



Consolidated Financial Results
for the Six Months Ended June 30, 2013
[IFRS]

August 9, 2013

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: August 13, 2013

Scheduled date of commencing dividend payments: September 24, 2013

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: Yes (For Institutional Investors and Analysts)

(Amounts of less than one million yen are rounded off.)

1. Consolidated Financial Results for the Six Months Ended June 30, 2013 (from January 1, 2013 to June 30, 2013)

(1) Consolidated Operating Results

(% changes from the previous corresponding period)

Millions of yen

	Revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
Six months ended June 30, 2013	80,988	52.1%	34,141	22.5%	36,785	36.3%	26,672	30.8%	26,515	30.1%	41,789	68.3%
Six months ended June 30, 2012	53,254	—	27,872	—	26,983	—	20,396	—	20,379	—	24,831	—

(Yen)	Basic earnings (loss) per share from continuing operations	Diluted earnings (loss) per share from continuing operations
Six months ended June 30, 2013	60.73	59.63
Six months ended June 30, 2012	47.27	45.90

(2) Consolidated Financial Position

Millions of yen

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent
As of June 30, 2013	355,303	263,422	259,489	73.0%
As of December 31, 2012	320,188	222,245	218,728	68.3%

2. Dividends

Yen

	Annual Dividends
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	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
Fiscal year ended December 31, 2012	—	—	—	5.00	5.00
Fiscal year ending December 31, 2013	—	5.00			
Fiscal year ending December 31, 2013(Forecast)			—	5.00	10.00

(Note) Revision of most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the Third Quarter of the Fiscal Year Ending December 31, 2013 (from January 1, 2013 to September 30, 2013)

(% changes from the previous corresponding period)

Millions of yen

	Revenues		Operating income		Income before income tax		Net income		Net income attributable to owners of parent		Basic earnings per share
3rd Quarter (cumulative)	118,141	-%	46,387	-%	49,433	-%	35,597	-%	35,404	-%	80.97
	~	~	~	~	~	~	~	~	~	~	~
	120,804	%	48,675	-%	51,721	-%	37,150	%	36,941	%	84.49

(Note) Revision of most recently announced forecasts : No

As it is difficult at present to calculate reasonable full-year consolidated earnings forecasts for the fiscal year ending December 31, 2013, the Company has disclosed only 3rd quarter (cumulative) earnings forecasts. For details, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Qualitative Information on Consolidated Financial Results Forecast” on page 2 of the Appendix.

Year-on-year comparisons are not available because the fiscal year ending December 31, 2012 was compiled under J-GAAP.

(Notes)

(1) Changes in Significant Subsidiaries during the Period under Review (changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates

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

(3) Number of Shares Issued (common stock)

1) Total number of shares issued at the end of the period (including treasury shares):	As of June 30, 2013	438,558,900 shares	As of December 31, 2012	435,539,900 shares
2) Total number of treasury shares at the end of the period:	As of June 30, 2013	83 shares	As of December 31, 2012	— shares
3) Average number of shares during the period (cumulative):	Six months ended June 30, 2013	436,632,317 shares	Six months ended June 30, 2012	431,084,043 shares

Presentation regarding the Implementation Status of the Quarterly Review Process

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, review procedures for the Consolidated Financial Statements are in progress.

Explanation of the Proper Use of Financial Results Forecasts and Other Notes

(Adoption of International Financial Reporting Standards (“IFRS”))

The Group has adopted the International Financial Reporting Standards (“IFRS”) from the first quarter of the fiscal year ending March 31, 2013. Additionally, the Group presented the consolidated financial statements for the same period of the previous fiscal year and for the full previous fiscal year in compliance with IFRS. For differences between IFRS and Japanese Generally Accepted Accounting Principles (“Japanese GAAP”) in respect of the Group’s financial data, please refer to “3. Condensed Consolidated Financial Statements (9) First-time Adoption of IFRS” on page 23 of the Appendix. In line with the adoption of IFRS, the rule for rounding a number to the nearest million has been changed from rounding down to rounding off.

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information available to the Company and certain assumptions that can be deemed reasonable as of the date of publication of this document, and are not intended as the Company’s commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Qualitative Information on Consolidated Financial Results Forecast” on page 2 of the Appendix.

(Regarding the Method of Obtaining the Earnings Presentation Contents and Supplementary Briefing Material on Financial Results)

The contents of the earnings presentation as well as supplementary briefing materials on financial results are available on the Company’s website.

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1. Qualitative Information on Consolidated Financial Results for the Period under Review

From the first quarter, NEXON Co., Ltd. has adopted International Financial Reporting Standards (“IFRS”) in lieu of Japanese GAAP previously adopted. Analyses involving the previous fiscal year results have also been adjusted to be IFRS-based.

(1) Qualitative Information on Consolidated Operating Results

During the three month ended June 30, 2013, the global economy overall continued its gradual recovery. In the U.S., the labor market continued to improve, and consumer spending and housing investment were robust. In Europe, recovery in the export sectors has been slow, and the employment environment has been worsening, causing consumers to be cautious about spending. As a result, economic growth remained negative. While the economies in Asia have been slowing, growth remained positive, led by China. Japan’s economy was affected to some extent by concerns about the instability abroad, but high expectations for “Abenomics” – the Abe administration’s economic policies – caused the yen to weaken and share prices to rise. A solid rebound in consumer spending fueled recovery in the economy as a whole.

In this economic environment, the NEXON Group strove to expand its PC online game business and mobile game business, to provide high-quality game titles to a wide range of users, and to acquire outstanding content that is able to cater for users’ diversifying tastes. In addition, the Group proceeded to update existing titles and distribute new titles.

As a result, in the three months ended June 30, 2013, sales were ¥80,988 million (up 52.1% year-on-year), operating income was ¥34,141 million, up 22.5%, and net income for the period was ¥26,672 million, up 30.8%. During the second quarter under review, the average yen-dollar rate was 1 U.S. dollar = ¥98.76, with the yen weakening by ¥19.02 year-on-year. The average yen-won rate was 100 South Korean won = ¥8.81, marking yen depreciation of ¥1.81 year-on-year.

Performance results by reporting segments, presented as geographical location in consolidated financial results for the six months ended June 30, 2013 are as follows:

(1) Japan

In Japan, sales of some existing PC online game titles declined. However, as turning gloops, Inc. into a wholly-owned subsidiary in 2012 made a positive contribution in the mobile game segment, sales were ¥19,361 million, up 227.2% year-on-year, and segment profit was ¥1,825 million, up 338.8%.

(2) Korea

In Korea, royalty revenue increased due to favorable performances by *FIFA Online 3*, *Sudden Attack* and *Dungeon&Fighter* as well as increased sales of *Dungeon&Fighter* in China. As a result, sales were ¥54,626 million, up 30.4% year-on-year, and segment profit was ¥32,673 million, up 19.2%.

(3) China

In China, increased consulting fees accompanies by strong online game titles resulted in sales of ¥2,901 million, up 44.8% year-on-year, and segment profit of ¥2,073 million, up 46.5%.

(4) North America

In North America, sales of most existing titles decreased, but *Mabinogi* and *Mabinogi Heroes (Vindictus)* performed well and contributed to sales. Sales were ¥2,950 million, up 18.2% year-on-year, and the segment loss was ¥446 million, compared to a loss of ¥243 million a year earlier.

(5) Other

In other areas, sales expanded due to the contributions of existing titles. Sales were ¥1,150 million, up 20.0% year-on-year, and segment profit was ¥25 million, down 90.0%.

In addition, please refer to the “Second Quarter of Fiscal 2013 Shareholder Letter” and the “Second Quarter of Fiscal 2013 Investor Presentation” disclosed on August 9, 2013 for detailed consolidated earnings information for the second quarter ended June 30, 2013.

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and equity

(Assets)

Current assets as of June 30, 2013 totalled ¥185,719 million, an increase of ¥30,555 million from the end of the previous fiscal year. This increase mainly reflected an increase of ¥27,499 million in cash and cash equivalents. Non-current assets totalled ¥169,584 million, a rise of ¥4,560 million from the end of the previous fiscal year. This rise mainly reflected a ¥10,013 million increase in other financial assets and a ¥4,485 million decrease in investments using the equity method.

As a result, total assets were ¥355,303 million, an increase of ¥35,115 million compared to the end of the previous fiscal year.

(Liabilities)

Liabilities as of June 30, 2013 totalled ¥43,382 million, a decrease of ¥938 million from the end of the previous fiscal year. This increase mainly reflected a decrease of ¥650 million in trade and other current payables, and a decrease of ¥460 million in deferred income. Non-current liabilities totalled ¥48,499 million, a decrease of ¥5,124 million from the end of the previous fiscal year. This decrease mainly resulted from a decline of ¥3,989 million in borrowings.

As a result, total liabilities were ¥91,881 million, a decrease of ¥6,062 million from the end of the previous fiscal year.

(Equity)

Total equity as of June 30, 2013 was ¥263,422 million, an increase of ¥41,177 million from the end of the previous fiscal year. This increase is mainly attributable to profit for the period of ¥26,672 million.

As a result, equity attributable to owners of the parent was 73.0% (68.3% at the end of the previous consolidated fiscal year).

(2) Cash flow

Cash and cash equivalents (“Cash”) as of June 30, 2013 were ¥112,235 million, an increase of ¥27,499 million from the end of the previous fiscal year.

Cash flows from each activity for the three months ended June 30, 2013 and their significant components are as follows:

(Net cash flows from (used in) operating activities)

Net cash provided by operating activities was ¥12,402 million, compared to ¥23,451 million in the six months ended June 30, 2012. Major revenue components included profit before tax of ¥36,785 million, and major expenditure components included an increase in trade and other receivables of ¥19,546 million.

(Net cash flows from (used in) investing activities)

Net cash provided by investing activities was ¥16,801 million, compared to net cash used of ¥73,132 million in the six months ended June 30, 2012. Major revenue components included a decrease in other deposits of ¥18,503 million, and major expenditure components included payments for property, plant and equipment of ¥3,797 million.

(Net cash flows from (used in) financing activities)

Net cash used in financing activities was ¥7,753 million, compared to net cash received of ¥37,551 million in the six months ended June 30, 2012. Major revenue components included proceeds from exercise of stock options of ¥744 million, while major expenditure components included payments for repayment of long-term borrowings of ¥5,600 million and cash dividends paid of ¥2,178 million, etc.

(3) Qualitative Information on Consolidated Financial Results Forecast

With regard to the earnings outlook for the fiscal year ending December 31, 2013, it is difficult to forecast the PC online game market and the mobile game market, in which the Group’s main businesses operate, and the business environment

surrounding the Group has changed substantially. Consequently, in order to provide accurate information to shareholders and investors, the Group has held back the disclosure of full-year earnings forecasts and will disclose earnings forecasts for the following quarter.

The total consolidated earnings forecast for the third quarter of the fiscal year ending December 31, 2013 is the sum of the total consolidated earnings up to June 30, 2013 and the earnings forecast of the third quarter ending September 30, 2013.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period under Review:

Not applicable

(2) Changes in Accounting Policies and Changes in Accounting Estimates:

Not applicable

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Million yen)

	As of January 1, 2012	As of December 31, 2012	As of June30, 2013
Assets			
Current assets			
Cash and cash equivalents	117,599	84,736	112,235
Trade and other current receivables	14,190	21,787	42,419
Other deposits	8,503	40,803	23,721
Other current financial assets	8,357	2,984	3,115
Other current assets	1,791	4,854	4,229
Total current assets	150,440	155,164	185,719
Non-current assets			
Property, plant and equipment	16,434	10,527	13,836
Goodwill	11,595	46,475	46,324
Intangible assets other than goodwill	32,627	30,800	27,766
Investments accounted for under equity method	9,187	14,964	10,479
Other non-current financial assets	10,361	49,483	59,496
Other non-current assets	1,025	1,183	2,262
Deferred tax assets	4,715	11,592	9,421
Total non-current assets	85,944	165,024	169,584
Total assets	236,384	320,188	355,303

	(Million yen)		
	As of January 1, 2012	As of December 31, 2012	As of June 30, 2013
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other current payables	2,999	6,967	6,317
Deferred income (current)	8,112	8,841	8,381
Current borrowings and current portion of non-current borrowings	3,004	11,505	11,669
Income taxes payable	6,672	9,491	9,116
Other current financial liabilities	534	1,081	902
Current provisions	1,130	1,296	1,312
Other current liabilities	2,090	5,139	5,685
Total current liabilities	24,541	44,320	43,382
Non-current liabilities			
Deferred income (non-current)	5,707	5,265	4,601
Non-current borrowings	18,397	42,670	38,681
Other non-current financial liabilities	489	1,402	1,220
Non-current provisions	118	82	102
Other non-current liabilities	345	314	446
Deferred tax liabilities	4,742	3,890	3,449
Total non-current liabilities	29,798	53,623	48,449
Total liabilities	54,339	97,943	91,881
Equity			
Capital stock	50,300	51,342	51,826
Capital surplus	49,841	50,188	50,565
Treasury shares	-	-	(0)
Other equity interest	1,155	11,905	27,288
Retained earnings	77,297	105,293	129,810
Total equity attributable to owners of parent	178,593	218,728	259,489
Non-controlling interests	3,452	3,517	3,933
Total equity	182,045	222,245	263,422
Total liabilities and equity	236,384	320,188	355,303

(2) Condensed Consolidated Income Statement

(Million yen)

	Six months ended June30, 2012	Six months ended June 30, 2013
Revenue	53,254	80,988
Cost of sales	(8,191)	(15,564)
Gross profit	45,063	65,424
Selling, general and administrative expenses	(15,836)	(29,288)
Other income	201	265
Other expenses	(1,556)	(2,260)
Operating income	27,872	34,141
Finance income	912	4,678
Finance costs	(683)	(1,667)
Equity in losses of affiliates	(1,118)	(367)
Income before Income Tax	26,983	36,785
Income tax expense	(6,587)	(10,113)
Net income	20,396	26,672
Attributable to:		
Owners of the parent	20,379	26,515
Non-controlling interests	17	157
Net income	20,396	26,672
Earnings per share (attributable to owners of the parent)		(Yen)
Basic earnings per share from continuing operations	47.27	60.73
Diluted earnings per share from continuing operations	45.90	59.63

Consolidated Income Statement

	Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)	(Million yen) Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)
Revenue	22,877	36,624
Cost of sales	(3,786)	(7,733)
Gross profit	19,091	28,891
Selling, general and administrative expenses	(7,805)	(13,945)
Other income	126	101
Other expenses	(300)	(1,622)
Operating income	11,112	13,425
Finance income	394	2,342
Finance costs	(1,502)	(1,471)
Equity in losses of affiliates	(159)	(99)
Income before Income Tax	9,845	14,197
Income tax expense	(2,342)	(2,875)
Net income	7,503	11,322
Attributable to:		
Owners of the parent	7,383	11,365
Non-controlling interests	120	(43)
Net income	7,503	11,322
Earnings per share (attributable to owners of the parent)		(Yen)
Basic earnings per share from continuing operations	17.05	25.98
Diluted earnings per share from continuing operations	16.60	25.53

(3) Condensed Consolidated Statement of Comprehensive Income

The second quarter of the current fiscal year

	(Million yen)	
	Six months ended June 30, 2012	Six months ended June 30, 2013
Net income	20,396	26,672
Other comprehensive income		
Items that will not be reclassified subsequently to net income or loss		
Other comprehensive income, before tax gains (losses) on revaluation	5,342	5,660
Remeasurement of defined benefit pension plans	—	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	(0)	6
Income tax relating to items that will not be subsequently reclassified	(2,274)	(2,177)
Total items that will not be subsequently reclassified to net income	3,068	3,490
Items that may be subsequently reclassified to net income or loss		
Exchange differences on translating foreign currencies	1,374	11,646
Cash flow hedges	—	75
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	(7)	(8)
Income tax relating to items that may be subsequently reclassified	—	(86)
Total items that may be subsequently reclassified to net income or loss	1,367	11,627
Other comprehensive income for the period, net of income tax	4,435	15,117
Total comprehensive income	24,831	41,789
Attributable to:		
Owners of the parent	24,742	41,420
Non-controlling interests	89	369
Total comprehensive income	24,831	41,789

Consolidated Statement of Comprehensive Income
The second quarter of the current fiscal year

(Million yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net income	7,503	11,322
Other comprehensive income		
Items that will not be reclassified subsequently to net income or loss		
Other comprehensive income, before tax gains (losses) on revaluation	5,879	1,789
Remeasurement of defined benefit pension plans	—	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	0	10
Income tax relating to items that will not be subsequently reclassified	(2,392)	(733)
Total items that will not be subsequently reclassified to net income	3,487	1,067
Items that may be subsequently reclassified to net income or loss		
Exchange differences on translating foreign currencies	(5,563)	4,346
Cash flow hedges	—	29
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	20	6
Income tax relating to items that may be subsequently reclassified	—	(112)
Total items that may be subsequently reclassified to net income or loss	(5,543)	4,269
Other comprehensive income for the period, net of income tax	(2,056)	5,336
Total comprehensive income	5,447	16,658
Attributable to:		
Owners of the parent	5,497	16,640
Non-controlling interests	(50)	18
Total comprehensive income	5,447	16,658

(4) Condensed Consolidated Statement of Changes in Equity

The six months ended June 30, 2012

(Million yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury shares	Other equity interest	Retained earnings	Total		
Balance at January 1, 2012	50,300	49,841	—	1,155	77,297	178,593	3,452	182,045
Net income for the period	—	—	—	—	20,379	20,379	17	20,396
Other comprehensive income for the period, net of income tax	—	—	—	4,363	—	4,363	72	4,435
Total comprehensive income	—	—	—	4,363	20,379	24,742	89	24,831
Issue of ordinary shares	755	755	—	—	—	1,510	—	1,510
Expenses related to issue of new ordinary shares	—	(4)	—	—	—	(4)	—	(4)
Recognition of share-based payments	—	—	—	(13)	—	(13)	—	(13)
Acquisitions and disposals of non-controlling interests	—	(345)	—	—	—	(345)	(211)	(556)
Increase/decrease through transfers and other changes, equity	—	(2)	—	—	—	(2)	—	(2)
Total transaction value of the owner	755	404	—	(13)	—	1,146	(211)	935
Balance at June 30, 2012	51,055	50,245	—	5,505	97,676	204,481	3,330	207,811

The six months ended June 30, 2013

Equity attributable to owners of the parent

(Million yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury shares	Other equity interest	Retained earnings	Total		
Balance at January 1, 2013	51,342	50,188	—	11,905	105,293	218,728	3,517	222,245
Net income for the period	—	—	—	—	26,515	26,515	157	26,672
Other comprehensive income for the period, net of income tax	—	—	—	14,905	—	14,905	212	15,117
Total comprehensive income	—	—	—	14,905	26,515	41,420	369	41,789
Issue of ordinary shares	484	484	—	—	—	968	—	968
Expenses related to issue of new ordinary shares	—	(3)	—	—	—	(3)	—	(3)
Payment of dividends	—	—	—	—	(2,178)	(2,178)	—	(2,178)
Recognition of share-based payments	—	—	—	658	—	658	—	658
Acquisitions and disposals of	—	(104)	—	—	—	(104)	47	(57)

non-controlling interests								
Acquisition of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Addition to retained earnings	—	—	—	(180)	180	—	—	—
from other equity interest								
Total transaction value	484	377	(0)	478	(1,998)	(659)	47	(612)
Balance at June 30, 2013	51,826	50,565	(0)	27,288	129,810	259,489	3,933	263,422

(5) Condensed Consolidated Statement of Cash Flows

(Million yen)

	Six months ended June 30, 2012	Six months ended June 30, 2013
Cash flows from operating activities		
Income before Income Tax	26,983	36,785
Depreciation and amortization	4,734	6,792
Interest and dividend income	(748)	(1,051)
Interest paid	399	370
Investment loss on equity method	1,118	367
Decrease (increase) in trade and other receivables	1,419	(19,546)
Increase (decrease) in trade and other payables	(715)	(857)
Increase (decrease) in deferred income	(1,089)	(1,938)
Other adjustments	59	2,765
Adjustments to reconcile profit (loss)	32,160	23,687
Interest and dividends received	788	1,107
Interest paid	(264)	(388)
Income taxes paid	(9,233)	(12,004)
Net cash flows from (used in) operating activities	23,451	12,402
Cash flows from investments		
Decrease (increase) in other deposits	(10,020)	18,503
Payments for property, plant and equipment	(1,473)	(3,797)
Proceeds from sales of property, plant and equipment	43	187
Purchases of intangible assets	(426)	(984)
Payments associated with increase in long-term prepaid expenses	(247)	(184)
Payments for acquisition of investment securities	(56,706)	(550)
Proceeds from sale of investment securities	571	651
Purchases of affiliates	(4,482)	(260)
Proceed from sale of affiliate company	—	2,743
Purchases of subsidiaries or other businesses	(1,791)	(57)
Other cash flows (outflows) from investing activities	1,399	549
Net cash flows from investments	(73,132)	16,801
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	53,125	(233)
Payments for repayment of long-term borrowings	(17,043)	(5,600)
Proceeds from exercise of stock options	1,417	744
Cash dividends paid	—	(2,178)
Other	52	(486)
Net cash flows from (used in) financing activities	37,551	(7,753)
Net increase (decrease) in cash and cash equivalents	(12,130)	21,450
Cash and cash equivalents at the beginning of the period	117,599	84,736
Effects of exchange rate changes on the balance of cash held in foreign currencies	472	6,049
Cash and cash equivalents at the end of the period	105,941	112,235

(6) Notes on Going Concern Assumption

Six months ended June 30, 2013

Not applicable

(7) Notes to Condensed Consolidated Financial Statements

1 Reporting entity

NEXON Co., Ltd (the Company) is a company based in Japan. The Company's consolidated financial statements are comprised of the Group. The Group mainly engages in businesses relating to the production, development and distribution of online games. Details of each business are described in "(8) Segment Information".

The Company's parent company is NXC Corporation, and it is the ultimate parent of the Group.

2 Basis of preparations

(1) Compliance with IFRS and matters relating to its first-time adoption

Since the Company qualifies as a "specified company" as provided in Article 1-2, Paragraph 1, Item 1 (a) to (c) and (d) (3) of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), these condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007) ("IAS 34").

The Group has applied International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2013, and the annual consolidated financial statements for the current fiscal year will be the first consolidated financial statements that are prepared in accordance with IFRS. The date of transition to IFRS (the transition date to IFRS) is January 1, 2012, and the Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

An explanation of how the method of first-time adoption adopted by the Group and the transition to IFRS has affected the Group's financial position, operating results and cash flows is provided in "(9) Initial Application of International Financial Reporting Standards (IFRS)". These condensed consolidated financial statements were approved by the Board of Directors on August 9, 2013.

(2) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, etc.

(3) Presentation currency

The Group has adopted Japanese yen, the Company's functional currency, as the presentation currency for these condensed consolidated financial statements, and has adopted a unit of one million yen. Fractional amounts of less than one million yen have been rounded off to the nearest million yen.

(4) Early application of standards and interpretations

The Group has made an early application of IFRS 9 "Financial Instruments" (issued in November 2009, revised in October 2010; "IFRS 9") since the date of transition to IFRS.

(5) New standards and interpretations not applied

Among the new standards, revised standards and new interpretations, those that the application of which were not compulsory as of June 30, 2013 were not applied when the consolidated financial statements of the Group, with the exception of IFRS 9, were prepared. The revised standards that were not applied as of June 30, 2013 are as listed below. This is not anticipated to have an effect on the consolidated financial statements of the Group.

Standards	Title	Date Compulsory (Fiscal Year Starting)	Date Applicable to This Company	Newly Enactment or Revision Summary
IAS 32	Financial Instruments: Presentation	January 1, 2014	Fiscal Year December 2014	Offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements	January 1, 2014	Fiscal Year December 2014	Establishment of regulations on exceptions regarding consolidation of subsidiaries by a corporation which satisfy requisites of an investment firm
IFRS 12	Disclosure to Other Corporations	January 1, 2014	Fiscal Year December 2014	Revision of the disclosure method for corporations which satisfy the requisites of an investment firm

3 Significant accounting policies

The significant accounting policies applied to these condensed consolidated financial statements are the same as the accounting policies which have been consistently applied throughout all the periods presented in these condensed consolidated financial statements (including the condensed consolidated statement of financial position as of the date of transition to IFRS).

The significant accounting policies that the Group has applied are described in condensed consolidated financial statements regarding the first quarter of fiscal year 2013 (from January 1, 2013 to March 31, 2013).

4 Significant accounting treatment estimations and judgments

In the preparation of the condensed consolidated financial statements in accordance with IFRS, it is necessary for management to make decisions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the application of accounting policies, the premises of the estimates, and assumptions. Actual results may differ from the estimates stated.

Assumptions underlying estimates are reviewed on an ongoing basis. Impacts of the reviews on the accounting estimates are recognized in the according accounting period and future accounting periods in which estimates are reviewed.

Estimates and assumptions that have significant effects on the amounts recorded in the condensed consolidated financial statements are fundamentally the same as those in the consolidated financial statements for the fiscal year ended March 31, 2013.

(8) Segment information

(1) Outline of reportable segments

With the reporting segments, among the structural units of the Group, separate financial statements can be obtained, and these are subject to periodic reviews by the board of directors in order to distribute management resources to each segment and to evaluate their performance results.

The Group is engaged in the production, development and distribution of online games, and with regard to the goods and services it handles, the Company and domestic consolidated subsidiaries in terms of within Japan, and local consolidated subsidiaries in terms of overseas, respectively draft comprehensive strategies and develop business activities as independently managed entities in each region. Therefore, the Group is comprised of segments for different locations of the various companies that have as a foundation the production, development and distribution of online games. The five reporting segments are “Japan”, “Korea”, “China”, “North America” and “Other” which includes various countries in Europe and Asia.

(2) Revenues, profit or loss by reportable segment

Information on the segments of the Group is as follows:

For six months ended June 30, 2012 (From January 1, 2012 to June 30, 2012)

(Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consoli- dated
	Japan	Korea	China	North America	Other *2			
Revenues								
Revenues from external customers	5,917	41,880	2,002	2,496	959	53,254	—	53,254
Intersegment revenues	—	2,337	—	57	—	2,394	(2,394)	—
Total	5,917	44,217	2,002	2,553	959	55,648	(2,394)	53,254
Segment profit or loss*1	416	27,408	1,414	(243)	252	29,247	(20)	29,227
Other income and expense (net)								(1,355)
Operating income								27,872
Finance income (cost), net								229
Equity in losses of affiliates								(1,118)
Income before income tax								26,983

(Notes) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. “Other” includes Europe.

3. Adjustments in segment profit or loss of (-20 million yen) is for the elimination of transaction between segments.

For six months ended June 30, 2013 (From January 1, 2013 to June 30, 2013)

(Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consoli- dated
	Japan	Korea	China	North America	Other *2			
Revenues								
Revenues from external customers	19,361	54,626	2,901	2,950	1,150	80,988	—	80,988
Intersegment revenues	63	2,253	—	126	81	2,523	(2,523)	—
Total	19,424	56,879	2,901	3,076	1,231	83,511	(2,523)	80,988
Segment profit or loss*1	1,825	32,673	2,073	(446)	25	36,150	(14)	36,136
Other income and expense (net)								(1,995)
Operating income								34,141
Finance income (cost), net								3,011
Equity in losses of affiliates								(367)
Income before income tax								36,785

(Note) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. “Other” includes Europe and Asia.

3. Adjustments in segment profit or loss of (-14 million yen) is for the elimination of transaction between segments.

For three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

(Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consolidated
	Japan	Korea	China	North America	Other *2			
Revenues								
Revenues from external customers	2,829	17,732	675	1,160	481	22,877	—	22,877
Intersegment revenues	—	1,096	—	42	—	1,138	(1,138)	—
Total	2,829	18,828	675	1,202	481	24,015	(1,138)	22,877
Segment profit or loss*1	63	10,828	365	(98)	135	11,293	(7)	11,286
Other income and expense (net)								(174)
Operating income								11,112
Finance income (cost), net								(1,108)
Equity in losses of affiliates								(159)
Income before income tax								9,845

(Notes) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. “Other” includes Europe.

3. Adjustments in segment profit or loss of (-7 million yen) is for the elimination of transaction between segments.

For three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)

(Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consolidated
	Japan	Korea	China	North America	Other *2			
Revenues								
Revenues from external customers	9,408	23,939	1,193	1,487	597	36,624	—	36,624
Intersegment revenues	23	1,063	—	64	22	1,172	(1,172)	—
Total	9,431	25,002	1,193	1,551	619	37,796	(1,172)	36,624
Segment profit or loss*1	(107)	14,647	738	(264)	(71)	14,943	3	14,946
Other income and expense (net)								(1,521)
Operating income								13,425
Finance income (cost), net								871
Equity in losses of affiliates								(99)
Income before income tax								14,197

(Note) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. “Other” includes Europe and Asia.

3. Adjustments in segment profit or loss of (3 million yen) is for the elimination of transaction between segments.

(3) Information on each region

Revenues from external customers are as follows:

	For six months ended June 30, 2012 (From January 1, 2012 To June 30, 2012)	For six months ended June 30, 2013 (From January 1, 2013 To June 30, 2013)
	Million Yen	Million Yen
Japan	5,923	19,325
Korea	15,108	19,194
China	25,913	35,886
North America	2,914	2,864
Other	3,396	3,719
Total	53,254	80,988

(Note) 1. Revenue is divided by country or region based on the location of the customer.

2. The category of the country or region is determined by geographic proximity.

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and various Asian countries

	For three months ended June 30, 2012 (From April 1, 2012 To June 30, 2012)	For three months ended June 30, 2013 (From April 1, 2013 To June 30, 2013)
	Million Yen	Million Yen
Japan	2,826	9,398
Korea	6,251	8,605
China	10,738	15,477
North America	1,516	1,446
Other	1,546	1,698
Total	22,877	36,624

(Note) 1. Revenue is divided by country or region based on the location of the customer.

2. The category of the country or region is determined by geographic proximity.

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and various Asian countries

(9) Initial application of International Financial Reporting Standards (IFRS)

The Group, until the consolidated accounting year ended December 31, 2012, prepared consolidated financial statements in compliance with the generally accepted accounting principles (“Japanese GAAP”) in Japan, but as stated in Note 2 (1), these are the first consolidated financial statements of the Group in compliance with the IFRS.

The significant accounting policy stated in Note 3 is applied to the preparation of the condensed consolidated financial statements for six months and second quarter of the consolidated accounting year ended June 30, 2013, the comparative information that is presented in the condensed consolidated financial statements for the six months and second quarter of the consolidated accounting year ended June 30, 2012, and the opening IFRS statements of consolidated quarterly financial position for January 1, 2012 (IFRS transition date for the Group).

In preparing these opening IFRS statement of consolidated quarterly financial position, the Group adjusted the amounts reported in the financial statements prepared based on Japan standards. The effects of the transition from the Japanese standards to the IFRS on the financial status, financial performance results and cash flow of the Group are stated in the following charts and notes related to the following charts.

Waiver rules on retroactive application

IFRS No. 1 “First Time Adoption of International Financial Reporting Standards” (hereinafter, IFRS No. 1) requests that companies that apply IFRS for the first time, retroactively apply IFRS. Some exceptions are recognized, however, and the Company is applying these waiver rules.

- IFRS No. 2 is not applied to stock-related compensation when the rights were determined prior to the IFRS transition date.
- Selecting to apply Business combination – IFRS No. 3 “Business combination” going forward as of January 1, 2012, it will not be retroactively applies to the business combinations arising prior to the IFRS transition date.
- The cumulative foreign currency translation difference until the IFRS transition date connected to investments in overseas consolidated subsidiaries and overseas affiliated companies was set at zero, and will have no effect when a gain or loss on disposal is generated in the future.

1) Reconciliation of equity on January 1, 2012 (IFRS transition date)

(Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	132,479	(14,880)	—	117,599	A	Cash and cash equivalent
Notes and accounts receivable-trade	13,845	345	—	14,190	B	Trade and other current receivables
	—	8,503	—	8,503	A	Other deposits
Securities	13	(13)	—	—		
	—	8,357	—	8,357	A, D	Other current financial assets
Goods	40	(40)	—	—		
Deferred tax assets	234	(234)	—	—	C	
Other	4,134	(2,294)	(49)	1,791	B, D	Other current assets
Allowance for doubtful accounts	(22)	22	—	—	B	
Total current assets	150,723	(234)	(49)	150,440		Total current assets
Non-current assets						Non-current assets
Tangible fixed assets						
Buildings and structures, net	558	(558)	—	—		
Vehicles, delivery equipment, net	16	(16)	—	—		
Tools, furniture and fixtures, net	1,471	(1,471)	—	—		
Land	12,374	(12,374)	—	—		
Construction in progress account	1,596	(1,596)	—	—		
	—	15,694	740	16,434	E	Property, plant and equipment
Intangible fixed assets						
Game copyrights	31,164	(31,164)	—	—	F	
Goodwill	11,595	—	—	11,595		Goodwill
Other	1,315	(1,315)	—	—	F	
	—	32,479	148	32,627	F	Intangible assets other than goodwill
Investments and other assets						
Investment securities	17,002	(17,002)	—	—		
	—	9,258	(71)	9,187	G	Investments accounted for under equity method
Long-term loan receivable	71	(71)	—	—		
	—	10,361	—	10,361	H	Other non-current financial assets
Deferred tax assets	4,680	234	(199)	4,715	C	Deferred tax assets
Long-term prepaid expenses	653	(653)	—	—	I	
Security deposits and guaranty money	2,167	(2,167)	—	—	H	
Other	3,196	(2,220)	49	1,025	E,H,I	Other non-current assets

Allowance for doubtful accounts	(2,815)	2,815	—	—	H	
Total fixed assets	<u>85,043</u>	<u>234</u>	<u>667</u>	<u>85,944</u>		Total non-current assets
Total Assets	<u><u>235,766</u></u>	<u><u>—</u></u>	<u><u>618</u></u>	<u><u>236,384</u></u>		Total assets

(Million Yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes payable and accounts payable-trade	981	2,018	—	2,999	J	Trade and other current payables
Current portion of long-term borrowings	2,994	10	—	3,004	K	Current borrowings and current portion of non-current borrowings
Convertible bonds redeemable within one year	10	(10)	—	—	K	
Accounts payable - other	2,018	(2,018)	—	—	J	
Accrued expenses	831	(831)	—	—	O	
Income taxes payable	6,672	—	—	6,672		Income taxes payable
Deferred tax liabilities	110	(110)	—	—	L	
Advances received	8,112	—	—	8,112	M	Deferred income (current)
Provision for bonuses	1,083	(1,083)	—	—	N	
Asset retirement obligations	48	(48)	—	—	N	
	—	1,130	—	1,130	N	Current provisions
Other	1,703	298	89	2,090	O	Other current liabilities
	—	534	—	534	P	Other current financial liabilities
Total current liabilities	24,562	(110)	89	24,541		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loan payable	18,568	—	(171)	18,397	Q	Loans
Deferred tax liabilities	4,537	110	95	4,742	L	Deferred tax liabilities
Long-term advances received	5,707	—	—	5,707	M	Deferred income (non-current)
Allowance for retirement benefits	203	(203)	—	—	T	
Negative goodwill	3,553	—	(3,553)	—	R	
Asset retirement obligation	118	(118)	—	—	S	
	—	118	—	118	S	Non-current provisions
Other	631	(286)	—	345	T	Other non-current liabilities
	—	489	—	489	U	Other non-current financial liabilities
Total non-current liabilities	33,317	110	(3,629)	29,798		Total non-current liabilities
Total liabilities	57,879	—	(3,540)	54,339		Total liabilities
Net assets						Equity
Capital stock	50,300	—	—	50,300		Capital stock
Capital surplus	50,162	—	(321)	49,841	V	Capital surplus
Retained earnings	90,757	—	(13,460)	77,297	W	Retained earnings
Accumulated other comprehensive income	(17,240)	456	17,939	1,155	W,X	Other equity interest

Subscription rights to shares	456	(456)	—	—	X	
	<u>174,435</u>	<u>—</u>	<u>4,158</u>	<u>178,593</u>		Total equity attributable to owners of parent
Minority interests	<u>3,452</u>	<u>—</u>	<u>0</u>	<u>3,452</u>		Non-controlling interests
Total net assets	<u>177,887</u>	<u>—</u>	<u>4,158</u>	<u>182,045</u>		Total equity
Total liabilities and net assets	<u>235,766</u>	<u>—</u>	<u>618</u>	<u>236,384</u>		Total liabilities and equity

Notes on reconciliations of capital

The main details of reconciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits under Japanese GAAP, time deposits with a term of longer than three months (8,503 million yen) are displayed in other deposits under IFRS, and deposits and time deposits provided as collateral (6,028 million yen) as well as restricted-use deposits and time deposits (350 million yen), are included in other current financial assets.

B Trade receivables and other receivables

(Presentation and reclassification)

Accrued revenue (368 million yen) included in other of current assets and the classification of allowance for doubtful accounts (-22 million yen) under Japanese GAAP is included under IFRS within trade and other current receivables.

C Deferred tax assets

(Presentation and reclassification)

The entire amount of deferred tax assets (234 million yen), which are classified under current assets under Japanese GAAP, are classified in non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax asset.

D Other current financial assets

(Presentation and reclassification)

Short-term loans receivable (1,823 million yen) and accrued interest (143 million yen) included in other of current assets under Japanese GAAP, are included within other current financial assets under IFRS.

E Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, amounts are showed classified into each noncurrent asset item; however, under IFRS, they are grouped together under property, plant and equipment. Also, investment real estate (322 million yen) including buildings and land is included under other non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 740 million yen.

F Intangible assets

(Presentation and reclassification)

Amounts classified into intangible assets including game copyrights (31,164 million yen) and other intangible assets (1,315 million yen) under Japanese GAAP are grouped together within intangible assets other than goodwill under IFRS.

(Recognition and measurement reconciliation)

Development expenses under Japanese GAAP were expensed in full at the time they occurred but under IFRS those development expenses that satisfy certain requisites must be capitalized and are therefore recorded as intangible assets (148 million yen).

G Investments accounted for under the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (9,258 million yen) presented within investment securities under Japanese GAAP are stated within investments accounted for under equity method under IFRS.

H Other non-current financial assets

(Presentation and reclassification)

Long-term loans receivable (71 million yen), lease and guarantee deposits (2,167 million yen), allowance for doubtful accounts (-2,815 million yen), and other investments than those accounted under the equity method (7,744 million yen) classified within investments and other assets (3,196 million yen) using the equity method and disclosed as including investment securities under Japanese GAAP are presented within other non-current financial assets under IFRS.

I Other non-current assets

(Presentation and reclassification)

Long-term prepaid expenses (653 million yen) classified as investments and other assets under Japanese GAAP are displayed within other non-current assets under IFRS.

J Trade and other current payables

(Presentation and reclassification)

Accounts payable-other (2,018 million yen) classified as current liabilities under Japanese GAAP are displayed included in notes and accounts payable-trade and other obligations under IFRS.

K Loans (current)

(Presentation and reclassification)

This is variously classified as current portion of long-term loans payable (2,994 million yen) and current portion of convertible bonds redeemable within one year (10 million yen) within Japanese GAAP; however, under IFRS it is displayed within current borrowings and current portion of non-current borrowings.

L Deferred tax liabilities

(Presentation and reclassification)

Deferred tax liabilities (110 million yen) classified as current liabilities under Japanese GAAP are classified in entirety as non-current liabilities under IFRS.

(Recognition and measurement reconciliation)

A temporary difference was generated by the adjustment of other items on the Statement of Financial Position, so the temporary difference to be added in the future was recognized as deferred tax liabilities (95 million yen).

M Deferred income

(Presentation and reclassification)

This is displayed as Advances received (8,112 million yen) or long-term advances received (5,707 million yen) presented within Japanese GAAP, however, in order to appropriately display the details of this accounting item, it is displayed as deferred income (current/non-current) under IFRS.

N Provisions (current)

(Presentation and reclassification)

This is categorized into each of provision for bonuses (1,083 million yen) and asset retirement obligations (48 million yen) classified under current liabilities within Japanese GAAP; however, it is displayed as current provisions under IFRS.

O Other current liabilities

(Presentation and reclassification)

Accrued expenses (822 million yen) classified under current liabilities according to the Japanese GAAP are presented as other current liabilities.

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (89 million yen), and are included within other current liabilities.

P Other current financial liabilities

(Presentation and reclassification)

Also, lease obligations (488 million yen) displayed under other current liabilities and accrued interest displayed under accrued expenses (9 million yen) according to the Japanese GAAP are displayed under other current financial liabilities according to IFRS.

Q Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, the amounts of loans payable are measured and presented, however, under IFRS, they are measured through the amortized cost using the effective interest rate method.

R Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will see a 3,553 million yen decrease and retained earnings will increase by the same amount.

S Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (118 million yen) classified under fixed liabilities under Japanese GAAP are displayed under non-current provisions under IFRS.

T Other non-current liabilities

(Presentation and reclassification)

Allowance for retirement benefits (203 million yen) classified under fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities under liabilities related to retirement benefits under IFRS.

U Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (489 million yen) included in other of noncurrent liabilities under Japanese GAAP are presented included in other non-current financial liabilities (non-current) under IFRS.

V Capital surplus

(Recognition and measurement reconciliation)

Under Japanese GAAP, stock delivery expenses (321 million yen) and miscellaneous expenses are presented as non-operating expenses; however, since under IFRS they are deducted from capital, they are presented using a method of deduction from the capital surplus.

W Retained earnings

(Recognition and measurement reconciliation)

The impact on retained earnings of applying IFRS is as follows.

	IFRS Transfer Date January 1, 2012
	Million yen
Property, plant and equipment (See Note E)	518
Negative goodwill release (See Note R)	3,553
Stock delivery expenses (See Note V)	321
Share-based compensation (See Note X)	(204)
Exchange differences on translating foreign currencies (See Note X)	(17,729)
Other	81
Total adjustment to retained earnings	(13,460)

X Other components of equity

(Presentation and reclassification)

Under Japanese GAAP, Subscription rights to shares (456 million yen), translation adjustments (-17,712 million yen), and unrealized gains (472 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments included within accumulated other comprehensive income (-17,712 million yen) was transferred to Retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed were treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 unvested stock options as of the date of moving to IFRS were treated based on the fair value as of the date of moving to IFRS.

2) Reconciliation of equity for the second quarter consolidated cumulative period					(June 30, 2012)	(Million yen)
Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	129,090	(23,149)	—	105,941	A	Cash and cash equivalents
Notes and accounts receivable-trade	12,588	727	—	13,315	B	Trade and other current receivables
	—	17,835	—	17,835	A	Other deposits
Securities	96	(96)	—	—		
	—	5,767	—	5,767	A, C	Other current financial assets
Goods	50	(50)	—	—		
Other	4,482	(1,281)	(35)	3,166	B, C	Other current assets
Allowance for doubtful accounts	(8)	8	—	—	B	
	146,298	(239)	(35)	146,024		Sub total
	—	10,354	—	10,354	D	Assets held for sale
Total current assets	146,298	10,115	(35)	156,378		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	17,781	(10,681)	843	7,943	D	Property, plant and equipment
Intangible assets						
Game copyright	28,479	(28,479)	—	—	F	
Goodwill	12,538	—	2,143	14,681	E	Goodwill
Other	1,396	(1,396)	—	—	F	
	—	29,875	116	29,991	F	Intangible assets other than goodwill
Investments and other assets	89,301	(89,301)	—	—		
	—	16,450	625	17,075	G	Investments accounted for under equity method
	—	67,323	—	67,323	H	Other non-current financial assets
	—	5,085	(44)	5,041	C, I	Deferred tax assets
	—	1,009	53	1,062	D, J	Other non-current assets
Total non-current assets	149,495	(10,115)	3,736	143,116		Total non-current assets
Total assets	295,793	—	3,701	299,494		Total assets

(Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes payable and accounts payable-trade	935	1,425	—	2,360	K	Trade and other current payables
Short-term loans	53,096	166	—	53,262	L	Current borrowings and current portion of non-current borrowings
Current portion of long-term borrowings	166	(166)	—	—	L	
Income taxes payable	4,840	—	465	5,305	M	Income taxes payable
Advances received	7,896	—	—	7,896	S	Deferred income (current)
Provision for bonuses	713	(713)	—	—	O	
Asset retirement obligations	18	(18)	—	—	O	
	—	730	—	730	O	Current provisions
Other	4,990	(2,468)	120	2,642	K,N,P,Q	Other current liabilities
	—	687	—	687	Q	Other current financial liabilities
Total current liabilities	72,654	(357)	585	72,882		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	4,800	—	(27)	4,773	R	Non-current borrowings
	—	6,638	(141)	6,497	N	Deferred tax liabilities
Long-term advances received	5,039	—	—	5,039	S	Deferred income (non-current)
Allowance for retirement benefits	180	(180)	—	—	V	
Negative goodwill	3,169	—	(3,169)	—	T	
Asset retirement obligations	147	(147)	—	—	U	
	—	147	—	147	U	Non-current provisions
Other	7,148	(6,837)	—	311	N,V	Other non-current liabilities
	—	736	1,298	2,034	W	Other non-current financial liabilities
Total noncurrent liabilities	20,483	357	(2,039)	18,801		Total non-current liabilities
Total liabilities	93,137	—	(1,454)	91,683		Total liabilities
Net assets						Capital
Capital stock	51,055	—	—	51,055		Capital stock
Capital surplus	50,915	—	(670)	50,245	E, X, Y	Capital surplus
Retained earnings	109,903	—	(12,227)	97,676	Y	Retained earnings
Accumulated other comprehensive income	(12,942)	355	18,092	5,505	Z	Other equity interest

Subscription rights to shares	355	(355)	—	—	Z	
	199,286	—	5,195	204,481		Total equity attributable to owners of parent
Minority interests	3,370	—	(40)	3,330		Non-controlling interests
Total net assets	202,656	—	5,155	207,811		Total equity
Total liabilities and net assets	295,793	—	3,701	299,494		Total liabilities and capital

Notes on adjustment of capital

The main details of re-conciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits in Japanese GAAP, time deposits with a term of longer than three months (17,835 million yen) are displayed in other deposits under IFRS, and deposits and fixed-term deposits provided as collateral (5,115 million yen) as well as restricted-use deposits and time deposits (199 million yen), are included in other financial assets (current).

B Trade receivables and other receivables

(Presentation and reclassification)

Allowance for doubtful accounts (-8 million yen), which had been presented under other current assets with accounts receivable (735 million yen) under Japanese GAAP, is included under IFRS within trade and other current receivables.

C Other current financial assets (current)

(Presentation and reclassification)

Short-term loans receivable (168 million yen) and accrued interest (189 million yen) included in other of current assets under Japanese GAAP are included within other current financial assets under IFRS.

Also, similarly, deferred tax assets (239 million yen) presented categorized as deferred tax assets included within other of current assets are classified as deferred tax assets within non-current assets under IFRS.

D Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, investment real estate (326 million yen) was presented under property, plant and equipment; however, under IFRS, it is included under other current assets.

In the same way, land (10,174 million yen) and construction in progress (180 million yen), which are part of tangible fixed assets, are categorized under IFRS rules as assets held for sale.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 843 million yen.

E Goodwill

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill was accounted for as an asset and was amortized regularly over 4-8 years; however, since goodwill is not amortized under IFRS, the amount of amortization is written back. Due to this, goodwill is increased by 1,190 million yen.

In IFRS, the conditional price at the timing of business combination is measured at fair value and the same amount of goodwill was recognized, resulting in 1,298 million yen goodwill increase. Because we account the transaction as changes in equity (transactions for additional acquisitions) for subsidiaries without loss of control as equity transactions, the 345 million yen classified as goodwill under Japanese GAAP is presented under other capital surplus under IFRS.

F Intangible assets

(Presentation and reclassification)

Game copyrights (28,479 million yen) and other of intangible assets (1,396 million yen) classified within Intangible assets under Japanese GAAP are grouped together within intangible assets under IFRS.

(Recognition and measurement reconciliation)

Development expenses under Japanese GAAP were expensed in full at the time they occurred but under IFRS those development expenses that satisfy certain requisites must be capitalized and are therefore recorded as intangible assets (116 million yen).

G Investments treated with the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (16,450 million yen) presented within other assets under Japanese GAAP are separately stated under IFRS within investments accounted for under the equity method.

(Recognition and measurement reconciliation)

With investments accounted for by the equity method under Japanese GAAP, goodwill was regularly depreciated over 5-10 years but goodwill will not be depreciated under IFRS. Therefore, the amount that was recorded as a depreciation amount to investment loss using the equity method will be reversed. Due to this, investments accounted using the equity method will increase by 625 million yen.

H Other financial assets (non-current)

(Presentation and reclassification)

Investments and other assets (64,729 million yen) using the equity method and lease and guarantee deposits (2,060 million yen), allowance for doubtful accounts (-2,718 million yen) and others (3,087 million yen) that were presented within other assets under Japanese GAAP are shown in other non-current financial assets under IFRS.

I Deferred tax assets

(Presentation and reclassification)

Deferred tax assets (4,847 million yen) presented within investments and other assets under Japanese GAAP are classified in its entirety into the category of non-current assets under IFRS.

(Recognition and Measurement Reconciliation)

Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax assets.

J Other non-current assets

(Presentation and reclassification)

Long-term prepaid expenses (681 million yen) classified within investments and other assets under Japanese GAAP are shown as other non-current assets under IFRS.

K Trade and other current payables

(Presentation and reclassification)

Unpaid amounts (1,425 million yen) classified within other current liabilities under Japanese GAAP as are displayed included within notes and accounts payable-trade and other obligations under IFRS.

L Loans (current)

(Presentation and reclassification)

Short-term loans payable (53,096 million yen), the current portion of long-term loans payable (166 million yen) and the current portion of convertible bond-type bonds with subscription rights to shares, displayed under current liabilities under Japanese GAAP, are displayed under IFRS as current borrowings and current portion of non-current borrowings.

M Income taxes payable

(Recognition and measurement reconciliation)

Since under Japanese GAAP, quarterly corporate taxes for certain subsidiaries are calculated with a method which is the same as the annual method, unpaid income taxes have changed due to calculation of corporate taxes with a convenient method using the estimated average annual effective tax rate based on IFRS.

N Deferred tax liabilities

(Presentation and reclassification)

Deferred tax liabilities classified as Current liabilities – other (357 million yen) and fixed liabilities – other (6,281 million yen) under Japanese GAAP are classified as Non-current liabilities under IFRS.

(Recognition and measurement reconciliation)

A temporary difference was generated by the adjustment of other items on the Statement of Financial Position, so the temporary difference to be added in the future was recognized as deferred tax liabilities (141 million yen).

O Provisions (current)

(Presentation and reclassification)

Provision for bonuses (713 million yen) and asset retirement obligations (18 million yen), classified within current liabilities under Japanese GAAP, are presented as current provisions under IFRS.

P Other current liabilities

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (120 million yen), and are included within other current liabilities.

Q Other financial liabilities (current)

(Presentation and reclassification)

Lease obligations (686 million yen) displayed as other of current liabilities under Japanese GAAP are displayed as other current financial liabilities under IFRS.

R Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, the amounts of loans payable are measured and presented; however, under IFRS, they are measured through the amortized cost using the effective interest rate method and presented as non-current borrowings.

S Deferred income

(Presentation and reclassification)

This is presented as advances received (7,896 million yen) or long-term advances received (5,039 million yen) within Japanese GAAP; however, in order to more appropriately display the details of the accounting item, it is displayed as deferred income (current/non-current) under IFRS.

T Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will decrease by 3,169 million yen and retained earnings will increase by the same amount.

U Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (147 million yen) classified within fixed liabilities under Japanese GAAP are displayed as provisions (non-current) under IFRS.

V Other non-current liabilities

(Presentation and reclassification)

Provision for retirement benefits (180 million yen) classified within fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities as liabilities related to retirement benefits under IFRS.

W Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (736 million yen) and unpaid interest included in other fixed liabilities under Japanese GAAP are presented included in other non-current financial liabilities under IFRS.

(Presentation and reclassification)

The conditional price of subsidiary stock acquired during the fiscal year ended December 2012 is measured and recorded at fair value of the date of acquisition as a financial liability based on IFRS. Resulting in other financial liability (noncurrent) increased by 1,298 million yen.

X Capital surplus

(Recognition and measurement reconciliation)

Under Japanese GAAP, stock delivery expenses (5 million yen) are presented within miscellaneous disbursements non-operating expenses; however, since under IFRS they are deducted from capital, they are presented using a method of deduction from the capital surplus.

Y Retained earnings

(Measurement and recognition)

The impact on retained earnings of applying IFRS is as follows.

	Previous second quarter Consolidated accounting period June 30, 2012
	Million yen
Property, plant and equipment (See Note D)	590
Non-amortization of goodwill (See Note E, G)	1,827
Negative goodwill release (See Note T)	3,093
Stock delivery expenses (See Note X and *1)	325
Share-based compensation (See Note Z)	(293)
Exchange differences on translating foreign currencies (See Note Z)	(17,729)
Other	(40)
Total adjustment to retained earnings	(12,227)

*1. Stock delivery expense arose when shares were issued prior to the transfer date, and on the transfer date, 321 million yen was adjusted by the recognition method under IFRS.

Z Other components of capital

(Presentation and reclassification)

Under Japanese GAAP, subscription rights to shares (355 million yen), translation adjustments (-16,487 million yen), and unrealized gains (3,545 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments (-17,712 million yen) included within accumulated other comprehensive income was transferred to retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of transitioning to IFRS.

3) Reconciliation of equity as of December 31, 2012 (the end of the previous fiscal year)						(Million yen)
Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	127,604	(43,205)	337	84,736	A	Cash and cash equivalents
Notes and accounts receivable-trade	21,292	508	(13)	21,787	B	Trade and other current receivables
Securities	—	40,803	—	40,803	A	Other deposits
	108	(108)	—	—		
	—	3,113	(129)	2,984	A, D	Other current financial assets
Goods	137	(137)	—	—		
Deferred tax assets	203	(203)	—	—	C	
Other	6,250	(1,258)	(138)	4,854	B,D	Other current assets
Allowance for doubtful accounts	(284)	284	—	—	B	
Total current assets	155,310	(203)	57	155,164		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	1,815	(1,815)	—	—		
Vehicles, net	12	(12)	—	—		
Tools, furniture and fixtures, net	2,056	(2,056)	—	—		
Land	3,542	(3,542)	—	—		
Construction in progress account	2,305	(2,305)	—	—		
	—	9,348	1,179	10,527	E	Property, plant and equipment
Intangible assets						
Game copyright	29,597	(29,597)	—	—	G	
Goodwill	42,670	—	3,805	46,475	F	Goodwill
Other	1,170	(1,170)	—	—	G	
	—	30,767	33	30,800	G	Intangible assets other than goodwill
Investments and other assets						
Investment securities	58,163	(58,163)	—	—	I	
	—	13,849	1,115	14,964	H	Investments accounted for under equity method
Long-term loans	678	(678)	—	—		
	—	48,910	573	49,483	I	Other non-current financial assets
Deferred tax assets	11,952	203	(563)	11,592	C	Deferred tax assets
Long-term prepaid expenses	741	(741)	—	—	J	

Lease and guarantee deposits	3,258	(3,258)	—	—	I	
Other	3,786	(2,664)	61	1,183	E, J	Other non-current assets
Allowance for doubtful accounts	(3,127)	3,127	—	—	I	
Total non-current assets	<u>158,618</u>	<u>203</u>	<u>6,203</u>	<u>165,024</u>		Total non-current assets
Total assets	<u>313,928</u>	<u>—</u>	<u>6,260</u>	<u>320,188</u>		Total assets

						(Million yen)
Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	1,439	5,500	28	6,967	K	Trade and other current payables
Short-term loans	233	(233)	—	—	L	
Current portion of long-term loans payable	10,943	233	329	11,505	L	Current borrowings and current portion of non-current borrowings
Accounts payable-other	5,500	(5,500)	—	—	K	
Accrued expenses	1,657	(1,657)	—	—	P	
Income taxes payable	9,491	—	0	9,491		Income taxes payable
Deferred tax liabilities	419	(419)	—	—	M	
Advances received	8,841	—	—	8,841	N	Deferred income (current)
Provision for bonuses	1,160	(1,160)	—	—	O	
Asset retirement obligations	136	(136)	—	—	O	
	—	1,296	—	1,296	O	Current provisions
Other	4,423	576	140	5,139	P	Other current liabilities
	—	1,081	—	1,081	Q	Other current financial liabilities
Total current liabilities	44,242	(419)	497	44,320		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans	41,355	—	1,315	42,670	R	Non-current borrowings
Deferred tax liabilities	4,064	419	(593)	3,890	M	Deferred tax liabilities
Long-term advances received	5,265	—	—	5,265	N	Deferred income (non-current)
Provision for retirement benefits	196	(196)	—	—	U	
Negative goodwill	3,198	—	(3,198)	—	S	
	—	82	—	82	T	Non-current provisions
Asset retirement obligations	82	(82)	—	—	T	
Other	601	(287)	—	314	U	Other non-current liabilities
	—	483	919	1,402	V	Other non-current financial liabilities
Total noncurrent liabilities	54,761	419	(1,557)	53,623		Total non-current liabilities
Total liabilities	99,003	—	(1,060)	97,943		Total liabilities
Net assets						Equity
Capital stock	51,342	—	—	51,342		Capital stock
Capital surplus	51,202	—	(1,014)	50,188	F,W	Capital surplus
Retained earnings	116,159	—	(10,866)	105,293	W	Retained earnings

Accumulated other comprehensive income	(8,141)	787	19,259	11,905	W,X	Other equity interest
Subscription rights to shares	<u>787</u>	<u>(787)</u>	<u>—</u>	<u>—</u>	X	
	211,349	—	7,379	218,728		Total equity attributable to owners of parent
Minority interests	<u>3,576</u>	<u>—</u>	<u>(59)</u>	<u>3,517</u>		Non-controlling interests
Total net assets	<u>214,925</u>	<u>—</u>	<u>7,320</u>	<u>222,245</u>		Total equity
Total liabilities and net assets	<u><u>313,928</u></u>	<u><u>—</u></u>	<u><u>6,260</u></u>	<u><u>320,188</u></u>		Total liabilities and equity

Notes on the Adjustment of capital

The main details of reconciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits in Japanese GAAP, time deposits with a term of longer than three months (40,803 million yen) are presented in other deposits under IFRS, and deposits and time deposits provided as collateral (577 million yen) as well as restricted-use deposits and time deposits (1,825 million yen), are included in other current financial assets.

(Recognition and measurement reconciliation)

Under Japanese GAAP, the Company had listed subsidiaries without material impact on the consolidated financial statements as non-consolidated subsidiaries, but is required to determine the scope of consolidation under IFRS principles. Cash and cash equivalent (337 million yen) were added due to this change.

B Trade receivables and other receivables

(Presentation and reclassification)

Allowance for doubtful accounts (-284 million yen) that was classified as accounts receivable (793 million yen) presented to include other of current assets under Japanese GAAP is included under IFRS within trade and other current receivables.

C Deferred tax assets

(Presentation and reclassification)

The entire amount of deferred tax assets (203 million yen), which are classified under current assets in Japanese GAAP, is classified in non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax assets.

D Other current financial assets

(Presentation and reclassification)

Short-term loans receivable (345 million yen) and accrued interest (258 million yen) included in other of current assets under Japanese GAAP are included within other current financial assets under IFRS.

E Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, amounts are showing classified into each noncurrent asset item; however, under IFRS, they are grouped together under property, plant and equipment. Also, investment real estate (382 million yen) included within buildings and land is, under IFRS, included in other non-current assets.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 1,137 million yen.

F Goodwill

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill was accounted for as an asset and was amortized regularly over 4-12 years; however, under IFRS, since goodwill is not amortized, the amount of amortization is reversed and. Due to this, goodwill will increase by 3,196 million yen.

In addition, under IFRS, investments are estimated at fair value and goodwill of the same amount recognized at the time of acquisition. This is because changes in equity (transactions for additional acquisitions) for subsidiaries without loss of control are classified as equity transactions under IFRS. Under IFRS, goodwill adds 1,298 million yen to other comprehensive income, and 689 million yen which was presented as goodwill under Japanese GAAP is included within capital surplus.

G Intangible assets

(Presentation and reclassification)

Game copyrights (29,597 million yen) and other intangible assets (1,170 million yen) classified within intangible fixed assets under Japanese GAAP are grouped together in intangible assets other than goodwill under IFRS.

H Investment securities and investments accounted for under the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (13,848 million yen) presented within investment securities under Japanese GAAP are stated under IFRS as investments accounted for under equity method.

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill recognized as an investment accounted by the equity method was as a rule depreciated over 5 to 10 years, but under IFRS, goodwill will not be depreciated, and the amount that was recorded to equity investment loss as the depreciation amount will be reversed and investments accounted for by the equity method will increase by 1,115 million yen.

I Other financial assets (non-current)

(Presentation and reclassification)

Amounts classified under Japanese GAAP within investment (44,314 million yen), long-term loans receivable (678 million yen), lease and guarantee deposits (3,258 million yen), allowance for doubtful accounts (-3,127 million yen), and others within investments and other assets (3,786 million yen) are displayed under IFRS as other non-current financial assets.

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as appropriated and interest rate swaps were treated as extraordinary, but under IFRS, they are treated using the cash flow hedge method and are presented as other non-current financial assets (1,343 million yen).

In addition, the extent of consolidation has changed due to the application of IFRS. Due to this change, long-term and investment securities, and other non-current financial assets (789 million yen) will decrease respectively.

J Other non-current assets

(Presentation and reclassification)

Long-term prepaid expenses (741 million yen) classified within Investments and other assets under Japanese GAAP are displayed under IFRS within Other non-current assets.

K Trade and other current payables

(Presentation and reclassification)

Accounts payable-other (5,500 million yen) classified within current liabilities under Japanese GAAP are displayed under IFRS included in notes and accounts payable-trade and other obligations.

L Loans (current)

(Presentation and reclassification)

Short-term loans payable (233 million yen) and current portion of long-term loans payable (10,943 million yen) classified within current liabilities within Japanese GAAP are displayed under IFRS as current borrowings and current portion of non-current borrowings.

M Deferred tax liabilities

(Presentation and reclassification)

Deferred tax liabilities within current assets (419 million yen) classified within liabilities under Japanese GAAP are classified in full as non-current assets under IFRS.

N Deferred income

(Presentation and reclassification)

Deferred income is classified under Japanese GAAP as advance received (8,841 million yen) and long-term deferred income (5,265 million yen); however, in order to appropriately display the details of this accounting item, it is displayed as (current/ non-current) under IFRS.

O Provisions (current)

(Presentation and reclassification)

Provision for bonuses (1,160 million yen) and asset retirement obligations (136 million yen) classified within current liabilities under Japanese GAAP are displayed within current provisions under IFRS.

P Other current liabilities

(Presentation and reclassification)

Accrued expenses (1,359 million yen) classified within current liabilities under Japanese GAAP are displayed within other current liabilities under IFRS

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (127 million yen), and are included within other current liabilities.

Q Other financial liabilities (current)

(Presentation and Reclassification)

Under Japanese GAAP lease obligations (783 million yen) were displayed within other current liabilities and accrued interest (297 million yen) were displayed within accrued expenses, but they are displayed within other current financial liabilities under IFRS.

R Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method. As a result, long-term debts are evaluated with the exchange rate at the balance sheet date for hedging purposes and have increased 1,315 million yen, presented as non-current borrowings

S Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will decrease by 3,198 million yen and retained earnings will increase by the same amount.

T Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (82 million yen) classified within fixed liabilities under Japanese GAAP are displayed within non-current provisions under IFRS.

U Other non-current liabilities

(Presentation and reclassification)

Provision for retirement benefits (196 million yen) classified within fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities as liabilities related to retirement benefits.

V Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (483 million yen) included in other of noncurrent liabilities under Japanese GAAP are displayed included in other financial liabilities (non-current) under IFRS.

(Recognition and Measurement Reconciliation)

The conditional price of subsidiary stock obtained in the fiscal year ended December 2012 is measured and recorded by fair value of the date of acquisition as a financial liability based on IFRS, and re-measurement will be done at the end of the term.

W Retained earnings

(Recognition and measurement reconciliation)

The impact on retained earnings of applying IFRS is as follows.

	Prior consolidated accounting year Dec 31, 2012
	Million yen
Property, plant and equipment (See Note E)	891
Non-amortization of Goodwill (See Note F, H)	3,990
Negative goodwill release (See Note S)	2,619
Remeasurement at fair value of contingent consideration (See Note V)	380
Stock delivery expenses (See *1)	325
Share-based compensation (See Note X)	(337)
Exchange differences on translating foreign currencies (See Note X)	(17,729)
Foreign currency denominated exchange rate (*2)	(408)
Changes in the scope of consolidation (*3)	(600)
Other	3
Total adjustment to retained earnings	<u>(10,866)</u>

- (*) 1. Stock delivery expense arose when shares were issued prior to the transfer date, and on the transfer date, 321 million yen was adjusted by the recognition method under IFRS.
2. The average foreign currency denominated exchange rate within the period was used based on the cumulative period from the commencement of each consolidated financial year up to the report date under Japanese GAAP; however, the rate was changed to be the average rate within the period based on the accounting period from the beginning of the period to the given reporting date accompanying the move to IFRS. Due to this change, retained earnings were reduced.
3. The consolidation scope changed accompanying the move to IFRS. Due to this change, retained earnings were reduced.

X Other components of capital

(Presentation and reclassification)

Under Japanese GAAP, Subscription rights to shares (787 million yen), translation adjustments (1,409 million yen), and unrealized losses (-9,551 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments (-17,712 million yen) included within accumulated other comprehensive income was transferred to retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 — “First-time Adoption” are applied, and unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of moving to IFRS.

Under Japanese GAAP, under hedge accounting, currency swaps were treated as extraordinary and interest rate swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method. As a result, other comprehensive income increased 184 million yen.

4) Reconciliation of comprehensive income for the six months ended June 30, 2012

(Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Net sales	53,254	—	—	53,254		Revenue
Cost of sales	(8,224)	—	33	(8,191)	A	Cost of sales
Gross profit	45,030	—	33	45,063		Gross profit
Selling, general and administrative expenses	(16,967)	—	1,131	(15,836)	A,B	Selling, general and administrative expenses
	—	216	(15)	201	C	Other income
	—	(1,530)	(26)	(1,556)	D	Other expenses
Operating profit	28,063	(1,314)	1,123	27,872		Operating income
Non-operating income	1,494	(1,033)	(461)	—	C, E	
Non-operating expenses	(2,511)	2,499	12	—	F, G	
Extraordinary income	96	(96)	—	—		
Extraordinary loss	(1,404)	1,404	—	—	D	
	—	913	(1)	912	E	Finance income
	—	(539)	(144)	(683)	F	Finance costs
	—	(1,834)	716	(1,118)	G	Equity in losses of affiliates
Income before income taxes and minority interests	25,738	—	1,245	26,983		Income before income tax
Income taxes	(6,534)	—	(53)	(6,587)	H	Income tax expense
Income before minority interests	19,204	—	1,192	20,396		Net income
Other Comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to net income or loss
Valuation difference on available-for-sale securities	3,074	2,274	(6)	5,342		Other comprehensive income, before tax, gains (losses) on revaluation
	-	(0)	-	(0)		Other comprehensive income under equity method
	-	(2,274)	-	(2,274)		Income tax relating to items that will not be reclassified subsequently
	3,074	(0)	(6)	3,068		Total items that will not be reclassified to net income
						Items that may be reclassified subsequently to net income or loss
Foreign currency translation adjustment	1,038	-	336	1,374	I	Exchange differences on translating foreign operations
Share of other comprehensive income of associates accounted for using equity method	186	0	(193)	(7)	J	Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax

	<u>1,224</u>	<u>0</u>	<u>143</u>	<u>1,367</u>	Total items that may be reclassified subsequently to net income or loss
Total other comprehensive income	<u>4,298</u>	<u>—</u>	<u>137</u>	<u>4,435</u>	Other comprehensive income for the period, net of income tax
Comprehensive income	<u>23,502</u>	<u>—</u>	<u>1,329</u>	<u>24,831</u>	Total comprehensive income for the period

Notes related to comprehensive income reconciliation

The main contents of reconciliation are as follows.

A Cost of sales

(Recognition and measurement reconciliation)

Under Japanese GAAP, the declining-balance method is mainly employed for depreciation (excluding lease assets); however, the fixed-amount method has been employed under IFRS after reviewing the depreciation method and depreciation. As a result, depreciation expenses have fluctuated.

B Selling, general and administrative expenses

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities, and the corresponding cost has been considered.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Meanwhile, under IFRS, unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of moving to IFRS. Due to this, selling costs and general administrative costs increased by 85 million yen.

Under Japanese GAAP, goodwill was accounted for as an asset, and assets were regularly amortized during the period of usefulness of the asset of up to 20 years (recorded as 1,201 million yen for the previous first quarter consolidated accounting period). However, goodwill is not amortized under IFRS.

C Other income

(Recognition and measurement reconciliation)

Under Japanese GAAP, which was used until now, negative goodwill was accounted for in the consolidated balance sheet and regularly amortized in each period (recorded as 461 million yen for the same period as above); however, under IFRS, this is immediately recognized as a net profit/loss.

Under Japanese GAAP, changes in the equity of subsidiaries which do not accompany a loss of control (additional acquisition transactions/partial sale transactions) are treated as external transactions, and goodwill and profit/loss are adjusted. Since they are treated as capital transactions under IFRS, goodwill and profit/loss are not adjusted but the capital surplus is changed.

D Other expenses

(Presentation and reclassification)

Under Japanese GAAP impairment losses and others are displayed separately as extraordinary losses (recorded as 1,354 million yen for the same period as above); however, under IFRS they are displayed as other expenses.

E Finance income

(Presentation and reclassification)

Under Japanese GAAP, received interest (721 million yen for the same period as above), reversal of allowance for doubtful accounts which was included in miscellaneous income (recorded as 159 million yen for the same period as above), and others are displayed separately in non-operating income; however, they are displayed in financial income under IFRS.

F Finance expenses

(Presentation and reclassification)

Under Japanese GAAP, paid interest (recorded as 256 million yen for the same period as above) and loss on foreign exchange (recorded as 278 million yen for the same period as above) and other amounts are displayed separately in non-operating expenses; however, under IFRS they are displayed in financial costs.

(Recognition and Measurement Reconciliation)

In principle, loans payable are measured based on the amount of credit under Japanese GAAP; however, under IFRS they are measured based on depreciated original value using effective interest rate method.

G Equity in losses of affiliates

(Presentation and reclassification)

Under Japanese GAAP losses on changes in equity (recorded as 1,834 million yen loss for the previous 2nd quarter consolidated accounting period) are presented separately within non-operating expenses; however, under IFRS, they are presented as equity investment losses.

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill arising after the application of the equity method is regularly amortized in each period; however, under IFRS, the relevant goodwill is not amortized. Due to this, investment loss using the equity method is 716 million yen.

H Income tax expense

(Recognition and measurement reconciliation)

Under Japanese GAAP some subsidiaries calculate income taxes in the same way as the annual method. Therefore, corporate income tax is calculated employing a convenient method using the estimated average annual effective tax rate at these companies based on IFRS. Due to this calculation, income tax expense has changed.

I Conversion reconciliation of foreign operations

(Recognition and measurement reconciliation)

The currency reconciliation for investments in foreign affiliates and overseas subsidiaries (336 million yen) occurred due to cumulative conversion differences for adjustment after the date of transition to IFRS.

L Other comprehensive income under equity method

(Recognition and measurement reconciliation)

With regard to the foreign currency translation accounts that arise when the equity method is applied due to conversion for companies applicable under the equity method, which are overseas organizations, the entire balance was transferred and treated as earned surplus on the IFRS transition date, reducing it by 193 million yen.

Important adjustments to the cash flow statement for the six months ended June 30, 2012

There are no significant differences between the cash flow statements displayed based on IFRS and that displayed based on Japanese GAAP.

5) Reconciliation of consolidated income for three months ended June 30, 2012
(from April 1, 2012 to June 30, 2012)

					(Millions of yen)	
Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Net sales	22,877	—	—	22,877		Revenue
Cost of sales	(3,814)	—	28	(3,786)	A	Cost of sales
Gross profit	19,063	—	28	19,091		Gross profit
Selling, general and administrative expenses	(8,385)	—	580	(7,805)	A,B	Selling, general and administrative expenses
	—	138	(12)	126	C	Other income
	—	(291)	(9)	(300)	D	Other expenses
Operating profit	10,678	(153)	587	11,112		Operating income
Non-operating income	669	(439)	(230)	—	C, E	
Non-operating expenses	(1,979)	1,967	12	—	F, G	
Extraordinary income	93	(93)	—	—		
Extraordinary loss	(226)	226	—	—	D	
	—	395	(1)	394	E	Finance income
	—	(1,384)	(118)	(1,502)	F	Finance expenses
	—	(519)	360	(159)	G	Equity in losses of affiliates
Income before income taxes and minority interests	9,235	—	610	9,845		Income before income tax
Total income taxes	(2,338)	—	(4)	(2,342)	H	Income taxes
Income before minority interests	6,897	—	606	7,503		Profit for the quarter
Other Comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to net income or loss
Valuation difference on available-for-sale securities	3,493	2,395	(9)	5,879		Financial assets assessed at fair value through other comprehensive income
	—	0	—	0		Other comprehensive income using the equity method
	—	(2,395)	3	(2,392)		Income tax relating to items that will not be reclassified subsequently
	3,493	0	(6)	3,487		Total items that will not be reclassified subsequently to net income
						Items that may be reclassified subsequently to net income or loss
Foreign currency translation adjustment	(4,762)	—	(801)	(5,563)	I	Exchange differences on translating foreign operations
Share of other comprehensive income of associates accounted for using equity method	(359)	(0)	379	20	J	Other comprehensive income using equity method,
	(5,121)	(0)	(422)	(5,543)		Income tax relating to items that may be reclassified subsequently

Total other comprehensive income	<u>(1,628)</u>	<u>—</u>	<u>(428)</u>	<u>(2,056)</u>	Other comprehensive income for the period, net of income tax
Comprehensive income for the quarter	<u>5,269</u>	<u>—</u>	<u>178</u>	<u>5,447</u>	Total comprehensive income for the period

Notes related to comprehensive income reconciliation

The main contents of the reconciliation are as follows.

A Cost of sales

(Recognition and measurement reconciliation)

Under Japanese GAAP, the declining-balance method is mainly employed for depreciation (excluding lease assets); however, the fixed-amount method has been employed under IFRS after reviewing the depreciation method and depreciation. As a result, amortization expenses have fluctuated.

B Selling, general and administrative expenses

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities, and the corresponding cost has been considered.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Meanwhile, under IFRS unvested stock options as of the IFRS transfer date are treated based on the fair value as of the date of moving to IFRS. Due to this, sales, general and administrative expense will increase by 47 million yen.

Under Japanese GAAP, goodwill was accounted for as an asset, and assets were regularly amortized during the period of usefulness of the asset of up to 20 years (recorded as 609 million yen for the prior consolidated accounting term). However, goodwill is not amortized under IFRS.

C Other income

(Recognition and measurement reconciliation)

Under Japanese GAAP, which was used until now, negative goodwill was accounted for in the consolidated balance sheet and regularly amortized (230 million yen for the same period as above) in each period; however, under IFRS, this is immediately recognized as a net profit/loss.

Under Japanese GAAP, changes in the equity of subsidiaries which do not accompany a loss of control (additional acquisition transactions/partial sale transactions) are treated as external transactions, and goodwill and profit/loss are adjusted. Since they are treated as capital transactions under IFRS, goodwill and profit/loss are not adjusted but the capital surplus is changed.

D Other expenses

(Presentation and reclassification)

Under Japanese GAAP, the Company had recorded an impairment loss for amortization of goodwill and marked to book value; however, goodwill is not amortized under IFRS and impairment loss has increased 190 million yen.

E Finance income

(Presentation and reclassification)

Under Japanese GAAP, received interest (recorded as 369 million yen for the same period as above) that was stated under non-operating income, will be displayed in financial income under IFRS.

F Finance expenses

(Presentation and reclassification)

Under Japanese GAAP, paid interest (recorded as 124 million yen for the same period as above), foreign exchange losses (recorded as 1,192 million yen for the same period as above) and other amounts are displayed in non-operating expenses; however, under IFRS they are displayed in financial expenses.

(Recognition and measurement reconciliation)

In principle, loans payable are measured based on the amount of credit under Japanese GAAP; however, under IFRS they are measured based on depreciated original value using effective interest rate method.

G Equity in losses of affiliates

(Presentation and reclassification)

Under Japanese GAAP investment losses due to the equity method (recorded as 519 million yen for the previous 2nd quarter consolidated accounting period) are displayed separately within non-operating expenses; however, under IFRS, they are displayed in equity investment losses.

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill arising after the application of the equity method is regularly amortized in each period; however, under IFRS, the relevant goodwill is not amortized. Due to this, investment loss using the equity method will decrease by 360 million yen.

H Income tax expense

(Recognition and measurement reconciliation)

Under Japanese GAAP some subsidiaries calculate income taxes in the same way as the annual method. Therefore, corporate income tax is calculated employing a convenient method using the estimated average annual effective tax rate at these companies based on IFRS. Due to this calculation, income tax expense has changed.

I Converting income and losses at foreign operations

(Recognition and measurement reconciliation)

The currency reconciliation for investments in foreign affiliates and overseas subsidiaries (-801 million yen) occurred due to cumulative conversion differences for adjustment after the date of transition to IFRS.

J Conversion reconciliation of foreign operations

(Recognition and measurement reconciliation)

Due to the conversion for equity method applicable companies, which are the active sales entities, the entire balance of the foreign exchange reconciliation account that was used when applying the equity method was transferred to surplus earnings on the IFRS transition day, which increases thereby by 379 million yen.

7) Reconciliation of comprehensive income for the prior year ended December 31, 2012
(from January 1, 2012 to December 31, 2012)

					(Millions of yen)	
Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Net sales	108,448	—	(55)	108,393	I	Revenue
Cost of sales	(18,551)	—	(51)	(18,602)	A,I	Cost of sales
Gross profit	89,897	—	(106)	89,791		Gross profit
Selling, general and administrative expenses	(42,022)	—	2,949	(39,073)	A,B,I	Selling, general and administrative expenses
	—	968	376	1,344	C,I	Other income
	—	(4,384)	(411)	(4,795)	D,I	Other expenses
Operating profit	47,875	(3,416)	2,808	47,267		Operating income
Non-operating income	3,851	(2,917)	(934)	—	C,E	
Non-operating expenses	(7,184)	7,150	34	—	D,F,G	
Extraordinary income	285	(285)	—	—		
Extraordinary loss	(4,210)	4,210	—	—	D	
	—	2,233	1	2,234	E,I	Finance income
	—	(1,177)	(223)	(1,400)	F,I	Finance expenses
	—	(5,798)	1,021	(4,777)	G,I	Equity in losses of affiliates
Income before income taxes and minority interests	40,617	—	2,707	43,324		Income before income tax
Total income taxes	(15,286)	—	121	(15,165)	H,I	Income taxes
Income before minority interests	25,331	—	2,828	28,159		Profit for the quarter
Other Comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to net income or loss
Valuation difference on available-for-sale securities	(10,022)	(6,008)	(30)	(16,060)		Other comprehensive income, before tax, gains (losses) on revaluation
	—	—	8	8		Re-measurement of defined benefit pension plans
	—	(0)	5	5		Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax
	—	6,008	6	6,014		Income tax relating to items that will not be reclassified subsequently
	(10,022)	—	(11)	(10,033)		Total items that will not be reclassified subsequently to net income
						Items that may be reclassified subsequently to net income or loss

Foreign currency translation adjustment	18,154	(58)	2,994	21,090	J	Exchange differences on translating foreign operations
	—	—	(297)	(297)	K	Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	967	—	(1,030)	(63)	L	Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax
	—	58	113	171		Income tax relating to items that may be reclassified subsequently
	19,121	—	1,780	20,901		Total items that may be reclassified subsequently to net income or loss
Total other comprehensive income	9,099	—	1,769	10,868		Other comprehensive income for the period, net of income tax
Comprehensive income	34,430	—	4,597	39,027		Total comprehensive income

Notes related to comprehensive income reconciliation

The main contents of the reconciliation are as follows.

A Cost of sales

(Recognition and measurement reconciliation)

Under Japanese GAAP, the declining-balance method is mainly employed for depreciation (excluding lease assets); however, the fixed-amount method has been employed under IFRS after reviewing the depreciation method and depreciation. As a result, amortization expenses have fluctuated.

B Selling, general and administrative expenses

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities, and the corresponding cost has been considered.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Meanwhile, under IFRS unvested stock options as of the IFRS transfer date are treated based on the fair value as of the date of moving to IFRS. Due to this, sales, general and administrative expense will increase by 144 million yen.

Under Japanese GAAP, goodwill was accounted for as an asset, and assets were regularly amortized during the period of usefulness of the asset of up to 20 years (recorded as 3,245 million yen for the prior consolidated accounting term). However, goodwill is not amortized under IFRS.

C Other income

(Recognition and measurement reconciliation)

Under IFRS, the Company estimates the fair value recorded as a financial liability contingent consideration at the date of acquisition. As the result of a re-measurement at the balance sheet date, the fair value of liabilities fluctuated 380 million yen.

Under Japanese GAAP, which was used until now, negative goodwill was accounted for in the consolidated balance sheet and regularly amortized (934 million yen for the same period as above) in each period; however, under IFRS, this is immediately recognized as a net profit/loss.

Under Japanese GAAP, changes in the equity of subsidiaries which do not accompany a loss of control (additional acquisition transactions/partial sale transactions) are treated as external transactions, and goodwill and profit/loss are adjusted. Since they are treated as capital transactions under IFRS, goodwill and profit/loss are not adjusted but the capital surplus is changed.

D Other expenses

(Presentation and reclassification)

Miscellaneous expenses (recorded as 290 million yen for the same period as above) which had been presented within non-operating expenses, loss on sale of fixed assets (recorded as 120 million for the same period as above), impairment loss (recorded as 3,803 million yen for the same period as above) and other expenses (recorded as 266 million yen for the same period as above) which had been presented separately in extraordinary loss under Japanese GAAP are displayed as other expenses under IFRS.

(Recognition and measurement reconciliation)

Under Japanese GAAP, the Company had recorded an impairment loss for amortization of goodwill and marked to book value; however, goodwill is not amortized under IFRS and impairment loss has increased 258 million yen.

E Finance income

(Presentation and reclassification)

Under Japanese GAAP, received interest (recorded as 1,596 million yen for the same period as above) and reversal of allowance for doubtful receivables (recorded as 410 million yen for the same period as above) were displayed separately in non-operating income, and affiliates gain on the sale of shares (recorded as 180 million for the same period as above), was stated separately in extraordinary income; however, they are displayed in financial income under IFRS.

F Finance expenses

(Presentation and reclassification)

Under Japanese GAAP, paid interest (recorded as 716 million yen for the same period as above), foreign exchange losses (recorded as 376 million yen for the same period as above) and other amounts are displayed in non-operating expenses; however, under IFRS they are displayed in financial expenses.

(Recognition and measurement reconciliation)

In principle, loans payable are measured based on the amount of credit under Japanese GAAP; however, under IFRS they are measured based on depreciated original value using effective interest rate method.

G Equity in losses of affiliates

(Presentation and reclassification)

Under Japanese GAAP Equity in earnings of affiliated companies (recorded as 5,798 million yen for the prior consolidated accounting term) are displayed separately within non-operating income or non-operating expenses; however, under IFRS, they are displayed in equity investment gains (losses).

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill arising after the application of the equity method is regularly amortized in each period; however, under IFRS, the relevant goodwill is not amortized. Due to this, investment loss using the equity method will decrease by 1,151 million yen.

H Income tax expense

(Recognition and measurement reconciliation)

Temporary differences generated by the adjustment of other items on the Statement of Financial Position are given consideration under IFRS, and in line with deferred tax assets and the recording of deferred tax liabilities, income taxes have decreased.

I Converting income and losses at foreign operations

(Recognition and measurement reconciliation)

The average exchange rate for converting the currency to one to be used for displaying profit and loss items at overseas sales organizations was used within the cumulative period from the commencement of each consolidated financial year up to the report date under Japanese GAAP; however, under IFRS, average rate values are used for each quarterly consolidated accounting period.

J Conversion reconciliation of foreign operations

(Recognition and measurement reconciliation)

The currency reconciliation for investments in foreign affiliates and overseas subsidiaries (2,994 million yen) occurred due to cumulative conversion differences for adjustment after the date of transition to IFRS.

K Cash Flow Hedging

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as extraordinary and interest rate swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method. Due to this, other comprehensive income will decrease by 297 million yen.

L Other comprehensive income under equity method

(Recognition and measurement reconciliation)

With regard to the foreign currency translation accounts that arise when the equity method is applied due to conversion for companies applicable under the equity method, which are overseas organizations, the entire balance was transferred and treated as earned surplus on the IFRS transition date, reducing it by 1,030 million yen.

Important adjustments to the cash flow statement for the prior consolidated fiscal year, ended December 31, 2012

There are no significant differences between the consolidated cash flow statements displayed based on IFRS and consolidated cash flow statements displayed based on Japanese GAAP.

(10) Notes on significant changes in the amount of equity attributable to owners of parent

Not applicable.