Summary of Consolidated Financial Results [IFRS]
for the Fiscal Year Ended March 31, 2017

May 10, 2017

Listed company name	:	Sysmex Corporation
Code	:	6869
Listed stock exchanges	:	Tokyo Stock Exchange
URL	:	http://www.sysmex.co.jp
Company representative	:	Hisashi Ietsugu, Chairman and CEO
Contact	:	Hiroshi Nagao, Executive Officer, Corporate Business Administration
Phone	:	078(265)-0500
Scheduled date for shareholders' meeting	:	June 23, 2017
Scheduled date for dividend payment	:	June 26, 2017
Scheduled date for filing of financial report	:	June 23, 2017
Preparation of supplementary material for earnings	:	Yes
Holding of earnings announcement	:	Yes

(Unit: Millions of yen)

1. Results for the Year Ended March 31, 2017

(1) Operating results

(% changes as compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating profit		Profit before tax		Profit	
Year ended Mar. 31, 2017	249,899	(1.1)%	51,701	(14.9)%	48,946	(15.3)%	40,453	3.0%
Year ended Mar. 31, 2016	252,622	—	60,729	—	57,809	—	39,278	—

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share (Yen)	Diluted earnings per share (Yen)
Year ended Mar. 31, 2017	40,636	3.5%	37,144	11.8%	195.31	194.74
Year ended Mar. 31, 2016	39,278	—	33,219	—	189.08	188.30

	Return on equity	Profit before tax to total assets	Operating profit to net sales
Year ended Mar. 31, 2017	20.7%	18.0%	20.7%
Year ended Mar. 31, 2016	23.1%	23.1%	24.0%

Note:
Share of loss of associates accounted for using the equity method: 677 million yen for the year ended March 31, 2017; 465 million yen for the year ended March 31, 2016.

(2) Financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (Yen)
As of Mar. 31, 2017	279,817	210,252	209,406	74.8%	1,005.86
As of Mar. 31, 2016	263,917	182,801	182,800	69.3%	879.32

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term
Year ended Mar. 31, 2017	32,832	(19,400)	(10,866)	57,944
Year ended Mar. 31, 2016	41,794	(23,850)	(8,755)	56,481

2. Dividend

	Dividend per share					Total dividend payment (Millions of yen)	Dividend payout ratio (Consolidated) (%)	Dividend to equity attributable to owners of the parent (Consolidated) (%)
	First quarter (Yen)	Second quarter (Yen)	Third quarter (Yen)	Year-end (Yen)	Annual (Yen)			
Year ended Mar. 31, 2016	—	24.00	—	28.00	52.00	10,806	27.5	6.3
Year ended Mar. 31, 2017	—	28.00	—	30.00	58.00	12,071	29.7	6.2
Year ending Mar. 31, 2018 (Forecast)	—	30.00	—	30.00	60.00		30.5	

3. Financial Forecast for the Year Ending March 31, 2018

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share (Yen)
Six months ending Sep. 30, 2017	128,000	7.7%	27,500	1.7%	27,000	7.8%	19,500	(17.0)%	93.67
Year ending Mar. 31, 2018	275,000	10.0%	57,000	10.2%	56,000	14.4%	41,000	0.9%	196.94

4. Other Information

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): No

(2) Changes in accounting policies and accounting estimates
- 1) Changes in accounting policies required by IFRS: No
- 2) Other changes in accounting policies: No
- 3) Changes in accounting estimates: No

(3) Number of outstanding stock (common stock)
- 1) Number of outstanding stock at the end of each fiscal period (including treasury stock): 208,631,032 shares as of Mar. 31, 2017; 208,332,432 shares as of Mar. 31, 2016
- 2) Number of treasury stock at the end of each fiscal period: 444,556 shares as of Mar. 31, 2017; 444,048 shares as of Mar. 31, 2016
- 3) Average number of outstanding stock for each period: 208,058,194 shares for the year ended Mar. 31, 2017; 207,734,916 shares for the year ended Mar. 31, 2016

Notes:

This report is unaudited.

Explanation regarding the appropriate use of financial forecast and other information

1. The forecasts and future projections contained herein have been prepared on the basis of rational decisions given the information available as of the date of announcement of this document. These forecasts do not represent a commitment by the Company, and actual performance may differ substantially from forecasts for a variety of reasons. Please refer to "4) Outlook for future" within "1. Overview of operating performance" on page 4 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.
2. Supplementary financial materials (in Japanese and English) will be posted on the Sysmex website on Wednesday, May 10, 2017.
3. From the fiscal ended March 31, 2017, the Sysmex Group applied IFRS. Figures for the fiscal year ended March 31, 2016, are also presented in accordance with IFRS. Please refer to "7. Disclosure on transition to IFRS" within "7) Notes to the consolidated financial statements" of "3. Consolidated financial statements and notes" on page 26 for differences between financial figures under IFRS and J-GAAP.

Content of Supplementary Materials

1. Overview of operating performance

1) Operating performance during the year

From the fiscal ended March 31, 2017, the Sysmex Group applied IFRS, transitioning from J-GAAP it had previously used. Figures for the fiscal year ended March 31, 2016, have been retroactively adjusted to the IFRS basis for purposes of comparison.

Looking at the Japanese economy during the fiscal year ended March 31, 2017, the economy continued its modest recovery as personal consumption and capital expenditure showed signs of a rebound. Overseas economies generally maintained the trend toward modest recovery, despite emerging uncertainties in the economic outlook.

The US employment environment was characterized by ongoing improvement, and the economy continued its gradual expansion. The European economy also continued to recover, but due to the UK's move to exit the European Union, which is beginning in earnest, the outlook remains uncertain. The Chinese economy continued to decelerate gradually, despite the introduction of fiscal policies and monetary easing measures. In the Asia Pacific region, uncertainty continued, centered on ASEAN countries.

On the healthcare front, the Japanese government is including the medical and healthcare industry in its growth strategies, which is expected to continue invigorating healthcare-related industries going forward. Advanced countries in Europe and the United States are working to curtail medical expenses. In the United States, the Affordable Care Act that was introduced to decrease the number of people without medical insurance is being reviewed. In China, ongoing medical system reforms aim to erase medical service disparities between cities and farming villages, but the country is also introducing policies to reduce medical expenses. Therefore, although some causes for uncertainty remain, the foundations of healthcare-related demand remain solid.

Under these conditions, within the Sysmex Group a subsidiary, Sysmex Asia Pacific Pte Ltd., established a branch in Myanmar, which is demonstrating remarkable economic growth. By providing more robust support for distributors and customers in Myanmar, we will continue contributing to the development of healthcare in the country.

In 2014, Sysmex commenced capital participation in RIKEN GENESIS Co., Ltd., headquartered in Tokyo, engaging in efforts toward the realization of personalized medicine. To reinforce synergies with RIKEN GENESIS, we acquired additional shares in the company and converted it to a subsidiary. Together, Sysmex and RIKEN GENESIS will pursue R&D and business development initiatives to realize personalized medicine through genetic analysis.

Net sales by destination

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		YoY (Previous period = 100)
	Amount (Millions of yen)	Percentage of total (%)	Amount (Millions of yen)	Percentage of total (%)	
Japan	39,846	15.8	43,467	17.4	109.1
Americas	59,267	23.5	60,193	24.1	101.6
EMEA	68,216	27.0	64,624	25.9	94.7
China	65,189	25.8	60,334	24.1	92.6
Asia Pacific	20,103	7.9	21,279	8.5	105.9
Overseas subtotal	212,775	84.2	206,431	82.6	97.0
Total	252,622	100.0	249,899	100.0	98.9

In Japan, sales increased in the hematology, hemostasis and immunochemistry fields. As a result, sales in Japan rose 9.1% year on year, to ¥43,467 million.

In overseas markets, reagent sales expanded in the hematology, hemostasis and immunochemistry fields thanks to a growing installed instrument base. Consequently, sales were robust in each country on a local currency basis, but the Sysmex Group's overseas sales decreased 3.0% year on year, to ¥206,431 million, due mainly to the impact of the yen's appreciation in foreign exchange markets. The overseas sales ratio declined 1.6 percentage points, to 82.6%.

As a result, during the year the Group recorded consolidated net sales of ¥249,899 million, down 1.1% year on year. Operating profit declined 14.9%, to ¥51,701 million, and profit before tax fell 15.3%, to ¥48,946 million. However, profit attributable to owners of the parent increased 3.5%, to ¥40,636 million, stemming from a reduction in income tax expenses through a reversal of deferred tax liabilities in line with a revised tax treaty between Japan and Germany.

Performance by segment

(1) Japan

Sales increased in the hematology field, and higher reagent sales led to growth in the hemostasis and immunochemistry fields. Sales in this segment consequently expanded 9.0% year on year, to ¥46,900 million.

On the profit front, despite the positive impact of favorable sales in Japan, intragroup exports and trademark royalty income declined, cost of sales increased and SG&A expenses rose. These and other factors led to an 18.3% fall in segment profit (operating profit), to ¥35,673 million.

(2) Americas

In the United States, favorable instrument sales led to higher sales, primarily in the hematology field. In Central and South America, despite the acquisition of government projects in Mexico, sales failed to rise in the hemostasis and urinalysis fields, leading to lower sales on a local currency basis. Although partly affected by the impact of yen appreciation, sales in the Americas increased 1.1% year on year, to ¥56,584 million.

Segment profit (operating profit) rose 64.6%, to ¥3,204 million, thanks to higher sales and such factors as lower payments of Group trademark royalties.

(3) EMEA

In Germany and France, sales rose, centered on the hematology field, and sales also increased on a local currency basis in Eastern Europe, the Middle East and Africa. Segment sales decreased in yen terms, however, due to the impact of yen appreciation, falling 5.2% year on year, to ¥64,924 million.

Lower payments of Group trademark royalties and other factors caused a 15.7% jump in segment profit (operating profit), to ¥4,994 million.

(4) China

On a local currency basis, reagent sales grew in the hematology and immunochemistry fields due to expansion in the installed instrument base. Segment sales fell in yen terms, however, as a result of yen appreciation, declining 7.4% year on year, to ¥60,317 million.

Segment profit (operating profit) dropped 38.9% year on year, to ¥3,597 million, affected by a worsening cost of sales ratio.

(5) Asia Pacific

In Australia, sales of instruments to large-scale commercial labs rose, and sales of reagents increased in Indonesia and Vietnam thanks to a growing installed instrument base, leading to higher sales in the hematology field. Sales in the hemostasis field also rose, and in the immunochemistry field sales of instruments increased in Indonesia. As a result, segment sales grew 5.5%, to ¥21,172 million.

Due to a worsening cost of sales ratio, segment profit (operating profit) fell 21.0%, to ¥1,845 million.

2) Financial conditions at end of the year

As of March 31, 2017, total assets amounted to ¥279,817 million, up ¥15,899 million from March 31, 2016. As principal factors, trade and other receivables (current assets) rose ¥5,432 million, intangible assets rose ¥4,546 million, trade and other receivables (noncurrent assets) grew ¥2,337 million, inventories expanded by ¥1,393, and goodwill increased ¥1,387 million.

Meanwhile, total liabilities as of March 31, 2017, were ¥69,564 million, down ¥11,552 million from their level on March 31, 2016. Principal reasons were decreases of ¥4,012 million in advances received, ¥3,822 million in deferred tax liabilities, and ¥3,595 million in income taxes payable.

Total equity came to ¥210,252 million, up ¥27,451 million from March 31, 2016. Among principal reasons, other components of equity decreased ¥3,450 million, but retained earnings rose ¥29,130 million. Equity attributable to owners of the parent to total assets as of March 31, 2017, was 74.8%, up 5.5 percentage points from the 69.3% recorded as of March 31, 2016.

3) Cash flows during the year

As of March 31, 2017, cash and cash equivalents amounted to ¥57,944 million, up ¥1,462 million from March 31, 2016.

Cash flows from various activities during the fiscal year are described in more detail below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥32,832 million, ¥8,962 million less than in the preceding fiscal year. As principal factors, profit before tax provided ¥48,946 million (¥8,862 million less than in the preceding fiscal year), an increase in inventories used ¥2,104 million (down ¥4,671 million), a decrease in trade payables used ¥2,483 million (increased ¥4,145 million in the preceding fiscal year), a decrease in advances received used ¥3,635 million (increased ¥687 million in the preceding fiscal year), and income taxes paid used ¥16,268 million (down ¥3,309 million).

(Cash flows from investing activities)

Net cash used in investing activities was ¥19,400 million (down ¥4,450 million from the preceding year). Principal uses of cash included purchases of property, plant and equipment of ¥11,682 million (down ¥2,002 million), purchases of intangible assets of ¥7,424 million (down ¥975 million), acquisitions of subsidiaries or other businesses used ¥1,453 million (up ¥1,049 million) , and a net decrease in short-term loans receivable, a category that was absent in the preceding year, used ¥1,930 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥10,866 million (up ¥2,110 million). This was mainly due to dividends paid of ¥11,646 million (up ¥2,097 million).

4) Outlook for future

In the fiscal year ending March 31, 2018, we expect the Japanese economy to experience a modest recovery, buoyed by improvements in the employment and income environment, as well as to inventory adjustments in the manufacturing sector. Overseas, we expect gradual economic recovery to persist in the United States, but the policy outlook remains uncertain. We believe the European economy will remain in a recovery phase, but concerns exist that Brexit could cause the rate of growth to tail off. Furthermore, the gradual deceleration of the Chinese economy and geopolitical risks in the Middle East and other regions lead us to be less than optimistic about the global economic outlook.

Looking at the healthcare environment, demand in advanced countries to curtail medical expenses and augmenting efficiency and advances in healthcare infrastructure in emerging markets in line with economic expansion lead us to believe that growth will continue. We also anticipate new growth opportunities, owing to headway in and proactive application of big data and other information technologies centered on advanced countries, progress in genetic/molecular diagnostic technologies and advances in regenerative medicine.

Against this backdrop, in April 2017 the Sysmex Group launched a new medium-term management plan (for the fiscal years ending March 31, 2018 to 2020). As a distinctive global healthcare testing company, we aim for growth and increased profitability in the hematology, hemostasis, immunochemistry and urinalysis fields. We also plan to engage in such measures as investing in growth fields, such as flow cytometry and the gene testing businesses.

For the upcoming fiscal year, Sysmex forecasts consolidated net sales of ¥275,000 million, operating profit of ¥57,000 million, profit before tax of ¥56,000 million, and profit attributable to owners of the parent of ¥41,000 million. Our assumptions for annual average exchange rates are US$1=¥110 and €1=¥115.

2. Basic perspective on selection of accounting standards

The Sysmex Group voluntarily adopted IFRS from the fiscal year ended March 31, 2017. Our aim is to increase convenience to shareholders and investors in Japan and overseas by enhancing the international comparability of our financial information in capital markets.

3. Consolidated financial statements and notes

1) Consolidated statement of financial position

(Unit: Millions of yen)

	Date of transition to IFRS (April 1, 2015)	As of March 31, 2016	As of March 31, 2017
Assets			
Current assets			
Cash and cash equivalents	49,613	56,481	57,944
Trade and other receivables	53,662	57,652	63,084
Inventories	29,966	35,604	36,998
Other short-term financial assets	298	615	528
Income taxes receivables	223	453	457
Other current assets	6,484	7,450	7,303
Total current assets	140,248	158,258	166,318
Non-current assets			
Property, plant and equipment	56,835	59,282	60,144
Goodwill	7,192	6,921	8,308
Intangible assets	11,598	16,682	21,228
Investments accounted for using the equity method	1,937	2,089	552
Trade and other receivables	3,901	6,476	8,813
Other long-term financial assets	6,440	6,010	6,107
Asset for retirement benefits	960	582	666
Other non-current assets	1,717	1,928	2,095
Deferred tax assets	6,478	5,684	5,581
Total non-current assets	97,062	105,659	113,499
Total assets	237,310	263,917	279,817

(Unit: Millions of yen)

	Date of transition to IFRS (April 1, 2015)	As of March 31, 2016	As of March 31, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	22,776	26,824	24,376
Other short-term financial liabilities	1,001	788	956
Income taxes payable	9,418	6,511	2,915
Provisions	450	554	610
Advances received	10,357	10,431	6,418
Accrued expenses	8,137	6,864	8,330
Accrued bonuses	6,130	6,538	6,636
Other current liabilities	9,084	9,383	9,708
Total current liabilities	67,355	67,896	59,952
Non-current liabilities			
Long-term financial liabilities	342	734	549
Liability for retirement benefits	562	566	654
Provisions	2,312	2,341	2,318
Other non-current liabilities	3,094	3,192	3,527
Deferred tax liabilities	5,669	6,384	2,562
Total non-current liabilities	11,980	13,219	9,612
Total liabilities	79,336	81,116	69,564
Equity			
Equity attributable to owners of the parent			
Capital stock	10,483	11,016	11,611
Capital surplus	16,340	16,969	17,303
Retained earnings	130,183	159,375	188,506
Treasury stock	(280)	(285)	(289)
Other components of equity	1,246	(4,275)	(7,725)
Total equity attributable to owners of the parent	157,972	182,800	209,406
Non-controlling interests	0	0	845
Total equity	157,973	182,801	210,252
Total liabilities and equity	237,310	263,917	279,817

2) Consolidated statement of income

(Unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	252,622	249,899
Cost of sales	101,932	108,122
Gross profit	150,689	141,777
Selling, general and administrative expenses	74,571	75,401
Research and development expenses	15,409	15,554
Other operating income	610	1,277
Other operating expenses	588	397
Operating profit	60,729	51,701
Financial income	382	514
Financial expenses	96	372
Share of profit (loss) of associates accounted for using the equity method	(465)	(677)
Foreign exchange gain (loss)	(2,741)	(2,218)
Profit before tax	57,809	48,946
Income taxes expenses	18,530	8,493
Profit	39,278	40,453
Profit attributable to		
Owners of the parent	39,278	40,636
Non-controlling interests	(0)	(182)
Profit	39,278	40,453

(Unit: Yen)

Earnings per share		
Basic	189.08	195.31
Diluted	188.30	194.74

3) Consolidated statement of other comprehensive income

(Unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Profit	39,278	40,453
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	(430)	158
Remeasurements of defined benefit plans	(536)	139
Total	(967)	298
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(5,091)	(3,606)
Share of other comprehensive income of investments accounted for using the equity method	−	(0)
Total	(5,091)	(3,607)
Total other comprehensive income	(6,059)	(3,309)
Comprehensive income	33,219	37,144
Comprehensive income attributable to		
Owners of the parent	33,219	37,327
Non-controlling interests	(0)	(182)
Comprehensive income	33,219	37,144

4) Consolidated statement of changes in equity
For the year ended March 31, 2016

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2015	10,483	16,340	130,183	(280)	1,246	157,972	0	157,973
Profit			39,278			39,278	(0)	39,278
Other comprehensive income					(6,058)	(6,058)	(0)	(6,059)
Comprehensive income	―	―	39,278	―	(6,058)	33,219	(0)	33,219
Exercise of warrants	533	316				849		849
Share-based payment transactions		312				312		312
Cash dividends			(9,549)			(9,549)		(9,549)
Purchase of treasury stock				(4)		(4)		(4)
Transfer to retained earnings			(536)		536	―		―
Changes from business combination						―	―	―
Equity transactions with non-controlling interests		―				―	―	―
Total transactions with the owners	533	628	(10,086)	(4)	536	(8,391)	―	(8,391)
As of March 31, 2016	11,016	16,969	159,375	(285)	(4,275)	182,800	0	182,801

For the year ended March 31, 2017

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1,2016	11,016	16,969	159,375	(285)	(4,275)	182,800	0	182,801
Profit			40,636			40,636	(182)	40,453
Other comprehensive income					(3,309)	(3,309)	(0)	(3,309)
Comprehensive income	―	―	40,636	―	(3,309)	37,327	(182)	37,144
Exercise of warrants	594	333				928		928
Share-based payment transactions		―				―		―
Cash dividends			(11,646)			(11,646)		(11,646)
Purchase of treasury stock				(3)		(3)		(3)
Transfer to retained earnings			141		(141)	―		―
Changes from business combination						―	1,028	1,028
Equity transactions with non-controlling interests		0				0	(0)	―
Total transactions with the owners	594	334	(11,505)	(3)	(141)	(10,721)	1,028	(9,692)
As of March 31, 2017	11,611	17,303	188,506	(289)	(7,725)	209,406	845	210,252

5) Consolidated statement of cash flows

(Unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Profit before tax	57,809	48,946
Depreciation and amortization	12,110	12,381
Interest and dividends income	(335)	(425)
Interest expenses	46	104
Share of loss (profit) of associates accounted for using the equity method	465	677
Decrease (increase) in trade receivable	(5,476)	(6,368)
Decrease (increase) in inventories	(6,775)	(2,104)
Increase (decrease) in trade payable	4,145	(2,483)
Increase (decrease) in consumption taxes receivable and payable	(903)	817
Decrease (increase) in net defined benefit asset	(418)	117
Increase (decrease) in advances received	687	(3,635)
Increase (decrease) in accrued bonuses	577	107
Other	(884)	634
Subtotal	61,047	48,770
Interest and dividend received	356	415
Interest paid	(31)	(85)
Income taxes paid	(19,578)	(16,268)
Net cash provided by (used in) operating activities	41,794	32,832
Cash flows from investing activities		
Purchases of property, plant and equipment	(13,685)	(11,682)
Sales of property, plant and equipment	107	200
Purchases of intangible assets	(8,399)	(7,424)
Purchases of investments in equity instruments	(633)	(632)
Acquisitions of subsidiaries or other businesses	(403)	(1,453)
Net decrease (increase) in short-term loans receivable	—	1,930
Other	(836)	(338)
Net cash provided by (used in) investing activities	(23,850)	(19,400)
Cash flows from financing activities		
Exercise of warrants	849	928
Dividends paid	(9,549)	(11,646)
Other	(55)	(148)
Net cash provided by (used in) financing activities	(8,755)	(10,866)
Effects of exchange rate changes on cash and cash equivalents	(2,320)	(1,102)
Net increase (decrease) in cash and cash equivalents	6,868	1,462
Cash and cash equivalents at the beginning of the term	49,613	56,481
Cash and cash equivalents at the end of the term	56,481	57,944

6) Notes related to the going concern assumption

Not applicable

7) Notes to the consolidated financial statements

1. Reporting entity

SYSMEX CORPORATION (the “Company”) is incorporated in Japan. The address of its registered headquarters is in Chuo-ku, Kobe. The Company and its subsidiaries (collectively, the “Group”), as well as the Company’s associates and joint ventures are primarily engaged in the “healthcare business” providing diagnostic products and related services.

2. Basis of preparation

1) Compliance of the consolidated financial statements with International Financial Reporting Standards (IFRS) and matters relating to first-time adoption

The Company meets the requirements of a “specified company” set forth in Article 1-2 of the “Ordinance on Financial Statements.” Accordingly, the Company has prepared the consolidated financial statements in accordance with IFRS pursuant to the provisions of Article 93 of the said ordinance.

The Group has adopted IFRS from the current fiscal year (April 1, 2016, to March 31, 2017), and the annual consolidated financial statements for the current fiscal year will be the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was April 1, 2015, and the Group has applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”).

The effects of the transition to IFRS on financial conditions, operating results, and cash flows are stated in “7. Disclosure on transition to IFRS.”

2) Basis for measurement

The consolidated financial statements, with the exception of the financial instruments, etc., stated in “3. Significant accounting policies,” have been prepared on a historical cost basis.

3) Presentation currency

The consolidated financial statements are presented in Japanese yen, the functional currency of the Company, with amounts rounded down to the nearest million yen.

4) Use of estimates and judgments

In the preparation of the consolidated financial statements in accordance with IFRS, management has used judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on the best judgment of management, which takes into account historical experience and various factors that are believed reasonable as of the reporting date. However, actual results, as such, may differ from these estimates and assumptions in the future.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

The judgments, estimates and assumptions that materially affect the amounts recognized in the consolidated financial statements are as follows:

・Estimated useful lives and residual values of property, plant and equipment and intangible assets
・Impairment of property, plant and equipment; goodwill; and intangible assets
・Recoverability of deferred tax assets
・Measurements of defined benefit plan obligations
・Revenues
・Fair values of financial instruments
・Fair values of assets acquired and liabilities assumed in a business combination
・Evaluation of a contingent consideration in a business combination

3. Significant accounting policies

The following accounting policies, unless stated otherwise, apply to all periods stated in the consolidated financial statements.

1) Basis of consolidation

(1) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company is deemed to have control if it has exposure or rights to variable returns from its involvement in an entity and has the ability to use its power over an entity to affect such returns.

The financial statements of subsidiaries are included in the Company's consolidated financial statements from the date that control commences until the date the control ceases.

All subsidiaries that comprise the Group use a common accounting policy.

The consolidated financial statements contain the financial statements of subsidiaries with different reporting dates from the parent due to the impracticability of changing the reporting date of the subsidiary to align with the reporting date of the parent. This is a result of the local laws of the country, in which the subsidiary resides, requiring reporting dates that are different from that of the parent. When it is practically impossible to align the reporting dates of the subsidiaries with the consolidated reporting date, financial statements prepared based on provisional settlement of accounts as of the consolidated reporting date have been used.

Intragroup balances of receivables and payables, amounts of intragroup transactions, and any unrealized gains and losses arising from intragroup transactions have been eliminated in preparing the consolidated financial statements.

Changes in the ownership interest in subsidiaries that do not involve loss of control are accounted for as equity transactions. If control over a subsidiary is lost, gains and losses arising from the loss of control are recognized in net profit or loss.

(2) Associates and joint ventures

Associates are entities over which the Company has significant influence, but does not have control over the financial and operating policies of such entities.

A joint venture is a joint arrangement between two or more parties that have joint control, whereby each party to the arrangement has a right to the net assets of the arrangement.

Investments in associates and joint ventures are initially recognized at cost at the time of acquisition and accounted for using the equity method from the date that significant influence commences and until the date the significant influence ceases.

2) Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of the acquired enterprise are measured at fair value on the acquisition date.

In cases where the sum of the consideration transferred as a result of a business combination, the amount of non-controlling interests in the acquired enterprise and the fair value of equity interests in the acquired enterprise held previously by the acquiring enterprise exceed the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount; if the net value of identifiable assets and liabilities at the acquisition date exceeds the sum of such amounts, the excess amount is recognized in net profit. The consideration transferred is calculated as the sum of the fair values of the assets transferred and liabilities assumed and the equity interests issued, including the fair values of the assets or liabilities arising from a contingent consideration arrangement. Acquisition-related costs are recognized as expenses in the periods in which the costs were incurred.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the amounts of the acquired enterprise's identifiable net assets for each business combination transaction.

3) Foreign currency translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

At the reporting date, monetary items denominated in foreign currencies are translated again into the functional currency at the exchange rates prevailing at the reporting date. Non-monetary items denominated in foreign currencies measured at fair value are translated again into the functional currency at the exchange rates prevailing at the date when the fair value was determined.

Exchange differences arising from such translation or settlement are recognized in net profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income are recognized in other comprehensive income.

(2) Foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen at the exchange rates prevailing at the reporting date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the year, unless there are material fluctuations in exchange rates. Exchange differences arising from such translation are recognized in other comprehensive income.

When foreign operations are disposed, the cumulative exchange differences related to such foreign operations are reclassified to net profit or loss at the time of disposal.

4) Financial instruments

The Group has early adopted IFRS 9 "Financial Instruments" (Revised in July 2014).

(1) Financial assets

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value at initial recognition.

Financial assets which meet both of the following conditions are classified as financial assets measured at amortized cost, and all other financial assets are classified as financial assets measured at fair value.

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value, excluding equity instruments held for trading that are required to be measured at fair value through net profit or loss, shall be designated either as measured at fair value through net profit or loss or as measured at fair value through other comprehensive income for each equity instrument at the time of initial acquisition and continue to apply such designation.

Financial assets not measured at fair value through net profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. However, trade receivables that do not contain a material financial component are measured at the transaction price.

Financial assets that are stocks and bonds are initially recognized on the contract date. All other financial assets are initially recognized on the transaction date.

(ii) Subsequent measurement

After initial recognition, financial assets are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method. Amortized cost using the effective interest method and gains and losses upon derecognition are recognized in net profit or loss.

(b) Financial assets measured at fair value

Measured at fair value. Any changes in fair value of financial assets measured at fair value are recognized in net profit or loss. However, for equity instruments that have been designated as measured at fair value through other comprehensive income, any changes in fair value are recognized in other comprehensive income and transferred directly to retained earnings when derecognized or losses are expected to be most likely realized.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to the cash flows from the financial assets are assigned and substantially all the risks and rewards of ownership of such financial assets are transferred.

(2) Impairment of financial assets

In terms of financial assets measured at amortized cost, an assessment is made at the end of each reporting period as to whether or not the credit risk associated with such assets has increased significantly from the initial recognition, and the following amounts are recognized as impairment loss depending on whether or not a significant increase in credit risk has occurred from the initial recognition when loss is expected to be most likely realized.

(i) If credit risk has not increased significantly from initial recognition:
Amount equivalent to 12-month expected credit loss

(ii) If credit risk has increased significantly from initial recognition:
Amount equivalent to lifetime expected credit loss

However, for trade receivables and lease receivables, impairment losses in the amount equivalent to lifetime expected credit losses are recognized, regardless of whether a significant increase in credit risk has occurred since initial recognition.

Expected credit losses are calculated in the following manner:

(a) Trade receivables and lease receivables

・ Assets for which credit risk is not deemed to have increased significantly:
Expected credit losses are calculated by multiplying the probability of default expected to occur in the future of similar assets by the carrying amount.

・ Assets for which credit risk is deemed to have increased significantly:
The recoverable amounts are estimated individually and the difference between the recoverable amounts and the carrying amounts is recognized as expected credit loss.

(b) Assets other than (a)

・ Assets for which credit risk is not deemed to have increased significantly:
Expected credit losses are calculated by multiplying the probability of default expected to occur in the future of similar assets by the carrying amount.

・ Assets for which credit risk is deemed to have increased significantly and assets that fall under credit-impaired financial assets:
The recoverable amounts are estimated individually and the difference between the present value of such assets discounted by the initial effective interest rate and the carrying amount is recognized as expected credit loss.

The carrying amount of financial assets for which impairment loss has been recognized is reduced through allowance for doubtful accounts, and impairment loss is recognized in net profit or loss. In addition, if an amount is deemed clearly irrecoverable in the future, the carrying amount of the financial asset is reduced directly and the corresponding allowance account is also reduced.

If after recognition of an impairment loss, the amount of impairment loss is reduced, the amount of reduction of the impairment loss is reversed in net profit or loss through the allowance account.

(3) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value through net profit or loss at initial recognition. While all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are measured at the amount net of direct transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

Measured at amortized cost using the effective interest method. Amortized cost using the effective interest method and gains and losses upon derecognition are recognized in net profit or loss.

(b) Financial liabilities measured at fair value through net profit or loss

Measured at fair value. Any changes in fair value of financial liabilities measured at fair value are recognized in net profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when obligations specified in a contract are discharged, cancelled, or expired.

(4) Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value.

The Group uses forward exchange contracts, etc., to manage the foreign exchange exposure of recognized financial assets and liabilities and to fix the cash flows from future transactions.

Hedge accounting does not apply to any of the above derivatives. Accordingly, derivative financial instruments are classified as “financial assets measured at fair value through net profit or loss.”

(5) Offsetting financial instruments

Financial assets and liabilities are offset if and only if there is a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities at the present time and there is intent either to settle on a net basis or to realize assets and settle liabilities simultaneously, with the net amount presented in the consolidated statement of financial position.

(6) Fair value measurements

IFRS 13 “Fair Value Measurement” categorizes fair values into the following three levels according to the extent to which the input information used in the measurement is observable from the outside:

- Level 1: Fair value measured through quoted prices in active markets;
- Level 2: Fair value measured directly or indirectly using inputs other than quoted market prices included within Level 1 that are observable; and
- Level 3: Fair value measured through valuation methods that include inputs that are not based on observable market data.

The fair value measurement hierarchy level used in the measurement of fair value is categorized in the lowest-level input that is significant to the measurement of fair value.

5) Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits and short-term investments that are easily converted into cash, with original maturities of three months or less and with minimal risk of changes in value.

6) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories is calculated primarily based on the weighted-average cost formula and includes purchase costs, processing costs, and all other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

7) Property, plant and equipment

(1) Recognition and measurement

The cost model has been adopted, and all property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition of the assets, and the initially estimated costs of dismantlement and removal of the assets, and site restoration.

(2) Depreciation

Depreciation of property, plant and equipment (excluding land and other non-depreciable assets) is calculated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives of major assets are as follows:

Buildings and structures:	31 to 50 years
Machinery, equipment and vehicles:	5 to 11 years
Tools, furniture and fixtures:	2 to 15 years

Leased assets are depreciated over the estimated useful lives of the assets if it is reasonably certain that ownership will be transferred by the end of the lease term, while leased assets for which it is not certain that ownership will be transferred are depreciated over the shorter of their estimated useful lives and their lease terms.

The depreciation methods, estimated useful lives, and residual values are reviewed at the end of the fiscal year and revised, as necessary.

8) Goodwill and intangible assets

(1) Goodwill

Goodwill is presented at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment in each period. Measurement of goodwill at initial recognition is as stated in "(2) Business combinations."

(2) Intangible assets

The cost model has been adopted, and all intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

Expenditures for development activities are capitalized if and only if they meet all of the requirements listed below, while all other expenditures are recognized as expenses when they are incurred.

(i) It is technically feasible to complete the intangible assets to use or sell them.

(ii) The Company has the intent to complete the intangible assets, and to use or sell them.

(iii) There is capacity to use or sell the intangible assets.

(iv) The intangible assets are a method with a high probability of generating future economic benefits.

(v) There is the ability to use adequate technical, financial, and other resources to complete the intangible assets, and to use or sell them.

(vi) There is capacity to reliably measure the expenditures associated with the intangible assets during the development process.

Intangible assets are amortized by the straight-line method over their estimated useful lives from the day on which the assets became available for use.

The estimated useful lives of major assets are as follows:

Software:	3 to 10 years
Development expenses:	3 to 15 years
Other intangible assets:	2 to 22 years

The amortization methods, estimated useful lives, and residual values are reviewed at the end of the fiscal year period and revised, as necessary.

There are no intangible assets with indefinite useful lives.

9) Impairment of non-financial assets

In terms of non-financial assets (excluding inventories and deferred tax assets), an assessment is made at the end of each reporting period for any indications of impairment in each asset or cash-generating unit. If any such indication exists, an estimate is made of the recoverable amount of the asset or the cash-generating unit and conducts impairment testing.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year, regardless of whether any indications of impairment exit, and impairment testing is conducted each time any such indications of impairment become apparent.

As Company-wide assets do not independently generate cash inflows, when indications of impairment become apparent in Company-wide assets, impairment is determined based on the recoverable amount of the cash-generating unit to which such assets belong.

The recoverable amount is calculated at the higher of the fair value less costs of disposal and the value in use. Value in use is calculated by discounting the estimated future cash flows from the asset or cash-generating unit to the present value.

If the recoverable amount of the asset or cash-generating unit is less than their carrying amounts, the carrying amount is reduced to the recoverable amount and the difference is recognized as impairment loss in net profit or loss.

In terms of assets and cash-generating units, excluding goodwill for which impairment losses have been recognized in prior years, assessment is conducted at the end of each reporting period for any indications of the possibility of reversal of such impairment losses. If any such indication exits, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed. Reversal is recognized in net profit or loss up to the carrying amount, net of depreciation, that would have been determined if no impairment loss had been recognized in prior years.

Impairment loss recognized for goodwill is not reversed.

10) Leases

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract at the inception of the lease.

Lease transactions are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, while all other leases are classified as operating leases.

(1) Lease as lessor

In finance lease transactions, the amount of net investment in the lease is recognized as lease receivables. Lease income is classified into collection of principal and the amount equivalent to interest income, and the amount equivalent to interest income is recognized as revenue in the consolidated statement of income.

In operating lease transactions, lease income is recognized as revenue over the lease term on a straight-line basis.

(2) Lease as lessee

In finance lease transactions, lease assets and lease liabilities are recognized at the lower of the fair value of the leased property or the aggregate present value of the minimum lease payments. Lease payments are allocated to finance costs and the repayment of lease liabilities based on the interest method, and finance costs are recognized as expenses in the consolidated statement of income.

In operating lease transactions, lease payments are recognized as an expense over the lease term on a straight-line basis. Lease incentives received are an integral part of the total lease payments and are recognized as a deduction from the lease payments over the lease term.

11) Employee benefits

(1) Post-employment benefits

The Group has adopted defined benefit plans, defined contribution plans and multi-employer plans.

(i) Defined benefit plans

Net defined benefit plans (assets) are calculated at the discounted present value of benefit obligations under such plans less the fair value of the plan assets. Any amount recorded as assets from this calculation is limited to the present value of any future economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans. Defined benefit plan obligations are calculated using the projected unit credit method as the discounted present value of the amount of estimated future benefits. The discount rate is determined by reference to market yields on high-quality corporate bonds as of the end of the reporting period that reflect the estimated timing and amount of payment of the benefits. The remeasurement rate, which is based on the market yield of Japanese government bonds, is a rate to calculate the interest in the individual credit account in defined benefit plans based on cash balance plans.

Service costs and net interest expenses related to the net defined benefit plans (assets) are recognized in net profit or loss.

Prior service costs are recognized immediately in net profit or loss.

Remeasurements of net defined benefit plans (assets) including actuarial gains and losses are recognized in other comprehensive income and are immediately reclassified from other comprehensive income to retained earnings.

(ii) Defined contribution plans

The contributions under the defined contribution plans are recognized as expenses in the period in which the employee renders the related service.

(iii) Multi-employer plans

Although the Company and certain of its subsidiaries have enrolled in a multi-employer defined benefit plan, sufficient information to allow for accounting as a defined benefit pension plan has not been made available. Accordingly, the contribution amount is recognized as an expense similarly to the contribution amounts under defined contribution plans.

(2) Others

Short-term employee benefits are recognized as expenses in the period in which the employee renders the related service without discounting.

Long-term employee benefits are the amounts of future benefit received by employees as consideration for services rendered in the prior and the current periods discounted to the present value.

Bonus payments and paid leave are recognized as liabilities in the estimated payment amount, where there is a legal or constructive obligation to pay and the obligation can be estimated reliably.

12) Stock-based compensation

The Company has adopted a stock option plan as an incentive plan for its members of the Managing Board and a portion of its employees. Stock options are estimated at fair value as of the grant date, and recognized as expenses from the grant date throughout the vesting period, while the corresponding amount is recognized as an increase in equity. The fair value of the vested stock options is calculated, upon taking into account the requirements of the stock option and using the Black-Scholes option-pricing model.

13) Provisions

Provisions are recognized if a present legal or constructive obligation exists as a result of past event that can be estimated reliably and it is probable that an outflow of resources with economic benefits will be required to settle the obligation.

When the time value of money is material, a provision is measured at the present value of the amount required to settle the present obligation.

14) Equity

(1) Common stock

The amount of common stock issued by the Company is recognized in capital stock and capital surplus, and direct issue costs (net of tax effect) are deducted from equity.

(2) Treasury stock

On the purchase of treasury stock, costs including direct transaction costs (net of tax effect) are deducted from equity. On the disposal of treasury stock, the consideration received is recognized as an increase in equity.

15) Revenues

The Group is engaged in the sales of diagnostic instruments and reagents, and the rendering of related services. This includes lease contracts for diagnostic instruments. Revenue is measured at fair value of the consideration received less discount, rebate and taxes including consumption taxes.

(1) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of goods have been transferred to the customer; neither continuing managerial involvement associated with ownership nor effective control is retained over the goods; there is a high probability that the economic benefits associated with the transaction will flow to the Group; and costs incurred and revenue in respect of the transaction can be measured reliably. Specifically, revenue is recognized at the time of shipment, customer receipt or customer approval after inspection, depending on when ownership and the risks thereof are transferred from the Group to the customer. Transactions in which the Group acts as an agent are presented on a net basis.

(2) Rendering of services

Services provided by the Group are mainly services incidental to the sales of products, including repairs and subcontracting of short-term maintenance.

Revenues from such transactions are recognized when all of the following conditions are met, depending on the stage of completion of the transaction at the end of the reporting period.

- The amount of revenue can be measured reliably;
- There is a high probability of receiving economic benefits associated with the transaction;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(3) Multiple-element arrangements

The Group enters into multiple-element arrangements that include various elements combining instruments, reagents, maintenance services, etc. If the elements meet all of the following requirements, the Group allocates the consideration for the transaction to each element according to the relative fair value of each element and revenue is recognized for each element.

- Each element has standalone value to the customer; and
- The fair value of each element can be measured reliably.

If the above requirements are not met, revenue is deferred as a single independent accounting unit until the undelivered products or services are delivered.

(4) Revenues from leases

Lease transactions are classified as finance leases whenever the contract transfers substantially all the risks and rewards of ownership to the lessee, while all other leases are classified as operating leases.

Revenues from finance leases are recognized according to the same accounting policies as those applied to the sales of goods. Financial income is recognized based on the effective interest method from the inception of the lease term. The interest rate used in the calculation represents the discount rate, which equalizes the aggregate present value of the minimum lease payments and the unguaranteed residual value with the sum of the fair value of the leased receivables and any initial direct costs of the lessor.

Revenues from operating leases are recognized in profit or loss on a straight-line basis over the lease term.

(5) Dividend and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established. Interest income is recognized based on principal and applicable effective interest rate on an accrual basis.

16) Government grants

Government grants are measured and recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. Government grants associated with expenses are recognized in revenue over the period the expenses, which the grant is intended to compensate, are incurred. For government grants associated with acquiring assets, the amounts of the grants are deducted from the costs of the assets and the carrying amounts of the assets are recognized.

17) Income taxes expenses

Income taxes expenses comprise current taxes and deferred taxes, and are recognized in net profit or loss, excluding items related to business combinations and items that are directly recognized in other comprehensive income or equity.

Current taxes are calculated based on the estimated payment to or refunds from the tax authorities based on tax rates and tax laws that are in force at the end of the fiscal year.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases. Deferred taxes are not recognized for the following temporary differences.

・ Temporary differences arising from the initial recognition of assets or liabilities in transactions that do not affect net profit or loss for either accounting purposes or their tax bases, excluding business combinations;

・ Temporary differences associated with investments in subsidiaries and associates and joint arrangements where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

・ Taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes are calculated at the tax rates that are expected to apply to the period when the temporary difference is reversed based on the tax laws that are in force or substantively in force at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the income taxes have been levied on the same taxable entity by the same tax authority.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and tax credits carried forward only to the extent that it is probable that there will be taxable profit against, which the deferred tax asset may be utilized. Deferred tax assets are reviewed at the end of each reporting period, and the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax asset to be utilized.

18) Earnings per share

Basic earnings per share are calculated by dividing profit for the fiscal period attributable to owners of the parent by the weighted-average number of common stock outstanding during the fiscal period, less the number of treasury stock during the fiscal period. Diluted earnings per share are calculated through adjustments for the effect of all potential dilutive common stock.

4. Segment information

1) Overview of reportable segments

The Group's reportable segments are the constituent business units of the Group for which separate financial data are available and that are examined on a regular basis for the purpose of enabling the Managing Board to allocate managerial resources and evaluate results of operations.

The Group is primarily engaged in the manufacture and sale of diagnostic instruments and reagents. These businesses are conducted in Japan by the Company, and in the Americas, EMEA, China and the Asia Pacific by regional headquarters established in those regions. These companies formulate overarching strategies tailored to regional characteristics and conduct business activities accordingly. Regional headquarters and other domestic and overseas subsidiaries are independent management units that handle production and sales for each region.

Accordingly, the Group has five reportable segments comprising geographical segments based on manufacturing and sales systems. These are "Japan," the "Americas," "EMEA," "China," and the "Asia Pacific."

2) Segment profit and operating results

Profit and operating results from continuing operations by reportable segment of the Group are as follows;

Intersegment sales are determined based on market prices or costs of goods manufactured.

Accounting policies of reporting segments are consistent with the Group's accounting policies noted in the "3. Significant accounting policies".

For the year ended March 31, 2016

(Unit: Millions of yen)

	Reportable segment						Reconciliations (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	43,008	55,946	68,453	65,144	20,069	252,622	—	252,622
Intersegment sales	101,012	866	1,929	5	105	103,918	(103,918)	—
Total	144,020	56,812	70,382	65,149	20,174	356,540	(103,918)	252,622
Segment profit	43,668	1,947	4,317	5,883	2,335	58,151	2,578	60,729
Financial income	—	—	—	—	—	—	—	382
Financial expenses	—	—	—	—	—	—	—	96
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	—	(465)
Foreign exchange gain (loss)	—	—	—	—	—	—	—	(2,741)
Profit before tax	—	—	—	—	—	—	—	57,809
Income taxes expenses	—	—	—	—	—	—	—	18,530
Profit	—	—	—	—	—	—	—	39,278
Other								
Depreciation and amortization (Note 3)	5,726	2,263	3,654	275	1,353	13,273	(1,162)	12,110

Notes:

1. Segment profit reconciliations of ¥2,578 million include ¥15 million for the elimination of intersegment transfers, ¥2,309 million for the adjustment of inventories and ¥253 million for the adjustment of non-current assets.
2. Segment profit is adjusted to coincide with operating profit in the consolidated statement of income.
3. The negative ¥1,162 million reconciliation in depreciation and amortization is an adjustment related to intersegment transactions.

For the year ended March 31, 2017

(Unit: Millions of yen)

	Reportable segment						Reconciliations (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	46,900	56,584	64,924	60,317	21,172	249,899	—	249,899
Intersegment sales	94,042	350	2,600	11	3	97,008	(97,008)	—
Total	140,942	56,935	67,525	60,328	21,176	346,908	(97,008)	249,899
Segment profit	35,673	3,204	4,994	3,597	1,845	49,315	2,386	51,701
Financial income	—	—	—	—	—	—	—	514
Financial expenses	—	—	—	—	—	—	—	372
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	—	(677)
Foreign exchange gain (loss)	—	—	—	—	—	—	—	(2,218)
Profit before tax	—	—	—	—	—	—	—	48,946
Income taxes expenses	—	—	—	—	—	—	—	8,493
Profit	—	—	—	—	—	—	—	40,453
Other								
Depreciation and amortization (Note 3)	6,352	2,035	3,344	295	1,326	13,353	(972)	12,381

Notes:

1. Segment profit reconciliations of ¥2,386 million include negative ¥4 million for the elimination of intersegment transfers, ¥2,227 million for the adjustment of inventories and ¥166 million for the adjustment of non-current assets.
2. Segment profit is adjusted to coincide with operating profit in the consolidated statement of income.
3. The negative ¥972 million reconciliation in depreciation and amortization is an adjustment related to intersegment transactions.

5. Per-share information

The basis for calculating basic profit per share and diluted profit per share is as follows.

	Year ended March 31, 2016	Year ended March 31, 2017
Basis for calculating basic earnings per share Profit attributable to owners of parent (Millions of yen) Profit not available to common shareholders of the parent (Millions of yen)	39,278 —	40,636 —
Profit used in calculating basic earnings per share (Millions of yen)	39,278	40,636
Average number of shares outstanding in fiscal year (Thousands of shares)	207,734	208,058
Basis for calculating diluted earnings per share Profit used in calculating basic earnings per share (Millions of yen) Profit adjustment (Millions of yen)	39,278 —	40,636 —
Profit used in calculating diluted earnings per share (Millions of yen)	39,278	40,636
Average number of shares outstanding in fiscal year (Thousands of shares) Increase in common stock due to subscription rights to shares (Thousands of shares)	207,734 856	208,058 609
Average number of shares outstanding in fiscal year after adjustment for dilution (Thousands of shares)	208,590	208,667

6. Significant subsequent event

Not applicable

7. Disclosure on transition to IFRS

The Group has prepared its consolidated financial statements in accordance with IFRS from the fiscal year under review.

The most recent consolidated financial statements prepared in accordance with J-GAAP were for the year ended March 31, 2016, and the date of transition to IFRS was April 1, 2015.

1) Exemptions of IFRS 1

IFRS 1 requires companies that are adopting IFRS for the first time to retrospectively apply standards under IFRS as a general rule. However, IFRS 1 prescribes exemption provisions of certain standards for which retrospective application is voluntary, and the Group has adopted such exemptions mainly to the following items.

・ Business combinations

IFRS 3 “Business Combinations” is not applied to business combinations executed prior to the date of transition to IFRS.

・ Cumulative amount of exchange differences on translating foreign operations

The cumulative amount of exchange differences on translating foreign operations as of the date of transition to IFRS has been reclassified in its entirety to retained earnings.

・ Deemed cost

For certain items of property, plant and equipment, their fair values as of the date of transition to IFRS are used as their deemed costs on the said date.

・ Financial instruments

The designation in accordance with IFRS 9, "Financial Instruments" for financial instruments recognized prior to the date of transition to IFRS is based on relevant facts and circumstances that existed at the date of transition to IFRS.

・ Share-based payment

IFRS 2, "Share-based Payment" has not been retrospectively applied to share-based payment vested prior to the date of transition to IFRS.

2) Mandatory exceptions to the retrospective application of IFRS 1

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

3) Adjustments

When preparing the consolidated financial statements in accordance with IFRS, the Company has adjusted the amounts in the consolidated financial statements prepared in accordance with J-GAAP. The effects of the transition from J-GAAP to IFRS on the Group's financial condition, operating results and cash flows are as follows.

(1) Reconciliation of equity

(i) Date of transition to IFRS (April 1, 2015)

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	50,272	(52)	(605)	49,613	A	Cash and cash equivalents
		54,327	(665)	53,662	A	Trade and other receivables
Notes and accounts receivable-trade	53,038	(53,038)				
Lease investment assets	5,413	(5,413)				
Short-term investment securities	240	(240)				
		29,888	78	29,966	A	Inventories
Merchandise and finished goods	22,737	(22,737)				
Work in process	2,869	(2,869)				
Raw materials and supplies	4,281	(4,281)				
		298		298		Other short-term financial assets
		236	(13)	223	A	Income taxes receivables
Deferred tax assets	8,987	(8,987)				
Prepaid expenses	1,991	(1,991)				
Short-term loans receivable	1	(1)				
Others	4,890	1,399	194	6,484	A	Other current assets
Allowance for doubtful accounts	(575)	575				
Total current assets	154,148	(12,889)	(1,011)	140,248		Total current assets

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Non-current assets						Non-current assets
Property, plant and equipment	59,061		(2,226)	56,835	A,B,D	Property, plant and equipment
Goodwill	12,114		(4,921)	7,192	A,D	Goodwill
Intangible assets (Excluding goodwill)	11,668		(70)	11,598	A,D,E	Intangible assets
		1,931	5	1,937		Investments accounted for using the equity method
		3,901		3,901		Trade and other receivables
		6,112	327	6,440	F	Other long-term financial assets
Investment securities	7,174	(7,174)				
Long-term loans receivable	11	(11)				
Net defined benefit assets	960			960		Asset for retirement benefits
Long-term prepaid expenses	419	(419)				
Others	2,161	(443)	0	1,717	A	Other non-current assets
Deferred tax assets	267	8,987	(2,776)	6,478	A,K	Deferred tax assets
Allowance for doubtful accounts	(3)	3				
Total non-current assets	93,835	12,889	(9,662)	97,062		Total non-current assets
Total assets	247,983	—	(10,673)	237,310		Total assets

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Liabilities Current liabilities						Liabilities Current liabilities
		22,098	677	22,776	A,H	Trade and other payables
Notes and accounts payable-trade	15,965	(15,965)				
		600	400	1,001	A,L	Other short-term financial liabilities
Current portion of lease obligations	50	(50)				
Income taxes payable	9,639		(220)	9,418	A,H	Income taxes payable
Deferred tax liabilities	101	(101)				
		456	(6)	450	A	Provisions
		10,228	128	10,357	A	Advances received
Accrued expenses	8,301		(164)	8,137	A	Accrued expenses
Provision for bonuses	6,119		11	6,130	A	Accrued bonuses
Provision for directors' bonuses	411	(411)				
Provision for product warranties	456	(456)				
Others	24,124	(16,004)	965	9,084	A,G	Other current liabilities
Total current liabilities	65,170	394	1,791	67,355		Total current liabilities
Non-current liabilities						Non-current liabilities
		199	143	342	A,L	Long-term financial liabilities
Lease obligations	199	(199)				
Provision for directors' retirement benefits	102	(102)				
Net defined benefit liabilities	460	102	(0)	562	A	Liability for retirement benefits
		124	2,187	2,312	J	Provisions
Others	3,507	(620)	208	3,094	G	Other non-current liabilities
Deferred tax liabilities	8,993	101	(3,426)	5,669	A,K	Deferred tax liabilities
Total non-current	13,262	(394)	(887)	11,980		Total non-current

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
liabilities						liabilities
Total liabilities	78,432	—	903	79,336		Total Liabilities

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Net assets						Equity
Shareholders' equity						Equity attributable to owners of the parent
Capital stock	10,483			10,483		Capital stock
Capital surplus	15,423	1,024	(107)	16,340	N	Capital surplus
Retained earnings	129,703		479	130,183	Q	Retained earnings
Treasury stock	(280)			(280)		Treasury stock
Total shareholders' equity	155,330					
Accumulated other comprehensive income	13,196		(11,949)	1,246	A,F,I,O	Other components of equity
				157,972		Total equity attributable to owners of the parent
Subscription rights to shares	1,024	(1,024)				
Minority interests			0	0	A	Non-controlling interests
Total net assets	169,550	—	(11,577)	157,973		Total equity
Total liabilities and net assets	247,983	—	(10,673)	237,310		Total liabilities and equity

(ii) As of March 31, 2016

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	56,544	(62)		56,481		Cash and cash equivalents
		57,652		57,652		Trade and other receivables
Notes and accounts receivable-trade	55,505	(55,505)				
Lease investment assets	8,535	(8,535)				
Short-term investment securities	299	(299)				
		35,623	(18)	35,604		Inventories
Merchandise and finished goods	27,056	(27,056)				
Work in process	2,984	(2,984)				
Raw materials and supplies	5,581	(5,581)				
		615		615		Other short-term financial assets
		453		453		Income taxes receivables
Deferred tax assets	7,911	(7,911)				
Prepaid expenses	2,201	(2,201)				
Others	6,632	818		7,450		Other current assets
Allowance for doubtful accounts	(588)	588				
Total current assets	172,665	(14,388)	(18)	158,258		Total current assets

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Non-current assets						Non-current assets
Property, plant and equipment	61,235		(1,953)	59,282	B,D	Property, plant and equipment
Goodwill	9,085		(2,164)	6,921	C,D	Goodwill
Intangible assets (Excluding goodwill)	14,155		2,526	16,682	D,E	Intangible assets
		2,047	42	2,089	C	Investments accounted for using the equity method
		6,476		6,476		Trade and other receivables
		5,607	402	6,010	F	Other long-term financial assets
Investment securities	6,753	(6,753)				
Net defined benefit assets	582			582		Asset for retirement benefits
Long-term prepaid expenses	581	(581)				
Others	2,253	(324)		1,928		Other non-current assets
Deferred tax assets	329	7,911	(2,556)	5,684	K	Deferred tax assets
Allowance for doubtful accounts	(3)	3				
Total non-current assets	94,973	14,388	(3,702)	105,659		Total non-current assets
Total assets	267,638	—	(3,720)	263,917		Total assets

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Liabilities Current liabilities						Liabilities Current liabilities
		26,111	712	26,824	H	Trade and other payables
Notes and accounts payable-trade	19,873	(19,873)				
		644	143	788	L	Other short-term financial liabilities
Current portion of lease obligations	149	(149)				
Income taxes payable	6,817		(306)	6,511	H	Income taxes payable
Deferred tax liabilities	315	(315)				
		554		554		Provisions
		10,431		10,431		Advances received
Accrued expenses	6,864			6,864		Accrued expenses
Provision for bonuses	6,538			6,538		Accrued bonuses
Provision for directors' bonuses	526	(526)				
Provision for product warranties	554	(554)				
Others	24,254	(16,144)	1,273	9,383	G,M	Other current liabilities
Total current liabilities	65,895	176	1,823	67,896		Total current liabilities
Non-current liabilities						Non-current liabilities
		734		734		Long-term financial liabilities
Lease obligations	733	(733)				
Provision for directors' retirement benefits	102	(102)				
Net defined benefit liabilities	463	102		566		Liability for retirement benefits
		123	2,218	2,341	J	Provisions
Others	3,568	(617)	240	3,192	G	Other non-current liabilities
Deferred tax liabilities	8,778	315	(2,709)	6,384	K	Deferred tax liabilities
Total non-current liabilities	13,646	(176)	(250)	13,219		Total non-current liabilities
Total liabilities	79,542	—	1,573	81,116		Total Liabilities

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Net assets						Equity
Shareholders' equity						Equity attributable to owners of the parent
Capital stock	11,016			11,016		Capital stock
Capital surplus	15,957	1,097	(85)	16,969	N	Capital surplus
Retained earnings	155,562		3,812	159,375	Q	Retained earnings
Treasury stock	(285)			(285)		Treasury stock
Total shareholders' equity	182,251					
Accumulated other comprehensive income	4,745		(9,021)	(4,275)	F,I,O,P	Other components of equity
				182,800		Total equity attributable to owners of the parent
Subscription rights to shares	1,097	(1,097)				
Non-controlling interests	0			0		Non-controlling interests
Total net assets	188,095	—	(5,294)	182,801		Total equity
Total liabilities and net assets	267,638	—	(3,720)	263,917		Total liabilities and equity

(2) Reconciliation of profit and comprehensive income
Year ended March 31, 2016

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Net sales	253,157		(535)	252,622	M	Net sales
Cost of sales	102,063		(130)	101,932	D,E,G, H,I,J, M	Cost of sales
Gross profit	151,093	―	(404)	150,689		Gross profit
Selling, general and administrative expenses	94,131	(17,775)	(1,784)	74,571	C,D,E, G,H,I,J	Selling, general and administrative expenses
		17,775	(2,365)	15,409	E,G,H, I,J	Research and development expenses
		611	(0)	610		Other operating income
		605	(16)	588	D	Other operating expenses
Operating income	56,962	5	3,761	60,729		Operating profit
		374	7	382	L	Financial income
		96		96		Financial expenses
		(502)	36	(465)	C	Share of profit (loss) of associates accounted for using the equity method
		(2,743)	2	(2,741)		Foreign exchange gain (loss)
Non-operating income	963	(963)				
Non-operating expenses	3,582	(3,582)				
Extraordinary profits	1,082	(22)	(1,059)		I	
Extraordinary loss	764	(364)	(400)		F	
Income before income taxes	54,660	―	3,149	57,809		Profit before tax
		18,426	103	18,530	K	Income taxes expenses
Income taxes-current	16,513	(16,513)				
Income taxes-deferred	1,912	(1,912)				
Profit	36,233	―	3,045	39,278		Profit

(Unit: Millions of yen)

Account item of J-GAAP	J-GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Account item of IFRS
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to profit or loss
Valuation difference on available-for-sale securities	(196)		(234)	(430)	F	Net gain (loss) on financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(1,256)		719	(536)	I	Remeasurements of defined benefit plans
				(967)		Total
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustment	(6,999)		1,907	(5,091)	P	Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	1		(1)			
				(5,091)		Total
Total other comprehensive income	(8,450)	―	2,391	(6,059)		Total other comprehensive income
Comprehensive income	27,782	―	5,436	33,219		Comprehensive income

4) Notes to adjustments

(1) Reclassification

Reclassification involved making changes to the presentation of the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income but the amounts of retained earnings were not affected.

In order to comply with the provisions of IFRS, the Group reclassified the following major items.

・ "Deferred tax assets" and "Deferred tax liabilities" presented as current items under J-GAAP have been presented as non-current items under IFRS.

・ "Lease investment assets" presented as a current item under J-GAAP has been presented, in the case of lease receivables for which recovery is expected to take more than one year, as a non-current item, "Trade and other receivables" under IFRS.

・ Research & Development (R&D) expenses presented as part of "Selling, general and administrative expenses" under J-GAAP have been presented separately as "R&D expenses" under IFRS.

(2) Differences in recognition and measurement

A. Change in reporting date

In accordance with the change of fiscal year-end of part of the subsidiaries from December 31 to March 31, their operating results for the three-month period from January 1, 2015 to March 31, 2015 are included in the consolidated statement of changes in equity by directly charging retained earnings as a decrease under J-GAAP. However, under IFRS, the results are included in related account as of the date of transition.

B. Property, plant and equipment

Exemption provisions of IFRS 1 have been applied to certain property, plant and equipment, and their fair values as of the date of transition to IFRS have been used as their deemed costs. The previous carrying amounts and fair values of property, plant and equipment using deemed costs as of the date of transition to IFRS were ¥10,481 million and ¥9,602 million, respectively. These property, plant and equipment are valued based on independent appraisals, prices for similar assets or discounted future cash flows whichever management considers the most appropriate and categorized as level 3.

C. Goodwill

Under J-GAAP, goodwill was amortized on a systematic basis over the period in which its effects were expected to occur, while under IFRS, goodwill has not been amortized since the date of transition to IFRS.

D. Impairment

Under J-GAAP, the need for impairment of goodwill was determined only in cases where indications of impairment were present. Under IFRS, however, impairment testing of goodwill is required every period, regardless of whether any indications of impairment exist. In addition, under J-GAAP, impairment losses on non-current assets were recognized at the excess of the carrying amount over the recoverable amount (the higher of the value in use and fair value less costs of disposal) when and only when indications of impairment existed, and upon comparison of the carrying amounts of non-current assets with the undiscounted future cash flows, the carrying amounts exceeded the undiscounted future cash flows, in the amount of the excess of the carrying amount over the fair value. Under IFRS, however, impairment losses on non-current assets are recognized, upon impairment testing, in the amount of excess of the carrying amount of the non-current asset over the recoverable amount.

Major impairment losses arising at the date of transition as a result of the above differences between J-GAAP and IFRS include, in the EMEA segment, ¥5,907 million associated with a group of cash-generating units including goodwill arising from the business combination of Sysmex Inostics GmbH and its subsidiary; ¥992 million associated with a group of cash-generating units including goodwill arising from the business combination of HYPHEN BioMed, SAS; and ¥41 million associated with a group of cash-generating units including goodwill arising from other business combinations, the total amount of which has been recorded as a reduction of the carrying amounts of property, plant and equipment; goodwill; and intangible assets. The recoverable amounts of these groups of cash-generating units have been calculated based on value in use. In the calculation of value in use, a discount rate as of the date of transition based on the weighted-average cost of equity has been used.

E. R&D expenses

Under J-GAAP, all expenditures for research and development were recognized as expenses when incurred. Under IFRS, however, expenditures for research and development that meet capitalization requirements are recognized as intangible assets.

F. Financial instruments

Under J-GAAP, securities without a market value were measured at cost, as a general rule, and impairment losses were recognized as necessary. Under IFRS, however, such securities are measured at fair value, as a general rule.

In addition, under J-GAAP, gains or losses on the sale of securities were recognized in net profit or loss. Under IFRS, however, changes in the fair value of equity instruments may be recognized in other comprehensive income, and if such changes are to be recognized in other comprehensive income, the gains or losses on the sale of such equity instruments are recognized in other comprehensive income and not reclassified to net profit or loss.

G. Unused paid leave

Under J-GAAP, unused paid leave was not accounted for according to generally accepted accounting practices. Under IFRS, however, unused paid leave is recognized as a liability.

H. Levies

Under IFRS, the timing of when to recognize the liabilities related to the payment of levies imposed by the government is clarified and liabilities are recognized according to the event obligating the payment.

I. Post-employment benefits

Under J-GAAP, actuarial differences and prior service costs were recognized as accumulated other comprehensive income and subsequently accounted for as expenses over certain future periods. Under IFRS, however, actuarial differences are recognized as other comprehensive income (Remeasurements of defined benefit plans) when they occur, and prior service costs are recognized in net profit or loss when incurred. Starting from April 1, 2015, the Company transitioned to a cash balance plan as a defined benefit plan, and upon termination of a portion of this plan transitioned to a defined contribution plan. In conjunction with this transition, the Company recognized prior service costs and gains and losses on liquidation as extraordinary gains in the previous fiscal year under J-GAAP, while under IFRS, they are recognized as decreases in “Cost of sales”, “Selling, general and administrative expenses”, and “R&D expenses”.

J. Special contributions to multi-employer plans

Under J-GAAP, special contributions to multi-employer plans were accounted for as expenses at the time of contribution of the amount to be borne by the Group. Under IFRS, however, liabilities are recognized for the portion in which the amount to be borne by the Group has been clarified through the recalculation of finances, and subsequently such liabilities are reversed upon payment of the special contribution.

K. Deferred tax assets and deferred tax liabilities

Under J-GAAP, tax effects associated with the elimination of unrealized gains and losses were calculated using the effective tax rate of the seller. Under IFRS, however, the effective tax rate of the buyer is used.

In addition, changes have occurred in deferred tax assets due to factors, including temporary differences arising as a result of adjustments of differences with IFRS, and a review of the recoverability of all deferred tax assets.

L. Contingent consideration

Under J-GAAP, contingent consideration in a business combination was recognized at the point where its grant or delivery became certain. Under IFRS, however, contingent considerations are recognized at fair value as of the acquisition date.

M. Sale and leaseback transactions

Under J-GAAP, gains and losses on sales related to the sale and leaseback transactions of certain subsidiaries were recognized at the time of sales. Under IFRS, however, gains on sales are deferred and recognized throughout the lease term.

N. Costs of equity transactions

Under J-GAAP, costs of equity transactions were accounted for as expenses, as a general rule. Under IFRS, however, costs of equity transactions are deducted from equity.

O. Other components of equity

The exemption provisions of IFRS 1 have been applied to the amount of exchange differences on translating foreign operations and accordingly the cumulative amount of exchange differences on translating foreign operations is deemed to be nil as of the date of transition to IFRS and the entire amount has been reclassified to retained earnings.

P. Translation adjustment related to other reclassification

Foreign exchange translation differences related to other reclassification of foreign operations have been adjusted.

Q. Retained earnings

The effects of the above adjustments on retained earnings are as follows.

(Millions of yen)

	Date of transition to IFRS (April 1, 2015)	Year ended March 31, 2016
Adjustments related to the change in reporting date (See A)	(2,789)	(1,837)
Adjustments related to the deemed costs of property, plant and equipment (See B)	(879)	(879)
Adjustments related to the amortization of goodwill (See C)	—	1,544
Adjustments related to recording of impairment losses (See D)	(6,941)	(6,572)
Adjustments related to the capitalization of development expenses (See E)	2,321	4,240
Adjustments related to securities (See F)	349	623
Adjustments related to unused paid leave (See G)	(1,239)	(1,448)
Adjustments related to levies (See H)	(391)	(403)
Adjustments related to remeasurements of defined benefit plans (See I)	1,400	208
Adjustments related to special contributions to multi-employer plans (See J)	(2,187)	(2,218)
Adjustments related to contingent consideration (See L)	(547)	(137)
Adjustments related to the amount of exchange differences on translating foreign operations (See O)	10,428	10,428
Others	207	26
Subtotal	(268)	3,573
Adjustments related to tax effects (See K)	747	239
Adjustments related to non-controlling interests	0	0
Total	479	3,812

5) Notes on adjustments of cash flows

Year ended March 31, 2016 (April 1, 2015, to March 31, 2016)

"Cash flows from operating activities" increased by ¥2,227 million and "Cash flows from investing activities" decreased by the same. The major adjustment is, under J-GAAP, all expenditures for research and development were classified under "Cash flows from operating activities." Under IFRS, however, capitalized development expenses are classified under "Cash flows from investing activities."

4. Others

Not applicable