

The impact of voluntary adoption of International Financial Reporting Standards (IFRS)

November 25, 2022
Murata Manufacturing Co., Ltd



Disclosure schedule for voluntary adoption of IFRS

As we have notified in “Notice of Voluntary Adoption of International Financial Reporting Standards (IFRS)” issued on Nov. 25, 2022, our company has resolved the voluntary adoption of International Financial Reporting Standards (IFRS), in place of current U.S. Generally Accepted Accounting Standards (U.S.GAAP) from the fiscal year ending Mar. 31, 2024.

Our disclosure schedule in the future will be:

Timing of disclosure	Accounting period	Document for disclosure	Accounting standard
April 2023	Fiscal year ending March 2023	Financial Results *	U.S.GAAP
June 2023		Consolidated Financial Statements and Auditor’s Report	
July 2023	Fiscal year ending March 2024	Financial results for the first quarter	IFRS

* The earnings forecasts of financial results for the fiscal year ending March 2024 will be reported based on IFRS.

Major impacts to the Consolidated Balance Sheets at the date of transition to IFRS (April 1, 2022)

Unit: B JPY

	U.S.GAAP	Impacts brought by IFRS adoption						IFRS
		① Goodwill impairment	② Post-employment benefits	③ Levies	④ non-refundable purchase taxes etc.	⑤ Deferred income	Others	
Total assets	2,809.2	(3.3)	(11.3)	+1.9	+2.6	+4.2	+0.8	2,804.1
Total liabilities	545.3		(4.6)	+6.2		+13.9	+3.3	564.1
Total equity	2,263.9	(3.3)	(6.7)	(4.3)	+2.6	(9.7)	(2.5)	2,240.0
Total liabilities and equity	2,809.2	(3.3)	(11.3)	+1.9	+2.6	+4.2	+0.8	2,804.1

* These digits have not been audited yet, and they may be different from those in the official IFRS financial statements disclosed at a later date.

Major impacts

- ① **Goodwill impairment** : Additional impairment loss is recognized for the goodwill from part of reporting units which belong to “Devices and modules” segment, as a result of impairment test in accordance with IFRS.
- ② **Post-employment benefits** : While all pension assets is allowed to be on-balanced under U.S.GAAP, the amount in excess of limit (asset ceiling) is drawn down under IFRS.
- ③ **Levies** : Levies (such as property tax) are expensed at the date of payment under U.S.GAAP, but expensed at the date of debt accrual under IFRS.
- ④ **Necessary direct auxiliary expenses such as non-refundable purchase taxes** : Expenses such as purchase taxes are incurred in the period when the fixed assets are purchased under U.S.GAAP, but IFRS requires they are included in cost of lands or buildings.
- ⑤ **Deferred income** : Government grants related to acquisition of assets are recognized as profit in full under U.S.GAAP, but are incurred on a systematic basis over the useful life of the related assets under IFRS.

Major changes in total equity at the date of transition to IFRS (April 1, 2022)

Unit: B JPY

	U.S.GAAP	Impacts brought by IFRS adoption						IFRS
		Goodwill impairment	Post-employment benefits *1	Levies	Deferred income	Cumulative translation differences *2	Others	
Common stock	69.4							69.4
Capital surplus	121.0							121.0
Retained earnings	2,024.4	(3.3)	(9.6)	(4.3)	(9.7)	+104.3	(2.4)	2,099.4
Accumulated other comprehensive income (loss)	102.3		+2.9			(104.3)	+2.5	3.4
Treasury stock, at cost	(53.5)							(53.5)
Total shareholders' equity	2,263.6	(3.3)	(6.7)	(4.3)	(9.7)		+0.1	2,239.7
Noncontrolling interests	0.3							0.3
Total equity	2,263.9	(3.3)	(6.7)	(4.3)	(9.7)		+0.1	2,240.0

* These digits have not been audited yet, and they may be different from those in the official IFRS financial statements disclosed at a later date.

Major changes

*1 Post-employment benefits:

<How to deal with past service cost and actuarial gains and losses>

U.S.GAAP: Both of them are recognized as other comprehensive income and reclassified into P/L over a period of time in the future.

IFRS : Past service cost is recognized as an expense in full when incurred, and actuarial gains/losses are recorded as other comprehensive income and immediately transferred to retained earnings.

*2 Cumulative translation differences:

By using an exemption, cumulative translation differences at the date of transition to IFRS are deemed to be zero.

Changes in accounting brought by IFRS adoption (on consolidated statements of income)

Topics		U.S.GAAP	IFRS
Post-employment benefits	How to recognize past service cost	Recorded as other comprehensive income and reclassified into P/L over a period of time in the future	Expensed in full in the period when it is incurred
	How to recognize actuarial gains and losses		Recorded as other comprehensive income and immediately transferred to retained earnings
Financial instruments	How to deal with valuation profit/loss from equity instruments	Recognized in P/L	Mainly recognized as other comprehensive income

Changes in accounting brought by IFRS adoption (on consolidated statements of cash flows)

Topics		U.S.GAAP	IFRS
Leases	Payments for lease liabilities	Payments for operating lease liabilities are classified into cash flows from operating activities	All payments are dealt as cash flows from financing activities
		Payments for finance lease liabilities are classified into cash flows from financing activities	

This report contains forward-looking statements concerning Murata Manufacturing Co., Ltd. and its group companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Murata Group (the "Group") based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations due to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Group. The Company has no obligation to revise any of the forward-looking statements as a result of new information, future events or otherwise.

Risks and uncertainties that may affect actual results include, but are not limited to, the following: (1) economic conditions of the Company's business environment, and trends, supply-demand balance, and price fluctuations in the markets for electronic devices and components; (2) price fluctuations and insufficient supply of raw materials; (3) exchange rate fluctuations; (4) the Group's ability to provide a stable supply of new products that are compatible with the rapid technical innovation of the electronic components market and to continue to design and develop products and services that satisfy customers; (5) changes in the market value of the Group's financial assets; (6) drastic legal, political, and social changes in the Group's business environment; and (7) other uncertainties and contingencies.

The Company undertakes no obligation to publicly update any forward-looking statements included in this report.

muRata
INNOVATOR IN ELECTRONICS