

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



July 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: August 10, 2017

Scheduled dividend payment date: September 4, 2017

Quarterly material to supplement the financial results: Yes

Quarterly financial results conference: Yes (Institutional investors and financial analysts)

Stock listed on: First Section of the Tokyo Stock Exchange

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(Amounts rounded to the nearest million)

1. Consolidated Results for the First Six-month Period of FY 2017 (January 1, 2017 to June 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 six-month period, FY 2017	133,359	14.3	13,761	10.1	16,993	44.9	13,032	62.0	12,497	56.3	14,261	—
First six-month period, FY 2016	116,637	—	12,500	—	11,728	—	8,043	—	7,998	—	344	—

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

	Total basic earnings per share	Diluted earnings per share
	Yen	Yen
First six-month period, FY 2017	101.23	101.14
First six-month period, FY 2016	64.75	64.70

(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 June 30, 2017	281,098	165,830	157,603	56.1
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: Yes

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
FY 2017	273,000	—	28,400	—	32,100	—	23,900	—	193.60

(Note) Revisions to the latest forecast of operating results: Yes

* Matters of note:

- (1) Changes in significant subsidiaries during the second 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 June 30, 2017	125,133,799	As of December 31, 2016	125,133,799
2)	As of June 30, 2017	1,887,243	As of December 31, 2016	1,608,476
3)	January 1, 2017 to June 30, 2017	123,450,259	January 1, 2016 to June 30, 2016	123,512,260

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 Six Months Ended June 30, 2017, (3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results” on page 6 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.

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1. Qualitative Information on Consolidated Operating Results for the Six Months Ended June 30, 2017

(1) Analysis of Consolidated Operating Results

The consolidated operating results of the Group for the period under review recorded net sales of ¥133,359 million and operating income of ¥13,761 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 ¥16,993 million, due to an increase in equity in earnings of affiliates. Net income attributable to owners of the parent amounted to ¥12,497 million.

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

The amount of orders received for the period under review increased 24.2% year-on-year to ¥148,410 million. Net sales and operating income increased 14.3% and 10.1% year-on-year, respectively, to ¥133,359 million and ¥13,761 million, respectively. Operating margin was 10.3%.

Operating results by business segment were as follows:

[Amount of orders received]

	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Component Solutions	39,083	56,543	44.7
Transport Solutions	34,992	40,613	16.1
Accessibility Solutions	37,620	41,985	11.6
Others	7,791	9,269	19.0
Total	119,486	148,410	24.2

(Million yen)

[Net sales]

	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Component Solutions	38,817	53,412	37.6
Transport Solutions	39,670	36,722	(7.4)
Accessibility Solutions	30,455	35,540	16.7
Others	7,696	7,684	(0.2)
Total	116,637	133,359	14.3

(Million yen)

[Core operating income]

	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Component Solutions	4,595	10,037	118.4
Transport Solutions	6,734	4,085	(39.3)
Accessibility Solutions	2,360	2,325	(1.5)
Others	560	695	24.1
Elimination or Corporate	(2,952)	(3,276)	—
Total	11,297	13,866	22.7

(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 six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Component Solutions	4,628	10,030	116.7
Transport Solutions	6,676	3,900	(41.6)
Accessibility Solutions	3,550	2,304	(35.1)
Others	550	695	26.4
Elimination or Corporate	(2,904)	(3,168)	-
Total	12,500	13,761	10.1

[Component solutions business]

The amount of orders received for component solutions increased 44.7% year-on-year to ¥56,543 million. Net sales rose 37.6% to ¥53,412 million, while operating income increased 116.7% to ¥10,030 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 due to the strong demand for construction machinery in the Chinese market.

[Transport solutions business]

The amount of orders received for transport solutions increased 16.1% year-on-year to ¥40,613 million. Net sales dropped 7.4% year-on-year to ¥36,722 million, and operating income decreased 41.6% to ¥3,900 million.

Railroad vehicle equipment saw net sales decrease from the same period of the previous year due to sluggish order intake 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 marine transport and shipbuilding markets.

[Accessibility solutions business]

The amount of orders received for accessibility solutions increased 11.6% year-on-year to ¥41,985 million. Net sales increased 16.7% year-on-year to ¥35,540 million, while operating income decreased 35.1% year-on-year to ¥2,304 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 19.0% year-on-year to ¥9,269 million. Net sales decreased 0.2% year-on-year to ¥7,684 million, while operating income rose by 26.4% year-on-year to ¥695 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 six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Japan	66,131	75,013	13.4
China	12,557	18,007	43.4
Other Asia	8,479	9,664	14.0
North America	10,988	9,311	(15.3)
Europe	18,050	21,006	16.4
Other areas	433	358	(17.2)
Total	116,637	133,359	14.3

- 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) Half-yearly income before tax
Income before tax was ¥16,993 million, an increase of 44.9% year-on-year, reflecting finance income of ¥87 million, finance costs of ¥259 million, and equity in earnings of affiliates of ¥3,405 million, a 609.5% year-on-year increase.
- 3) Half-yearly net income attributable to owners of the parent
In sum, net income attributable to owners of the parent was ¥12,497 million, an increase of 56.3% year-on-year, net of expenses of income tax of ¥3,962 million and net profit attributable to non-controlling interests of ¥535 million.
Total basic earnings per share were ¥101.23, an increase of ¥36.48 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 six-month period of the current consolidated fiscal year (June 30, 2017)	Change
Total assets	256,973	281,098	24,124
Liabilities	101,070	115,268	14,198
Equities	155,904	165,830	9,926

[Assets]

Total assets as of June 30, 2017 were ¥281,098 million, an increase of ¥24,124 million from December 31, 2016, consisting of ¥151,051 million in current assets and ¥130,047 million in non-current assets. Key contributing positive factors included increases of ¥9,637 million in goodwill and ¥4,949 million in inventories.

[Liabilities]

Total liabilities as of June 30, 2017 were ¥115,268 million, an increase of ¥14,198 million from December 31, 2016, reflecting ¥88,162 million in current liabilities and ¥27,105 million in non-current liabilities. The main contributing positive factors were increases of ¥9,752 million in bonds and borrowings and of ¥4,776 million in operating payables, while the primary contributing negative factor was a decrease of ¥1,385 million in income taxes payable.

[Equities]

Total equities as of June 30, 2017 stood at ¥165,830 million. Equity attributable to owners of the parent was ¥157,603 million, an increase of ¥9,674 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 ¥12,497 million, and ¥1,309 million in other components of equity due to the increase in exchange differences arising from exchange differences on foreign operations, while the main contributing negative factor was the decrease of ¥3,229 million in retained earnings due to dividend payment.

2) Status of cash flows

(Million yen)

	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)	Change (%)
Cash flow from operating activities	13,844	13,794	(50)
Cash flow from investing activities	(7,058)	(14,046)	(6,988)
Free cash flow	6,787	(251)	(7,038)
Cash flow from financing activities	(1,722)	2,465	4,188

Cash and cash equivalents (hereinafter, "capital") on a consolidated basis at the end of the first six-month period of FY 2017 stood at ¥43,985 million, an increase of ¥2,205 million from the end of consolidated FY 2016, reflecting ¥13,794 million in capital gained from operating activities, which was mainly used for capital expenditure, acquisition of a subsidiary and dividend payments.

[Cash flow from operating activities]

Net cash provided by operating activities during the six-month period under review totaled ¥13,794 million, mainly reflecting net income and depreciation. Key negative factors consisted mainly of an increase in inventories and income tax payments.

[Cash flow from investment activities]

Net cash used in investment activities for the six-month period under review amounted to ¥14,046 million, due mainly to the acquisition of tangible fixed assets and the purchase of a subsidiary.

[Cash flow from financing activities]

Net cash provided by financing activities for the six-month period under review totaled ¥2,465 million. The main positive factor was proceeds from loans payable, while the main negative factor was dividend payments.

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

Based on the consolidated business performance for the first six-month period of the fiscal year ending December 31, 2017 and future developments, etc., we have decided to revise our consolidated full-year forecast for FY 2017, which was announced on April 28, 2017.

For details, please refer to the "Announcement on Revisions to Financial Forecasts" published on July 31, 2017.

The differences between the consolidated financial forecasts announced on April 28, 2017 are as follows:

Revision to the full-year forecast for consolidated FY 2017 (January 1, 2017 to December 31, 2017)

	Net sales	Operating income	Income before tax	Net income attributable to owners of the parent	Total basic earnings per share
Previously announced forecast (A)	Million yen 260,000	Million yen 26,000	Million yen 30,000	Million yen 22,500	Yen 182.14
Revised forecast (B)	273,000	28,400	32,100	23,900	193.60
Change (B - A)	13,000	2,400	2,100	1,400	-
Rate of change (%)	5.0	9.2	7.0	6.2	-

(Segment information)

1) Net sales

(Million yen)

	Component solutions	Transport solutions	Accessibility solutions	Others	Elimination or corporate	Total
Previously announced forecast (A)	89,000	82,200	71,100	17,700	-	260,000
Revised forecast (B)	103,600	80,600	71,100	17,700	-	273,000
Change (B - A)	14,600	(1,600)	-	-	-	13,000
Rate of change (%)	16.4	(1.9)	-	-	-	5.0

2) Operating income

(Million yen)

	Component solutions	Transport solutions	Accessibility solutions	Others	Elimination or corporate	Total
Previously announced forecast (A)	13,700	11,500	5,800	1,600	(6,600)	26,000
Revised forecast (B)	18,200	10,200	5,800	1,600	(7,400)	28,400
Change (B - A)	4,500	(1,300)	-	-	(800)	2,400
Rate of change (%)	32.8	(11.3)	-	-	-	9.2

2. Matters Related to Summary Information (Notes)

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

Not applicable

(2) Changes in Accounting Policies and Accounting Estimates

Not applicable

3. Summary of Quarterly Consolidated Statement of Financial Position**(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 six-month period of consolidated FY 2017 (as of June 30, 2017)
Assets				
Current assets				
Cash and cash equivalents		34,710	41,780	43,985
Trade receivables		59,790	65,569	66,089
Other receivables		1,361	1,264	479
Inventories		28,760	32,704	37,653
Other financial assets		385	166	184
Other current assets		1,742	2,309	2,661
Total current assets		126,747	143,792	151,051
Non-current assets				
Property, plant and equipment		52,677	63,155	66,669
Intangible assets		3,429	2,671	2,652
Goodwill		15,098	14,361	23,998
Investment property		4,527	5,486	5,490
Investments accounted for using the equity method		18,195	15,952	18,968
Other financial assets		7,075	8,487	9,201
Deferred tax assets		1,142	1,602	1,646
Other non-current assets		1,523	1,468	1,423
Total non-current assets		103,665	113,181	130,047
Total assets		230,412	256,973	281,098

(Million yen)

	Note No.	Day of transition (January 1, 2016)	End of consolidated FY 2016 (as of December 31, 2016)	End of the first six-month period of consolidated FY 2017 (as of June 30, 2017)
Liabilities and equities				
Liabilities				
Current liabilities				
Operating payables		42,500	48,078	52,855
Bonds and borrowings		15,334	5,794	15,099
Other payables		10,064	10,450	11,167
Income taxes payable		1,057	5,408	4,023
Provisions		617	723	561
Other current liabilities		3,579	4,423	4,457
Total current liabilities		73,151	74,876	88,162
Non-current liabilities				
Bonds and borrowings		–	11,155	11,602
Liabilities concerning retirement benefit		7,340	9,343	9,357
Deferred tax liabilities		3,153	3,518	3,622
Other non-current liabilities		2,022	2,177	2,524
Total non-current liabilities		12,516	26,194	27,105
Total liabilities		85,666	101,070	115,268
Equities				
Capital stock		10,000	10,000	10,000
Share premium		14,616	14,703	14,772
Retained earnings		113,406	125,493	134,736
Treasury shares		(2,718)	(2,649)	(3,595)
Other components of equities		2,966	382	1,691
Equity attributable to owners of the parent		138,271	147,929	157,603
Non-controlling interests		6,475	7,974	8,227
Total equities		144,745	155,904	165,830
Total liabilities and equities		230,412	256,973	281,098

(2) Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive IncomeSummary of Consolidated Statements of Income
First Six-month Period

(Million yen)

	Note No.	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)
Net sales	2	116,637	133,359
Cost of sales		(84,149)	(95,165)
Gross profit		32,488	38,194
Other income		1,447	356
Selling, general and administrative expense		(21,190)	(24,327)
Other expenses		(244)	(461)
Operating income	2	12,500	13,761
Financial income		105	87
Financial costs		(1,357)	(259)
Equity in earnings of affiliates		480	3,405
Profit (loss) before tax		11,728	16,993
Expenses of income tax		(3,685)	(3,962)
Half-yearly income		8,043	13,032
Attributable to half-yearly income			
Owners of the parent		7,998	12,497
Non-controlling interests		45	535
Half-yearly income		8,043	13,032
Half-yearly income per share			
Basic earnings per share		64.75	101.23
Diluted earnings per share		64.70	101.14

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

(Million yen)

	Note No.	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)
Half-yearly income		8,043	13,032
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		(110)	405
Share of other comprehensive income for equity method affiliates		(52)	(1)
Total components that will not be reclassified to profit or loss		(163)	404
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations		(7,537)	825
Total components that will be reclassified to profit or loss		(7,537)	825
Other comprehensive income after taxes		(7,699)	1,229
Total half-yearly comprehensive income		344	14,261
Attributable comprehensive income			
Owners of the parent		1,343	13,784
Non-controlling interests		(999)	477
Total comprehensive income		344	14,261

(3) Consolidated Statement of Changes in Equity

First six-month period of previous consolidated fiscal year (January 1, 2016 to June 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		–	–	7,998	–	–	–
Other comprehensive income		–	–	–	–	(6,451)	(189)
Total comprehensive income		–	–	7,998	–	(6,451)	(189)
Acquisition, sales, etc. of treasury shares		–	–	(15)	71	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(2,731)	–	–	–
Transfer from other components of equities to retained earnings		–	–	(7)	–	–	(8)
Share-based compensation transactions		–	81	–	–	–	–
Total transactions with owners, etc.		–	81	(2,754)	71	–	(8)
Balance as of June 30, 2016		10,000	14,698	118,650	(2,648)	(6,451)	2,770

	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		–	–	7,998	45	8,043
Other comprehensive income		(15)	(6,655)	(6,655)	(1,044)	(7,699)
Total comprehensive income		(15)	(6,655)	1,343	(999)	344
Acquisition, sales, etc. of treasury shares		–	–	55	–	55
Acquisition, sales, etc. of non-controlling interests		–	–	–	1,751	1,751
Dividends		–	–	(2,731)	(14)	(2,745)
Transfer from other components of equities to retained earnings		15	7	–	–	–
Share-based compensation transactions		–	–	81	–	81
Total transactions with owners, etc.		15	7	(2,595)	1,737	(858)
Balance as of June 30, 2016		–	(3,682)	137,018	7,212	144,231

First six-month period of current consolidated fiscal year (January 1, 2017 to June 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		–	–	12,497	–	–	–
Other comprehensive income		–	–	–	–	891	418
Total comprehensive income		–	–	12,497	–	891	418
Acquisition, sales, etc. of treasury shares		–	–	(4)	(947)	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(3,229)	–	–	–
Transfer from other components of equities to retained earnings		–	–	(21)	–	–	–
Share-based compensation transactions		–	69	–	–	–	–
Total transactions with owners, etc.		–	69	(3,253)	(947)	–	–
Balance as of June 30, 2017		10,000	14,772	134,736	(3,595)	(1,897)	3,587

	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		–	–	12,497	535	13,032
Other comprehensive income		(21)	1,288	1,288	(58)	1,229
Total comprehensive income		(21)	1,288	13,784	477	14,261
Acquisition, sales, etc. of treasury shares		–	–	(951)	–	(951)
Acquisition, sales, etc. of non-controlling interests		–	–	–	39	39
Dividends		–	–	(3,229)	(264)	(3,492)
Transfer from other components of equities to retained earnings		21	21	–	–	–
Share-based compensation transactions		–	–	69	–	69
Total transactions with owners, etc.		21	21	(4,110)	(224)	(4,335)
Balance as of June 30, 2017		–	1,691	157,603	8,227	165,830

(4) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Note No.	First six-month period of consolidated FY 2016 (January 1, 2016 to June 30, 2016)	First six-month period of consolidated FY 2017 (January 1, 2017 to June 30, 2017)
Net cash flows from operating activities			
Half-yearly income		8,043	13,032
Depreciation and amortization		3,362	3,957
Gain on bargain purchase		(353)	–
Share-based compensation expenses		137	102
Increase (decrease) in assets and liabilities concerning retirement benefits		102	15
Interest and dividend income		(105)	(87)
Interest expenses		65	50
Loss (gain) on step acquisitions		(786)	–
Equity loss (gain) in earnings of affiliates		(480)	(3,405)
Loss (gain) on sales and disposal of fixed assets		23	48
Income taxes payable		3,685	3,962
Decrease (increase) in trade receivables		2,601	875
Decrease (increase) in inventories		(1,047)	(3,514)
Decrease (increase) in operating payables		(574)	3,844
Increase (decrease) in other liabilities		(33)	693
Subtotal		14,639	19,572
Interest and dividend received		581	456
Interest paid		(41)	(115)
Income taxes refunded (paid)		(1,335)	(6,119)
Net cash and cash equivalents provided by operating activities		13,844	13,794
Net cash provided by investing activities			
Decrease (increase) in deposits		49	0
Purchase of property, plant and equipment		(6,755)	(5,422)
Proceeds from sales of property, plant and equipment		420	49
Purchase of intangible assets		(591)	(353)
Proceeds from sales of intangible assets		74	2
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation		(815)	(8,200)
Other		560	(121)
Net cash provided by investing activities		(7,058)	(14,046)

Net cash provided by financing activities			
Net increase (decrease) in short-term loans payable		762	6,577
Proceeds from long-term loans payable		146	460
Repayment of long-term loans payable		(81)	(103)
Proceeds from non-controlling interests		311	–
Increase in treasury shares		(1)	(983)
Cash dividends paid		(2,844)	(3,222)
Cash dividends paid to non-controlling interests		(14)	(264)
Net cash provided by (used in) financing activities		(1,722)	2,465
Effect of exchange rate changes on cash and cash equivalents		(1,779)	(9)
Net increase (decrease) in cash and cash equivalents		3,286	2,205
Cash and cash equivalents at beginning of period		34,710	41,780
Cash and cash equivalents at end of period		37,996	43,985

(5) 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" has been changed to "Component solutions business," "Transport solutions business" and "Accessibility solutions business." Figures for the first six-month period of the previous fiscal year (January 1, 2016 through June 30, 2016) have been adjusted to reflect the new segment classifications.

(2) Information on reportable segments

I. For the first six months ended June 30, 2016 (January 1, 2016 to June 30, 2016)

(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	38,817	39,670	30,455	108,941	7,696	116,637	–	116,637
Inter-segment sales	964	135	3	1,101	97	1,198	(1,198)	–
Total sales	39,780	39,804	30,457	110,042	7,793	117,835	(1,198)	116,637
Segment income (Operating income)	4,628	6,676	3,550	14,854	550	15,404	(2,904)	12,500
Finance income				–				105
Finance costs				–				(1,357)
Equity in earnings of affiliates				–				480
Income before tax				–				11,728

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 six months ended June 30, 2017 (January 1, 2017 to June 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	53,412	36,722	35,540	125,675	7,684	133,359	–	133,359
Inter-segment sales	1,018	177	2	1,197	332	1,529	(1,529)	–
Total sales	54,430	36,899	35,542	126,872	8,017	134,888	(1,529)	133,359
Segment income (Operating income)	10,030	3,900	2,304	16,234	695	16,928	(3,168)	13,761
Finance income				–				87
Finance costs				–				(259)
Equity in earnings of affiliates				–				3,405
Income before tax				–				16,993

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.

2. First-time Adoption

The Nabtesco Group has prepared its condensed interim quarterly consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) since the start of the first six 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 Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	38,643	3,607	249	42,500		Operating payables
Short-term loans payable	5,257	10,077	–	15,334		Bonds and borrowings
Current portion of bonds	10,000	(10,000)	–	–		
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 six-month period of previous consolidated fiscal year (June 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	23,275	14,721	–	37,996		Cash and cash equivalents
Notes and accounts receivable	58,785	52	(107)	58,731		Trade receivables
Marketable securities	15,000	(15,000)	–	–		
Goods and products	5,853	25,721	52	31,626		Inventories
Products in progress	14,244	(14,244)	–	–		
Raw materials and stored goods	11,477	(11,477)	–	–		
Deferred tax assets	2,022	(2,022)	–	–		
Other current assets	4,196	(2,709)	–	1,487		Other receivables
	–	279	101	380		Other financial assets
	–	2,417	(263)	2,154		Other current assets
Allowance for doubtful accounts	(239)	239	–	–		
Total current assets	134,612	(2,022)	(217)	132,373		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	63,693	(4,625)	–	59,068		Property, plant and equipment
Goodwill	16,808	–	(3,076)	13,732	A	Goodwill
Other intangible fixed assets	3,874	(609)	–	3,265		Intangible assets
Investments in securities	19,678	(4,308)	36	15,405		Investments accounted for using the equity method
Assets concerning retirement benefits	200	(200)	–	–		
Deferred tax assets	585	161	–	746		Deferred tax assets
Investments in securities and other assets	2,416	3,720	1,714	7,850	C	Other financial assets
	–	1,303	–	1,303		Other non-current assets
	–	4,625	1,280	5,905	B	Investment property
Allowance for doubtful accounts	(95)	95	–	–		
Total fixed assets	107,160	161	(47)	107,275		Total non-current assets
Total assets	241,772	(1,861)	(264)	239,647		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	41,442	3,358	66	44,866		Current liabilities
Short-term loans payable	6,551	10,130	–	16,681		Operating payables
Current portion of bonds	10,000	(10,000)	–	–		Bonds and borrowings
Current portion of long-term loans payable	130	(130)	–	–		
Income taxes payable	3,703	–	–	3,703		Income taxes payable
Allowance for product warranty	572	5	–	577		Provisions
Provision for loss on orders received	5	(5)	–	–		
Current liabilities (Others)	18,643	(9,067)	23	9,599		Other payables
	–	5,708	24	5,732		Other current liabilities
Total current liabilities	81,047	(1)	114	81,160		Total current liabilities
Long term liabilities						Non-current liabilities
Long term loans payable	128	–	–	128		Bonds and borrowings
Allowance for retirement bonus for directors	256	(256)	–	–		
Liabilities concerning retirement benefit	8,989	–	–	8,989		Liabilities concerning retirement benefit
Deferred tax liabilities	2,704	(1,860)	2,051	2,895	D	Deferred tax liabilities
Other long-term liabilities	1,990	256	–	2,245		Other non-current liabilities
Total long-term liabilities	14,066	(1,860)	2,051	14,257		Total non-current liabilities
Total liabilities	95,113	(1,861)	2,164	95,417		Total liabilities
Net assets						Equities
Capital stock	10,000	–	–	10,000		Capital stock
Capital surplus	14,237	460	–	14,698		Share premium
Earned surplus	111,952	–	6,699	118,650	G	Retained earnings
Treasury stock	(2,648)	–	–	(2,648)		Treasury shares
Accumulated other comprehensive income	5,483	–	(9,165)	(3,682)	E,F	Other components of equities
Subscription rights to shares	460	(460)	–	–		
	139,484	–	(2,466)	137,018		Total interests attributable to owners of the parent
Non-controlling interests	7,174	–	38	7,212		Non-controlling interests
Total net assets	146,659	–	(2,428)	144,231		Total equities
Total liabilities and net assets	241,772	(1,861)	(264)	239,647		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		Equity in earnings of affiliates
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
Income taxes payable	5,408	—	—	5,408		Provisions
Allowance for product warranty	696	27	—	723		Other current liabilities
Provision for loss on orders received	27	(27)	—	—		Other payables
Other current liabilities	20,316	(9,850)	(17)	10,450		
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. "Marketable securities" classified as current items under Japanese GAAP are included in "Cash and cash equivalents" 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 "Investments in securities" under Japanese GAAP are classified as "Other non-current financial assets," and other securities are classified as "Equity in earnings of affiliates."
- 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 group was conducted and recoverable amount, undiscounted 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 six 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 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 1,280 million during the first six 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 six 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 is JPY 2,266 million on the IFRS transition date, JPY 2,051 million during the first six months of the fiscal year ended December 31, 2016, and 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 836 million during the first six 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 six months of FY 2016 (June 30, 2016)	FY 2016 (December 31, 2016)
A. Impairment for non-financial asset	(4,326)	(3,624)	(3,672)
B. Investment property	872	888	883
D. Deferred tax liability	(1,672)	(1,236)	(1,220)
E. Retirement benefits	(698)	(836)	(1,322)
F. Exchange differences on foreign operations	11,598	11,598	11,598
Others	146	(90)	(119)
Total	5,919	6,699	6,148

(5) First six-month period, FY 2016 (from January 1, 2016 to June 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	116,270	–	367	116,637	A	Net sales
Cost of sales	(83,700)	–	(450)	(84,149)	A	Cost of sales
Gross profit	32,570	–	(83)	32,488		Gross profit
	–	1,447	–	1,447		Other profit
Selling, general and administrative expenses	(21,839)	–	649	(21,190)	B	Selling, general and administrative expenses
	–	(244)	–	(244)		Other expenses
Operating income	10,731	1,203	566	12,500		Operating income
Non-operating income	863	(863)	–	–		
Non-operating expenses	(1,542)	1,542	–	–		
Extraordinary gains	1,179	(1,169)	(10)	–		
Extraordinary losses	(55)	53	2	–		
	–	105	–	105		Financial income
	–	(1,351)	(7)	(1,357)		Financial costs
	–	480	–	480		Equity in earnings of affiliates
Income before income taxes and adjustments	11,176	–	551	11,728		Profit (loss) before tax
Corporate, resident and business taxes	(3,923)	–	239	(3,685)		Expenses of income tax
Half-yearly net income	7,253	–	790	8,043		Half-yearly income
Half-yearly income attributable to non-controlling interests	(42)	–	(4)	(45)		Half-yearly income attributable to non-controlling owners
Half-yearly net income attributable to owners of the parent	7,211	–	787	7,998		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
Half-yearly net income	7,253	–	790	8,043		Half-yearly net income
Other comprehensive income						Other comprehensive income
Adjustments concerning retirement benefits	(178)	–	178	–		Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	(507)	–	396	(110)		Net changes in financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(7,587)	(388)	438	(7,537)		Exchange differences on foreign operations
Deferred gains or losses on hedges	(3)	–	3	–		
Share of income for equity method associates	(386)	388	(54)	(52)		Share of other comprehensive income for equity method affiliates
Total other comprehensive income	(8,660)	–	961	(7,699)		Other comprehensive income after taxes
Half-yearly total comprehensive income	(1,407)	–	1,751	344		Half-yearly 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 income
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		Half-yearly 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		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	17,902	–	1,034	18,936		Half-yearly net 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
Other comprehensive income	(4,471)	–	528	(3,944)		Other comprehensive income after tax
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 763 million during the first six 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.”

(8) Adjustment of consolidated statement of cash flows

There is no significant difference between the consolidated statements of cash flows disclosed based on Japanese GAAP and those disclosed based on IFRS.

4. Other Information**(1) Order Backlog by Business Segment**

Reportable segments	As of the end of the first six-month period of consolidated FY 2016 (June 30, 2016)		As of the end of the first six-month period of consolidated FY 2017 (June 30, 2017)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Component Solutions	16,177	16.9	25,817	21.7
Transport Solutions	50,280	52.4	54,121	45.5
Accessibility Solutions	22,564	23.6	31,191	26.2
Others	6,782	7.1	7,878	6.6
Total	95,802	100.0	119,008	100.0