

Consolidated Financial Statements
for the First Quarter of the Fiscal Year Ended December 31, 2020
<under IFRS>

May 11, 2020

These financial statements, prepared in accordance with accounting principles generally accepted in Japan, have been translated for reference only from the original Japanese-language document "KESSAN TANSHIN." The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Company name: **Bridgestone Corporation** Stock exchange listings: Tokyo, Nagoya, Fukuoka
Code number: 5108 URL: <https://www.bridgestone.com/>
Representative: Shuichi Ishibashi, Member of the Board
CEO and Representative Executive Officer
Contact: Tetsuo Kenmochi, Treasurer, General Manager
Telephone: +81-3-6836-3100
Scheduled date of quarterly securities report submission: May 11, 2020
Scheduled date of dividend payment commencement: -
Supplementary information for the quarterly financial statements to be prepared: Yes
Meeting to explain the quarterly financial statements to be held: Yes (For institutional investors and analysts)

(All amounts are rounded off the nearest million yen)

1. Consolidated Results for the First Quarter of Fiscal 2020 (January 1, 2020 - March 31, 2020)

(1) Consolidated Operating Results (Percentage figures represent changes from the same period of previous year)

	Revenue		Adjusted operating profit		Operating profit		Profit attributable to owners of parent		Comprehensive income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Three months ended March 31, 2020	752,234	(11.3)	49,820	(39.3)	42,763	(48.8)	19,474	(65.1)	(78,967)	-
Three months ended March 31, 2019	848,206	-	82,068	-	83,557	-	55,785	-	68,861	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	27.66	27.61
Three months ended March 31, 2019	74.89	74.76

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Yen in millions	Yen in millions	Yen in millions	%
As of March 31, 2020	4,004,655	2,266,274	2,217,452	55.4
As of December 31, 2019	4,277,016	2,402,477	2,349,378	54.9

2. Dividends

	Dividend per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
Fiscal 2019	Yen —	Yen 80.00	Yen —	Yen 80.00	Yen 160.00
Fiscal 2020	—				
Fiscal 2020 (Projection)		80.00	—	80.00	160.00

(Note) Changes from the latest forecasts released: No

3. Consolidated Projected Results for Fiscal 2020 (January 1, 2020 - December 31, 2020)

The Consolidated Projected Results for the fiscal year, announced on February 17, 2020, have been voided (changed to "to be determined") due to uncertainties regarding the business impact of the novel coronavirus disease (COVID-19), which prevent us from reasonably forecasting consolidated performance. We will announce the new forecasts promptly when we can disclose reasonable forecast.

For more information, please refer to page 2, "Explanation regarding information on consolidated financial results forecasts and other forward-looking statements".

(Note) Changes from the latest forecasts released: Yes

*** Notes**

(1) Changes in principal subsidiaries during the three months ended March 31, 2020: No
(Changes in specified subsidiaries involving change in consolidation scope)

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

- | | |
|--|------|
| 1) Changes in accounting policies required by IFRS | : No |
| 2) Changes in accounting policies other than 1) | : No |
| 3) Changes in accounting estimates | : No |

(3) Number of issued shares (common stock)

1) Total number of issued shares at period end (including treasury stock):

March 31, 2020	713,698,221 shares
December 31, 2019	761,536,421 shares

2) Number of shares of treasury stock at period end

March 31, 2020	9,585,461 shares
December 31, 2019	57,481,254 shares

3) Average number of shares outstanding during the period

First Quarter ended March 31, 2020	704,077,994 shares
First Quarter ended March 31, 2019	744,942,213 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forecasts based on our projections and plans for the future in this document contain unpredictable elements that may cause fluctuations. As such, they do not constitute guarantees by the Company of the achievement of those forecasts. Accordingly, actual business results may differ substantially from the Company's current assessment.

Adoption of International Financial Reporting Standards (IFRS)

The Company has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2020. Presentation of figures in the consolidated financial statements for the period of the previous year also conforms to IFRS.

For differences between IFRS and J-GAAP in the financial statements, please refer to page 10, "First-time adoption of IFRS" under "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Notes to the Condensed Quarterly Consolidated Financial Statements".

Utilization of Adjusted Operating Profit

In conjunction with the voluntary adoption of IFRS, the Company will utilize adjusted operating profit in place of the previously employed J-GAAP-based operating income.

Adjusted operating profit represents IFRS-based operating profit that has been adjusted for certain items.

Items for which adjusted operating profit is adjusted include business and factory restructuring expenses, impairment loss on goodwill, impairment loss on fixed assets, loss on disaster, insurance income, and other one-time income movements of significant amount.

[Index]

<u>1. Qualitative Information on Consolidated Financial Results for the Three Months</u>	P2
(1) Explanation regarding information on consolidated financial results forecasts and other forward-looking statements	P2
<u>2. Condensed Quarterly Consolidated Financial Statements and Primary Notes</u>	P3
(1) Condensed Quarterly Consolidated Statement of Financial Position	P3
(2) Condensed Quarterly Consolidated Statement of Profit or Loss	P5
(3) Consolidated Statement of Comprehensive Income	P6
(4) Condensed Quarterly Consolidated Statement of Changes in Equity	P7
(5) Condensed Quarterly Consolidated Statement of Cash Flows	P9
(6) Notes to the Condensed Quarterly Consolidated Financial Statements	P10
(Notes regarding going concern assumption)	P10
(Subsequent events)	P10
(First-time adoption of IFRS)	P10

1. Qualitative Information on Consolidated Financial Results for the Three Months

(1) Explanation regarding information on consolidated financial results forecasts and other forward-looking statements

[Revision of consolidated financial results forecasts for the fiscal year ending December 31, 2020]

1) Revision of financial results forecasts

The full-year consolidated financial results forecasts for fiscal 2020 announced on February 17, 2020 did not include the impacts from the novel coronavirus disease (COVID-19). As the spread of COVID-19 now has a global impact, the Company's business environment has changed dramatically, and the Company has revised its consolidated financial results forecasts accordingly.

2) Background to the revision

The spread of COVID-19 has led to states of emergency being declared in countries all over the world. This has caused a major slowdown in the global economy, and the market environment is expected remain unpredictable for some time.

The Company's business has been affected by a decrease in automobile production, a decline in the use of passenger cars and commercial vehicles, and a reduction and halt of certain mining activities in every region, among other factors. Tire demand for both new vehicles and replacement in this fiscal period is expected to undershoot the level assumed in the plan announced in February by a significant margin.

Given this situation, the Company has had to implement temporary production adjustments by halting plant operations, particularly in Europe and the U.S. since March 20 (restarted in stages from mid-April). Furthermore, with the deterioration of the business environment, we are also reviewing all investments and costs.

Looking forward, tire demand is expected to recover with the relaxation of travel restrictions and the restart of economic activity once the COVID-19 outbreak has been brought under control. However, at this point, it is difficult to foresee when the virus will be controlled in each region and how quickly their economies will recover, and it is therefore not possible to make rational forecasts of financial results. The revised forecasts will be announced promptly once it becomes possible to make it.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes**(1) Condensed Quarterly Consolidated Statement of Financial Position**

	IFRS transition date (January 1, 2019)	As of December 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	433,916	432,924	354,571
Trade and other receivables	781,916	755,344	676,181
Inventories	645,924	630,162	623,920
Other financial assets	25,867	14,311	17,631
Other current assets	78,435	80,643	72,039
Subtotal	1,966,059	1,913,385	1,744,342
Non-current assets held for sale	1,788	5,023	1,038
Total current assets	1,967,847	1,918,408	1,745,381
Non-current assets			
Property, plant and equipment	1,515,042	1,555,170	1,483,373
Right-of-use assets	322,670	298,569	295,041
Goodwill	41,382	98,346	96,653
Intangible assets	49,710	113,664	110,993
Investments accounted for using equity method	48,014	47,071	44,575
Other financial assets	217,306	140,462	126,282
Deferred tax assets	57,379	60,711	60,303
Other non-current assets	33,327	44,616	42,054
Total non-current assets	2,284,830	2,358,608	2,259,274
Total assets	4,252,677	4,277,016	4,004,655

	IFRS transition date (January 1, 2019)	As of December 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	497,173	453,069	355,077
Bonds and borrowings	191,556	135,442	132,338
Lease liabilities	52,097	52,827	51,199
Income taxes payable	35,404	51,506	31,730
Other financial liabilities	24,996	27,628	26,405
Provisions	33,080	34,931	34,676
Other current liabilities	123,190	138,980	137,280
Subtotal	<u>957,495</u>	<u>894,383</u>	<u>768,706</u>
Liabilities directly associated with non-current assets held for sale	-	953	11
Total current liabilities	957,495	895,336	768,717
Non-current liabilities			
Bonds and borrowings	209,977	405,514	408,779
Lease liabilities	271,179	250,685	248,088
Other financial liabilities	11,824	12,937	7,732
Net defined benefit liability	207,928	211,619	213,419
Provisions	24,212	23,348	21,326
Deferred tax liabilities	46,613	44,243	37,996
Other non-current liabilities	29,077	30,856	32,325
Total non-current liabilities	<u>800,810</u>	<u>979,203</u>	<u>969,664</u>
Total liabilities	1,758,306	1,874,539	1,738,381
Equity			
Common stock	126,354	126,354	126,354
Capital surplus	121,998	121,998	122,030
Treasury stock	(32,648)	(232,330)	(38,733)
Other components of equity	118,815	42,661	(44,873)
Retained earnings	2,105,280	2,290,696	2,052,675
Total equity attributable to owners of parent	<u>2,439,799</u>	<u>2,349,378</u>	<u>2,217,452</u>
Non-controlling interests	54,572	53,099	48,822
Total equity	<u>2,494,371</u>	<u>2,402,477</u>	<u>2,266,274</u>
Total liabilities and equity	<u><u>4,252,677</u></u>	<u><u>4,277,016</u></u>	<u><u>4,004,655</u></u>

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Three months ended March 31, 2020)

	Three months ended March 31, 2019	Three months ended March 31, 2020
	Millions of yen	Millions of yen
Revenue	848,206	752,234
Cost of sales	530,144	474,186
Gross profit	318,063	278,048
Selling, general and administrative expenses	242,852	230,948
Other income	8,473	1,980
Other expenses	128	6,318
Operating profit	83,557	42,763
Finance income	3,023	4,577
Finance costs	7,281	9,243
Share of profit (loss) of investments accounted for using equity method	(1,344)	(1,632)
Profit before tax	77,954	36,464
Income tax expense	19,982	14,485
Profit	57,972	21,980
Profit attributable to		
Owners of parent	55,785	19,474
Non-controlling interests	2,187	2,506
Profit	57,972	21,980
Earnings per share		
Basic earnings per share (yen)	74.89	27.66
Diluted earnings per share (yen)	74.76	27.61

(3) Consolidated Statement of Comprehensive Income

(Three months ended March 31, 2020)

	Three months ended March 31, 2019	Three months ended March 31, 2020
	Millions of yen	Millions of yen
Profit	57,972	21,980
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	3,243	(11,923)
Remeasurements of defined benefit plans	(223)	(7,756)
Total of items that will not be reclassified to profit or loss	3,020	(19,679)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	7,871	(82,518)
Effective portion of change in fair value of cash flow hedges	(367)	1,626
Share of other comprehensive income of investments accounted for using equity method	365	(375)
Total of items that may be reclassified to profit or loss	7,869	(81,267)
Other comprehensive income, net of tax	10,889	(100,947)
Comprehensive income	68,861	(78,967)
Comprehensive income attributable to		
Owners of parent	65,329	(75,633)
Non-controlling interests	3,532	(3,334)
Comprehensive income	68,861	(78,967)

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended March 31, 2019

	Equity attributable to owners of parent						
	Equity attributable to owners of parent			Other components of equity			
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on transition of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at January 1, 2019	126,354	121,998	(32,648)	3,452	–	1,742	113,620
Profit	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	6,615	351	3,243
Total comprehensive income	–	–	–	–	6,615	351	3,243
Purchase of treasury stock	–	–	(72,774)	–	–	–	–
Disposal of treasury stock	–	–	184	(120)	–	–	–
Dividends	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(1,031)
Other changes	–	–	–	–	–	–	–
Total transactions with owners	–	–	(72,589)	(120)	–	–	(1,031)
Balance at March 31, 2019	126,354	121,998	(105,238)	3,332	6,615	2,093	115,833

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at January 1, 2019	–	118,815	2,105,280	2,439,799	54,572	2,494,371
Profit	–	–	55,785	55,785	2,187	57,972
Other comprehensive income	(666)	9,544	–	9,544	1,346	10,889
Total comprehensive income	(666)	9,544	55,785	65,329	3,532	68,861
Purchase of treasury stock	–	–	–	(72,774)	–	(72,774)
Disposal of treasury stock	–	(120)	(64)	(0)	–	(0)
Dividends	–	–	(60,145)	(60,145)	(3,784)	(63,929)
Transfer from other components of equity to retained earnings	666	(365)	365	–	–	–
Other changes	–	–	–	–	(51)	(51)
Total transactions with owners	666	(485)	(59,845)	(132,919)	(3,835)	(136,754)
Balance at March 31, 2019	–	127,874	2,101,221	2,372,209	54,270	2,426,479

Three months ended March 31, 2020

	Equity attributable to owners of parent						
	Common stock	Capital surplus	Treasury stock	Other components of equity			Net change in fair value of financial assets measured through other comprehensive income
				Stock acquisition rights	Exchange differences on transition of foreign operations	Effective portion of change in fair value of cash flow hedges	
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	126,354	121,998	(232,330)	3,275	(18,968)	(325)	58,678
Profit	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	(78,455)	1,995	(11,923)
Total comprehensive income	–	–	–	–	(78,455)	1,995	(11,923)
Purchase of treasury stock	–	–	(1)	–	–	–	–
Disposal of treasury stock	–	–	193,598	(115)	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control	–	32	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	964
Other changes	–	–	–	–	–	–	–
Total transactions with owners	–	32	193,597	(115)	–	–	964
Balance at March 31, 2020	126,354	122,030	(38,733)	3,160	(97,423)	1,671	47,718

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	–	42,661	2,290,696	2,349,378	53,099	2,402,477
Profit	–	–	19,474	19,474	2,506	21,980
Other comprehensive income	(6,724)	(95,106)	–	(95,106)	(5,840)	(100,947)
Total comprehensive income	(6,724)	(95,106)	19,474	(75,633)	(3,334)	(78,967)
Purchase of treasury stock	–	–	–	(1)	–	(1)
Disposal of treasury stock	–	(115)	(193,483)	0	–	0
Dividends	–	–	(56,325)	(56,325)	(1,857)	(58,181)
Changes in ownership interests of owners in subsidiaries under control	–	–	–	32	1,039	1,071
Transfer from other components of equity to retained earnings	6,724	7,687	(7,687)	–	–	–
Other changes	–	–	–	–	(126)	(126)
Total transactions with owners	6,724	7,572	(257,495)	(56,293)	(944)	(57,237)
Balance at March 31, 2020	–	(44,873)	2,052,675	2,217,452	48,822	2,266,274

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	Three months ended March 31, 2019	Three months ended March 31, 2020
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	77,954	36,464
Depreciation and amortization	65,904	66,859
Increase (decrease) in retirement benefit liability	1,879	(3,910)
Interest and dividend income	(1,836)	(1,820)
Interest expenses	3,824	3,725
Foreign currency exchange loss (gain)	(175)	(8,713)
Share of loss (profit) of investments accounted for using equity method	1,344	1,632
Loss (gain) on sale of fixed assets	(1,648)	(425)
Business and plant restructuring expenses	(1,992)	3,776
Loss on retirement of fixed assets	667	328
Decrease (increase) in trade and other receivables	23,575	56,017
Decrease (increase) in inventories	(27,889)	(7,003)
Increase (decrease) in trade and other payables	(20,569)	(44,155)
Increase (decrease) in accrued consumption taxes	2,728	6,991
Other	8,705	(9,754)
Subtotal	132,473	100,013
Interest and dividends received	1,800	1,799
Interest paid	(3,716)	(3,428)
Income taxes paid	(8,506)	(34,296)
Net cash provided by (used in) operating activities	122,051	64,088
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(70,841)	(64,319)
Proceeds from sale of property, plant and equipment	2,898	3,759
Payments for purchase of intangible assets	(1,963)	(3,295)
Payments of long-term loans receivable	(1,337)	(4,107)
Other	(976)	8,685
Net cash provided by (used in) investing activities	(72,218)	(59,277)
Cash flows from financing activities		
Proceeds from short-term debt	61,891	25,157
Repayments of short-term debt	(20,840)	(30,186)
Proceeds from long-term debt	1,310	12,002
Repayments of long-term debt	(12,491)	(156)
Repayments of lease liabilities	(13,291)	(13,929)
Purchase of treasury stock	(72,774)	(1)
Dividends paid (owners of parent)	(59,541)	(55,618)
Other	(8,595)	(1,783)
Net cash provided by (used in) financing activities	(124,331)	(64,516)
Effect of exchange rate changes on cash and cash equivalents	7,060	(18,648)
Net increase (decrease) in cash and cash equivalents	(67,439)	(78,354)
Cash and cash equivalents at beginning of period	433,916	432,924
Cash and cash equivalents at end of period	366,478	354,571

(6) Notes to the Condensed Quarterly Consolidated Financial Statements**(Notes regarding going concern assumption)**

Not applicable

(Subsequent events)

(Borrowings of significant funds)

The Company executed borrowings as follows to cope with the Group's operating capital demand due to the impact of COVID-19.

1. Lenders	MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd.
2. Amount of borrowing	¥200,000 million (total amount of new borrowings from the three banks above)
3. Borrowing interest	Fixed interest
4. Repayment conditions	Bullet repayment at maturity
5. Date of execution	April 20 to 28, 2020
6. Repayment deadline	April 20 to 28, 2021

(First-time adoption of IFRS)

The Group prepared its condensed quarterly consolidated financial statements in accordance with IFRS from the first quarter of the fiscal year ending December 31, 2020. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the fiscal year ended December 31, 2019, and the date of transition to IFRS (hereinafter the "transition date") is January 1, 2019.

(1) Exemption in IFRS 1

IFRS 1 requires, as a general rule, a company adopting IFRS for the first time to apply the provisions required under IFRS retrospectively. However, IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1") allows exemptions from retrospective application of some IFRS requirements on first-time adoption of IFRS. The Group elected to apply the following exemptions for the transition from Japanese GAAP to IFRS:

1) Business combinations

The Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the transition date. Consequently, the amount of goodwill arising from business combinations before the transition date is based on the carrying amount at the transition date under Japanese GAAP.

Further, the Group performed an impairment test on goodwill at the transition date regardless of whether there was any indication that the goodwill may be impaired.

2) Exchange differences on translation of foreign operations

The Group elected to deem all cumulative exchange differences on translation of foreign operations as zero at the transition date.

3) Designation of financial assets recognized prior to the transition date

The Group assessed the classification of financial assets under IFRS 9 "Financial Instruments" (hereinafter "IFRS 9") on the basis of facts and circumstances existing at the transition date and designated some equity financial assets as financial assets measured through other comprehensive income.

4) Leases

The Group assessed whether a contract existing at the transition date contains a lease on the basis of facts and circumstances existing at the transition date. The Group measured a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date. In addition, the Group measures, on a lease-by-lease basis, a right-of-use asset at either: (i) its carrying amount as if IFRS 16 "Leases" (hereinafter "IFRS16") had been applied since the commencement date of lease, but discounted

using the lessee's incremental borrowing rate at the transition date; or (ii) an amount equal to the lease liability. Further, the Group expensed the lease payments associated with leases for which the lease term ends within 12 months of the transition date and leases for which the underlying asset is of low value.

(2) Mandatory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial instruments," etc. Thus, the Group applied IFRS to these items from the transition date and onwards.

(3) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows.

In the reconciliations below, "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Differences in recognition and measurement" include items that affect retained earnings and comprehensive income.

Reconciliations of equity as of January 1, 2019 (transition date)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	440,378	(6,462)	–	433,916		Cash and cash equivalents
Notes and accounts receivable	603,119	19,091	159,705	781,916	(1) (2)	Trade and other receivables
Finished products	406,964	204,240	34,720	645,924	(1) (3)	Inventories
Work in process	37,904	(37,904)	–	–	(1)	
Raw materials and supplies	171,720	(171,720)	–	–	(1)	
Marketable securities	153,853	15,528	(143,514)	25,867	(2)	Other financial assets
Other current assets	123,188	(41,916)	(2,838)	78,435	(1)	Other current assets
Allowance for doubtful accounts	(21,729)	21,729	–	–		
Total current assets	1,915,400	2,586	48,073	1,966,059		Subtotal
	–	1,788	–	1,788		Non-current assets held for sale
Total current assets	1,915,400	4,374	48,073	1,967,847		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,524,681	(86,526)	76,886	1,515,042	(1) (4)	Property, plant and equipment
	–	80,087	242,583	322,670	(1) (5)	Right-of-use assets
Intangible assets						
Goodwill	41,381	–	–	41,382		Goodwill
Other intangible fixed assets	48,987	4,137	(3,414)	49,710		Intangible assets
	–	47,839	175	48,014	(1)	Investments accounted for using equity method
Investments and other assets						
Investments in securities	219,970	(7,668)	5,004	217,306	(1)	Other financial assets
Long-term loans receivable	11,465	(11,465)	–	–		
Deferred tax assets	65,698	–	(8,319)	57,379	(6)	Deferred tax assets
Net defined benefit asset	371	(371)	–	–		
Other assets	65,376	(28,859)	(3,190)	33,327		Other non-current assets
Allowance for doubtful accounts	(1,524)	1,524	–	–		
Total fixed assets	1,976,407	(1,302)	309,724	2,284,830		Total non-current assets
Total assets	3,891,808	3,072	357,797	4,252,677		Total assets

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	233,970	264,236	(1,033)	497,173	(1)	Trade and other payables
Short-term debt	100,627	90,955	(27)	191,556	(1)	Bonds and borrowings
Commercial paper	20,955	(20,955)	–	–	(1)	
Current portion of bonds	70,000	(70,000)	–	–	(1)	
Lease obligations	11,495	–	40,601	52,097	(5)	Lease liabilities
Income taxes payable	15,073	11,314	9,016	35,404		Income taxes payable
	–	24,996	–	24,996		Other financial liabilities
Provision for sales returns	3,531	32,910	(3,362)	33,080		Provisions
Provision for reorganization of R&D and manufacturing base	4,333	(4,333)	–	–		
Accounts payable	186,677	(186,677)	–	–	(1)	
Accrued expenses	190,754	(190,754)	–	–	(1)	
Other current liabilities	61,215	54,455	7,519	123,190	(1)	Other current liabilities
Total current liabilities	898,633	6,147	52,715	957,495		Subtotal
	–	–	–	–		Liabilities directly associated with non-current assets held for sale
Total current liabilities	898,633	6,147	52,715	957,495		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	150,000	(150,000)	–	–	(1)	
Long-term debt	38,041	150,000	21,936	209,977	(1) (2)	Bonds and borrowings
Lease obligations	68,975	–	202,203	271,179	(5)	Lease liabilities
	–	11,824	–	11,824		Other financial liabilities
Net defined benefit liability	196,005	7,862	4,061	207,928		Net defined benefit liability
Provision for product warranties	2,999	(2,999)	–	–		
Provision for environmental remediation	1,511	(1,511)	–	–		
Provision for reorganization of R&D and manufacturing base	–	23,072	1,141	24,212		Provisions
Deferred tax liabilities	27,723	–	18,890	46,613	(6)	Deferred tax liabilities
Other long-term liabilities	73,524	(41,321)	(3,126)	29,077		Other non-current liabilities
Total long-term liabilities	558,781	(3,075)	245,104	800,810		Total non-current liabilities
Total liabilities	1,457,414	3,072	297,819	1,758,306		Total liabilities

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Equity						Equity
Common stock	126,354	–	–	126,354		Common stock
Capital surplus	121,997	–	–	121,998		Capital surplus
Treasury stock	(32,648)	–	–	(32,648)		Treasury stock
Net unrealized gain (loss) on available-for-sale securities	108,888	(305,364)	315,291	118,815	(7)	Other components of equity
Deferred gain (loss) on derivative instruments	1,730	(1,730)	–	–		
Foreign currency translation adjustments	(174,850)	174,850	–	–		
Remeasurements of defined benefit plans	(135,696)	135,696	–	–		
Stock acquisition rights	3,452	(3,452)	–	–		
Retained earnings	2,360,967	–	(255,687)	2,105,280	(7) (8)	Retained earnings
				2,439,799		Total equity attributable to owners of parent
Non-controlling interests	54,198	–	374	54,572		Non-controlling interests
Total equity	2,434,393	–	59,978	2,494,371		Total equity
Total liabilities and equity	3,891,808	3,072	357,797	4,252,677		Total liabilities and equity

Reconciliations of equity as of the end of the first quarter of the previous fiscal year (March 31, 2019)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	378,385	(11,908)	–	366,478		Cash and cash equivalents
Notes and accounts receivable	597,689	15,877	145,063	758,629	(1) (2)	Trade and other receivables
Finished products	427,223	213,799	33,225	674,248	(1) (3)	Inventories
Work in process	41,726	(41,726)	–	–	(1)	
Raw materials and supplies	170,544	(170,544)	–	–	(1)	
Marketable securities	129,116	17,061	(128,793)	17,385	(2)	Other financial assets
Other current assets	126,635	(42,165)	(3,232)	81,238	(1)	Other current assets
Allowance for doubtful accounts	(21,701)	21,701	–	–		
Total current assets	1,849,620	2,093	46,263	1,897,977		Subtotal
	–	27,765	–	27,765		Non-current assets held for sale
Total current assets	1,849,620	29,859	46,263	1,925,742		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,520,384	(83,830)	73,980	1,510,535	(1) (4)	Property, plant and equipment
	–	76,341	240,245	316,585	(1) (5)	Right-of-use assets
Intangible assets						
Goodwill	40,046	–	1,200	41,247		Goodwill
Other intangible fixed assets	49,605	4,034	(3,384)	50,255		Intangible assets
	–	46,988	200	47,187	(1)	Investments accounted for using equity method
Investments and other assets						
Investments in securities	223,496	(31,831)	4,924	196,589	(1)	Other financial assets
Deferred tax assets	–	68,523	(9,564)	58,960	(6)	Deferred tax assets
Other assets	151,757	(108,774)	(3,283)	39,699		Other non-current assets
Allowance for doubtful accounts	(1,122)	1,122	–	–		
Total fixed assets	1,984,166	(27,426)	304,317	2,261,058		Total non-current assets
Total assets	3,833,786	2,433	350,580	4,186,800		Total assets

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	227,378	216,905	507	444,790	(1)	Trade and other payables
Short-term debt	73,458	148,018	–	221,477	(1)	Bonds and borrowings
Commercial paper	78,018	(78,018)	–	–	(1)	
Current portion of bonds	70,000	(70,000)	–	–	(1)	
Lease obligations	11,161	–	42,328	53,490	(5)	Lease liabilities
Income taxes payable	25,508	10,590	10,199	46,298		Income taxes payable
	–	26,412	–	26,412		Other financial liabilities
Provision for reorganization of R&D and manufacturing base	–	31,115	171	31,287		Provisions
Accounts payable	146,507	(146,507)	–	–	(1)	
Other current liabilities	269,392	(130,853)	3,454	141,994	(1)	Other current liabilities
Total current liabilities	901,424	7,662	56,660	965,746		Subtotal
	–	–	–	–		Liabilities directly associated with non-current assets held for sale
Total current liabilities	901,424	7,662	56,660	965,746		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	150,000	(150,000)	–	–	(1)	
Long-term debt	37,877	150,000	21,934	209,811	(1) (2)	Bonds and borrowings
Lease obligations	66,288	–	198,010	264,299	(5)	Lease liabilities
	–	12,226	–	12,226		Other financial liabilities
Net defined benefit liability	194,277	7,810	7,082	209,170		Net defined benefit liability
Provision for reorganization of R&D and manufacturing base	2,311	22,620	1,141	26,072		Provisions
Deferred tax liabilities	–	27,220	16,736	43,956	(6)	Deferred tax liabilities
Other long-term liabilities	107,111	(75,105)	(2,965)	29,041		Other non-current liabilities
Total long-term liabilities	557,866	(5,229)	241,938	794,575		Total non-current liabilities
Total liabilities	1,459,291	2,433	298,597	1,760,321		Total liabilities

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Equity						Equity
Common stock	126,354	–	–	126,354		Common stock
Capital surplus	121,997	–	–	121,998		Capital surplus
Treasury stock	(105,237)	–	–	(105,238)		Treasury stock
Net unrealized gain (loss) on available-for-sale securities	112,155	(295,764)	311,482	127,874	(7)	Other components of equity
Deferred gain (loss) on derivative instruments	2,092	(2,092)	–	–		
Foreign currency translation adjustments	(167,932)	167,932	–	–		
Remeasurements of defined benefit plans	(133,256)	133,256	–	–		
Stock acquisition rights	3,332	(3,332)	–	–		
Retained earnings	2,361,137	–	(259,917)	2,101,221	(7) (8)	Retained earnings
				2,372,209		Total equity attributable to owners of parent
Non-controlling interests	53,852	–	418	54,270		Non-controlling interests
Total equity	2,374,495	–	51,983	2,426,479		Total equity
Total liabilities and equity	3,833,786	2,433	350,580	4,186,800		Total liabilities and equity

Reconciliations of equity as of the end of the previous fiscal year (December 31, 2019)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	441,255	(8,331)	–	432,924		Cash and cash equivalents
Notes and accounts receivable	583,223	22,608	149,513	755,344	(1) (2)	Trade and other receivables
Finished products	406,119	190,999	33,044	630,162	(1) (3)	Inventories
Work in process	39,360	(39,360)	–	–	(1)	
Raw materials and supplies	150,943	(150,943)	–	–	(1)	
Marketable securities	136,044	14,107	(135,841)	14,311	(2)	Other financial assets
Other current assets	135,496	(51,685)	(3,168)	80,643	(1)	Other current assets
Allowance for doubtful accounts	(21,377)	21,377	–	–		
Total current assets	1,871,066	(1,228)	43,547	1,913,385		Subtotal
	–	5,023	–	5,023		Non-current assets held for sale
Total current assets	1,871,066	3,795	43,547	1,918,408		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,562,160	(79,452)	72,461	1,555,170	(1) (4)	Property, plant and equipment
	–	74,035	224,535	298,569	(1) (5)	Right-of-use assets
Intangible assets						
Goodwill	91,410	–	6,935	98,346		Goodwill
Other intangible fixed assets	113,639	3,219	(3,195)	113,664		Intangible assets
	–	46,873	198	47,071	(1)	Investments accounted for using equity method
Investments and other assets						
Investments in securities	141,820	(6,065)	4,706	140,462	(1)	Other financial assets
Long-term loans receivable	7,980	(7,980)	–	–		
Deferred tax assets	77,081	–	(16,371)	60,711	(6)	Deferred tax assets
Net defined benefit asset	7,797	(7,797)	–	–		
Other assets	74,686	(25,980)	(4,090)	44,616		Other non-current assets
Allowance for doubtful accounts	(1,138)	1,138	–	–		
Total fixed assets	2,075,438	(2,010)	285,180	2,358,608		Total non-current assets
Total assets	3,946,505	1,785	328,727	4,277,016		Total assets

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	202,048	250,207	814	453,069	(1)	Trade and other payables
Short-term debt	76,745	58,696	–	135,442	(1)	Bonds and borrowings
Commercial paper	58,696	(58,696)	–	–	(1)	
Lease obligations	12,094	–	40,733	52,827	(5)	Lease liabilities
Income taxes payable	40,497	4,209	6,800	51,506		Income taxes payable
	–	27,628	–	27,628		Other financial liabilities
Provision for sales returns	3,337	33,789	(2,194)	34,931		Provisions
Provision for recall	4,534	(4,534)	–	–		
Accounts payable	175,562	(175,562)	–	–	(1)	
Accrued expenses	193,756	(193,756)	–	–	(1)	
Other current liabilities	71,039	60,655	7,286	138,980	(1)	Other current liabilities
Total current liabilities	838,312	2,634	53,438	894,383		Subtotal
	–	953	–	953		Liabilities directly associated with non-current assets held for sale
Total current liabilities	838,312	3,586	53,438	895,336		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	350,000	(350,000)	–	–	(1)	
Long-term debt	34,249	350,000	21,264	405,514	(1) (2)	Bonds and borrowings
Lease obligations	65,673	–	185,011	250,685	(5)	Lease liabilities
	–	12,937	–	12,937		Other financial liabilities
Net defined benefit liability	201,412	7,001	3,206	211,619		Net defined benefit liability
Provision for product warranties	2,687	(2,687)	–	–		
Provision for environmental remediation	874	(874)	–	–		
	–	22,510	838	23,348		Provisions
Deferred tax liabilities	34,977	–	9,266	44,243	(6)	Deferred tax liabilities
Other long-term liabilities	74,026	(40,686)	(2,485)	30,856		Other non-current liabilities
Total long-term liabilities	763,902	(1,800)	217,100	979,203		Total non-current liabilities
Total liabilities	1,602,215	1,785	270,538	1,874,539		Total liabilities

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Equity						Equity
Common stock	126,354	–	–	126,354		Common stock
Capital surplus	121,997	–	–	121,998		Capital surplus
Treasury stock	(232,330)	–	–	(232,330)		Treasury stock
Net unrealized gain (loss) on available-for-sale securities	55,363	(315,393)	302,691	42,661	(7)	Other components of equity
Deferred gain (loss) on derivative instruments	(342)	342	–	–		
Foreign currency translation adjustments	(189,271)	189,271	–	–		
Remeasurements of defined benefit plans	(129,054)	129,054	–	–		
Stock acquisition rights	3,275	(3,275)	–	–		
Retained earnings	2,535,720	–	(245,025)	2,290,696	(7) (8)	Retained earnings
				2,349,378		Total equity attributable to owners of parent
Non-controlling interests	52,576	–	523	53,099		Non-controlling interests
Total equity	2,344,290	–	58,188	2,402,477		Total equity
Total liabilities and equity	3,946,505	1,785	328,727	4,277,016		Total liabilities and equity

Notes on reconciliations of equity

(1) Reclassifications

The Group reclassified items between Japanese GAAP and IFRS to comply with provisions of IFRS. The major reclassifications are as follows:

- 1) Accounts receivable - other, which were included in and presented as "Other current assets" in current assets under Japanese GAAP, are reclassified and presented as "Trade and other receivables" under IFRS.
- 2) "Finished products," "Work in process," and "Raw materials and supplies," which were separately presented under Japanese GAAP, are presented in aggregate as "Inventories" under IFRS.
- 3) Right-of-use assets, which were included in and presented as "Property, plant and equipment" under Japanese GAAP, are separately presented as "Right-of-use assets" under IFRS.
- 4) Equity method investments, which were included in and presented as "Investments in securities" in Fixed assets under Japanese GAAP, are separately presented as "Investments accounted for using equity method" under IFRS.
- 5) "Notes and accounts payable," "Accounts payable," and "Accrued expenses," which were separately presented under Japanese GAAP, are presented as "Trade and other payables" and "Other current liabilities" under IFRS.
- 6) "Short-term debt," "Commercial paper," and "Current portion of bonds," which were separately presented under Japanese GAAP, are presented in aggregate as "Bonds and borrowings" in current liabilities under IFRS.
- 7) "Bonds" and "Long-term debt," which were separately presented under Japanese GAAP, are presented in aggregate as "Bonds and borrowings" in non-current liabilities under IFRS.

(2) Trade and other receivables

For liquidated receivables that were derecognized and included in and presented as "Marketable securities" in current assets under Japanese GAAP, those that do not satisfy the derecognition criteria under IFRS are included in and presented as "Trade and other receivables" in accordance with provisions of IFRS 9. In addition, liabilities associated with the proceeds from the transfer of such assets are included in and presented as "Bonds and borrowings" in non-current liabilities.

(3) Inventories

The Group changed the valuation method of "Inventories" from the last-in, first-out method to the moving average method for the Americas Operations in accordance with provisions of IAS 2 "Inventories" (hereinafter "IAS 2").

(4) Property, plant and equipment

Under Japanese GAAP, depreciation of property, plant and equipment of the Company and its domestic subsidiaries was computed by the declining-balance method, while the straight-line method was applied to property, plant and equipment of the Company's overseas subsidiaries. However, under IFRS, the straight-line method is consistently applied to property, plant and equipment of the entire Group.

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

The Group newly recognized right-of-use assets and lease liabilities principally for buildings and land as a lessee of such leases principally in Japan and the Americas in accordance with provisions of IFRS 16.

(6) Deferred tax assets and deferred tax liabilities

The Group reconciled the amounts of deferred tax assets and deferred tax liabilities principally for the temporary differences resulting from the reconciliations from Japanese GAAP to IFRS.

(7) Other components of equity

The Group applied the exemption set forth under IFRS 1 and transferred all foreign currency translation adjustments under Japanese GAAP to retained earnings on the transition date.

Under Japanese GAAP, the Group prorated the amount of remeasurements of net defined benefit liability (asset) on a straight-line method over a certain number of years within the average remaining service period of employees when it was incurred, and expensed the prorated amount from the fiscal year following the year in which it was incurred. However, under IFRS, the Group recognized such amount in other comprehensive income when it was incurred, and immediately transferred it to retained earnings.

(8) Retained earnings

The effect of the reconciliations upon adoption of IFRS on retained earnings is as follows:

	As of January 1, 2019 (Transition date)	As of March 31, 2019	As of December 31, 2019
	Millions of yen	Millions of yen	Millions of yen
(2) Reconciliation of trade and other receivables	(5,745)	(5,664)	(7,592)
(3) Reconciliation of inventories	34,720	33,225	33,044
(4) Reconciliation of property, plant and equipment	76,886	73,980	72,461
(5) Reconciliation of right-of-use assets and lease liabilities	(221)	(93)	(1,209)
(7) Reconciliation of exchange differences on translation of foreign operations	(174,850)	(174,850)	(174,850)
(7) Reconciliation of remeasurements of defined benefit plans	(135,696)	(133,256)	(129,054)
Other	(23,198)	(26,541)	(11,665)
Subtotal	(228,104)	(233,199)	(218,865)
(6) Reconciliation of tax effects	(27,209)	(26,300)	(25,637)
Reconciliation of non-controlling interests	(374)	(418)	(523)
Total	(255,687)	(259,917)	(245,025)

Reconciliations of profit or loss and comprehensive income for the three months ended March 31, 2019 (January 1, 2019 - March 31, 2019)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Net sales	848,291	(5,447)	5,362	848,206		Revenue
Cost of sales	526,423	(5,755)	9,475	530,144	(2) (3)	Cost of sales
Gross profit	321,868	308	(4,113)	318,063		Gross profit
Selling, general and administrative expenses	244,727	(78)	(1,798)	242,852	(1) (3) (4)	Selling, general and administrative expenses
	–	8,515	(42)	8,473	(1)	Other income
	–	(91)	219	128	(1)	Other expenses
Operating income	77,140	8,992	(2,576)	83,557		Operating profit
Non-operating income	15,019	(15,019)	–	–	(1)	
Non-operating expenses	8,273	(8,273)	–	–	(1)	
Ordinary income	83,886	(83,886)	–	–		
Extraordinary income	–	–	–	–		
Extraordinary loss	–	–	–	–		
	–	4,052	(1,030)	3,023	(1) (5)	Finance income
	–	4,973	2,308	7,281	(1) (6)	Finance costs
	–	(1,326)	(19)	(1,344)	(1)	Share of profit (loss) of investments accounted for using equity method
Income before income taxes and non-controlling interests	83,886	–	(5,932)	77,954		Profit before tax
Income taxes	21,338	–	(1,357)	19,982	(7)	Income tax expense
Income before non-controlling interests	62,547	–	(4,576)	57,972		Profit
Profit attributable to owners of parent	60,379	–	(4,594)	55,785		Profit attributable to Owners of parent
Profit attributable to non-controlling interests	2,168	–	19	2,187		Non-controlling interests

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Income before non-controlling interests	62,547	–	(4,576)	57,972		Profit
Other comprehensive income						Other comprehensive income
Net unrealized gain (loss) on available-for-sale securities	3,267	–	(24)	3,243	(7)	Items that will not be reclassified to profit or loss Net change in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans	2,281	–	(2,504)	(223)	(7)	Remeasurements of defined benefit plans
				3,020		Total of items that will not be reclassified to profit or loss
Foreign currency translation adjustments	8,171	–	(300)	7,871		Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations
Deferred gain (loss) on derivative instruments	(367)	–	–	(367)		Effective portion of change in fair value of cash flow hedges
Share of other comprehensive income in affiliates	352	–	13	365		Share of other comprehensive income of investments accounted for using equity method
				7,869		Total of items that may be reclassified to profit or loss
Total other comprehensive income	13,706	–	(2,817)	10,889		Other comprehensive income, net of tax
Comprehensive income	76,253	–	(7,392)	68,861		Comprehensive income
Comprehensive income attribute to owners of parent	73,367	–	(8,038)	65,329		Comprehensive income attributable to Owners of parent
Comprehensive income attribute to non-controlling interests	2,886	–	646	3,532		Non-controlling interests

Reconciliations of profit or loss and comprehensive income for the fiscal year ended December 31, 2019 (January 1, 2019 - December 31, 2019)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Net sales	3,525,600	(18,061)	(296)	3,507,243		Revenue
Cost of sales	2,201,684	(18,722)	(408)	2,182,554	(2) (3)	Cost of sales
Gross profit	1,323,916	660	112	1,324,689		Gross profit
Selling, general and administrative expenses	997,817	13,169	(12,626)	998,360	(1) (3) (4)	Selling, general and administrative expenses
	–	47,615	(9)	47,606	(1)	Other income
	–	23,547	1,052	24,599	(1)	Other expenses
Operating income	326,098	11,560	11,678	349,336		Operating profit
Non-operating income	28,018	(28,018)	–	–	(1)	
Non-operating expenses	37,293	(37,293)	–	–	(1)	
Ordinary income	316,823	(316,823)	–	–		
Extraordinary income	116,134	(116,134)	–	–	(1)	
Extraordinary loss	25,706	(25,706)	–	–	(1)	
	–	94,366	(76,617)	17,748	(1) (5)	Finance income
	–	21,582	6,741	28,324	(1) (6)	Finance costs
	–	(3,190)	(61)	(3,251)	(1)	Share of profit (loss) of investments accounted for using equity method
Income before income taxes and non-controlling interests	407,251	–	(71,742)	335,510		Profit before tax
Income taxes	108,303	–	(19,085)	89,219	(7)	Income tax expense
Income before non-controlling interests	298,947	–	(52,657)	246,291		Profit
Profit attributable to owners of parent	292,598	–	(52,487)	240,111		Profit attributable to Owners of parent
Profit attributable to non-controlling interests	6,349	–	(170)	6,179		Non-controlling interests

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Income before non-controlling interests	298,947	–	(52,657)	246,291		Profit
Other comprehensive income						Other comprehensive income
Net unrealized gain (loss) on available-for-sale securities	(53,518)	–	59,639	6,121	(7)	Items that will not be reclassified to profit or loss Net change in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans	6,926	–	(4,177)	2,749	(7)	Remeasurements of defined benefit plans
		–	(6)	(6)		Share of other comprehensive income of investments accounted for using equity method
				8,864		Total of items that will not be reclassified to profit or loss
Foreign currency translation adjustments	(11,647)	–	(4,544)	(16,191)		Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations
Deferred gain (loss) on derivative instruments	(864)	–	–	(864)		Effective portion of change in fair value of cash flow hedges
Share of other comprehensive income in affiliates	(2,213)	–	108	(2,105)		Share of other comprehensive income of investments accounted for using equity method
				(19,159)		Total of items that may be reclassified to profit or loss
Total other comprehensive income	(61,317)	–	51,022	(10,295)		Other comprehensive income, net of tax
Comprehensive income	237,629	–	(1,634)	235,995		Comprehensive income
Comprehensive income attribute to owners of parent	229,223	–	(1,706)	227,517		Comprehensive income attributable to Owners of parent
Comprehensive income attribute to non-controlling interests	8,406	–	72	8,478		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassifications

Items presented in “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP are reclassified as follows under IFRS: Items of financial profit or loss are presented as “Finance income” or “Finance costs,” respectively, and the other items are presented as “Selling, general and administrative expenses,” “Other income,” “Other expenses,” or “Share of profit (loss) of investments accounted for using equity method.”

(2) Cost of sales

The Group reconciled “Cost of sales” since it changed the valuation method of “Inventories” from the last-in, first-out method to the moving average method for the Americas Operations in accordance with provisions of IAS 2.

(3) Cost of sales and selling, general and administrative expenses

Under Japanese GAAP, depreciation of property, plant and equipment of the Company and its domestic subsidiaries was computed by the declining-balance method, while the straight-line method was applied to property, plant and equipment of the Company’s overseas subsidiaries. However, under IFRS, the straight-line method is consistently applied to property, plant and equipment of the Group. Due to this change, the Group reconciled “Cost of sales” and “Selling, general and administrative expenses” that include depreciation.

(4) Selling, general and administrative expenses

Under Japanese GAAP, goodwill was amortized on a straight-line method over the period for which goodwill is expected to have an effect. However, under IFRS, the Group discontinued the amortization of goodwill on and after the transition date.

(5) Finance income

Under Japanese GAAP, the Group recognized gain or loss on sales of equity instruments in profit or loss. However, under IFRS, the Group recognized any change in fair value as other comprehensive income for equity instruments designated as those measured at fair value through other comprehensive income, and reconciled “Finance income” in order to transfer the change to retained earnings immediately when the equity instruments are sold.

(6) Finance costs

Under Japanese GAAP, the Group calculated the interest cost by multiplying the defined benefit obligations by the discount rate and the expected return on plan assets by multiplying the plan assets by the expected rate of return on plan assets to recognize them as retirement benefit expenses. However, under IFRS, the Group reconciled “Finance costs” as it recognized net interest by multiplying the defined benefit obligation net of plan assets by the discount rate.

(7) Income tax expense and other comprehensive income

For gain or loss on sales of equity instruments recognized in profit or loss and income taxes on such gain under Japanese GAAP, the Group reconciled “Income tax expense” and “Net change in fair value of financial assets measured through other comprehensive income” since it did not recognize gain or loss on sales of certain equity instruments designated as financial assets measured at fair value through other comprehensive income in profit or loss under IFRS.

In addition, under Japanese GAAP, the Group prorated the amount of remeasurements of net defined benefit liability (asset) on a straight-line method over a certain number of years within the average

remaining service period of employees when it was incurred, and recognized the prorated amount in profit or loss from the fiscal year following the year in which it was incurred. However, under IFRS, the Group recognized such amount in other comprehensive income when it was incurred, and reconciled “Remeasurements of defined benefit plans” in order to transfer such amount to “Retained earnings” immediately.

Reconciliations of cash flows for the fiscal year ended December 31, 2019

The major difference between the consolidated statement of cash flows disclosed in accordance with the Japanese GAAP and the consolidated statement of cash flows disclosed under IFRS is that “Lease payments associated with operating leases” previously included in “Cash flows from operating activities” are now included in “Cash flows from financing activities” as “Repayments of lease liabilities” due to the application of IFRS 16. As a result, net cash provided by operating activities increased by ¥41,914 million, and net cash used in financing activities increased by ¥41,914 million.