

Summary of Consolidated Financial Statements for the Third Quarter of Fiscal Year Ending December 31, 2017 (IFRS)



October 31, 2017

Name of listed company: Nabtesco Corporation

Code number: 6268

Representative: Title: President and CEO

Inquiries: Title: General Manager, General Administration Div.

Scheduled date for filing of quarterly report: November 14th, 2017

Scheduled dividend payment date: –

Quarterly material to supplement the financial results: Yes

Quarterly financial results conference: Yes (Teleconference for institutional investors and financial analysts)

Stock listed on: First Section of the Tokyo Stock Exchange

URL: <http://www.nabtesco.com>

Name: Katsuhiko Teramoto

Name: Toshihiro Matsumoto

TEL: +81-3-5213-1133

(Amounts rounded to the nearest million)

1. Consolidated Results for the First Nine-month Period of FY 2017 (January 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Net sales		Operating income		Income before tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine-month period, FY 2017	202,809	14.8	21,615	7.8	26,110	36.4	19,778	42.9	18,809	36.9	21,968	304.3
First nine-month period, FY 2016	176,691	–	20,047	–	19,148	–	13,838	–	13,741	–	5,433	–

(Note) The day of transition to IFRS was January 1, 2016; therefore the rate of year-on-year change (percentage) in the first nine-month period of FY 2016 has been omitted in the tables above.

	Total basic earnings per share	Diluted earnings per share
	Yen	Yen
First nine-month period, FY 2017	152.44	152.23
First nine-month period, FY 2016	111.25	111.11

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of September 30, 2017	289,321	169,398	160,567	55.5
As of December 31, 2016	256,973	155,904	147,929	57.6

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY 2016	–	24.00	–	26.00	50.00
FY 2017	–	34.00	–	–	–
FY 2017 (Forecast)	–	–	–	34.00	68.00

(Note) Revisions to the latest dividend forecasts: None

3. Forecast of Consolidated Operating Results for FY 2017 (January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year change for full year and quarter-on-quarter change for quarter)

	Net sales		Operating income		Income before tax		Net income attributable to owners of the parent		Total basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2017	273,000	–	28,400	–	32,100	–	23,900	–	193.60

(Note) Revisions to the latest forecast of operating results: None

* Matters of note:

- (1) Changes in significant subsidiaries during the third quarter of consolidated FY 2017 (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None
Newly added: 0 (Company name: –) Excluded: 0 (Company name: –)
- (2) Changes in accounting policies and accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
- (3) Shares outstanding (Common shares)
1) Number of shares outstanding (including treasury stock) as of the end of the term
2) Amount of treasury stock
3) Average number of shares during the term

1)	As of September 30, 2017	125,133,799	As of December 31, 2016	125,133,799
2)	As of September 30, 2017	1,887,653	As of December 31, 2016	1,608,476
3)	January 1, 2017 to September 30, 2017	123,389,082	January 1, 2016 to September 30, 2016	123,516,242

Notes:

Quarterly summary of financial statements is not subject to quarterly reviews.

Explanation of proper use of forecasts of operating results and other matters of special note

Forward-looking statements in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable, and are not intended to guarantee the achievement of such forecasts. Actual results may vary significantly from such forecasts due to a variety of factors. Please refer to "1. Qualitative Information on Consolidated Operating Results for the Nine Months Ended September 30, 2017, (3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results" on page 4 of the attached document.

The Company adopted the International Financial Reporting Standards (IFRS) for the first time from the consolidated fiscal year under review, and has prepared its consolidated financial statements in accordance with the standards. The consolidated financial statements for the previous consolidated fiscal year have also been prepared in accordance with IFRS.

Table of Contents of Attached Documents

1. Qualitative Information on Consolidated Operating Results for the Nine Months Ended September 30, 2017	1
(1) Analysis of Consolidated Operating Results	1
(2) Analysis of Financial Position	3
(3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results	4
2. Matters Related to Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Third Quarter of Consolidated FY 2017	5
(2) Changes in Accounting Policies and Accounting Estimates	5
3. Summary of Quarterly Consolidated Financial Statements and Notes on the Summary of Quarterly Consolidated Financial Statements	6
(1) Summary of Quarterly Consolidated Statement of Financial Position	6
(2) Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ..	8
(3) Consolidated Statement of Changes in Equity	10
(4) Notes on the Summary of Quarterly Consolidated Financial Statements	12
4. Other Information	26
(1) Order Backlog by Business Segment	26

1. Qualitative Information on Consolidated Operating Results for the Nine Months Ended September 30, 2017

(1) Analysis of Consolidated Operating Results

The consolidated operating results of the Group for the period under review recorded net sales of ¥202,809 million and operating income of ¥21,615 million, mostly reflecting the robust demand for industrial robots, strong demand for construction machinery in China, and the conversion of a domestic sales company of automatic doors into a consolidated subsidiary. Income before tax was ¥26,110 million, due to an increase in equity in earnings of affiliates. Net income attributable to owners of the parent amounted to ¥18,809 million.

1) Amount of orders received, net sales and operating income

The amount of orders received for the period under review increased 22.2% year-on-year to ¥222,370 million. Net sales and operating income increased 14.8% and 7.8% year-on-year to ¥202,809 million and ¥21,615 million, respectively. Operating margin was 10.7%.

Operating results by business segment were as follows:

[Amount of orders received]

	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)	Change (%)
Component Solutions	60,202	86,782	44.2
Transport Solutions	55,511	60,975	9.8
Accessibility Solutions	54,969	60,238	9.6
Others	11,308	14,374	27.1
Total	181,991	222,370	22.2

(Million yen)

[Net sales]

	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)	Change (%)
Component Solutions	59,272	81,449	37.4
Transport Solutions	59,126	57,728	(2.4)
Accessibility Solutions	46,651	52,048	11.6
Others	11,641	11,584	(0.5)
Total	176,691	202,809	14.8

(Million yen)

[Core operating income]

	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)	Change (%)
Component Solutions	7,686	14,996	95.1
Transport Solutions	9,682	7,005	(27.7)
Accessibility Solutions	3,660	3,189	(12.9)
Others	1,198	1,200	0.2
Elimination or Corporate	(4,299)	(4,707)	—
Total	17,927	21,682	20.9

(Million yen)

Note: 1. Core operating income is net sales less cost of sales and selling, general and administrative expenses.

[Operating income]

(Million yen)

	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)	Change (%)
Component Solutions	7,721	15,011	94.4
Transport Solutions	9,734	6,924	(28.9)
Accessibility Solutions	4,904	3,183	(35.1)
Others	1,190	1,192	0.2
Elimination or Corporate	(3,501)	(4,695)	–
Total	20,047	21,615	7.8

[Component solutions business]

The amount of orders received for component solutions increased 44.2% year-on-year to ¥86,782 million. Net sales rose 37.4% to ¥81,449 million, while operating income increased 94.4% to ¥15,011 million.

Sales of precision reduction gears increased from the same period of the previous year, mainly reflecting robust demand for industrial robots and automation needs in production facilities. Sales of hydraulic equipment saw a year-on-year increase mainly due to the strong demand for construction machinery in the Chinese market.

[Transport solutions business]

The amount of orders received for transport solutions increased 9.8% year-on-year to ¥60,975 million. Net sales dropped 2.4% year-on-year to ¥57,728 million, and operating income decreased 28.9% to ¥6,924 million.

Railroad vehicle equipment saw net sales decrease from the same period of the previous year due to a drop in sales for the Chinese high-speed railway. Sales of aircraft equipment decreased year-on-year in light of an off-season in demand for private-sector aircraft due to the switch from B777 to B777X. Sales of commercial vehicle equipment increased year-on-year, reflecting the robust domestic market and favorable effects of an acquisition. Marine vessel equipment saw net sales decrease year-on-year due to continued sluggishness in the shipbuilding market.

[Accessibility solutions business]

The amount of orders received for accessibility solutions increased 9.6% year-on-year to ¥60,238 million. Net sales increased 11.6% year-on-year to ¥52,048 million, while operating income decreased 35.1% year-on-year to ¥3,183 million.

Sales of automatic doors increased compared to the same period of the previous year, reflecting the conversion of a domestic sales company into a consolidated subsidiary, which was conducted in April 2016.

[Others]

The amount of orders received for others increased 27.1% year-on-year to ¥14,374 million. Net sales decreased 0.5% year-on-year to ¥11,584 million, while operating income rose by 0.2% year-on-year to ¥1,192 million.

Sales of packaging machinery increased from the same period of the previous year due to robust sales to the domestic market as well as strong sales to overseas markets, Southeast Asia in particular.

Reference: Information by region
[Net sales]

(Million yen)

	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)	Change (%)
Japan	102,655	113,333	10.4
China	18,178	28,601	57.3
Other Asia	12,269	13,457	9.7
North America	16,126	14,450	(10.4)
Europe	26,918	32,550	20.9
Other areas	545	417	(23.4)
Total	176,691	202,809	14.8

- Notes: 1. Net sales are classified by country or region based on the location of the buyer.
2. The increase in net sales to Japan was mainly due to the increase in sales of automatic doors and precision reduction gears.
3. The increase in net sales to China and other Asia mainly reflected the increase in sales of hydraulic equipment.
4. The decrease in net sales to North America was mainly due to the drop in sales of aircraft equipment.
5. The increase in net sales to Europe is due to an increase in sales of precision reduction gears and favorable effects of an acquisition.

2) Income before tax for the first nine-month period

Income before tax was ¥26,110 million, an increase of 36.4% year-on-year, reflecting finance income of ¥420 million, finance costs of ¥81 million, and equity in earnings of affiliates of ¥4,156 million, a 602.9% year-on-year increase.

3) Net income attributable to owners of the parent for the first nine-month period

In sum, net income attributable to owners of the parent was ¥18,809 million, an increase of 36.9% year-on-year, net of expenses of income tax of ¥6,331 million and net profit attributable to non-controlling interests of ¥969 million.

Total basic earnings per share were ¥152.44, an increase of ¥41.19 year-on-year.

(2) Analysis of Financial Position

1) Assets, liabilities and equities

(Million yen)

	As of the end of the previous consolidated fiscal year (December 31, 2016)	As of the end of the first nine-month period of the current consolidated fiscal year (September 30, 2017)	Change
Total assets	256,973	289,321	32,348
Liabilities	101,070	119,923	18,854
Equities	155,904	169,398	13,494

[Assets]

Total assets as of September 30, 2017 were ¥289,321 million, an increase of ¥32,348 million from December 31, 2016, consisting of ¥155,691 million in current assets and ¥133,630 million in non-current assets. Key contributing positive factors included increases of ¥9,901 million in goodwill and ¥8,012 million in inventories.

[Liabilities]

Total liabilities as of September 30, 2017 were ¥119,923 million, an increase of ¥18,854 million from December 31, 2016, reflecting ¥92,993 million in current liabilities and ¥26,930 million in non-current liabilities. The main contributing positive factors were increases of ¥10,576 million in bonds and borrowings and of ¥6,933 million in operating payables, while the primary contributing negative factor was a decrease of ¥2,805 million in income taxes payable.

[Equities]

Total equities as of September 30, 2017 stood at ¥169,398 million. Equity attributable to owners of the parent was ¥160,567 million, an increase of ¥12,637 million from December 31, 2016. The key contributing positive factors included increases in retained earnings due to net income attributable to owners of the parent of ¥18,809 million, and ¥2,099 million in other components of equities due to the increase in exchange differences arising from exchange differences on foreign operations, while the main contributing negative factor was the decrease of ¥7,452 million in retained earnings due to dividend payment.

(3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results

Consolidated financial results for the first nine-month period of the fiscal year under review was almost in line with the forecasts announced on July 31, 2017.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Third Quarter of Consolidated FY 2017

Not applicable

(2) Changes in Accounting Policies and Accounting Estimates

Not applicable

3. Summary of Quarterly Consolidated Financial Statements and Notes on the Summary of Quarterly Consolidated Financial Statements

(1) Summary of Quarterly Consolidated Statement of Financial Position

(Million yen)

	Note No.	Day of transition (January 1, 2016)	End of consolidated FY 2016 (as of December 31, 2016)	End of the first nine-month period of consolidated FY 2017 (as of September 30, 2017)
Assets				
Current assets				
Cash and cash equivalents		34,710	41,780	40,034
Trade receivables		59,790	65,569	70,653
Other receivables		1,361	1,264	1,032
Inventories		28,760	32,704	40,716
Other financial assets		385	166	186
Other current assets		1,742	2,309	3,070
Total current assets		126,747	143,792	155,691
Non-current assets				
Property, plant and equipment		52,677	63,155	69,213
Intangible assets		3,429	2,671	2,637
Goodwill		15,098	14,361	24,262
Investment property		4,527	5,486	5,471
Investments accounted for using the equity method		18,195	15,952	19,638
Other financial assets		7,075	8,487	9,432
Deferred tax assets		1,142	1,602	1,630
Other non-current assets		1,523	1,468	1,349
Total non-current assets		103,665	113,181	133,630
Total assets		230,412	256,973	289,321

(Million yen)

	Note No.	Day of transition (January 1, 2016)	End of consolidated FY 2016 (as of December 31, 2016)	End of the first nine-month period of consolidated FY 2017 (as of September 30, 2017)
Liabilities and equities				
Liabilities				
Current liabilities				
Operating payables		42,500	48,078	55,012
Bonds and borrowings		15,334	5,794	15,926
Other payables		10,064	10,450	12,654
Income taxes payable		1,057	5,408	2,604
Provisions		617	723	563
Other current liabilities		3,579	4,423	6,235
Total current liabilities		73,151	74,876	92,993
Non-current liabilities				
Bonds and borrowings		–	11,155	11,599
Liabilities concerning retirement benefit		7,340	9,343	9,493
Deferred tax liabilities		3,153	3,518	3,803
Other non-current liabilities		2,022	2,177	2,035
Total non-current liabilities		12,516	26,194	26,930
Total liabilities		85,666	101,070	119,923
Equities				
Capital stock		10,000	10,000	10,000
Share premium		14,616	14,703	14,857
Retained earnings		113,406	125,493	136,826
Treasury shares		(2,718)	(2,649)	(3,597)
Other components of equities		2,966	382	2,481
Equity attributable to owners of the parent		138,271	147,929	160,567
Non-controlling interests		6,475	7,974	8,831
Total equities		144,745	155,904	169,398
Total liabilities and equities		230,412	256,973	289,321

(2) Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Summary of Consolidated Statements of Income

First Nine-month Period

(Million yen)

	Note No.	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)
Net sales	2	176,691	202,809
Cost of sales		(126,444)	(144,634)
Gross profit		50,247	58,175
Other income		2,300	612
Selling, general and administrative expense		(32,320)	(36,493)
Other expenses		(180)	(679)
Operating income	2	20,047	21,615
Financial income		150	420
Financial costs		(1,640)	(81)
Equity in earnings of affiliates		591	4,156
Profit (loss) before tax		19,148	26,110
Expenses of income tax		(5,310)	(6,331)
Net income		13,838	19,778
Net income attributable to			
Owners of the parent		13,741	18,809
Non-controlling interests		97	969
Net income		13,838	19,778
Net income per share			
Basic earnings per share (yen)		111.25	152.44
Diluted earnings per share (yen)		111.11	152.23

Summary of Consolidated Statements of Comprehensive Income
First Nine-month Period

(Million yen)

	Note No.	First nine-month period of consolidated FY 2016 (January 1, 2016 to September 30, 2016)	First nine-month period of consolidated FY 2017 (January 1, 2017 to September 30, 2017)
Net income		13,838	19,778
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in financial assets measured at fair value through other comprehensive income		(218)	530
Share of other comprehensive income for equity method affiliates		(43)	(0)
Total components that will not be reclassified to profit or loss		(261)	529
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations		(8,143)	1,661
Total components that will be reclassified to profit or loss		(8,143)	1,661
Other comprehensive income after taxes		(8,405)	2,190
Total comprehensive income		5,433	21,968
Comprehensive income attributable to			
Owners of the parent		6,508	20,887
Non-controlling interests		(1,075)	1,081
Total comprehensive income		5,433	21,968

(3) Consolidated Statement of Changes in Equity

First nine-month period of previous consolidated fiscal year (January 1, 2016 to September 30, 2016)

(Million yen)

	Note	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equities	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2016		10,000	14,616	113,406	(2,718)	–	2,966
Net income		–	–	13,741	–	–	–
Other comprehensive income		–	–	–	–	(6,932)	(286)
Total comprehensive income		–	–	13,741	–	(6,932)	(286)
Acquisition, sales, etc. of treasury shares		–	–	(15)	70	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(5,712)	–	–	–
Transfer from other components of equities to retained earnings		–	–	(7)	–	–	(8)
Share-based compensation transactions		–	87	–	–	–	–
Total transactions with owners, etc.		–	87	(5,734)	70	–	(8)
Balance as of September 30, 2016		10,000	14,703	121,413	(2,648)	(6,932)	2,672

	Note	Other components of equities		Total equity attributable to owners of the parent	Non-controlling interests	Total equities
		Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2016		–	2,966	138,271	6,475	144,745
Net income		–	–	13,741	97	13,838
Other comprehensive income		(15)	(7,233)	(7,233)	(1,172)	(8,405)
Total comprehensive income		(15)	(7,233)	6,508	(1,075)	5,433
Acquisition, sales, etc. of treasury shares		–	–	55	–	55
Acquisition, sales, etc. of non-controlling interests		–	–	–	1,751	1,751
Dividends		–	–	(5,712)	(14)	(5,726)
Transfer from other components of equities to retained earnings		15	7	–	–	–
Share-based compensation transactions		–	–	87	–	87
Total transactions with owners, etc.		15	7	(5,570)	1,737	(3,833)
Balance as of September 30, 2016		–	(4,259)	139,209	7,137	146,346

First nine-month period of current consolidated fiscal year (January 1, 2017 to September 30, 2017)

(Million yen)

	Note	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equities	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2017		10,000	14,703	125,493	(2,649)	(2,788)	3,169
Net income		–	–	18,809	–	–	–
Other comprehensive income		–	–	–	–	1,559	540
Total comprehensive income		–	–	18,809	–	1,559	540
Acquisition, sales, etc. of treasury shares		–	–	(4)	(948)	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(7,452)	–	–	–
Transfer from other components of equities to retained earnings		–	–	(21)	–	–	–
Share-based compensation transactions		–	154	–	–	–	–
Total transactions with owners, etc.		–	154	(7,476)	(948)	–	–
Balance as of September 30, 2017		10,000	14,857	136,826	(3,597)	(1,229)	3,710

	Note	Other components of equities		Total equity attributable to owners of the parent	Non-controlling interests	Total equities
		Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2017		–	382	147,929	7,974	155,904
Net income		–	–	18,809	969	19,778
Other comprehensive income		(21)	2,078	2,078	112	2,190
Total comprehensive income		(21)	2,078	20,887	1,081	21,968
Acquisition, sales, etc. of treasury shares		–	–	(952)	–	(952)
Acquisition, sales, etc. of non-controlling interests		–	–	–	39	39
Dividends		–	–	(7,452)	(264)	(7,715)
Transfer from other components of equities to retained earnings		21	21	–	–	–
Share-based compensation transactions		–	–	154	–	154
Total transactions with owners, etc.		21	21	(8,250)	(224)	(8,474)
Balance as of September 30, 2017		–	2,481	160,567	8,831	169,398

(4) Notes on the Summary of Quarterly Consolidated Financial Statements

1. Notes Relating to the Going Concern Assumption
None
2. Business Segments

(1) Summary of reportable segments

The Group classifies its business segments into the following three reportable segments, based on the similarity of business models: 1) the "Component Solutions Business;" 2) the "Transport Solutions Business;" and 3) the "Accessibility Solutions Business."

The main lines of business of each reportable segment are as below.

Business segment	Main lines of business
Component Solutions Business	The design, manufacture, sale, maintenance and repair of industrial robot components and equipment for construction machinery and its components
Transport Solutions Business	The design, manufacture, sale, maintenance and repair of brake systems and automatic door operating systems for railroad vehicles, aircraft components, brake systems and drive control units for vehicles, control systems for marine vessels, and components thereof
Accessibility Solutions Business	The design, manufacture, sale, installation, maintenance and repair of automatic door operating systems for buildings and general industry, platform safety systems, and components thereof

In line with the new Medium-term Management Plan starting from FY 2017 and for the purpose of improving the efficiency of business management by further promoting synergetic effects between businesses, the Company has changed the previous classification of four reportable segments "classified based on the similarity of the application technologies" to three reportable segments "classified based on the similarity of business models" as follows: "Precision equipment business," "Transport equipment business," "Aircraft and hydraulic equipment business" and "Industrial equipment business" have been changed to "Component solutions business," "Transport solutions business" and "Accessibility solutions business." Figures for the first nine-month period of the previous fiscal year (January 1, 2016 through September 30, 2016) have been adjusted to reflect the new segment classifications.

(2) Information on reportable segments

I. For the first nine months ended September 30, 2016 (January 1, 2016 to September 30, 2016)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	59,272	59,126	46,651	165,050	11,641	176,691	-	176,691
Inter-segment sales	1,470	213	4	1,687	148	1,835	(1,835)	-
Total sales	60,742	59,340	46,655	166,736	11,790	178,526	(1,835)	176,691
Segment income (Operating income)	7,721	9,734	4,904	22,358	1,190	23,547	(3,501)	20,047
Finance income				-				150
Finance costs				-				(1,640)
Equity in earnings of affiliates				-				591
Income before tax				-				19,148

Notes: 1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, vacuum equipment, machine tools, and components thereof.

2. Adjustment to sales is as a result of eliminations of inter-segment transactions.

3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.

II. For the first nine months ended September 30, 2017 (January 1, 2017 to September 30, 2017)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	81,449	57,728	52,048	191,225	11,584	202,809	–	202,809
Inter-segment sales	1,500	294	2	1,796	333	2,129	(2,129)	–
Total sales	82,949	58,022	52,051	193,021	11,917	204,938	(2,129)	202,809
Segment income (Operating income)	15,011	6,924	3,183	25,118	1,192	26,310	(4,695)	21,615
Finance income				–				420
Finance costs				–				(81)
Equity in earnings of affiliates				–				4,156
Income before tax				–				26,110

Notes: 1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, vacuum equipment, machine tools, and components thereof.

2. Adjustment to sales is as a result of eliminations of inter-segment transactions.

3. Segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.

2. First-time Adoption

The Nabtesco Group prepared its first condensed interim consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) from the first nine months of the fiscal year ending December 31, 2017. The Nabtesco Group's latest financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan (Japanese GAAP) are those for the year ended December 31, 2016. The date of transition to IFRS is January 1, 2016.

IFRS 1 Exemption from Retrospective Application

Under IFRS, entities adopting IFRS for the first time must, in principle, apply the standards required under IFRS retrospectively. However, IFRS 1 - First-time Adoption of IFRS provides optional exemptions from retrospective application and mandatory exceptions prohibiting retrospective application of some requirements of IFRS. The Group mainly applies the following exemptions.

1) Exchange differences on foreign operations

Under IFRS 1, the exchange differences on all foreign operations may be deemed to be zero at the transitional date. The Group has elected to reset the exchange differences to zero at the transitional date.

2) Business combinations

Under IFRS 1, entities may elect to either retrospectively apply or prospectively apply IFRS 3 - Business Combinations (hereinafter, "IFRS 3"). The Group has elected not to retrospectively apply IFRS to past business combinations that occurred before the transition date.

The Group retrospectively applies IFRS to business combinations that occurred after the transition date and during the parallel disclosure period. Also, goodwill under IFRS is different from under Japanese GAAP, which is disclosed during the period. Goodwill is tested for impairment at the transition date.

3) Designation of financial instruments recognized before the transition date

Under IFRS 1, entities may elect to determine the classifications under IFRS 9 based not on facts and circumstances that exist at initial recognition but on facts and circumstances as of the transition date. Furthermore, entities may elect to designate equity instruments as a financial instrument measured at fair value through other comprehensive income, based on facts and circumstances that exist as of the transition date. The Group determines the classifications under IFRS 9 based on facts and circumstances that exist as of the transition date, and designates equity instruments, with few exceptions, as financial instruments measured at fair value through other comprehensive income.

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

In the table, items that do not affect retained earnings and comprehensive income are included in the "Reclassification" column and items that affect retained earnings and comprehensive income are included in the "Effects of differences in recognition and measurement" column.

(1) Day of transition to IFRS (January 1, 2016) Adjustments to current equity

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	22,068	12,642	–	34,710		Cash and cash equivalents
Notes and accounts receivable	59,751	252	(213)	59,790		Trade receivables
Marketable securities	13,000	(13,000)	–	–		
Goods and products	5,579	22,842	338	28,760		Inventories
Products in progress	11,622	(11,622)	–	–		
Raw materials and stored goods	11,220	(11,220)	–	–		
Deferred tax assets	1,976	(1,976)	–	–		
Other current assets	3,598	(2,237)	1	1,361		Other receivables
	–	364	21	385		Other financial assets
	–	1,742	–	1,742		Other current assets
Allowance for doubtful accounts	(238)	238	–	–		
Total current assets	128,576	(1,976)	147	126,747		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	55,916	(3,240)	–	52,677		Property, plant and equipment
Goodwill	19,424	–	(4,326)	15,098	A	Goodwill
Other intangible fixed assets	4,234	(805)	–	3,429		Intangible assets
Investments in securities	23,058	(4,899)	36	18,195		Investments accounted for using the equity method
Assets concerning retirement benefits	205	(205)	–	–		
Deferred tax assets	466	676	–	1,142		Deferred tax assets
Investments in securities and other assets	1,586	4,303	1,186	7,075	C	Other financial assets
	–	1,523	–	1,523		Other non-current assets
	–	3,240	1,287	4,527	B	Investment property
Allowance for doubtful accounts	(83)	83	–	–		
Total fixed assets	104,805	676	(1,816)	103,665		Total non-current assets
Total assets	233,381	(1,300)	(1,670)	230,412		Total assets

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Liabilities						Liabilities and equities
Current liabilities						Liabilities
Notes and accounts payable	38,643	3,607	249	42,500		Current liabilities
Short-term loans payable	5,257	10,077	–	15,334		Operating payables
Current portion of bonds	10,000	(10,000)	–	–		Bonds and borrowings
Current portion of long-term loans payable	77	(77)	–	–		
Income taxes payable	1,057	–	–	1,057		Income taxes payable
Allowance for product warranty	612	5	–	617		Provisions
Provision for loss on orders received	5	(5)	–	–		
Current liabilities (Others)	17,350	(7,255)	(30)	10,064		Other payables
	–	3,554	24	3,579		Other current liabilities
Total current liabilities	73,001	(94)	243	73,151		Total current liabilities
Long-term liabilities						Non-current liabilities
Allowance for retirement bonus for directors	180	(180)	–	–		
Liabilities concerning retirement benefit	7,340	–	–	7,340		Liabilities concerning retirement benefit
Deferred tax liabilities	2,094	(1,206)	2,266	3,153	D	Deferred tax liabilities
Other long-term liabilities	1,842	180	–	2,022		Other non-current liabilities
Total long-term liabilities	11,456	(1,206)	2,266	12,516		Total non-current liabilities
Total liabilities	84,457	(1,300)	2,509	85,666		Total liabilities
Net assets						Equities
Capital stock	10,000	–	–	10,000		Capital stock
Capital surplus	14,237	379	–	14,616		Share premium
Earned surplus	107,487	–	5,919	113,406	G	Retained earnings
Treasury stock	(2,718)	–	–	(2,718)		Treasury shares
Accumulated other comprehensive income	13,063	–	(10,096)	2,966	E,F	Other components of equities
Subscription rights to shares	379	(379)	–	–		
	142,448	–	(4,177)	138,271		Total interests attributable to owners of the parent
Non-controlling interests	6,476	–	(2)	6,475		Non-controlling interests
Total net assets	148,924	–	(4,179)	144,745		Total equities
Total liabilities and net assets	233,381	(1,300)	(1,670)	230,412		Total liabilities and equities

(2) First nine-month period of previous consolidated fiscal year (September 30, 2016) Adjustments to current capital
(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	22,678	16,724	–	39,402		Cash and cash equivalents
Notes and accounts receivable	55,739	258	45	56,043		Trade receivables
Marketable securities	17,000	(17,000)	–	–		
Goods and products	6,407	26,432	(2)	32,837		Inventories
Products in progress	14,856	(14,856)	–	–		
Raw materials and stored goods	11,577	(11,577)	–	–		
Deferred tax assets	2,003	(2,003)	–	–		
Other current assets	4,330	(3,170)	–	1,160		Other receivables
	–	276	5	281		Other financial assets
	–	2,652	(135)	2,518		Other current assets
Allowance for doubtful accounts	(259)	259	–	–		
Total current assets	134,331	(2,003)	(86)	132,241		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	64,243	(4,254)	–	59,990		Property, plant and equipment
Goodwill	16,432	–	(2,728)	13,705	A	Goodwill
Other intangible fixed assets	3,821	(592)	–	3,229		Intangible assets
Investments in securities	19,577	(4,159)	36	15,454		Investments accounted for using the equity method
Assets concerning retirement benefits	198	(198)	–	–		
Deferred tax assets	696	167	–	863		Deferred tax assets
Investments in securities and other assets	2,506	3,515	1,714	7,735	C	Other financial assets
	–	1,342	–	1,342		Other non-current assets
	–	4,254	1,276	5,529	B	Investment property
Allowance for doubtful accounts	(92)	92	–	–		
Total fixed assets	107,382	167	298	107,847		Total non-current assets
Total assets	241,713	(1,837)	211	240,088		Total assets

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Liabilities						Liabilities and equities
Current liabilities						Liabilities
Notes and accounts payable	39,414	3,463	–	42,877		Current liabilities
Short-term loans payable	6,548	10,085	50	16,683		Operating payables
Current portion of bonds	10,000	(10,000)	–	–		Bonds and borrowings
Current portion of long-term loans payable	85	(85)	–	–		
Income taxes payable	3,502	–	–	3,502		Income taxes payable
Allowance for product warranty	579	1	–	580		Provisions
Provision for loss on orders received	1	(1)	–	–		
Current liabilities (Others)	18,935	(10,581)	17	8,371		Other payables
	–	7,116	24	7,141		Other current liabilities
Total current liabilities	79,064	(2)	91	79,153		Total current liabilities
Long-term liabilities						Non-current liabilities
Long term loans payable	830	–	–	830		Bonds and borrowings
Allowance for retirement bonus for directors	272	(272)	–	–		
Liabilities concerning retirement benefit	9,158	–	–	9,158		Liabilities concerning retirement benefit
Deferred tax liabilities	2,245	(1,835)	2,054	2,463	D	Deferred tax liabilities
Other long-term liabilities	1,867	272	–	2,139		Other non-current liabilities
Total long-term liabilities	14,370	(1,835)	2,054	14,589		Total non-current liabilities
Total liabilities	93,434	(1,837)	2,145	93,742		Total liabilities
Net assets						Equities
Capital stock	10,000	–	–	10,000		Capital stock
Capital surplus	14,237	466	–	14,703		Share premium
Earned surplus	114,184	–	7,230	121,413	G	Retained earnings
Treasury stock	(2,648)	–	–	(2,648)		Treasury shares
Accumulated other comprehensive income	4,943	–	(9,202)	(4,259)	E,F	Other components of equities
Subscription rights to shares	466	(466)	–	–		
	141,181	–	(1,972)	139,209		Total interests attributable to owners of the parent
Non-controlling interests	7,097	–	39	7,137		Non-controlling interests
Total net assets	148,279	–	(1,933)	146,346		Total equities
Total liabilities and net assets	241,713	(1,837)	211	240,088		Total liabilities and equities

(3) End of previous consolidated fiscal year (December 31, 2016) Adjustments to current capital

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	29,946	11,834	–	41,780		Cash and cash equivalents
Notes and accounts receivable	65,712	(134)	(10)	65,569		Trade receivables
Marketable securities	12,000	(12,000)	–	–		
Goods and products	6,368	26,251	85	32,704		Inventories
Products in progress	14,325	(14,325)	–	–		
Raw materials and stored goods	11,926	(11,926)	–	–		
Deferred tax assets	2,274	(2,274)	–	–		
Other current assets	3,759	(2,495)	–	1,264		Other receivables
	–	166	–	166		Other current financial assets
	–	2,309	–	2,309		Other current assets
Allowance for doubtful accounts	(319)	319	–	–		
Total current assets	145,991	(2,274)	75	143,792		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	67,823	(4,214)	(454)	63,155	A	Property, plant and equipment
Goodwill	17,031	–	(2,670)	14,361	A	Goodwill
Other intangible fixed assets	3,896	(652)	(573)	2,671	A	Intangible assets
Investments in securities	20,741	(20,741)	–	–		
Assets concerning retirement benefits	177	(177)	–	–		
	–	15,957	(5)	15,952		Investments accounted for using the equity method
Deferred tax assets	658	1,473	(530)	1,602		Deferred tax assets
Investments in securities and other assets	2,717	4,056	1,714	8,487	C	Other financial assets
	–	1,468	–	1,468		Other non-current assets
	–	4,214	1,272	5,486	B	Investment property
Allowance for doubtful accounts	(89)	89	–	–		
Total fixed assets	112,955	1,473	(1,247)	113,181		Total non-current assets
Total assets	258,947	(801)	(1,172)	256,973		Total assets

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Liabilities						Liabilities and equities
Current liabilities						Liabilities
Notes and accounts payable	16,926	31,067	86	48,078		Current liabilities
Electronically recorded obligations-operating	25,635	(25,635)	-	-		Operating payables
Short-term loans payable	5,648	146	-	5,794		Bonds and borrowings
Current portion of long-term loans payable	146	(146)	-	-		
Income taxes payable	5,408	-	-	5,408		Income taxes payable
Allowance for product warranty	696	27	-	723		Provisions
Provision for loss on orders received	27	(27)	-	-		
	-	4,381	42	4,423		Other current liabilities
Other current liabilities	20,316	(9,850)	(17)	10,450		Other payables
Total current liabilities	74,802	(38)	112	74,876		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	10,000	1,202	(46)	11,155		Bonds and borrowings
Long-term loans payable	1,202	(1,202)	-	-		
Allowance for retirement bonus for directors	289	(289)	-	-		
Liabilities concerning retirement benefit	9,343	-	-	9,343		Liabilities concerning retirement benefit
Deferred tax liabilities	2,901	(764)	1,380	3,518	D	Deferred tax liabilities
Other long-term liabilities	1,888	289	-	2,177		Other non-current liabilities
Total long-term liabilities	25,623	(764)	1,334	26,194		Total non-current liabilities
Total liabilities	100,425	(801)	1,446	101,070		Total liabilities
Net assets						Equities
Capital stock	10,000	-	-	10,000		Capital stock
Capital surplus	14,237	466	-	14,703		Share premium
Earned surplus	119,345	-	6,148	125,493	G	Retained earnings
Treasury stock	(2,649)	-	-	(2,649)		Treasury shares
Accumulated other comprehensive income	9,188	-	(8,806)	382	E,F	Other components of equities
Subscription rights to shares	466	(466)	-	-		
	150,588	-	(2,658)	147,929		Total interests attributable to owners of the parent
Non-controlling interests	7,933	-	41	7,974		Non-controlling interests
Total net assets	158,521	-	(2,617)	155,904		Total equities
Total liabilities and net assets	258,947	(801)	(1,172)	256,973		Total liabilities and equities

(4) Note on reconciliations of equity

The main items of reconciliations of equity are as below.

1) Reclassifications

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

- a. "Short-term investments" classified as current items under Japanese GAAP are included in "Cash and time deposits" in current assets under IFRS. Time deposits with deposit terms of more than three months in "Cash and time deposits" under Japanese GAAP are classified as "Other financial assets" in current assets under IFRS.
- b. "Goods and products," "Products in progress" and "Raw materials and stored goods" classified as current items under Japanese GAAP are classified as "Inventories" in current assets under IFRS.
- c. Property not being rented or not slated for other future usage in current composition in "Tangible fixed assets" under Japanese GAAP is classified as "Investment property" under IFRS.
- d. Listed securities and non-listed securities in "Investment securities" under Japanese GAAP are classified as "Other non-current financial assets," and other securities are classified as "Investments accounted for using equity method."
- e. "Deferred tax assets" and "Deferred tax liabilities" are classified as non-current items.

2) Recognition and measurement adjustment

A. Adjustment of impairment for non-financial assets

Under Japanese GAAP, goodwill is amortized on a straight-line basis over eight to 20 years. If there is any indication that the goodwill may be impaired, the Group compared the book value of the cash generating unit group including goodwill and undiscounted cash flow and recognized impairment loss by recoverable amount, discounted cash flow, when undiscounted cash flow is lower than book value.

Under IFRS, goodwill is not subject to amortization but is tested for impairment once a year notwithstanding any indication that goodwill may be impaired. The group compares the book value of the cash generating unit group including goodwill and recoverable amount, discounted cash flow, and recognize impairment loss by recoverable amount.

Based on the business plan on the transitional date for IFRS, testing for impairment on each cash generating unit group was conducted and recoverable amount, discounted cash flow, was recognized below the book value including goodwill. Recoverable amount impairment loss of JPY 4,326 million for Gilgen Door Systems AG (hereinafter "Gilgen") has been recognized. This impairment loss is recognized in the Accessibility Solutions segment.

Recoverable amount is measured based on use-value. Use-value is reflected in past experience and external information and discounted cash flow, which is based on the four-year business plan approved by management, by present value. The growth ratio after the final year of the business plan is zero. The discount ratio is calculated based on the weighted average cost of capital for Gilgen before tax. Use-value of Gilgen at impairment loss recognition is JPY 21,032 million (discount ratio before tax: 6.9%).

There is no difference from this adjustment during the first nine months of the fiscal year ended December 31, 2016.

The cash generating unit group is tested for impairment based on the business plan at the end of fiscal year ended December 31, 2016. Impairment loss of JPY 1,027 million (tangible fixed assets: JPY 454 million, intangible assets: JPY 573 million) for NABCO Entrances Inc. has been recognized due to the decrease of future profit dragging the recoverable amount, discounted cash flow, down to book value. This impairment loss is recognized in the Accessibility Solutions segment. Recoverable amount is measured based on use-value (discount ratio before tax: 19.0%).

B. Adjustment of investment property

Investment property increased by JPY 1,287 million on the IFRS transition date, by JPY 1,276 million during the first nine months of the fiscal year ended December 31, 2016, and by JPY 1,272 million at the end of the fiscal year ended December 31, 2016 due to the cancellation of the reduction process under IFRS, which is directly reduced based on the reduction entry method under Japanese GAAP.

C. Adjustment of other financial assets (fixed)

Non-listed securities increased by JPY 1,186 million on the IFRS transition date, by JPY 1,714 million during the first nine months of the fiscal year ended December 31, 2016, and by JPY 1,714 million at the end of the fiscal year ended December 31, 2016.

D. Adjustment of deferred tax liability

Tax is estimated when the entity receives future dividends of retained earnings of an affiliate based on its share ratio. Deferred tax liability increased by JPY 2,266 million on the IFRS transition date, by JPY 2,054 million during the first nine months of the fiscal year ended December 31, 2016, and by JPY 1,380 million at the end of the fiscal year ended December 31, 2016.

E. Adjustment of retirement benefits

Under Japanese GAAP, actuarial gains and losses relating to retirement benefits were recognized in other comprehensive income as incurred, and amortized over a certain number of years for recognition in profit or loss. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings. Reclassified from other equity component to retained earnings: JPY 698 million on the IFRS transition date, JPY 810 million during the first nine months of the fiscal year ended December 31, 2016, and JPY 1,322 million at the end of the fiscal year ended December 31, 2016.

- F. Exchange differences on foreign operations
Under IFRS 1, the Nabtesco Group applies the rule that says cumulative exchange differences on all foreign operations may be deemed to be zero at the transition date. JPY 11,598 million was reclassified from other equity component to retained earnings.
- G. Adjustment of retained earnings
The main breakdown is as below. (All items except for D. take into consideration tax effect and non-controlling interests.)

(Million yen)

Adjustment	Transition date (January 1, 2016)	First nine months of FY 2016 (September 30, 2016)	FY 2016 (December 31, 2016)
A. Impairment for non-financial asset	(4,326)	(3,288)	(3,672)
B. Investment property	872	885	883
D. Deferred tax liability	(1,672)	(1,199)	(1,220)
E. Retirement benefits	(698)	(810)	(1,322)
F. Exchange differences on foreign operations	11,598	11,598	11,598
Others	146	44	(119)
Total	5,919	7,230	6,148

(5) First nine-month period, FY 2016 (from January 1, 2016 to September 30, 2016) Adjustments to net income and comprehensive income

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net sales	176,247	–	445	176,691	A	Net sales
Cost of sales	(126,080)	–	(364)	(126,444)	A	Cost of sales
Gross profit	50,167	–	80	50,247		Gross profit
	–	2,300	–	2,300		Other profit
Selling, general and administrative expenses	(33,363)	–	1,043	(32,320)	B	Selling, general and administrative expenses
	–	(180)	–	(180)		Other expenses
Operating income	16,804	2,120	1,123	20,047		Operating income
Non-operating income	1,166	(1,166)	–	–		
Non-operating expenses	(1,745)	1,745	–	–		
Extraordinary gains	1,885	(1,875)	(10)	–		
Extraordinary losses	(65)	62	2	–		
	–	150	–	150		Financial income
	–	(1,628)	(12)	(1,640)		Financial costs
	–	591	–	591		Equity in earnings of affiliates
Income before income taxes and adjustments	18,046	–	1,103	19,148		Profit (loss) before tax
Corporate, resident and business taxes	(5,504)	–	194	(5,310)		Expenses of income tax
Net income	12,541	–	1,297	13,838		Net income
Net income attributable to non-controlling interests	(88)	–	(9)	(97)		Net income attributable to non-controlling owners
Net income attributable to owners of the parent	12,453	–	1,288	13,741		Net income attributable to owners of the parent

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net income	12,541	–	1,297	13,838		Net income
Other comprehensive income						Other comprehensive income
Adjustments concerning retirement benefits	(151)	–	151	–		Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	(614)	–	396	(218)		Net changes in financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(8,138)	(428)	423	(8,143)		Exchange differences on foreign operations
Deferred gains or losses on hedges	(3)	–	3	–		
Share of income for equity method associates	(417)	428	(54)	(43)		Share of other comprehensive income for equity method affiliates
Total other comprehensive income	(9,323)	–	919	(8,405)		Total other comprehensive income after taxes
Total comprehensive income	3,218	–	2,215	5,433		Total comprehensive income

(6) End of previous consolidated fiscal year (from January 1, 2016 to December 31, 2016) Adjustments to net income and comprehensive income

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net sales	244,619	–	349	244,968	A	Net sales
Cost of sales	(175,380)	–	(128)	(175,508)	A	Cost of sales
Gross profit	69,239	–	221	69,460		Gross profit
	–	2,511	(16)	2,495		Other profit
Selling, general and administrative expenses	(45,767)	–	1,473	(44,294)	B	Selling, general and administrative expenses
	–	(751)	(928)	(1,679)	C	Other expenses
Operating income	23,472	1,760	750	25,982		Operating income
Non-operating income	1,927	(1,927)	–	–		
Non-operating expenses	(667)	667	–	–		
Extraordinary gains	1,890	(1,883)	(6)	–		
Extraordinary losses	(499)	497	2	–		
	–	188	0	188		Financial income
	–	(413)	(12)	(425)		Financial costs
	–	1,111	(77)	1,034		Equity in earnings of affiliates
Income before income taxes and adjustments	26,122	–	657	26,779		Income before income taxes and adjustments
Corporate, resident and business taxes	(8,220)	–	377	(7,843)		Expenses of income tax
Net income	17,902	–	1,034	18,936		Income
Income attributable to non-controlling interests	(317)	–	(13)	(330)		Income attributable to non-controlling owners
Net income attributable to owners of the parent	17,585	–	1,021	18,606		Income attributable to owners of the parent

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net income	17,902	–	1,034	18,936		Income
Other comprehensive income						Other comprehensive income
Adjustments concerning retirement benefits	(641)	–	(210)	(850)		Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	(137)	–	392	255		Net changes in financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(3,579)	(109)	306	(3,382)		Exchange differences on foreign operations
Deferred gains or losses on hedges	(3)	–	3	–		
Share of income for equity method associates	(111)	109	36	34		Share of other comprehensive income for equity method affiliates
Total other comprehensive income	(4,471)	–	528	(3,944)		Total other comprehensive income after tax
Total comprehensive income	13,431	–	1,562	14,993		Total comprehensive income

(7) Notes on reconciliation of profit or loss and comprehensive income

The main items of reconciliation of profit or loss and comprehensive income are as below.

1) Reclassifications

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

Finance-related items in “non-operating income,” “non-operating expenses,” “extraordinary gains” and “extraordinary losses” under Japanese GAAP are classified in “financial income” or “financial costs” and other items not related to finance are classified in “other income” or “other expenses” under IFRS. “Equity in earnings of affiliates” classified as “non-operating income” under Japanese GAAP are included in “equity in earnings of affiliates” under IFRS.

2) Recognition and measurement adjustment

A. Sales and cost of sales

Profit was recognized as shipping basis for a part of sales activities under Japanese GAAP, it was changed to as delivered basis under IFRS, and sales and cost of sales are adjusted under IFRS.

B. Goodwill

Under Japanese GAAP, goodwill is amortized on a straight-line basis over eight to 20 years. Under IFRS, goodwill is not subjected to amortization and is adjusted by JPY 1,099 million during the first nine months of the consolidated fiscal year ended December 31, 2016 and JPY 1,424 million at the end of the consolidated fiscal year ended December 31, 2016.

C. Impairment loss

Under Japanese GAAP, if there is any indication that the fixed asset may be impaired, the entity compares the book value of the fixed asset and undiscounted future cash flow, then recognizes impairment loss for the fixed asset in an amount exceeding the recoverable amount if the book value exceeds the undiscounted future cash flow.

Under IFRS, if there is any indication that the fixed asset may be impaired, any excess of the fixed asset compared to the recoverable amount is recognized as impairment loss. As a result, the other expense increases JPY 974 million. Please refer to “(4) Note on reconciliations of equity, 2) Recognition and measurement adjustment, A. Adjustment of impairment for non-financial assets.”

4. Other Information

(1) Order Backlog by Business Segment

Reportable segments	As of the end of the first nine-month period of consolidated FY 2016 (September 30, 2016)		As of the end of the first nine-month period of consolidated FY 2017 (September 30, 2017)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Component Solutions	16,980	17.3	27,998	22.7
Transport Solutions	51,397	52.2	53,458	43.3
Accessibility Solutions	23,575	24.0	32,922	26.7
Others	6,377	6.5	9,077	7.3
Total	98,330	100.0	123,454	100.0