowings” (current liabilities).

(12) Other financial liabilities (current liabilities)
Reclassification of accounts
Lease obligations of ¥1,530 million and derivative liabilities of ¥6,002 million, which were included in “Other” under current liabilities in accordance with Japanese GAAP, are included in “Other financial liabilities” (current liabilities).

(13) Income taxes payable
Reclassification of accounts
Income taxes payable of ¥14,923 million, which was separately stated under Japanese GAAP, is presented as “Income taxes payable.”

(14) Provisions (current liabilities)
Reclassification of accounts
Provision for product warranties of ¥3,702 million and for copyright fee of ¥1,310 million as well as asset retirement obligations (current liabilities) of ¥31 million, which were separately stated under Japanese GAAP, are presented as “Provisions” (current liabilities).

(15) Other current liabilities
Reclassification of accounts
Accrued bonuses of ¥9,776 million and accrued bonuses for directors of ¥63 million, which were separately stated under Japanese GAAP, are included in “Other current liabilities.”
Accrued expenses of ¥30,709 million, which were separately stated under Japanese GAAP, are included in “Trade and other payables" or “Other current liabilities” according to their nature.

Reconciliation of recognition/measurement
Unused paid absences, which were not accounted for under Japanese GAAP, are recognized under IFRS, resulting in an increase of ¥6,267 million in “Other current liabilities.”

(16) Bonds and borrowings (non-current liabilities)
Reclassification of accounts
Long-term borrowing of ¥4,705 million, which was separately stated under Japanese GAAP, is included in “Bonds and borrowings” (non-current liabilities).

(17) Other financial liabilities (non-current liabilities)
Reclassification of accounts
Lease obligations of ¥2,873 million and lease and guarantee deposits of ¥1,895 million, which were included in "Other" under long-term liabilities in accordance with Japanese GAAP, are included in “Other financial liabilities” (non-current liabilities).

(18) Provisions (non-current liabilities)
Reclassification of accounts
Provision for product warranties of ¥1,755 million and asset retirement obligations (long-term liabilities) of ¥1,442 million, which were separately stated under Japanese GAAP, are presented as “Provisions” (non-current liabilities).

(19) Retirement benefit liabilities (or assets)
Reclassification of accounts
Accrued retirement benefits for directors of ¥556 million, which were separately stated under Japanese GAAP, are included in “Retirement benefit liabilities.”

Reconciliation of recognition/measurement
Regarding assets for retirement benefits, “Other non-current assets” have decreased by ¥2,404 million as the recognized asset is limited to the present value of the economic benefits available.

(20) Deferred tax liabilities
Reclassification of accounts
As a result of presenting deferred tax assets in non-current assets instead of current assets, the items that meet the

offsetting requirements were offset with “Deferred tax assets,” and “Deferred tax liabilities” decreased by ¥5,300 million.

Reconciliation of recognition/measurement

“Deferred tax liabilities” decreased by ¥5,174 million due to changes in temporary differences in connection with the reconciliation of other items in the statement of financial position.

(21) Capital surplus

Reclassification of accounts

Stock acquisition rights of ¥615 million, which were separately presented under Japanese GAAP, are included in “Capital surplus.”

(22) Retained earnings

Reconciliation of recognition/measurement

The main items for the reconciliation of recognition/measurement of retained earnings are as described below. The amounts are after the deduction of related tax effects and do not necessarily represent the sums in the notes of the references indicating the effect on balances in the consolidated statement of financial position.

	Millions of yen
Impairment of goodwill and non-financial assets	(5,760)
Effect of changes made in depreciation methods and useful lives in adopting IFRS	10,436
Recognition of provision for unused paid absences	(4,540)
Difference in recognition of deferred tax assets and liabilities	5,372
Cumulative translation differences for foreign operations as of April 1, 2015 (Date of transition to IFRS)	25,654
Actuarial gains and losses in employee benefit plans	(11,250)
Others	(4,064)
Total	15,846

(23) Other components of equity (cumulative translation differences as of April 1, 2015 (Date of transition to IFRS)

Reconciliation of recognition/measurement

Cumulative translation differences for foreign operations of ¥25,654 million as of April 1, 2015 (Date of transition to IFRS), which were included in accumulated other comprehensive income under Japanese GAAP, are deemed to be zero and accounted for in “Retained earnings.”

(24) Change in fiscal year ends and the scope of consolidation

Under Japanese GAAP, for subsidiaries with fiscal year ends that differed from the Company’s fiscal year end, the consolidated financial statements were prepared based on the financial statements as of their fiscal year ends. Under IFRS, subsidiaries prepare their financial statements as of the same fiscal year end as that of the Company.

In addition, immaterial subsidiaries were excluded from the scope of consolidation under Japanese GAAP, whereas they are included in the scope of consolidation under IFRS.

Reconciliation of Equity as of March 31, 2016

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Assets							Assets
Current assets							Current assets
Cash and time deposits	69,671	(2,981)	—	697	67,387	(1)	Cash and cash equivalents
Notes and accounts receivable - trade	100,029	(4,438)	(601)	(238)	94,750	(2),(8)	Trade and other receivables
Securities	9,737	6,403	(2)	(37)	16,100	(1),(5)	Other financial assets
Inventories	126,871	(93)	30	(266)	126,542	(3)	Inventories
Deferred tax assets	16,184	(16,184)	—	—	—	(4)	
Other	20,236	(4,646)	(214)	7	15,383	(5)	Other current assets
Allowance for doubtful accounts	(2,556)	2,556	—	—	—	(2)	
Total current assets	340,174	(19,383)	(787)	161	320,164		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	123,071	(6,168)	11,950	67	128,920	(6)	Property, plant and equipment
	—	6,171	736	—	6,907	(6)	Investment property
Goodwill	107,408	57,305	3,365	37	168,117	(7)	Goodwill and intangible assets
Other (intangible assets)	57,208	(57,208)	—	—	—	(7)	
Investment securities	23,460	3,608	27	(214)	26,881	(8)	Other financial assets
	—	1,437	—	—	1,437	(8)	Investments accounted for using the equity method
Long-term loans receivable	396	(396)	—	—	—	(8)	
Deferred tax assets	3,565	13,039	258	9	16,872	(4)	Deferred tax assets
Asset for retirement benefits	1,924	(1,924)	—	—	—	(9)	
Other (investments and other assets)	11,681	(4,877)	(807)	3	6,000	(8),(9)	Other non-current assets
Allowance for doubtful accounts	(1,080)	1,080	—	—	—	(8)	
Total non-current assets	327,636	12,066	15,530	(97)	355,137		Total non-current assets
Total assets	667,811	(7,317)	14,743	64	675,301		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable - trade	38,046	24,027	—	65	62,139	(10),(15)	Trade and other payables
Short-term borrowings	6,557	14,159	—	(15)	20,701	(11)	Bonds and borrowings
Current portion of long-term borrowing	12,982	(12,982)	—	—	—	(11)	
	—	2,558	—	—	2,558	(12)	Other financial liabilities
Accrued expenses	33,595	(33,595)	—	—	—	(15)	
Income taxes payable	3,123	(248)	—	13	2,888	(13)	Income taxes payable
Deferred tax liabilities	113	(113)	—	—	—		
Accrued bonuses	9,469	(9,469)	—	—	—	(15)	
Accrued bonuses for directors	29	(29)	—	—	—	(15)	
Provision for product warranties	5,678	1,210	—	—	6,889	(14),(18)	Provisions
Provision for sales returns	490	(490)	—	—	—	(14)	
Asset retirement obligations	21	(21)	—	—	—	(14)	
Other	28,408	10,742	7,254	145	46,550	(10),(12),(15)	Other current liabilities
Total current liabilities	138,517	(4,252)	7,254	208	141,728		Total current liabilities
Long-term liabilities							Non-current liabilities
Corporate bonds	41,114	96,671	—	—	137,786	(16)	Bonds and borrowings
Long-term borrowing	97,786	(97,786)	—	—	—	(16)	
Deferred tax liabilities	18,160	(3,031)	(3,918)	1	11,212	(20)	Deferred tax liabilities
Accrued retirement benefits for directors	706	(706)	—	—	—	(19)	
Liability for retirement benefits	15,572	777	684	(1)	17,033	(19)	Retirement benefit liabilities
Asset retirement obligations	1,501	1,347	3	—	2,852	(18)	Provisions
	—	11,754	—	(0)	11,754	(17)	Other financial liabilities
Other	14,729	(12,093)	310	—	2,947	(17)	Other non-current liabilities
Total long-term liabilities	189,570	(3,064)	(2,918)	(0)	183,586		Total non-current liabilities
Total liabilities	328,088	(7,317)	4,335	208	325,315		Total liabilities

(Millions of yen)

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Equity							Equity
Common stock	19,209	—	—	—	19,209		Capital stock
Capital surplus	16,696	736	(111)	—	17,321	(21)	Capital surplus
Retained earnings	337,330	—	26,452	81	363,864	(22),(23)	Retained earnings
Treasury stock	(24,225)	—	—	—	(24,225)		Treasury stock
Accumulated other comprehensive income	(26,864)	—	(15,619)	(244)	(42,729)	(23)	Other components of equity
Stock acquisition rights	736	(736)	—	—	—	(21)	
	322,882	—	10,721	(163)	333,440		Equity attributable to owners of the parent company
Non-controlling interests	16,839	—	(313)	19	16,545		Non-controlling interests
Total equity	339,722	—	10,407	(144)	349,986		Total equity
Total liabilities and equity	667,811	(7,317)	14,743	64	675,301		Total equity and liabilities

Note on the Reconciliation of Equity as of March 31, 2016

(1) Cash and cash equivalents

Reclassification of accounts

A time deposit of ¥2,981 million with a deposit term exceeding three months, which was included in cash and time deposits under Japanese GAAP, is presented in “Other financial assets” (current assets) under IFRS.

(2) Trade and other receivables

Reclassification of accounts

An allowance for doubtful accounts (current assets) of ¥2,556 million, which was separately stated under Japanese GAAP, is included in “Trade and other receivables” under IFRS.

Reconciliation of recognition/measurement

Revenue was recognized mainly at the time of shipment under Japanese GAAP. Under IFRS, it is recognized when significant risks and rewards incidental to ownership of goods are transferred to customers, resulting in a decrease of ¥601 million in “Trade and other receivables.”

(3) Inventories

Reconciliation of recognition/measurement

Revenue was recognized mainly at the time of shipment under Japanese GAAP. Under IFRS, it is recognized when significant risks and rewards incidental to ownership of goods are transferred to customers, resulting in an increase of ¥367 million in “Inventories”.

“Inventories” were also reduced by ¥808 million due to the retrospective change in functional currencies of certain overseas subsidiaries.

(4) Deferred tax assets

Reclassification of accounts

Deferred tax assets of ¥16,184 million, which were separately stated in current assets under Japanese GAAP, are presented as “Deferred tax assets” in non-current assets. The deferred tax assets that meet the offsetting requirements as a result of this change have been offset with “Deferred tax liabilities,” leading to a decrease of ¥3,105 million in “Deferred tax assets”.

Reconciliation of recognition/measurement

“Deferred tax assets” decreased by ¥1,950 million as a result of examining, based on IFRS, the probability of generating taxable income which can realize the benefits of deductible temporary differences in relation to changes in temporary differences associated with the reconciliation of other accounts in the statement of financial position and the recoverability of deferred tax assets.

Tax effects from eliminating unrealized gains for inventories were calculated using the effective tax rate of the seller under Japanese GAAP, whereas they are computed using the effective tax rate of the buyer under IFRS, which resulted in an increase of ¥2,209 million in “Deferred tax assets.”

(5) Other current assets

Reclassification of accounts

Derivatives, etc., of ¥3,231 million, which were presented in “Other” under current assets in accordance with Japanese GAAP, are included in “Other financial assets” (current assets).

(6) Property, plant and equipment

Reclassification of accounts

Property held for rental income of ¥6,171 million, which was included in property, plant and equipment under Japanese GAAP, is presented in “Investment property.”

Reconciliation of recognition/measurement

“Property, plant and equipment” and “Investment property” increased by ¥13,643 million and ¥360 million, respectively, due to changes made in depreciation methods and useful lives in adopting IFRS.

(7) Goodwill and intangible assets

Reclassification of accounts

Goodwill of ¥107,408 million and other intangible assets of ¥57,208 million, which were separately stated in intangible assets under Japanese GAAP, are included in “Goodwill and intangible assets.”

(8) Other financial assets (non-current assets)
Reclassification of accounts
Shares in associates of ¥1,437 million, which were included in investment securities under Japanese GAAP, are presented as “Investments accounted for using the equity method.” Long-term loans of ¥396 million that were separately stated and lease and guarantee deposits of ¥4,496 million that were included in “Other” under investments and other assets are included in “Other financial assets” (non-current assets).
An allowance for doubtful accounts (non-current assets) of ¥1,080 million, which was separately presented under Japanese GAAP, is included in “Other financial assets” (non-current assets) and “Trade and other receivables.”

(9) Other non-current assets
Reclassification of accounts
¥1,924 million, which was separately presented as assets for retirement benefits under Japanese GAAP, is included in “Other non-current assets.”

(10) Trade and other payables
Reclassification of accounts
Of the accounts payable - other that were included in “Other" under current liabilities in accordance with Japanese GAAP, ¥16,876 million that met the requirements of financial liabilities are included in “Trade and other payables.”

(11) Bonds and borrowings (current liabilities)
Reclassification of accounts
Short-term bank borrowings of ¥6,557 million and the current portion of long-term borrowing of ¥12,982 million, which were separately stated under Japanese GAAP, are presented as “Bonds and borrowings” (current liabilities).

(12) Other financial liabilities (current liabilities)
Reclassification of accounts
Lease obligations of ¥1,733 million and derivative liabilities of ¥657 million, which were included in “Other” under current liabilities in accordance with Japanese GAAP, are included in “Other financial liabilities” (current liabilities).

(13) Income taxes payable
Reclassification of accounts
Income taxes payable of ¥3,123 million, which was separately stated under Japanese GAAP, is presented as “Income taxes payable.”

(14) Provisions (current liabilities)
Reclassification of accounts
Provision for product warranties of ¥4,820 million and for sales returns of ¥490 million as well as asset retirement obligations (current liabilities) of ¥21 million, which were separately stated under Japanese GAAP, are presented as “Provisions” (current liabilities).

(15) Other current liabilities
Reclassification of accounts
Accrued bonuses of ¥9,469 million and accrued bonuses for directors of ¥29 million, which were separately stated under Japanese GAAP, are included in “Other current liabilities.”
Accrued expenses of ¥33,595 million, which were separately stated under Japanese GAAP, are included in “Trade and other payables" or “Other current liabilities.

Reconciliation of recognition/measurement
Unused paid absences, which were not accounted for under Japanese GAAP, are recognized under IFRS, resulting in an increase of ¥6,454 million in “Other current liabilities.”

(16) Bonds and borrowings (non-current liabilities)
Reclassification of accounts
Corporate bonds of ¥40,000 million and long-term borrowing of ¥97,786 million, which were separately stated under Japanese GAAP, are presented as “Bonds and borrowings” (non-current liabilities).

(17) Other financial liabilities (non-current liabilities)
Reclassification of accounts
Lease obligations of ¥3,908 million, lease and guarantee deposits of ¥1,790 million and derivative liabilities of

¥5,161 million, which were included in “Other" under long-term liabilities in accordance with Japanese GAAP, are included in “Other financial liabilities” (non-current liabilities).

(18) Provisions (non-current liabilities)
Reclassification of accounts
Provision for product warranties of ¥857 million and asset retirement obligations (long-term liabilities) of ¥1,501 million, which were separately stated under Japanese GAAP, are presented as “Provisions” (non-current liabilities).

(19) Retirement benefit liabilities (or assets)
Reclassification of accounts
Accrued retirement benefits for directors of ¥706 million, which were separately stated under Japanese GAAP, are included in “Retirement benefits liabilities.”

(20) Deferred tax liabilities
Reclassification of accounts
As a result of presenting deferred tax assets in non-current assets instead of current assets, the items that met the offsetting requirements were offset with “Deferred tax assets,” and “Deferred tax liabilities” decreased by ¥3,105 million.

Reconciliation of recognition/measurement
“Deferred tax liabilities” decreased by ¥3,918 million due to changes in temporary differences in connection with the reconciliation of other items on the statement of financial position.

(21) Capital surplus
Reclassification of accounts
Stock acquisition rights of ¥736 million, which were separately presented under Japanese GAAP, are included in “Capital surplus.”

(22) Retained earnings
Reconciliation of recognition/measurement
The main items for the reconciliation of recognition/measurement of retained earnings are as described below. The amounts are after the deduction of related tax effects and do not necessarily represent the sums in the notes of the references indicating the effect on balances in the consolidated statement of financial position.

	Millions of yen
Impairment of goodwill and non-financial assets as of April 1, 2015 (Date of transition to IFRS)	(5,760)
Effect of changes made in depreciation methods and useful lives in adopting IFRS	11,431
Non-amortization of goodwill	5,110
Recognition of provision for unused paid absences	(4,805)
Difference in recognition of deferred tax assets and liabilities	5,264
Cumulative translation differences of foreign operations as of April 1, 2015 (Date of transition to IFRS)	25,654
Actuarial gains and losses in employee benefit plans	(11,091)
Others	649
Total	26,452

(23) Other components of equity (cumulative foreign currency translation adjustments as of April 1, 2015 (Date of transition to IFRS)
Reconciliation of recognition/measurement
Cumulative translation differences of foreign operations of ¥25,654 million as of April 1, 2015 (Date of transition to IFRS), which were included in accumulated other comprehensive income under Japanese GAAP, are deemed to be zero and accounted for in “Retained earnings.”

(24) Change in fiscal year ends and the scope of consolidation
Under Japanese GAAP, for subsidiaries with fiscal year ends that differed from the Company’s fiscal year end, the consolidated financial statements were prepared based on the financial statements as of their fiscal year ends. Under IFRS, subsidiaries prepare their financial statements as of the same fiscal year end as that of the Company.
In addition, subsidiaries with little materiality were excluded from the scope of consolidation under Japanese GAAP, whereas they are included in the scope of consolidation under IFRS.

Reconciliation of Comprehensive Income for FY2015 (Year ended March 31, 2016)

（Millions of yen）

Japanese GAAP	Japanese GAAP	Reclassification of line items	Reconciliation of recognition and measurement	Changes in fiscal closing date and scope of consolidation	IFRS	Notes	IFRS
Net sales	745,888	(64,921)	592	560	682,119	(1)	Revenue
Cost of sales	(400,328)	(250)	477	77	(400,023)	(1),(2)	Cost of sales
Gross profit	345,559	(65,172)	1,070	638	282,095		Gross profit
Selling, general and administrative expenses	(298,282)	63,145	8,526	(550)	(227,161)	(1),(2)	Selling, general and administrative expenses
	—	9,415	181	(279)	9,317	(3)	Other income
	—	(4,083)	(1,528)	0	(5,611)	(3)	Other expenses
Operating income	47,276	3,305	8,249	(191)	58,640		Operating profit
Non-operating income	7,594	(7,594)	—	—	—	(3)	
Non-operating expenses	(6,260)	6,260	—	—	—	(1),(3)	
	—	5,301	12	1	5,315	(3)	Finance income
	—	(6,624)	(102)	(2)	(6,729)	(3)	Finance expenses
Ordinary income	48,611	649	8,158	(193)	57,226		
Extraordinary income	3,927	(3,927)	—	—	—	(3)	
Extraordinary losses	(3,192)	3,192	—	—	—	(3)	
	—	(33)	(0)	—	(33)	(3)	Share of profit/(loss) of investments accounted for using the equity method
Income before income taxes	49,346	(119)	8,158	(193)	57,192		Profit before income taxes
Income taxes – current	(14,347)	(3,434)	2,239	(40)	(15,581)	(4)	Income tax expenses
Income taxes-deferred	(3,553)	3,553	—	—	—	(4)	
Net income	31,445	—	10,398	(233)	41,610		Profit for the year
Other comprehensive income							Other comprehensive income
Defined retirement benefits plans	(1,117)	—	1,157	—	40		Remeasurements of the net defined benefit liability (asset)
Unrealized gains/ (losses) on available-for-sale securities	(3,145)	—	178	(5)	(2,972)		Unrealized gains/ (losses) on available-for-sale securities
Deferred gains/ (losses) on derivatives under hedge accounting	255	—	(7)	—	247		Cash flow hedges
Foreign currency translation adjustments	(46,481)	—	(17)	347	(46,151)		Cumulative translation differences for foreign operations
Share of other comprehensive income/(loss) in associates	(6)	—	—	—	(6)		Share of other comprehensive income of investments accounted for using the equity method

Total other comprehensive income (loss)	(50,494)	—	1,310	341	(48,842)		Other comprehensive income for the year, net of income tax
Comprehensive income (loss)	(19,048)	—	11,709	108	(7,231)		Comprehensive income for the year

Note on the Reconciliation of Comprehensive Income for FY2015 (Year ended March 31, 2016)

(1) Revenue

Reclassification of accounts

Rebates, etc. of ¥62,013 million and sales discounts of ¥2,787 million, which were stated under Japanese GAAP in selling, general and administrative expenses and non-operating expenses, respectively, are deducted from "Revenue" under IFRS.

Reconciliation of recognition/measurement

Revenue was recognized mainly at the time of shipment under Japanese GAAP. Under IFRS, it is recognized when significant risks and rewards incidental to ownership of goods are transferred to customers, resulting in an increase of ¥571 million in "Revenue" and of ¥378 million in "Cost of sales," respectively.

(2) Cost of sales and Selling, general and administrative expenses

Reconciliation of recognition/measurement

Due to changes made in depreciation methods and useful lives in adopting IFRS, "Cost of sales" and "Selling, general and administrative expenses" decreased by ¥107 million and ¥825 million, respectively.

As goodwill is not amortized under IFRS, contrary to Japanese GAAP, "Selling, general and administrative expenses" declined by ¥6,093 million.

Under Japanese GAAP, actuarial gains and losses, which were recognized in other comprehensive income when they occurred, were expensed on a straight-line basis over a fixed period within the average remaining service period of the eligible employees from the fiscal year subsequent to such occurrence. Under IFRS, actuarial gains and losses are recognized in other comprehensive income on an accrual basis and immediately recognized in retained earnings. As a result, "Selling, general and administrative expenses" decreased by ¥904 million.

(3) Other income, Other expenses, Finance income, Finance expenses and Share of profit/(loss) of investments accounted for using the equity method

Reclassification of accounts

With respect to the items that were stated in non-operating income, non-operating expenses, extraordinary income and losses under Japanese GAAP, financial gains and losses are presented in "Finance income," and "Finance expenses" and the other items are presented in "Other income," "Other expenses" and "Share of profit/(loss) of investments accounted for using the equity method."

(4) Income tax expenses

Reclassification of accounts

Corporate, residential and enterprise taxes of ¥14,347 million and tax adjustments of ¥3,553 million under Japanese GAAP are presented as "Income tax expenses."

Reconciliation of recognition/measurement

"Income tax expenses" increased by ¥1,209 million as a result of examining, based on IFRS, the possibility of generating taxable income which can realize the benefits of deductible temporary differences in relation to temporary differences associated with the reconciliation of other accounts on the statement of financial position and the recoverability of deferred tax assets.

Tax effects from eliminating unrealized gains for inventories were calculated using the effective tax rate of the seller under Japanese GAAP, whereas they are computed using the effective tax rate of the buyer under IFRS, which resulted in a decrease of ¥3,425 million in "Income tax expenses."

Adjustments on the Cash Flows for FY2015 (Year ended March 31, 2016)

There are no material differences between the consolidated statements of cash flows under IFRS and Japanese GAAP.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BROTHER INDUSTRIES, LTD.:

We have audited the accompanying consolidated financial statements of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2017, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 (3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2017

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