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February 6, 2018

Kakaku.com, Inc.
Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending March 31, 2018

Stock listings: Tokyo Stock Exchange (First Section)
Securities code: 2371
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Scheduled dates
Filing of statutory quarterly financial report: February 9, 2018
Dividend payout: -
Supplementary materials to financial results available: Yes
Fiscal year-end earnings presentation held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018

(1) Consolidated Operating Results

(% = year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit attributable to owners of the parent company		Total comprehensive income for the period	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q3 FY2017	33,497	5.0	16,193	3.5	16,168	3.3	11,041	2.7	11,029	2.9	11,169	3.9
Q3 FY2016	31,917	-	15,639	-	15,645	-	10,753	-	10,713	-	10,751	-

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q3 FY2017	51.76	51.73
Q3 FY2016	49.24	49.20

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Total equity attributable to owners of the parent company ratio
	¥ million	¥ million	¥ million	%
As of December 31, 2017	35,156	29,498	29,265	83.2
As of March 31, 2017	42,481	35,380	35,158	82.8

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year End	Total
	¥	¥	¥	¥	¥
FY2016	-	14.00	-	14.00	28.00
FY2017	-	16.00	-		
FY2017 (Forecast)				16.00	32.00

(Note) Revisions to most recent dividend forecasts: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% = year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent company		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	48,000	10.4	23,300	8.6	23,250	8.4	15,850	7.0	75.55

(Note) Revisions to most recent dividend forecasts: None

***Notes**

(1) Changes in Significant Subsidies during the Period: None

(2) Accounting policy changes and accounting estimate changes:

i) Changes in accounting policies required by IFRS: No

ii) Changes other than the above 1): None

iii) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury stock included):
December 31, 2017: 215,005,000 shares
March 31, 2017: 218,160,100 shares

2) Number of shares held in treasury at end of period:
December 31, 2017: 5,217,641 shares
March 31, 2017: 1,668,325 shares

3) Average number of shares outstanding during the period:
December 31, 2017: 213,087,775 shares
December 31, 2016: 217,577,279 shares

***** Quarterly consolidated earnings reports are exempt from quarterly review procedures.

***Appropriate Use of Earnings Forecasts and Other Important Information**

(Disclaimer Regarding Forward-Looking Statements)

The above forecasts, which constitute forward-looking statements, are prospects based on information available to the Company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

(Application of International Financial Reporting Standards (IFRS))

The Group has applied the International Financial Reporting Standards ("IFRS") from the first quarter of the fiscal year ending March 31, 2018. In addition, data for the third quarter of the fiscal year ended March 31, 2017 and for the fiscal year ended March 31, 2017 have been presented in accordance with the IFRS.

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1. Explanation of Operating Results and Financial Position

(1) Explanation of Operating Results

The Kakaku.com Group (the "Company") adopted International Financial Reporting Standards (IFRS) effective from the first quarter of its current fiscal year. Financial statement data presented herein for the year-earlier period and previous fiscal year have been restated on an IFRS basis to facilitate comparative analysis.

The Company's operating results for the nine months ended December 31, 2017, are as follows.

Consolidated revenue grew 5.0% year on year to 33,497 million yen, driven mainly by growth in *tabelog*'s revenue from restaurants.

Consolidated operating profit grew 3.5% year on year to 16,193 million yen, mainly as a net result of revenue growth, growth in advertising expenses and an increase in advertising agency commissions paid in conjunction with the growth in *tabelog*'s revenue from restaurants.

Consolidated profit before income taxes grew 3.3% year on year to 16,168 million yen, mainly as a net result of operating profit growth and a net loss on equity-method investments.

Consolidated profit attributable to owners of the parent company grew 2.9% year on year to 11,029 million yen.

Operating results (after intersegment eliminations) are presented below by business segment.

(a) Internet Media Business

The Internet media business's revenue grew 4.5% year on year to 32,654 million yen while its operating profit grew 2.8% year on year to 15,968 million yen in the nine months ended December 31, 2017.

(*kakaku.com*)

kakaku.com's revenue grew 2.3% year on year to 15,871 million yen in the nine months ended December 31, 2017.

In *kakaku.com*'s shopping business, revenue was down 0.7% year on year to 6,817 million yen as consumer-goods commission revenue barely increased despite growth in gross transaction volume while durable-goods commission revenue was flat year on year. In *kakaku.com*'s service business, revenue grew 8.9% year on year to 6,075 million yen, buoyed by SIM card and Wi-Fi comparison services' strong performance. In *kakaku.com*'s advertising business, external-advertising revenue grew but overall revenue fell 2.9% year on year to 2,979 million yen as a result of a falloff in PC traffic.

kakaku.com had 62.00 million monthly unique users[1] in December 2017.

(*tabelog*)

tabelog's revenue grew 6.8% year on year to 14,779 million yen in the nine months ended December 31, 2017.

tabelog increased the number of restaurants using its fee-based services as new fee plan[2] subscribers by both gaining new subscribers and converting some existing subscribers from its old fee plans[3] to the new ones. In December 2017, new fee plan subscribership totaled 16,000 restaurants, an increase of 12,500 since March 31, and 18,000 restaurants in January 2018. Additionally, online reservation bookings grew briskly as a result of an increase in restaurants that accept online reservations via *tabelog* and growth in year-end party demand. *tabelog*'s revenue from restaurants consequently grew 17.4% year on year to 10,852 million yen.

Although *tabelog* ended December with its number of fee-paying individual users unchanged from three months earlier, its revenue from individual users declined 13.4% year on year to 2,261 million yen as a result of a reduction in commission revenue from alliance partners.

In *tabelog*'s advertising business, revenue declined 16.3% year on year to 1,666 million yen in response to a reduction in commission revenue from referrals to other media in the wake of growth in its new fee plans' subscribership.

tabelog had 136.69 million monthly unique users[1] in December 2017.

(New Media)

The new media business's revenue grew 6.3% year on year to 2,004 million yen in the nine months ended

December 31, 2017.

4travel grew its revenue through growth in sales of *4travel* Global WiFi contracts to overseas travelers. Additionally, *Kinarino* achieved growth in both *Kinarino Mall* commission revenue and revenue from advertising, mainly tie-up ads.

(b) Finance Business

The finance business's revenue and segment income both increased year on year in the nine months ended December 31, 2017, the former by 24.3% to 843 million yen and the latter by 123.0% to 221 million yen.

Consolidated subsidiary Kakaku.com Insurance, Inc., achieved growth in data-driven advertising revenue in addition to growth in applications for both life and non-life insurance coverage in its insurance agency business.

1. The number of monthly unique users is the number of browsers that visited the site, not the number of cumulative visits, during a month. Multiple visits by a single browser are counted as one user. Effective from November 2016, the Company changed its sites' traffic measurement logic in conjunction with diversification of mobile webpages.
2. *tabelog*'s new fee plans are restaurant service plans that aim to drive customer traffic to restaurants by promoting online reservations. The plans have fee structures that combine a monthly base fee with a variable fee based on online reservation bookings.
3. *tabelog*'s old fee plans are restaurant service plans for which *tabelog* charges a monthly base fee only.

(2) Explanation of Financial Position

1) Analysis of Financial Position

Assets

Consolidated total assets at December 31, 2017, totaled 35,156 million yen, a 7,325 million yen decrease from March 31, 2017. The decrease was mainly the net result of a 10,137 million yen decrease in cash and cash equivalents, a 1,080 million yen increase in trade and other receivables and an 884 million yen increase in investments accounted for using equity method.

Liabilities

Consolidated total liabilities at December 31, 2017, totaled 5,657 million yen, a 1,444 million yen decrease from March 31, 2017. The decrease was mainly attributable to a 1,719 million yen reduction in income taxes payable.

Total equity

Consolidated total equity at December 31, 2017, totaled 29,498 million yen, a 5,882 million yen decrease from March 31, 2017. The decrease was mainly the net result of 11,029 million yen of profit attributable to owners of the parent company, acquisition and disposal of 10,646 million yen of treasury shares and 6,451 million yen of dividend distributions from retained earnings.

2) Cash Flows

Cash and cash equivalents ("cash") at December 31, 2017, totaled 20,753 million yen, a 10,137 million yen decrease from March 31, 2017. Cash flows from operating, investing and financing activities were as follows.

Cash flows from operating activities

Operating activities provided net cash of 9,412 million yen (vs. 9,711 million yen provided in the year-earlier period). The net cash inflow's main sources were 16,168 million yen of profit before income taxes, net of 6,771 million yen of income taxes paid, and 1,096 million yen of depreciation and amortization.

Cash flows from investing activities

Investing activities used net cash of 2,425 million yen (vs. 1,685 million yen used in the year-earlier period).

The main use was 1,409 million yen spent to purchase investment securities.

Cash flows from financing activities
Financing activities used net cash of 17,126 million yen (vs. 10,479 million yen used in the year-earlier period). The main uses were 10,814 million yen spent to purchase treasury shares and 6,447 million yen paid out as dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements
The full-year consolidated financial results forecast for the fiscal year ending March 31, 2018, remains unchanged as disclosed in the Consolidated Earnings Report for the Fiscal Year ended March 31, 2017, released on May 10, 2017.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of April 1,2016	As of March 31, 2017	As of December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	28,319	30,890	20,753
Trade and other receivables	5,761	5,428	6,508
Other financial assets	3	7	27
Other current assets	220	437	727
Total current assets	34,303	36,762	28,016
Non-current assets			
Property, plant and equipment	1,184	1,224	1,066
Goodwill and other intangible assets	1,979	2,176	2,229
Investments accounted for using equity method	—	—	884
Other financial assets	1,281	1,840	2,527
Deferred tax assets	412	413	384
Other non-current assets	64	65	50
Total non-current assets	4,920	5,719	7,140
Total assets	39,222	42,481	35,156

(Millions of yen)

	As of April 1,2016	As of March 31, 2017	As of December 31, 2017
Liabilities			
Current liabilities			
Trade and other payables	1,191	1,182	1,354
Other financial liabilities	125	168	499
Income taxes payable	3,780	3,488	1,769
Employee benefit obligations	857	937	859
Other current liabilities	964	1,033	858
Total current liabilities	6,917	6,809	5,339
Non-current liabilities			
Provisions	136	156	155
Other non-current liabilities	91	136	163
Total non-current liabilities	227	292	318
Total liabilities	7,144	7,101	5,657
Equity			
Capital stock	916	916	916
Capital surplus	819	822	831
Retained earnings	31,877	36,154	35,359
Treasury shares	(1,984)	(3,019)	(8,262)
Other components of equity	267	285	420
Total equity attributable to owners of the parent company	31,895	35,158	29,265
Non-controlling interests	183	222	234
Total equity	32,078	35,380	29,498
Total liabilities and equity	39,222	42,481	35,156

(2) Condensed Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Revenue	31,917	33,497
Operating expenses	16,272	17,256
Other income	7	9
Other expenses	13	58
Operating profit	15,639	16,193
Finance income	6	5
Finance expenses	1	2
Share of profit (loss) of associates and joint ventures accounted for by the equity method	—	(27)
Profit before income taxes	15,645	16,168
Income tax expense	4,892	5,128
Profit	10,753	11,041
Profit attributable to:		
Owners of the parent company	10,713	11,029
Non-controlling interests	40	12
Earnings per share		
Basic earnings per share (yen)	49.24	51.76
Diluted earnings per share (yen)	49.20	51.73

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	10,753	11,041
Other comprehensive income (Net of related tax effect)		
Items that will not be reclassified to profit or loss		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	1	125
Total items that will not be reclassified to profit or loss	1	125
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3)	2
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	—	1
Total items that may be reclassified to profit or loss	(3)	3
Other comprehensive income (Net of related tax effect)	(1)	128
Comprehensive income	10,751	11,169
Comprehensive income attributable to:		
Owners of the parent company	10,712	11,157
Non-controlling interests	40	12

(4) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

(Millions of yen)

	Equity attributable to owners of the parent company										Non-controlling interests	Total equity
					Other components of equity					Total		
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Net changes in fair value of financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Subscription rights to shares	Total other components of equity			
Balance at beginning of period	916	819	31,877	(1,984)	79	—	—	188	267	31,895	183	32,078
Profit	—	—	10,713	—	—	—	—	—	—	10,713	40	10,753
Other comprehensive income	—	—	—	—	1	(3)	—	—	(1)	(1)	—	(1)
Total comprehensive income	—	—	10,713	—	1	(3)	—	—	(1)	10,712	40	10,751
Dividends	—	—	(7,629)	—	—	—	—	—	—	(7,629)	—	(7,629)
Purchase or disposal of treasury shares	—	—	(2,884)	42	—	—	—	(30)	(30)	(2,873)	—	(2,873)
Share-based payment transactions	—	—	—	—	—	—	—	26	26	26	—	26
Cancellation of subscription rights to shares	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	7	—	—	—	—	—	—	7	—	7
Transfer from other components of equity to retained earnings	—	—	24	—	(24)	—	—	—	(24)	—	—	—
Total transactions with owners	—	—	(10,483)	42	(24)	—	—	(4)	(27)	(10,468)	—	(10,468)
Balance at end of period	916	819	32,107	(1,942)	57	(3)	—	185	239	32,139	223	32,362

Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent company										Non-controlling interests	Total equity
					Other components of equity							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Net changes in fair value of financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Subscription rights to shares	Total other components of equity	Total		
Balance at beginning of period	916	822	36,154	(3,019)	105	(4)	—	184	285	35,158	222	35,380
Profit	—	—	11,029	—	—	—	—	—	—	11,029	12	11,041
Other comprehensive income	—	—	—	—	125	2	1	—	128	128	—	128
Total comprehensive income	—	—	11,029	—	125	2	1	—	128	11,157	12	11,169
Dividends	—	—	(6,451)	—	—	—	—	—	—	(6,451)	—	(6,451)
Purchase or disposal of treasury shares	—	0	(5,373)	(5,243)	—	—	—	(31)	(31)	(10,646)	—	(10,646)
Share-based payment transactions	—	—	—	—	—	—	—	47	47	47	—	47
Cancellation of subscription rights to shares	—	9	—	—	—	—	—	(9)	(9)	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	9	(11,824)	(5,243)	—	—	—	7	7	(17,051)	—	(17,051)
Balance at end of period	916	831	35,359	(8,262)	230	(3)	1	191	420	29,265	234	29,498

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	15,645	16,168
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	954	1,096
Interest and dividend income	(5)	(5)
Decrease (increase) in trade and other receivables	119	(1,080)
Increase (decrease) in trade and other payables	124	183
Other	(194)	(187)
Subtotal	16,642	16,175
Interest and dividend income received	8	8
Income taxes paid	(6,939)	(6,771)
Net cash provided by (used in) operating activities	9,711	9,412
Cash flows from investing activities		
Purchase of property, plant and equipment	(298)	(114)
Purchase of intangible assets	(881)	(891)
Purchase of investment securities	(510)	(1,409)
Other	5	(9)
Net cash provided by (used in) investing activities	(1,685)	(2,425)
Cash flows from financing activities		
Purchase of treasury shares	(3,013)	(10,814)
Dividends paid	(7,594)	(6,447)
Proceeds from issuance of share options	127	134
Net cash provided by (used in) financing activities	(10,479)	(17,126)
Effect of exchange rate change on cash and cash equivalents	(3)	2
Net increase (decrease) in cash and cash equivalents	(2,456)	(10,137)
Cash and cash equivalents at beginning of period	28,319	30,890
Cash and cash equivalents at end of period	25,864	20,753

(6) Notes on the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable.

(Significant subsequent events)

(Retirement of treasury stock)

The Company retired a portion of its treasury stock holdings pursuant to a December 20, 2017, resolution of its Board of Directors and the provisions of Article 178 of the Companies Act.

1. Rationale behind retirement of treasury stock

The Company retired the treasury stock to place greater priority on shareholders' interests in its capital policies.

2. Overview of retirement of treasury stock

(1) Retirement method: Debit to other retained earnings

(2) Class of shares retired: Common stock of Kakaku.com, Inc.

(3) Number of shares retired: 4,400,000 shares
(2.05% of issued shares before shares were retired)

(4) Number of issued shares after the shares were retired: 210,605,000 shares

(5) Number of shares held in treasury after the shares were retired: 817,641 shares
(0.39% of issued shares after shares were retired)

(6) Shares' retirement date: January 4, 2018

(Business combination through acquisition)

1. Overview of business combination

On 5 January, 2018, the Company acquired a 100% equity stake in LCL Incorporated ("LCL") pursuant to a December 20, 2017, resolution of its Board of Directors authorizing the acquisition and LCL's consolidation as a subsidiary. LCL operates an overnight bus trip comparison service that allows travelers to identify which express bus service offers the lowest fare and/or shortest route to their destination.

(1) Acquiree's name and nature of its business

Acquiree's name: LCL Incorporated

Nature of business: Production and operation of express bus and overnight bus fare comparison sites, travel and tourism media, and express bus fare, bullet train fare and airfare comparison sites

(2) Acquisition date

January 5, 2018

(3) Percentage of voting shares acquired

100.0%

(4) Main rationale behind business combination

The Company believes that both itself and LCL can grow further as media companies by utilizing each other's operational assets and know-how cultivated to date.

(5) Method of acquiring control of acquiree

Acquisition of stock in exchange for cash

2. Fair value of assets acquired and liabilities assumed as of acquisition date

Not yet determined

3. Consideration for acquisition of acquiree

The sellers of the acquired LCL stock are individuals. The stock purchase agreement that the Company entered into with the sellers contains a nondisclosure clause that obligates the Company to keep certain information confidential. The nondisclosure clause precludes disclosure of the consideration exchanged for the LCL stock. To ensure fairness and propriety, the Company and the sellers set the amount of the consideration through negotiation based partly on an equity valuation report obtained from an independent third party.

4. Amount and description of acquisition-related expenses

Not yet determined

5. Amount and sources of goodwill recognized, goodwill amortization method and amortization period

Not yet determined

6. Value of assets received and liabilities assumed on acquisition date and itemization of main assets and liabilities

Not yet determined

(First-time adoption)

The Group has disclosed its condensed consolidated financial statements prepared in accordance with IFRS from the first quarter of the fiscal year ending March 31, 2018. The last consolidated financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan ("J-GAAP") were for the fiscal year ended March 31, 2017, and the date of transition to IFRS was April 1, 2016.

(1) Exemptions under IFRS 1

As a general rule, IFRS requires first-time adopters to apply standards required under IFRS retrospectively. However, IFRS 1 provides exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively and mandatory exceptions that prohibit retrospective application of certain standards. The effects of applying these exemptions have been reconciled in the retained earnings and other components of equity as of the transition date.

Major voluntary exemptions adopted by the Group are as follows.

・Business combinations

Under IFRS 1, a first-time adopter may choose not to retrospectively apply IFRS 3 to past business combinations. If retrospectively applied, all subsequent business combinations are restated in accordance with IFRS 3.

The Group has chosen not to retrospectively apply IFRS 3 to business combinations that occurred prior to the date of transition to IFRS. As a result, the amount of goodwill recognized in business combinations that occurred prior to the date of transition to IFRS has not been adjusted and represent the carrying amount in accordance with the previous accounting standards. Moreover, the said goodwill has undergone impairment testing as of the date of transition to IFRS, regardless of whether it had exhibited any signs of impairment.

・Share-based payment transactions

Under IFRS 1, with respect to share-based payments, a first-time adopter is encouraged, but not required, to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002 and vested before the later of (a) the date of transition to IFRSs and (b) January 1, 2005. The Group has not retrospectively applied IFRS 2 to share-based payments vested prior to the date of transition to IFRS.

・Exchange differences on translation of foreign operations

Under IFRS 1, a first-time adopter may choose to deem the cumulative amount of exchange differences on translation of foreign operation to be zero as of the date of transition to IFRS. The Group has chosen to deem the cumulative amount of exchange differences on translation of foreign operation to be zero as of the date of transition to IFRS and recognized the said amount under retained earnings.

・Decommissioning liabilities included in the cost of property, plant and equipment

Under IFRS 1, with respect to specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates, a first-time adopter may measure the liability as at the date of transition to IFRS, estimate the amount that would have been included in the cost of the related asset by discounting the liability to the date when the liability first arose, and calculate the accumulated depreciation on that amount, as at the date of transition to IFRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with IFRS. The Group has applied this exemption and has calculated liabilities and accumulated depreciation based thereon.

(2) Mandatory exceptions of IFRS 1 prohibiting retrospective application

IFRS 1 prohibits the retrospective application of IFRS to "estimates," "derecognition of financial assets and financial liabilities," "non-controlling interests," "classification and measurement of financial assets" and "impairment of financial assets." The Group applies IFRS prospectively to these items from the date of transition to IFRS.

(3) Reconciliations

Reconciliations required by IFRS 1 are as follows. In the reconciliations below, "Reclassification" include items that do not affect retained earnings and comprehensive income, while "Recognition and measurement differences" include those that affect retained earnings and comprehensive income.

Additionally, the amounts in "J-GAAP" have been rounded down to the nearest one million yen, while the amounts in "Reclassification," "Recognition and measurement differences" and "IFRS" have been rounded off to the nearest one million yen.

Reconciliation of equity as of the date of transition to IFRS (April 1, 2016)

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	28,319	—	—	28,319		Cash and cash equivalents
Notes and accounts receivable-trade	5,764	(3)	—	5,761		Trade and other receivables
		3	—	3	G	Other financial assets
Deferred tax assets	367	(367)	—	—	G	
Other	226	(3)	(4)	220		Other current assets
Allowance for doubtful accounts	(3)	3	—	—		
Total current assets	34,673	(367)	(4)	34,303		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	855	—	328	1,184	A	Property, plant and equipment
Intangible assets	1,978	—	0	1,979	B	Goodwill and other intangible assets
Investment securities	675	605	—	1,281	G	Other financial assets
Guarantee deposits	605	(605)	—	—		
Deferred tax assets	50	367	(6)	412	G	Deferred tax assets
Other	68	(5)	—	64		Other non-current assets
Allowance for doubtful accounts	(4)	5	—	—		
Total non-current assets	4,230	367	322	4,920		Total non-current assets
Total assets	38,903	—	318	39,222		Total assets

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	187	1,004	—	1,191	G	Trade and other payables
Accounts payable-other	1,117	(1,117)	—	—	G	
Income taxes payable	3,780	—	—	3,780		Income taxes payable
Accrued consumption taxes	535	(411)	—	125	G	Other financial liabilities
Provision for bonuses	384	178	294	857	C	Employee benefit obligations
Other	617	347	0	964		Other current liabilities
Total current liabilities	6,623	—	294	6,917		Total current liabilities
Non-current liabilities						Non-current liabilities
Asset retirement obligations	119	—	16	136		Provisions
Other	50	—	41	91		Other non-current liabilities
Total non-current liabilities	169	—	57	227		Total non-current liabilities
Total liabilities	6,792	—	351	7,144		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	915	—	—	916		Capital stock
Capital surplus	819	—	—	819		Capital surplus
Retained earnings	31,894	—	(18)	31,877	E	Retained earnings
Treasury shares	(1,984)	—	—	(1,984)		Treasury shares
Accumulated other comprehensive income	93	188	(15)	267	D	Other components of equity
Subscription rights to shares	188	(188)	—	—		
				31,895		Total equity attributable to owners of the parent company
Non-controlling interests	183	—	0	183		Non-controlling interests
Total net assets	32,111	—	(33)	32,078		Total equity
Total liabilities and net assets	38,903	—	318	39,222		Total liabilities and equity

Reconciliation of equity as of December 31, 2016

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	25,863	—	—	25,864		Cash and cash equivalents
Notes and accounts receivable-trade	5,644	(2)	—	5,643		Trade and other receivables
		6	—	6	G	Other financial assets
Deferred tax assets	113	(113)	—	—	G	
Other	481	(6)	(2)	473		Other current assets
Allowance for doubtful accounts	(1)	2	—	—		
Total current assets	32,101	(113)	(2)	31,986		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	912	—	303	1,216	A	Property, plant and equipment
Intangible assets	2,138	—	18	2,156	B	Goodwill and other intangible assets
		1,771	—	1,771	G	Other financial assets
Deferred tax assets	133	113	13	259	G	Deferred tax assets
Other	1,846	(1,774)	—	73		Other non-current assets
Allowance for doubtful accounts	(2)	2	—	—		
Total non-current assets	5,028	113	334	5,476		Total non-current assets
Total assets	37,129	—	332	37,462		Total assets

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
		1,293	(12)	1,281	G	Trade and other payables
Income taxes payable	1,599	―	(14)	1,585		Income taxes payable
		495	―	495	G	Other financial liabilities
Provision for bonuses	201	55	337	594	C	Employee benefit obligations
Provision for directors' bonuses	25	(26)	―	―		
Other	2,688	(1,817)	―	871		Other current liabilities
Total current liabilities	4,515	―	310	4,826		Total current liabilities
Non-current liabilities						Non-current liabilities
Asset retirement obligations	140	―	15	156		Provisions
Other	77	―	41	118		Other non-current liabilities
Total non-current liabilities	218	―	56	274		Total non-current liabilities
Total liabilities	4,733	―	366	5,100		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	915	―	―	916		Capital stock
Capital surplus	819	―	―	819		Capital surplus
Retained earnings	32,123	―	(17)	32,107	E	Retained earnings
Treasury shares	(1,942)	―	―	(1,942)		Treasury shares
Accumulated other comprehensive income	72	185	(19)	239	D	Other components of equity
Subscription rights to shares	184	(185)	―	―		
				32,139		Total equity attributable to owners of the parent company
Non-controlling interests	222	―	1	223		Non-controlling interests
Total net assets	32,396	―	(34)	32,362		Total equity
Total liabilities and net assets	37,129	―	332	37,462		Total liabilities and equity

Reconciliation of equity as of March 31, 2017

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	30,890	—	—	30,890		Cash and cash equivalents
Notes and accounts receivable-trade	5,430	(3)	—	5,428		Trade and other receivables
		7	—	7	G	Other financial assets
Deferred tax assets	277	(278)	—	—	G	
Other	445	(7)	(2)	437		Other current assets
Allowance for doubtful accounts	(2)	3	—	—		
Total current assets	37,041	(278)	(2)	36,762		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	913	—	310	1,224	A	Property, plant and equipment
Intangible assets	2,151	—	25	2,176	B	Goodwill and other intangible assets
		1,815	25	1,840	G	Other financial assets
Investment securities	1,202	(1,202)	—	—		
Guarantee deposits	612	(612)	—	—		
Deferred tax assets	141	278	(6)	413	G	Deferred tax assets
Other	67	(2)	—	65		Other non-current assets
Allowance for doubtful accounts	(2)	2	—	—		
Total non-current assets	5,087	278	354	5,719		Total non-current assets
Total assets	42,129	—	352	42,481		Total assets

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	296	886	—	1,182	G	Trade and other payables
Accounts payable-other	1,031	(1,032)	—	—	G	
Income taxes payable	3,488	—	—	3,488		Income taxes payable
Accrued consumption taxes	547	(548)	—	—		
		168	—	168	G	Other financial liabilities
Provision for bonuses	386	237	314	937	C	Employee benefit obligations
Provision for directors' bonuses	34	(35)	—	—		
Other	709	323	—	1,033		Other current liabilities
Total current liabilities	6,494	—	314	6,809		Total current liabilities
Non-current liabilities						Non-current liabilities
Asset retirement obligations	140	—	15	156		Provisions
Other	95	—	41	136		Other non-current liabilities
Total non-current liabilities	236	—	56	292		Total non-current liabilities
Total liabilities	6,730	—	370	7,101		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	915	—	—	916		Capital stock
Capital surplus	819	—	3	822		Capital surplus
Retained earnings	36,174	—	(20)	36,154	E	Retained earnings
Treasury shares	(3,019)	—	—	(3,019)		Treasury shares
Accumulated other comprehensive income	101	184	(1)	285	D	Other components of equity
Subscription rights to shares	184	(184)	—	—		
				35,158		Total equity attributable to owners of the parent company
Non-controlling interests	222	—	0	222		Non-controlling interests
Total net assets	35,398	—	(18)	35,380		Total equity
Total liabilities and net assets	42,129	—	352	42,481		Total liabilities and equity

Reconciliation of comprehensive income for the nine months ended December 31, 2016
(From April 1, 2016 to December 31, 2016)

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	33, 249	—	(1,332)	31,917	F	Revenue
Cost of sales	3,478	(3,479)	—	—	F, H	
Selling, general and administrative expenses	14,338	3,479	(1,545)	16,272	H	Operating expenses
		7	—	7	H	Other income
		13	—	13	H	Other expenses
Operating income	15,432	(6)	213	15,639		Operating profit
Non-operating income	13	(13)	—	—	H	
Non-operating expenses	17	(18)	—	—	H	
Extraordinary income	34	—	(34)	—	H	
		6	—	6	H	Finance income
		5	(4)	1	H	Finance expenses
Profit before income taxes	15,461	—	183	15,645		Profit before income taxes
Income taxes - current	4,494	192	205	4,892		Income tax expense
Income taxes - deferred	192	(192)	—	—		
Profit	10,774	—	(22)	10,753		Profit
						Attributable to:
Profit attributable to non-controlling interests	38	—	1	40		Non-controlling interests
Profit (loss) attributable to owners of parent	10,735	—	(23)	10,713		Owners of the parent company

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Profit	10,774	—	(22)	10,753		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(18)	—	20	1		Net gain (loss) on financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	(2)	—	—	(3)		Exchange differences on translation of foreign operations
Total other comprehensive income	(21)	—	20	(1)		Total other comprehensive income
Comprehensive income	10,753	—	(2)	10,751		Comprehensive income
						Attributable to:
Comprehensive income attributable to owners of parent	10,714	—	(3)	10,712		Owners of the parent company
Comprehensive income attributable to non-controlling interests	38	—	1	40		Non-controlling interests

Reconciliation of comprehensive income for the fiscal year ended March 31, 2017
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	45,089	—	(1,625)	43,464	F	Revenue
Cost of sales	4,493	(4,493)	—	—	F, H	
Selling, general and administrative expenses	19,434	4,493	(1,914)	22,014	H	Operating expenses
		11	—	11	H	Other income
		13	—	13	H	Other expenses
Operating income	21,161	(3)	289	21,447		Operating profit
Non-operating income	20	(21)	—	—	H	
Non-operating expenses	18	(18)	—	—	H	
Extraordinary income	36	—	(37)	—	H	
		10	—	10	H	Finance income
		5	(4)	1	H	Finance expenses
Profit before income taxes	21,200	—	256	21,457		Profit before income taxes
Income taxes - current	6,317	6	282	6,606		Income tax expense
Income taxes - deferred	5	(6)	—	—		
Profit	14,877	—	(26)	14,851		Profit
Profit attributable to non-controlling interests	38	—	0	39		Profit attributable to non-controlling interests
Profit (loss) attributable to owners of parent	14,838	—	(26)	14,812		Profit attributable to owners of the parent

(Millions of yen)

Presentation under J-GAAP	J-GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Profit	14,877	—	(26)	14,851		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	11	—	38	50		Net gain (loss) on financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	(4)	—	—	(4)		Exchange differences on translation of foreign operations
Total other comprehensive income	7	—	38	45		Total other comprehensive income
Comprehensive income	14,884	—	11	14,896		Comprehensive income
						Attributable to:
Comprehensive income attributable to owners of parent	14,846	—	11	14,857		Owners of the parent company
Comprehensive income attributable to non-controlling interests	38	—	0	39		Non-controlling interests

Notes to reconciliations

A. Property, plant and equipment

Property, plant and equipment, which were primarily depreciated using the declining balance method under J-GAAP, are depreciated using the straight-line method under IFRS.

B. Goodwill

Under J-GAAP, goodwill had been amortized by the straight-line method over the period in which it was reasonably estimated to have effect. Under IFRS, however, goodwill arising from business combinations is not amortized but undergoes impairment testing each period.

C. Accumulating paid absences

Under IFRS, a liability is recognized for accumulating paid absences, for which accounting treatment was not required under J-GAAP.

D. Exchange differences on translation of foreign operations

The Group has adopted the exemption of IFRS 1 with respect to the cumulative amount of exchange differences on translation of foreign operations and has chosen to deem the cumulative amount of exchange differences on translation of foreign operation to be zero as of the date of transition to IFRS and recognized the said amount under retained earnings.

E. Retained earnings

The effects of the above reconciliations on retained earnings (net of related tax effects) are as follows. (Figures in parentheses represent loss)

(Millions of yen)

	As of April 1, 2016	As of December 31, 2016	As of March 31, 2017
Property, plant and equipment (See Note A)	217	201	206
Goodwill (See Note B)	―	18	25
Accumulating paid absences (See Note C)	(203)	(233)	(217)
Exchange differences on translation of foreign operations (See Note D)	15	15	15
Other	(47)	(18)	(49)
Total adjustments to retained earnings	(18)	(17)	(20)

F. Reconciliation of net sales

Under J-GAAP, revenue and cost of sales from transactions in which the Group acted as the principal were presented gross. Under IFRS, transactions in which the Group acted as an agent are presented net.

G. Reclassifications in the Consolidated Statements of Financial Condition

In accordance with the provisions of the IFRS, reclassification has been carried out mainly with respect to the following items.

・All deferred tax assets and deferred tax liabilities have been reclassified as non-current.

・Financial assets and financial liabilities are presented separately.

・Accounts payable-other have been reclassified under trade and other payables.

H. Reclassifications in the Consolidated Statement of Income

In accordance with the provisions of the IFRS, reclassification has been carried out mainly with respect to the following items.

・Expenses, which were presented as cost of sales and selling, general and administrative expenses under J-GAAP, have been included in operating expenses under IFRS.

・Income and expenses, which were presented as non-operating income, non-operating expenses, extraordinary income and extraordinary losses under J-GAAP, have been presented as finance income and finance expenses in terms of finance-related items; while all other income and expenses are included in other income and other expenses under IFRS.

Reconciliations of cash flows for the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

There are no material differences between the Consolidated Statements of Cash Flows disclosed in accordance with J-GAAP and the Consolidated Statements of Cash Flows disclosed in accordance with IFRS.

Reconciliations of cash flows for the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

There are no material differences between the Consolidated Statements of Cash Flows disclosed in accordance with J-GAAP and the Consolidated Statements of Cash Flows disclosed in accordance with IFRS.