

(English Translation)

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2019 (IFRS)

February 12, 2019

Company name: Nichi-Iko Pharmaceutical Co., Ltd. Stock exchange listings:
Tokyo Stock Exchange
Securities code: 4541 (URL <https://www.nichiiko.co.jp/>)
Representative: Yuichi Tamura
President and CEO
Contact: Noboru Inasaka Tel: 076-432-2121
Board of Executive Director, Head of
Administrative Division
Scheduled date of filing of quarterly report: February 13, 2019
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial presentation meeting: No

(Note that all amounts have been rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to December 31, 2018)

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

	Revenue	Operating profit	Profit before tax	Profit	Profit attributable to owners of parent	Total comprehensive income
Third quarter of fiscal year ending March 31, 2019	¥127,224 million (1.0%)	¥8,001 million (6.5%)	¥8,855 million (22.9%)	¥6,905 million (3.4%)	¥6,905 million (3.4%)	¥9,863 million (8.6%)
Third quarter of fiscal year ended March 31, 2018	¥126,017 million (-%)	¥7,511 million (-%)	¥7,203 million (-%)	¥6,677 million (-%)	¥6,677 million (-%)	¥9,083 million (-%)

	Basic earnings per share	Diluted earnings per share
Third quarter of fiscal year ending March 31, 2019	¥118.21	¥116.77
Third quarter of fiscal year ended March 31, 2018	¥118.52	¥118.36

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of total equity attributable to owners of the parent to total assets	Equity attributable to owners of parent per share
Third quarter of fiscal year ending March 31, 2019	¥286,649 million	¥103,914 million	¥103,914 million	36.3%	¥1,670.89
Fiscal year ended March 31, 2018	¥278,364 million	¥87,542 million	¥87,542 million	31.4%	¥1,550.65

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2018	¥-	¥15.00	¥-	¥15.00	¥30.00
Fiscal year ending March 31, 2019	¥-	¥15.00	¥-		
Fiscal year ending March 31, 2019 (forecast)				¥15.00	¥30.00

(Note)

Revisions to recently announced dividends forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Revenue	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Annual	¥170,000 million (3.2%)	¥9,500 million (-7.8%)	¥7,000 million (-13.3%)	¥117.94

(Note)

Revisions to recently announced forecast of financial results: None

***Notes**

(1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation): No

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

(i) Changes in accounting policies required by IFRS: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(3) Total number of issued shares (common stock)

(i) Total number of issued shares as of the end of the period (including treasury shares):

As of December 31, 2018 63,662,652 shares

As of March 31, 2018 60,662,652 shares

(ii) Number of treasury shares as of the end of the period:

As of December 31, 2018 1,471,911 shares

As of March 31, 2018 4,207,195 shares

(iii) Average number of shares during the period (cumulative quarter):

Third quarter of fiscal year ending March 31, 2019 58,417,851 shares

Third quarter of fiscal year ended March 31, 2018 56,337,973 shares

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Explanation on the appropriate usage of forecast of financial results, and other specific matters**

(Considerations on forward-looking statements)

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of various factors.

(How to obtain supplementary materials for financial results)

Supplementary materials for financial results will be provided on the website of the Company on Tuesday, February 12, 2019.

Attachment – Contents

1. Qualitative Information on Financial Results for the Quarter under Review	2
(1) Explanation on Operating Results	2
(2) Explanation on Financial Position	3
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements	4
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Condensed Quarterly Consolidated Statement of Financial Position	5
(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income	7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	9
(4) Condensed Quarterly Consolidated Statement of Cash Flows	13
(5) Notes to Condensed Quarterly Consolidated Financial Statements	15
(Notes on premise of going concern)	15
(Changes in accounting policies).....	15

1. Qualitative Information on Financial Results for the Quarter under Review

The Group (the Company and the Company's subsidiaries and associates) has applied International Financial Reporting Standards (IFRS) in place of previous Japan GAAP, effective from the previous fiscal year (from April 1, 2017 to March 31, 2018).

(1) Explanation on Operating Results

In the cumulative third quarter under review, although share prices fell in Japan and overseas due to rising concerns about a contraction of the global economy caused by intensification of the trade friction between the United States and China and political destabilization in Europe, the Japanese economy is showing signs of steady recovery such as a moderate recovery in mining and manufacturing production after casting off the effects of natural disasters in July–September and a recovery in private consumption resulting from an improvement in the employment and income environment.

In the generic drug industry, according to the Recent trends of medical prescription fees (computerized data) (August 2018 issue) by the Health Insurance Bureau of the MHLW, the usage rate of generic drugs steadily increased to 75% in volume in August 2018 towards the goal of “an 80% usage rate of generic drugs by September 2020” set by the Cabinet in June 2017. Meanwhile, the earning environment has become increasingly harsh such as the revision of drug prices implemented in April 2018 significantly lowering prices by 7.48% on a drug cost basis.

Under such circumstances, the Company has steadily implemented the basic policies of “Expansion,” “Production” and “Development” set forth under the 7th Medium-term Business Plan “Obelisk,” which positions the fiscal year ending on March 31, 2019 as the final year of the “transitional period for launch to new business fields from the preparatory stage to embark on entering global markets.”

In “Expansion,” the Company launched 6 products with 10 strengths including Eletriptan Tablets 20mg “Nichi-Iko” that adopted individual packaging boxes with a package for patients' proper use, which can be attached to the blister sheet and Atomoxetine Capsules 5mg/10mg/25mg/40mg “Nichi-Iko” that adopted individual packaging boxes with a cut-off label for traceability in December 2018.

In “Production,” Quality Operations Division was newly established in October 2018, with the aim of establishing a structure strengthening response capability to the forthcoming FDA inspections, maintaining independence to compliance with GMP standards, and securing stable supply with premium quality and conform to the global standard.

In “Development,” approvals for additional indications, dosages and administrations were obtained for Sodium Risedronate Tablets 17.5mg “Nichi-Iko” for Paget's disease of bone, in addition to Rosuvastatin Tablets 2.5mg/5mg “Nichi-Iko” and Rosuvastatin OD Tablets 2.5mg/5mg “Nichi-Iko” for familial hypercholesterolemia in December 2018, in efforts to quickly resolve differences in indications, dosages and administrations compared to original drugs and enable patients and medical professionals to use them without problem.

The accumulation of the above efforts has also been made as the Company steadily works to become a global top 10 company.

As a result, the cumulative third quarter of the current fiscal year showed revenue of 127,224 million yen (1.0% increase year-on-year), operating profit of 8,001 million yen (6.5% increase year-on-year), and profit attributable to owners of parent of 6,905 million yen (3.4% increase

year-on-year), with the increase in earnings exceeding the rate of increase in revenue. This was mainly attributable to operating expenses decreasing by 3,969 million yen due to a rebound from recognition of impairment loss in the previous fiscal year despite gross profit decreasing by 3,281 million yen year on year due to the impacts of price revisions and other factors.

(2) Explanation on Financial Position

(i) Assets, Liabilities and Equity

Assets on a consolidated basis at the end of the third quarter of the current fiscal year increased by 8,285 million yen from the previous fiscal year-end to 286,649 million yen. This was mainly attributable to investments accounted for using equity method increasing by 6,848 million yen, cash and cash equivalents increasing by 6,710 million yen, intangible assets increasing by 2,376 million yen, inventories decreasing by 6,744 million yen, and trade and other receivables decreasing by 2,282 million yen.

Liabilities on a consolidated basis decreased by 8,086 million yen from the previous fiscal year-end to 182,735 million yen. This was mainly attributable to trade and other payables decreasing by 8,072 million yen and income taxes payable decreasing by 1,406 million yen.

Equity on a consolidated basis increased by 16,371 million yen from the previous fiscal year-end to 103,914 million yen. This was mainly attributable to other components of equity increasing by 2,994 million yen, share capital increasing by 2,309 million yen, and treasury shares decreasing by 6,076 million yen.

(ii) Cash Flows

At the end of the third quarter of the current fiscal year, cash and cash equivalents on a consolidated basis increased by 6,710 million yen from the previous fiscal year-end to 25,239 million yen.

Details of cash flows from each of the three activities for the cumulative third quarter of the current fiscal year are described below.

(Cash flows from operating activities)

Net cash provided by operating activities during the cumulative third quarter of the current fiscal year amounted to income over expenditure by 16,979 million yen. The main outflows included trade and other payables decreasing by 4,993 million yen. In terms of inflows, there were inventories decreasing by 7,250 million yen, trade and other receivables decreasing by 1,690 million yen, profit before tax of 8,855 million yen, and depreciation and amortization of 7,050 million yen.

(Cash flows from investing activities)

Net cash used in investing activities during the cumulative third quarter of the current fiscal year amounted to expenditure over income by 16,868 million yen. This was due to outflows such as 6,278 million yen in purchase of property, plant and equipment, expenditure of 5,678 million yen arising due to the purchase of investments accounted for using equity method as a result of the acquisition of 33.4% of the shares issued by Elmed Eisai Co., Ltd., and 5,365 million yen in purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities during the cumulative third quarter of the current fiscal year amounted to income over expenditure by 6,716 million yen. The main outflow was 5,853 million yen in repayments of long-term borrowings, while the main inflows were 6,200 million yen in proceeds from long-term borrowings, 4,587 million yen in proceeds from issuance of new shares, and 4,065 million yen in proceeds from disposal of treasury shares.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

There is no change to the forecast of consolidated financial results announced on November 7, 2018.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(in millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Third quarter of fiscal year ending March 31, 2019 (as of December 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	18,529	25,239
Trade and other receivables	32,087	29,804
Inventories	74,321	67,576
Income taxes receivable	–	61
Other financial assets	974	458
Other current assets	2,365	3,369
Total current assets	128,278	126,510
Non-current assets		
Property, plant and equipment	54,045	53,106
Goodwill	38,536	39,949
Intangible assets	45,735	48,112
Investments accounted for using equity method	6,380	13,228
Other financial assets	3,962	5,650
Deferred tax assets	1,326	16
Other non-current assets	99	74
Total non-current assets	150,086	160,138
Total assets	278,364	286,649

(in millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Third quarter of fiscal year ending March 31, 2019 (as of December 31, 2018)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	50,686	42,613
Borrowings	35,499	37,879
Other financial liabilities	994	964
Income taxes payable	1,676	270
Provisions	2,928	-
Refund liabilities	-	2,468
Contract liabilities	-	135
Other current liabilities	5,608	6,686
Total current liabilities	97,394	91,017
Non-current liabilities		
Borrowings	85,625	84,085
Other financial liabilities	2,232	1,708
Retirement benefit liability	465	445
Provisions	56	57
Refund liabilities	-	86
Contract liabilities	-	894
Deferred tax liabilities	2,823	2,662
Other non-current liabilities	2,224	1,777
Total non-current liabilities	93,427	91,717
Total liabilities	190,821	182,735
Equity		
Share capital	19,976	22,285
Capital surplus	18,827	20,821
Treasury shares	(9,046)	(2,970)
Retained earnings	51,912	54,910
Other components of equity	5,872	8,867
Total equity attributable to owners of parent	87,542	103,914
Non-controlling interests	0	0
Total equity	87,542	103,914
Total liabilities and equity	278,364	286,649

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income

(Condensed Quarterly Consolidated Statement of Income)

	(in millions of yen)	
	Third quarter of previous fiscal year (from April 1, 2017 to December 31, 2017)	Third quarter of current fiscal year (from April 1, 2018 to December 31, 2018)
Revenue	126,017	127,224
Cost of sales	95,260	99,749
Gross profit	30,757	27,475
Selling, general and administrative expenses	17,591	17,104
Research and development expenses	3,253	2,598
Other operating income	660	463
Other operating expenses	3,061	234
Operating profit	7,511	8,001
Finance income	224	115
Finance costs	643	693
Share of profit (loss) of investments accounted for using equity method	111	1,431
Profit before tax	7,203	8,855
Income tax expense	526	1,950
Profit	6,677	6,905
Profit attributable to:		
Owners of parent	6,677	6,905
Non-controlling interests	(0)	(0)
Profit	6,677	6,905
Earnings per share		
Basic earnings per share (Yen)	118.52	118.21
Diluted earnings per share (Yen)	118.36	116.77

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2017 to December 31, 2017)	Third quarter of current fiscal year (from April 1, 2018 to December 31, 2018)
Profit	6,677	6,905
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	887	482
Share of other comprehensive income of investments accounted for using equity method	97	(316)
Total of items that will not be reclassified to profit or loss	984	165
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,246	2,811
Share of other comprehensive income of investments accounted for using equity method	174	(19)
Total of items that may be reclassified to profit or loss	1,421	2,792
Other comprehensive income (net of tax)	2,406	2,957
Comprehensive income	9,083	9,863
Comprehensive income attributable to:		
Owners of parent	9,083	9,863
Non-controlling interests	(0)	(0)
Comprehensive income	9,083	9,863

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Third Quarter of Previous Fiscal Year (from April 1, 2017 to December 31, 2017)

(in millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2017	19,976	18,845	(9,401)	45,050	7,267	1,200
Profit (loss)				6,677		
Other comprehensive income					1,421	984
Total comprehensive income	-	-	-	6,677	1,421	984
Purchase of treasury shares			(0)			
Disposal of treasury shares (including disposal by exercise of share acquisition rights)		(22)	268			
Dividends				(1,689)		
Share-based payment transactions						
Transfer from other components of equity				0		
Total transactions with owners	-	(22)	267	(1,689)	-	-
Balance as of December 31, 2017	19,976	18,822	(9,134)	50,038	8,688	2,185

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Other	Total			
Balance as of April 1, 2017	-	234	8,701	83,171	0	83,171
Profit (loss)				6,677	(0)	6,677
Other comprehensive income	0		2,406	2,406	0	2,406
Total comprehensive income	0	-	2,406	9,083	(0)	9,083
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares (including disposal by exercise of share acquisition rights)		(101)	(101)	144		144
Dividends				(1,689)		(1,689)
Share-based payment transactions		122	122	122		122
Transfer from other components of equity	(0)		(0)	-		-
Total transactions with owners	(0)	20	20	(1,423)	-	(1,423)
Balance as of December 31, 2017	-	254	11,128	90,831	0	90,831

Third Quarter of Current Fiscal Year (from April 1, 2018 to December 31, 2018)

(in millions of yen)

	Equity attributable to owners of parent				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2018	19,976	18,827	(9,046)	51,912	3,448	2,165
Changes in accounting policies				(480)		
Restated balance	19,976	18,827	(9,046)	51,431	3,448	2,165
Profit (loss)				6,905		
Other comprehensive income					2,792	175
Total comprehensive income	-	-	-	6,905	2,792	175
Issuance of new shares	2,309	2,309				
Direct issuance expenses due to issuance of new shares		(16)				
Purchase of treasury shares			(0)			
Disposal of treasury shares (including disposal by exercise of share acquisition rights)		(1,995)	6,076			
Transfer of loss on disposal of treasury shares		1,679		(1,679)		
Forfeiture of share acquisition rights				13		
Dividends				(1,734)		
Share-based payment transactions						
Transfer to capital surplus from retained earnings		16		(16)		
Transfer from other components of equity				(9)		
Total transactions with owners	2,309	1,993	6,076	(3,426)	-	-
Balance as of December 31, 2018	22,285	20,821	(2,970)	54,910	6,240	2,340

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Other	Total			
Balance as of April 1, 2018	-	258	5,872	87,542	0	87,542
Changes in accounting policies				(480)		(480)
Restated balance	-	258	5,872	87,062	0	87,062
Profit (loss)				6,905	(0)	6,905
Other comprehensive income	(9)		2,957	2,957	0	2,957
Total comprehensive income	(9)	-	2,957	9,863	(0)	9,863
Issuance of new shares				4,618		4,618
Direct issuance expenses due to issuance of new shares				(16)		(16)
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares (including disposal by exercise of share acquisition rights)		(3)	(3)	4,077		4,077
Transfer of loss on disposal of treasury shares				-		-
Forfeiture of share acquisition rights		(13)	(13)	-		-
Dividends				(1,734)		(1,734)
Share-based payment transactions		44	44	44		44
Transfer to capital surplus from retained earnings				-		-
Transfer from other components of equity	9		9	-		-
Total transactions with owners	9	27	36	6,988	-	6,988
Balance as of December 31, 2018	-	285	8,867	103,914	0	103,914

(Note)

The amount of dividends does not include the amount of dividends to the Employee Shareholding Incentive Plan.

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2017 to December 31, 2017)	Third quarter of current fiscal year (from April 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit before tax	7,203	8,855
Depreciation and amortization	6,326	7,050
Impairment loss	5,729	1,699
Interest and dividend income	(67)	(56)
Interest expenses	475	503
Share of loss (profit) of investments accounted for using equity method	(111)	(1,431)
Decrease (increase) in trade and other receivables	(3,159)	1,690
Decrease (increase) in inventories	(4,040)	7,250
Increase (decrease) in trade and other payables	(380)	(4,993)
Increase (decrease) in provisions	546	(727)
Increase (decrease) in contract liabilities	-	337
Other	907	(355)
Subtotal	13,430	19,823
Dividends received	75	72
Interest received	0	19
Interest paid	(477)	(512)
Income taxes paid	(1,124)	(2,430)
Income taxes refund	764	7
Net cash provided by (used in) operating activities	12,668	16,979
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,146)	(6,278)
Purchase of intangible assets	(3,965)	(5,365)
Purchase of investments	(5)	(996)
Purchase of investments accounted for using equity method	(1,665)	(5,678)
Collection of loans receivable	49	598
Proceeds from reversal of international interests	-	999
Other	(281)	(147)
Net cash provided by (used in) investing activities	(14,014)	(16,868)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2017 to December 31, 2017)	Third quarter of current fiscal year (from April 1, 2018 to December 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,627	101
Proceeds from long-term borrowings	15,200	6,200
Repayments of long-term borrowings	(7,653)	(5,853)
Proceeds from issuance of new shares	-	4,587
Proceeds from disposal of treasury shares	143	4,065
Repayments of finance lease obligations	(760)	(706)
Dividends paid	(1,671)	(1,717)
Other	0	40
Net cash provided by (used in) financing activities	7,886	6,716
Effect of exchange rate changes on cash and cash equivalents	209	(116)
Net increase (decrease) in cash and cash equivalents	6,749	6,710
Cash and cash equivalents at beginning of period	12,457	18,529
Cash and cash equivalents at end of period	19,206	25,239

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting policies)

The significant accounting policies applied to the Condensed Quarterly Consolidated Financial Statements are the same as the accounting policies applied to the consolidated financial statements for the previous fiscal year with the exception of the changes in the accounting policies listed below. Income tax expense for the cumulative third quarter of the current fiscal year is calculated based on the estimated annual effective tax rate.

The following standards are applied from the first quarter of the current fiscal year.

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (hereinafter, “IFRS 15” collectively), from the first quarter of the current fiscal year.

In the application of IFRS 15, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transition approach.

With the application of IFRS 15, the Group recognizes revenue based on the following five steps approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

With the application of this standard, for revenue from intellectual property that had previously been recognized as one-time revenue at the time of receipt, the consideration received is recorded as contract liabilities and recognized as revenue over a fixed period as performance obligations related to license agreements are fulfilled. Furthermore, the allowance for sales returns and allowance for rebates previously represented in provisions have been represented as refund liabilities, and the advances received previously represented as included in other current liabilities are represented as contract liabilities.

As a result, compared to if the previous accounting standards are applied, primarily retained earnings decreased by 480 million yen, provisions decreased by 2,928 million yen, refund liabilities increased by 2,928 million yen and contract liabilities increased by 691 million yen at the beginning of the first quarter of the current fiscal year.

In the condensed quarterly consolidated statement of income for the cumulative third quarter of the current fiscal year, compared to if the previous accounting standards are applied, primarily revenue decreased by 365 million yen, operating profit decreased by 365 million yen and profit decreased by 254 million yen.

Furthermore, in the condensed quarterly consolidated statement of financial position as of the end of the third quarter of the current fiscal year, compared to if the previous accounting standards are applied, primarily retained earnings decreased by 734 million yen, provisions decreased by 2,554 million yen, refund liabilities increased by 2,554 million yen and contract liabilities increased by 1,029 million yen.

Assets recognized from costs to obtain or fulfill contracts with customers

During the cumulative third quarter of the current fiscal year, the amount of assets recognized from costs to obtain or fulfill contracts with customers was not significant.