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# ***Sysmex Corporation and Its Subsidiaries***

*Consolidated Financial Statements as of and  
for the Year Ended March 31, 2021  
and Independent Auditor's Report*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

### Opinion

We have audited the consolidated financial statements of Sysmex Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of goodwill related to affiliated companies	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 11, "IMPAIRMENT OF NON-FINANCIAL ASSETS," the amount of goodwill reported in the consolidated financial statements as of March 31, 2021 was ¥12,433 million, and the amount related to the cash generating unit to which Sysmex Partec GmbH ("Sysmex Partec") belongs was ¥4,038 million.</p> <p>The Group tests impairment for goodwill at least once a year, and if any indications of impairment exist, impairment testing is performed each time such indications of impairment become apparent. In performing the goodwill impairment test, the recoverable amount is calculated based on the value in use of the cash generating unit and compared to its carrying value to evaluate whether impairment should be recognized. The value in use is the present value calculated by discounting estimated future cash flows based on the financial budget for one to five years, which is approved by management of the cash generating unit and a growth rate.</p> <p>The financial budget used in the impairment test reflects the medium-term demand outlook for the products including those newly introduced and the results of business-related initiatives being undertaken. Therefore, it is necessary to estimate the timing of introduction of new products to the market, sales volume, price, and associated costs of these products. Additionally, the growth rate should take into account the long-term average growth rate for the country to which the cash generating unit belongs, and the discount rate should be calculated based on the weighted average cost of capital for the market or country to which the cash generating unit belongs. These estimates are largely affected by management's assumptions and judgments, and the estimates used in the impairment test of goodwill related to Sysmex Partec require particularly careful consideration due to the uncertainty of the timing of introduction of new products to the market and the market response and Sysmex Partec's past business performance given that new products are launched in Sysmex Partec's business. Taking these factors into consideration, we identified the valuation of goodwill related to Sysmex Partec as a key audit matter.</p>	<p>We performed the following procedures on the goodwill impairment test for the cash generating unit of Sysmex Partec:</p> <ul style="list-style-type: none"> <li>● We obtained an understanding of the process related to the goodwill impairment test, and evaluated the design and operating effectiveness of the related controls.</li> <li>● We tested the identification of the cash generating unit, to which the goodwill is related, considering its consistency with the organizational structures and internal reporting systems of the Group.</li> <li>● We assessed the level of competence and capabilities of management's experts who calculated the discount rate, considering their expertise and experience.</li> <li>● We tested the value in use based on the discounted present value of future cash flows by performing the following procedures: <ol style="list-style-type: none"> <li>1. For the financial budget that future cash flows are based on, we inspected the supporting documents and related evidences and made inquiries of the appropriate responsible persons to primarily determine whether the projections for the timing of introduction of products to the market, the breakdown of sales volume, price, and each associated cost of the forthcoming new products reflected the results of the market environment analysis and the activities to market the products, as well as the most recent facts available.</li> <li>2. We evaluated whether assumptions used in the financial budget fell within a reasonable range by comparing the past financial budgets to the actual financial performance.</li> <li>3. With the assistance of our valuation specialists, we evaluated the discount rate by testing whether the calculation method, indicators, and assumptions used in the calculation of the discount rate were within the range of what is considered reasonable based on market conditions and observable data.</li> <li>4. With the assistance of our valuation specialists, we evaluated the growth rate by testing whether it was within the range of what is considered reasonable based on market conditions and observable data.</li> <li>5. We tested the reasonableness of the calculation logic used in the impairment test, including the calculation of the value in use.</li> </ol> </li> </ul>

## **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Debitte Tanne Johnston LLC*

June 25, 2021

## Systemx Corporation and Its Subsidiaries

### Consolidated Statement of Financial Position As of March 31, 2021

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2021	2020	2021
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	¥ 66,467	¥ 56,592	\$ 598,802
Trade and other receivables	7, 15, 29	100,641	85,650	906,676
Inventories	8	46,985	48,303	423,288
Other short-term financial assets	18, 29	1,105	421	9,955
Income taxes receivable		909	546	8,189
Other current assets	19, 21	14,723	14,191	132,640
<b>Total current assets</b>		<b>230,833</b>	<b>205,704</b>	<b>2,079,577</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	96,140	96,839	866,126
Goodwill	10, 11	12,433	11,271	112,009
Intangible assets	10, 11	46,840	39,543	421,982
Investments accounted for using the equity method	12	1,093	2,945	9,847
Trade and other receivables	7, 15, 29	15,202	12,845	136,955
Other long-term financial assets	12, 18, 29	7,945	6,192	71,577
Asset for retirement benefits	17	923	897	8,315
Other non-current assets	19	9,337	5,810	84,117
Deferred tax assets	14	6,724	7,240	60,577
<b>Total non-current assets</b>		<b>196,641</b>	<b>183,586</b>	<b>1,771,541</b>
<b>Total assets</b>		<b>¥ 427,475</b>	<b>¥ 389,291</b>	<b>\$ 3,851,126</b>

See notes to consolidated financial statements.

## Systemex Corporation and Its Subsidiaries

### Consolidated Statement of Financial Position As of March 31, 2021

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2021	2020	2021
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 29	¥ 34,159	¥ 33,917	\$ 307,739
Lease liabilities	15, 27, 29	5,783	5,701	52,099
Other short-term financial liabilities	18, 29	1,529	552	13,775
Income taxes payable		6,563	5,673	59,126
Provisions	16	1,002	751	9,027
Contract liabilities	21	12,168	12,001	109,622
Accrued expenses		14,227	12,508	128,171
Accrued bonuses		8,508	7,591	76,649
Other current liabilities	19	5,964	5,448	53,730
Total current liabilities		89,907	84,145	809,973
Non-current liabilities				
Lease liabilities	15, 27, 29	16,178	16,935	145,748
Other long-term financial liabilities	18, 29	108	269	973
Liability for retirement benefits	17	1,071	925	9,649
Provisions	16	265	255	2,387
Other non-current liabilities	19	4,060	2,061	36,577
Deferred tax liabilities	14	7,212	6,351	64,973
Total non-current liabilities		28,898	26,798	260,342
Total liabilities		118,806	110,944	1,070,324
Equity				
Equity attributable to owners of the parent				
Capital stock	20	13,229	12,877	119,180
Capital surplus	20	19,581	18,487	176,405
Retained earnings	20	279,477	261,321	2,517,811
Treasury stock	20	(307)	(306)	(2,766)
Other components of equity	20	(4,082)	(14,697)	(36,775)
Total equity attributable to owners of the parent		307,898	277,683	2,773,856
Non-controlling interests		771	663	6,946
Total equity		308,669	278,347	2,780,802
Total liabilities and equity		¥ 427,475	¥ 389,291	\$ 3,851,126

See notes to consolidated financial statements.

## Systemex Corporation and Its Subsidiaries

### Consolidated Statement of Income For the Year Ended March 31, 2021

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2021	2020	2021
Net sales	5, 21	¥ 305,073	¥ 301,980	\$ 2,748,405
Cost of sales	22	150,770	142,173	1,358,288
Gross profit		154,302	159,807	1,390,108
Selling, general and administrative expenses	22	80,839	83,545	728,279
Research and development expenses	22	22,517	21,761	202,856
Other operating income	23	1,637	1,486	14,748
Other operating expenses	23	790	702	7,117
Operating profit		51,792	55,284	466,595
Financial income	24	420	595	3,784
Financial expenses	24	866	1,031	7,802
Share of loss on equity method	12	(3,083)	(2,398)	(27,775)
Foreign exchange loss		(230)	(3,017)	(2,072)
Profit before tax		48,033	49,433	432,730
Income tax expenses	14	14,930	14,619	134,505
Profit		¥ 33,103	¥ 34,813	\$ 298,225
Profit attributable to				
Owners of the parent		¥ 33,142	¥ 34,883	\$ 298,577
Non-controlling interests		(39)	(69)	(351)
Profit		¥ 33,103	¥ 34,813	\$ 298,225
		Yen		U.S. Dollars
Earnings per share				
Basic	26	¥158.65	¥167.10	\$1.43
Diluted	26	158.39	166.93	1.43

See notes to consolidated financial statements.



## Systemx Corporation and Its Subsidiaries

### Consolidated Statement of Comprehensive Income For the Year Ended March 31, 2021

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2021	2020	2021
Profit		¥ 33,103	¥ 34,813	\$ 298,225
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Net (loss) gain on financial assets measured at fair value through other comprehensive income	25	608	(588)	5,477
Remeasurements of defined benefit plans	25	11	21	99
Total		620	(567)	5,586
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	25	10,070	(6,882)	90,721
Share of other comprehensive income (loss) of investments accounted for using the equity method	12, 25	(25)	(0)	(225)
Total		10,045	(6,883)	90,495
Total other comprehensive (loss) income		10,665	(7,450)	96,081
Comprehensive income		¥ 43,768	¥ 27,363	\$ 394,306
Comprehensive income attributable to				
Owners of the parent		¥ 43,807	¥ 27,433	\$ 394,658
Non-controlling interests		(39)	(69)	(351)
Comprehensive income		¥ 43,768	¥ 27,363	\$ 394,306

See notes to consolidated financial statements.

## Systemex Corporation and Its Subsidiaries

### Consolidated Statement of Changes in Equity For the Year Ended March 31, 2021

	Millions of Yen								
	Notes	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, 2019		¥ 12,654	¥ 17,876	¥241,445	¥ (302)	¥ (7,225)	¥264,448	¥ 733	¥265,182
Profit				34,883			34,883	(69)	34,813
Other comprehensive income (loss)						(7,450)	(7,450)	0	(7,450)
Comprehensive income (loss)				34,883		(7,450)	27,433	(69)	27,363
Exercise of warrants	20, 28	223	125				348		348
Stock-based compensation	28		485				485		485
Cash dividends	20			(15,028)			(15,028)		(15,028)
Purchase of treasury stock	20				(3)		(3)		(3)
Disposal of treasury stock	20								
Transfer to retained earnings	20			21		(21)			
Establishment of subsidiary with non-controlling interests									
Change in non-controlling interests due to capital increase of subsidiary									
Total transactions with the owners		223	610	(15,006)	(3)	(21)	(14,198)		(14,198)
As of March 31, 2020		12,877	18,487	261,321	(306)	(14,697)	277,683	663	278,347
Profit				33,142			33,142	(39)	33,103
Other comprehensive income (loss)						10,665	10,665	(0)	10,665
Comprehensive income (loss)				33,142		10,665	43,807	(39)	43,768
Exercise of warrants	20, 28	352	197				549		549
Stock-based compensation	28		896				896		896
Cash dividends	20			(15,037)			(15,037)		(15,037)
Purchase of treasury stock	20				(1)		(1)		(1)
Disposal of treasury stock	20		0		0		0		0
Transfer to retained earnings	20			50		(50)			
Establishment of subsidiary with non-controlling interests								49	49
Change in non-controlling interests due to capital increase of subsidiary								98	98
Total transactions with the owners		352	1,093	(14,987)	(1)	(50)	(13,593)	147	(13,446)
As of March 31, 2021		¥ 13,229	¥ 19,581	¥279,477	¥ (307)	¥ (4,082)	¥307,898	¥ 771	¥308,669

	Thousands of U.S. Dollars (Note 2)								
	Notes	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 March 31, 2020		\$116,009	\$166,550	\$2,354,243	\$ (2,757)	\$ (132,405)	\$2,501,649	\$ 5,973	\$2,507,631
Profit				298,577			298,577	(351)	298,225
Other comprehensive income (loss)						96,081	96,081	(0)	96,081
Comprehensive income (loss)				298,577		96,081	394,658	(351)	394,306
Exercise of warrants	20, 28	3,171	1,775				4,946		4,946
Stock-based compensation	28		8,072				8,072		8,072
Cash dividends	20			(135,468)			(135,468)		(135,468)
Purchase of treasury stock	20				(9)		(9)		(9)
Disposal of treasury stock	20		0		0		0		0
Transfer to retained earnings	20			450		(450)			
Establishment of subsidiary with non-controlling interests								441	441
Change in non-controlling interests due to capital increase of subsidiary								883	883
Total transactions with the owners		3,171	9,847	(135,018)	(9)	(450)	(122,459)	1,324	(121,135)
As of March 31, 2021		\$119,180	\$176,405	\$2,517,811	\$ (2,766)	\$ (36,775)	\$2,773,856	\$ 6,946	\$2,780,802

See notes to consolidated financial statements.

## Systemex Corporation and Its Subsidiaries

### Consolidated Statement of Cash Flows For the Year Ended March 31, 2021

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2021	2020	2021
<b>Operating activities</b>				
Profit before tax		¥ 48,033	¥ 49,433	\$ 432,730
Depreciation and amortization		25,575	23,955	230,405
Interest and dividend income		(277)	(343)	(2,495)
Interest expenses		767	911	6,910
Share of loss on equity method		3,083	2,398	27,775
(Increase) in trade receivables		(9,066)	(4,423)	(81,676)
Decrease (increase) in inventories		3,851	(9,807)	34,694
Increase (decrease) in trade payables		(834)	2,762	(7,514)
Increase in accrued expenses		1,055	2,212	9,505
Decrease/increase in consumption taxes receivable/payable		(56)	(1,134)	(505)
Decrease (increase) in asset for retirement benefits		(9)	50	(81)
Increase (decrease) in contract liabilities		(314)	3,292	(2,829)
Increase in accrued bonuses		625	102	5,631
Other – net		68	505	613
<b>Subtotal</b>		<b>72,501</b>	<b>69,914</b>	<b>653,162</b>
Interest and dividend received		232	280	2,090
Interest paid		(748)	(804)	(6,739)
Income taxes paid		(13,172)	(16,208)	(118,667)
<b>Net cash provided by operating activities</b>		<b>58,813</b>	<b>53,182</b>	<b>529,847</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(9,930)	(13,629)	(89,459)
Proceeds from sales of property, plant and equipment		439	325	3,955
Purchase of intangible assets		(15,863)	(12,843)	(142,910)
Increase in long-term prepaid expenses		(4,050)	(2,487)	(36,486)
Purchase of investments in equity instruments		(623)	(4,554)	(5,613)
Acquisitions of subsidiaries or other businesses		(343)		(3,090)
Payments into time deposits		(2,058)	(231)	(18,541)
Refund of time deposits		1,438	7,327	12,955
Other – net		(139)	185	(1,252)
<b>Net cash used in investing activities</b>		<b>(31,131)</b>	<b>(25,906)</b>	<b>(280,459)</b>
<b>Financing activities</b>				
Exercise of warrants		549	348	4,946
Dividends paid	20	(15,037)	(15,028)	(135,468)
Repayment of lease liabilities	15, 27	(5,911)	(5,913)	(53,252)
Other – net		145	(3)	1,306
<b>Net cash used in financing activities</b>		<b>(20,253)</b>	<b>(20,597)</b>	<b>(182,459)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b>				
		2,447	(1,147)	22,045
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>9,875</b>	<b>5,530</b>	<b>88,964</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>56,592</b>	<b>51,062</b>	<b>509,838</b>
<b>Cash and cash equivalents, end of year</b>		<b>¥ 66,467</b>	<b>¥ 56,592</b>	<b>\$ 598,802</b>

See notes to consolidated financial statements.

# **Sysmex Corporation and Its Subsidiaries**

## **Notes to Consolidated Financial Statements As of and for the Year Ended March 31, 2021**

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### **1. REPORTING ENTITY**

Sysmex Corporation (the "Company") is incorporated in Japan. The address of its registered headquarters is in Chuo-ku, Kobe. The consolidated financial statements of the Company have an annual closing date of March 31 and comprise the Company and its subsidiaries (collectively, the "Group") and equity interests in associates and joint ventures. The Group and the Company's associates and joint ventures are primarily engaged in the "health care business," providing diagnostic products and related services.

### **2. BASIS OF PREPARATION**

(1) Compliance of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

The Company meets the requirements of a "specified company" as set forth in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements." Accordingly, the Company has prepared the consolidated financial statements in accordance with IFRS pursuant to the provisions of Article 93 of the ordinance.

The consolidated financial statements of the Company were approved by Hisashi Ietsugu, Chairman and CEO on June 25, 2021.

(2) Basis for measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets, liabilities, and financial instruments that are measured at fair value, as stated in "3. SIGNIFICANT ACCOUNTING POLICIES."

(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.

(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 judgments of management, which take into account historical experience and various factors that are believed reasonable as of the reporting date. However, actual results in the future may differ from these estimates and assumptions.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of a change in an accounting estimate are recognized prospectively by including it in profit or loss in the period of the change and future 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 (Refer to "9. PROPERTY, PLANT AND EQUIPMENT" and "10. GOODWILL AND INTANGIBLE ASSETS")
- Impairment of non-financial assets (Refer to "11. IMPAIRMENT OF NON-FINANCIAL ASSETS")
- Recoverability of deferred tax assets (Refer to "14. INCOME TAXES")
- Lease term of right-of-use assets (Refer to "15. LEASES")
- Measurements of defined benefit obligations (assets) (Refer to "17. POST-EMPLOYMENT BENEFITS")
- Revenues (Refer to "21. REVENUES")
- Fair values of financial instruments (Refer to "29. FINANCIAL INSTRUMENTS")
- Fair values of assets acquired and liabilities assumed in a business combination (Refer to "30. BUSINESS COMBINATIONS")
- Evaluation of a contingent consideration in a business combination (Refer to "30. BUSINESS COMBINATIONS")

#### (5) U.S. dollar amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to \$1, the approximate rate of exchange at March 31, 2021. U.S. dollar amounts are rounded to the nearest thousand. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 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

A subsidiary is an entity controlled by the Company. The Company controls an entity when 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 the Company obtains control to the date the Company loses control.

All subsidiaries that are included in the Group adopt common accounting policies.

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

Changes in the ownership interest in subsidiaries that do not result in 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

An associate is an entity over which the Company has significant influence, but does not have control over the financial and operating policies of such entity.

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 the Company obtains significant influence to the date the Company loses significant influence.

#### (2) Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of the acquired entity are measured at their acquisition-date fair values.

If the cost of an acquisition, which includes the consideration transferred, the amount of non-controlling interests in the acquired entity, and the acquisition-date fair value of equity interests in the acquired entity previously held, exceeds 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 cost of an acquisition, the excess amount is recognized in net profit or loss. The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer, 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 present ownership instruments' proportionate share in the recognized amount of the acquiree's identifiable net assets, which is determined for each business combination.

### (3) Foreign currency translation

#### 1) Foreign currency transactions

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

At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured.

Exchange differences arising from such translation or settlement are recognized in net profit or loss. However, exchange differences arising from financial assets measured at fair value 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 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

#### 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 that meet both of the following conditions are measured at amortized cost, and all other financial assets are measured at fair value.

(a) The financial asset is held in order to collect contractual cash flows.

(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.

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

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

Financial assets, such as 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

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

##### (b) Financial assets measured at fair value

Changes in fair value of financial assets measured at fair value are recognized in profit or loss, except 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 where losses are expected to be realized.

### (iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets are expired or transferred, 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 each reporting date as to whether or not the credit risk on financial assets has increased significantly since the initial recognition, and the following amounts are recognized as an impairment loss depending on whether or not a significant increase in credit risk has occurred since the initial recognition:

#### (i) If credit risk has not increased significantly since initial recognition:

Amount equal to 12-month expected credit losses

#### (ii) If credit risk has increased significantly since initial recognition:

Amount equal to lifetime expected credit losses

However, for trade receivables, contract assets, and lease receivables, impairment losses in the amount equivalent to lifetime expected credit losses are recognized, regardless of whether the credit risk has increased significantly since initial recognition.

Expected credit losses are calculated in the following manner:

#### (i) Trade receivables, contract assets, and lease receivables

- Assets for which credit risk has not increased significantly since initial recognition:

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 has increased significantly since initial recognition and assets that fall under credit-impaired financial assets:

The recoverable amounts are estimated individually, and the difference between the recoverable amounts and the carrying amounts is recognized as expected credit loss.

#### (ii) Assets other than (i) above

- Assets for which credit risk has not increased significantly since initial recognition:

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 has increased significantly since initial recognition and assets that fall under credit-impaired financial assets:

The recoverable amounts are estimated individually, and each expected credit loss is measured as the difference between the present value of such assets discounted by the initial effective interest rate and the carrying amount.

The carrying amount of financial assets for which an impairment loss has been recognized is reduced through loss allowance, and impairment loss is recognized in profit or loss. In addition, when the Group has no reasonable expectations of recovering a financial asset, 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 or at fair value through profit or loss at initial recognition. All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which 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 profit or loss.

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

Measured at fair value. Any changes in fair value of financial liabilities measured at fair value are recognized in 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, and similar contracts, to manage the foreign currency exchange rate risk exposure of recognized financial assets, liabilities and forecast transactions.

The Company does not apply hedge accounting. Accordingly, derivative financial instruments are classified as "financial assets measured at fair value through profit or loss."

5) Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position only when the Company or its subsidiaries currently have a legally enforceable right to set off the recognized amounts and intend either to settle on net basis or to realize the asset and settle the liability simultaneously.

6) Fair value measurements

IFRS 13, "Fair Value Measurement," categorizes the inputs used to measure fair value into the following three levels according to the extent to which the input is observable from the outside:

- Level 1: Quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(5) Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits, and short-term investments that are readily convertible to cash, with original maturities of three months or less, and have no significant 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 comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



(7) Property, plant and equipment

1) Recognition and measurement

All property, plant and equipment are measured at their cost less any accumulated depreciation and impairment losses.

Cost includes any directly attributable costs of acquiring the assets and the initially estimated costs of dismantling and removing the assets and site restoration.

2) Depreciation

Depreciation of property, plant and equipment (other than 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 are as follows:

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

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

All intangible assets are measured at cost less any accumulated amortization and impairment losses.

An intangible asset arising from development is recognized only if the Group can demonstrate all of the following:

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) Its intention to complete the intangible asset and use or sell it.
- (iii) Its ability to use or sell the intangible asset.
- (iv) How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself, or if it is to be used internally, the usefulness of the intangible asset.
- (v) The availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset.
- (vi) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

The estimated useful lives are as follows:

Software:	3 to 10 years
Development expenses:	3 to 20 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 and revised as necessary. Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

#### (9) Impairment of non-financial assets

In terms of non-financial assets (other than 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, the Group estimates the recoverable amount of the asset or the cash-generating unit.

Goodwill and intangible assets with indefinite useful lives are tested for impairment every year or whenever any indications of impairment exist.

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

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

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

For impairment loss recognized in prior periods, assessment is conducted at the end of each reporting period whether there is any indication that an impairment loss may no longer exist or may have decreased. If any such indication exists, 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 profit or loss and the increased carrying amount is not to exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior periods.

Impairment loss recognized for goodwill is not reversed.

#### (10) Leases

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### 1) Lease as lessor

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as finance lease transactions and other leases are classified as operating lease transactions.

In finance lease transactions, the amount of net investment in the lease is recognized as lease payments receivables. The lease payment receivable is treated as repayment of principal and interest income, and interest income is recognized as revenue in the consolidated statement of income.

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

##### 2) Lease as lessee

Right-of-use assets and lease liabilities are recognized at the commencement date. At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred and any lease payments made at or before the commencement date, etc. These assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group does not recognize right-of-use assets and lease liabilities leases that have a lease period of less than 12 months and for which the underlying asset is of low value. These leases are recognized as expenses on a straight-line basis over the lease term. The right-of-use assets is recognized and included in the property, plant and equipment in the consolidated statement of financial position.

The lease term is determined as the non-cancellable period of a lease, together with both: a. periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b. periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Specifically, the lease term is estimated by taking into account whether there is an option to extend or cancel the lease term, the possibility of renewal, and whether there is a cancellation penalty.

## (11) Employee benefits

### 1) Post-employment benefits

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

#### (i) Defined benefit plans

Net defined benefit liabilities (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, which reflect the estimated timing and amount of payment of the benefits.

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

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

Remeasurements of net defined benefit liabilities (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 multi-employer plans in which the Company and certain of its subsidiaries have participated are defined benefit plans, sufficient information has not been available to use defined benefit accounting. Accordingly, the contribution amount is recognized as an expense similar 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 recognized as a liability, the discount amount of future payment in exchange for services rendered in the prior and current periods.

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 for members of the Managing Board, which is the board of directors of the Company, 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 by 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 a 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. 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 Company recognizes revenue from contracts with customers based on the following five-step approach.

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group engages in the sale of diagnostic instruments and reagents and the provision of related services. Based on the five-step approach outlined above, in accordance with the details of contracts with customers, the Group combines contracts and identifies multiple performance obligations. Transaction prices are determined on the basis of consideration agreed upon in contracts with customers, less discounts and rebates. Transaction prices determined in this manner are allocated to the performance obligations, and revenue is recognized. Certain of these contracts are transactions comprising multiple elements, including instruments, reagents, and maintenance services. To allocate the transaction price of multiple-element arrangements to each performance obligation on a relative stand-alone selling price basis, the Group determines the stand-alone selling price of the distinct good or service underlying each performance obligation in the contract at contract inception and allocates the transaction price in proportion to those stand-alone selling prices. If a stand-alone selling price is not directly observable, based on the actual transaction condition, the Group either uses the method to estimate the stand-alone selling price as expected cost plus a margin or the method to estimate the stand-alone selling price as the total transaction price of multiple-element arrangements less the stand-alone selling prices of other goods or services promised.

##### 1) Sales of instruments and reagents

The Group recognizes revenue from the sale of instruments and reagents based on the details of contracts with customers, when the customer obtains control of such products and performance obligations are deemed to have been satisfied. Specifically, revenue is recognized when the rights of ownership and the risks thereof are transferred from the Group to the customer, either on the shipping date, at the time of transfer to the customer, or at the time of customer inspection and acceptance.

##### 2) Maintenance service

Maintenance services mainly involve the provision of services on products for a certain period of time. As the control of these maintenance services is transferred over a defined period, revenue is recognized when performance obligations are satisfied over a defined period.

Revenue from maintenance services on products is primarily recognized through a calculation based on the percentage of the total volume of goods or services transferred (output method). If consideration is received from a customer before performance obligations are satisfied, this consideration is recognized as a contract liability.

Consideration related to the provision of these product sales and services is generally received within one year from the point revenue is recognized; therefore, it does not include a significant financial element.

#### (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 related to income are recognized in revenue over the period the expenses, which the grant is intended to compensate, are incurred. For government grants related to assets, the amounts of the grants are deducted from the costs of the assets.

#### (17) Income tax expenses

Income tax 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 amounts to be paid to (refunded from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position 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 affect neither accounting profit nor taxable profit (tax loss), other than 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 rates and tax laws that have been enacted or substantively enacted by 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 deferred tax assets and deferred tax liabilities relate to income taxes 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 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 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. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

There are no new or revised standards and interpretations issued by the date of the approval of the consolidated financial statements that have significant impacts to the Group.

## 5. SEGMENT INFORMATION

### (1) Overview of reportable segments

The Group's reportable segments are the business units of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Managing Board to make decisions about resources to be allocated to the segment and assess its performance.

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 therein. These companies formulate comprehensive 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: "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 "3. SIGNIFICANT ACCOUNTING POLICIES."

### Year ended March 31, 2021

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	¥ 52,672	¥ 61,501	¥ 82,854	¥ 83,735	¥ 24,309	¥ 305,073		¥ 305,073
Intersegment sales	109,313	460	3,994	0	5	113,775	¥ (113,775)	
Total	161,986	61,961	86,849	83,735	24,315	418,848	(113,775)	305,073
Segment profit	30,434	2,512	10,085	5,066	2,134	50,233	1,559	51,792
Financial income								420
Financial expenses								866
Share of loss on equity method								(3,083)
Foreign exchange loss								(230)
Profit before tax								48,033
Income tax expenses								14,930
Profit								33,103
Other information								
Depreciation and amortization (Note 3)	¥ 13,750	¥ 3,889	¥ 4,809	¥ 930	¥ 3,049	¥ 26,429	¥ (854)	¥ 25,575

#### Notes:

1. Segment profit adjustments of ¥1,559 million include ¥1,279 million for unrealized gains on inventories, and ¥286 million for unrealized gains on non-current assets.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.
3. Depreciation and amortization adjustments of negative ¥854 million are adjustments relating to intersegment transactions.

### Year ended March 31, 2020

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	¥ 50,540	¥ 66,189	¥ 78,596	¥ 79,966	¥ 26,687	¥ 301,980		¥ 301,980
Intersegment sales	111,623	711	3,722	3	4	116,065	¥ (116,065)	
Total	162,164	66,900	82,318	79,969	26,692	418,046	(116,065)	301,980
Segment profit	36,282	2,856	8,347	5,726	3,119	56,333	(1,049)	55,284
Financial income								595
Financial expenses								1,031
Share of loss on equity method								(2,398)
Foreign exchange loss								(3,017)
Profit before tax								49,433
Income tax expenses								14,619
Profit								34,813
Other information								
Depreciation and amortization (Note 3)	¥ 12,784	¥ 4,053	¥ 4,625	¥ 769	¥ 2,706	¥ 24,940	¥ (985)	¥ 23,955

Notes:

1. Segment profit adjustments of ¥1,049 million include ¥1,275 million for unrealized gains on inventories, and ¥224 million for unrealized gains on non-current assets.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.
3. Depreciation and amortization adjustments of negative ¥985 million are adjustments relating to intersegment transactions.

**Year ended March 31, 2021**

(Unit: Thousands of U.S. dollars)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	\$ 474,523	\$ 554,063	\$ 746,432	\$ 754,369	\$ 219,000	\$ 2,748,405		\$ 2,748,405
Intersegment sales	984,802	4,144	35,982	0	45	1,025,000	\$(1,025,000)	
Total	1,459,333	558,207	782,423	754,369	219,054	3,773,405	(1,025,000)	2,748,405
Segment profit	274,180	22,631	90,856	45,640	19,225	452,550	14,045	466,595
Financial income								3,784
Financial expenses								7,802
Share of loss on equity method								(27,775)
Foreign exchange loss								(2,072)
Profit before tax								432,730
Income tax expenses								134,505
Profit								298,225
Other information								
Depreciation and amortization (Note 3)	\$ 123,874	\$ 35,036	\$ 43,324	\$ 8,378	\$ 27,468	\$ 238,099	\$ (7,694)	\$ 230,405

Notes:

1. Segment profit adjustments of \$14,045 thousand include \$11,523 thousand for unrealized gains on inventories, and \$2,577 thousand for unrealized gains on non-current assets.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.
3. Depreciation and amortization adjustments of negative \$7,694 thousand are adjustments relating to intersegment transactions.

(3) Information about products and services

Sales of all products and services of the Group to external customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Instruments	¥ 84,676	¥ 81,207	\$ 762,847
Reagents	170,304	173,176	1,534,270
Maintenance services	39,371	37,577	354,694
Others	10,719	10,018	96,568
Total	¥ 305,073	¥ 301,980	\$ 2,748,405

#### (4) Information about geographical areas

Information about geographical areas is as follows:

##### Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japan	¥ 48,756	¥ 46,725	\$ 439,243
United States of America	57,420	61,462	517,297
China	83,830	80,048	755,225
Others	115,065	113,743	1,036,622
Total	¥ 305,073	¥ 301,980	\$ 2,748,405

Sales are classified by country based on the location of customers.

##### Non-current assets (excluding financial assets, asset for retirement benefit, and deferred tax assets)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japan	¥ 103,394	¥ 95,454	\$ 931,477
Germany	12,839	12,085	115,667
Others	48,518	45,924	437,099
Total	¥ 164,753	¥ 153,464	\$ 1,484,261

#### (5) Information about major customers

There are no customers who account for more than 10% of the consolidated sales.

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and cash equivalents	¥ 66,467	¥ 56,592	\$ 598,802
Total	¥ 66,467	¥ 56,592	\$ 598,802

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Notes and trade receivable	¥ 94,974	¥ 81,206	\$ 855,622
Lease receivables	20,872	17,524	188,036
Accounts receivable – other	932	842	8,396
Loss allowance	(936)	(1,078)	(8,432)
Total	¥ 115,843	¥ 98,495	\$ 1,043,631

Trade and other receivables are classified as financial assets measured at amortized cost.



## 8. INVENTORIES

Inventories consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Merchandise and finished goods	¥ 35,733	¥ 35,417	\$ 321,919
Work in process	3,147	4,490	28,351
Raw materials and supplies	8,104	8,395	73,009
Total	¥ 46,985	¥ 48,303	\$ 423,288

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2021 and 2020 were ¥107,512 million (\$968,577 thousand) and ¥94,760 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2021 and 2020 were ¥698 million (\$6,288 thousand) and ¥196 million, respectively.

## 9. PROPERTY, PLANT AND EQUIPMENT

Changes in the carrying amount from beginning balances to ending balances and year-end balances of acquisition cost, accumulated depreciation, and accumulated impairment losses on property, plant and equipment are as follows:

### Carrying amount

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2019	¥ 26,022	¥ 4,659	¥ 18,717	¥ 11,096	¥ 15,815	¥ 76,312
Adjustment of adopting IFRS 16	16,090	2,086	2,651	262		21,091
As of April 1, 2019 (Adjusted)	42,113	6,746	21,369	11,359	15,815	97,403
Acquisition	6,457	2,098	8,251	1	2,292	19,100
Depreciation	(6,492)	(2,003)	(7,394)	(31)		(15,923)
Sale or disposal	(309)	(123)	(389)	(19)	(24)	(866)
Exchange differences on translation of foreign currency	(862)	(210)	(1,096)	(18)	(51)	(2,239)
Transfer	13,462	758	1,279		(16,135)	(635)
As of March 31, 2020	54,366	7,265	22,019	11,291	1,897	96,839
Acquisition	3,122	1,982	8,335	17	1,919	15,377
Additions by business combination		1	234			236
Depreciation	(6,717)	(2,143)	(7,724)	(31)		(16,617)
Sale or disposal	(296)	(154)	(392)	(131)	(155)	(1,130)
Exchange differences on translation of foreign currency	1,098	220	785	63	45	2,213
Transfer	482	98	693		(2,053)	(779)
As of March 31, 2021	¥ 52,056	¥ 7,270	¥ 23,952	¥ 11,208	¥ 1,653	¥ 96,140

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2020	\$ 489,784	\$ 65,450	\$ 198,369	\$ 101,721	\$ 17,090	\$ 872,423
Acquisition	28,126	17,856	75,090	153	17,288	138,532
Additions by business combination		9	2,108			2,126
Depreciation	(60,514)	(19,306)	(69,586)	(279)		(149,703)
Sale or disposal	(2,667)	(1,387)	(3,532)	(1,180)	(1,396)	(10,180)
Exchange differences on translation of foreign currency	9,892	1,982	7,072	568	405	19,937
Transfer	4,342	883	6,243		(18,495)	(7,018)
As of March 31, 2021	\$ 468,973	\$ 65,495	\$ 215,784	\$ 100,973	\$ 14,892	\$ 866,126

#### Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2019 (Adjusted) ¥	¥ 49,492	¥ 12,427	¥ 53,614	¥ 11,202	¥ 15,815	¥ 142,552
As of March 31, 2020	83,767	16,446	59,523	11,424	1,897	173,059
As of March 31, 2021	88,238	18,373	68,730	11,375	1,653	188,371

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2021	\$ 794,937	\$ 165,523	\$ 619,189	\$ 102,477	\$ 14,892	\$ 1,697,036

#### Accumulated depreciation and accumulated impairment losses

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2019 (Adjusted) ¥	¥ (23,469)	¥ (7,767)	¥ (34,896)	¥ (105)	¥	¥ (66,239)
As of March 31, 2020	(29,400)	(9,180)	(37,504)	(133)		(76,219)
As of March 31, 2021	(36,182)	(11,102)	(44,778)	(167)		(92,231)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2021	\$ (325,964)	\$ (100,018)	\$ (403,405)	\$ (1,505)	\$	\$ (830,910)

Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses;" and "Research and development expenses" in the consolidated statement of income.

The carrying amounts covered by operating lease included in property, plant and equipment are as follows:

**Carrying amount**

	Millions of Yen
	Furniture and fixtures
As of April 1, 2019	¥ 10,990
Adjustment of adopting IFRS 16	1,836
As of April 1, 2019	12,826
Acquisition	4,974
Depreciation	(4,837)
Sale or disposal	(334)
Exchange differences on translation of foreign currency	(810)
Transfer	(66)
As of March 31, 2020	11,751
Acquisition	5,713
Additions by business combination	227
Depreciation	(4,747)
Sale or disposal	(334)
Exchange differences on translation of foreign currency	694
Transfer	(144)
As of March 31, 2021	¥ 13,161

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2020	\$ 105,865
Acquisition	51,468
Additions by business combination	2,045
Depreciation	(42,766)
Sale or disposal	(3,009)
Exchange differences on translation of foreign currency	6,252
Transfer	(1,297)
As of March 31, 2021	\$ 118,568

**Acquisition cost**

	Millions of Yen
	Furniture and fixtures
As of April 1, 2019	¥ 33,905
As of March 31, 2020	34,521
As of March 31, 2021	40,876

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2021	\$ 368,252

## Accumulated depreciation and accumulated impairment losses

	Millions of Yen
	Furniture and fixtures
As of April 1, 2019	¥ (21,078)
As of March 31, 2020	(22,769)
As of March 31, 2021	(27,714)
	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2021	\$ (249,676)

## 10. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount from the beginning balances to the ending balances and year-end balances of acquisition cost, accumulated amortization, and accumulated impairment losses on goodwill and intangible assets are as follows:

### Carrying amount

	Millions of Yen				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of April 1, 2019	¥ 11,917	¥ 12,633	¥ 11,756	¥ 8,647	¥ 33,037
Acquisitions		12,449	2,242	96	14,788
Amortization		(4,550)	(2,112)	(975)	(7,638)
Impairment losses					
Sale or disposal		(57)	(186)	(9)	(253)
Exchange differences on translation of foreign currency	(646)	(96)	(3)	(290)	(390)
As of March 31, 2020	11,271	20,378	11,697	7,467	39,543
Acquisitions		12,339	2,541	320	15,200
Additions by business combination	120				
Amortization		(5,030)	(2,316)	(986)	(8,333)
Impairment losses					
Sale or disposal		(68)	(71)	(43)	(183)
Exchange differences on translation of foreign currency	1,042	144	3	465	612
As of March 31, 2021	¥ 12,433	¥ 27,762	¥ 11,854	¥ 7,223	¥ 46,840

	Thousands of U.S. Dollars				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of March 31, 2020	\$ 101,541	\$ 183,586	\$ 105,378	\$ 67,270	\$ 356,243
Acquisitions		111,162	22,892	2,883	136,937
Additions by business combination	1,081				
Amortization		(45,315)	(20,865)	(8,883)	(75,072)
Impairment losses					
Sale or disposal		(613)	(640)	(387)	(1,649)
Exchange differences on translation of foreign currency	9,387	1,297	27	4,189	5,514
As of March 31, 2021	\$ 112,009	\$ 250,108	\$ 106,793	\$ 65,072	\$ 421,982

## Acquisition cost

	Millions of Yen				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of April 1, 2019	¥ 16,471	¥ 35,244	¥ 14,628	¥ 13,692	¥ 63,566
As of March 31, 2020	15,645	47,027	16,449	13,275	76,752
As of March 31, 2021	17,173	59,575	18,610	14,320	92,506

	Thousands of U.S. Dollars				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of March 31, 2021	\$ 154,712	\$ 536,712	\$ 167,658	\$ 129,009	\$ 833,387

## Accumulated amortization and accumulated impairment losses

	Millions of Yen				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of April 1, 2019	¥ (4,553)	¥ (22,611)	¥ (2,872)	¥ (5,045)	¥ (30,528)
As of March 31, 2020	(4,374)	(26,649)	(4,751)	(5,808)	(37,208)
As of March 31, 2021	(4,739)	(31,813)	(6,756)	(7,097)	(45,666)

	Thousands of U.S. Dollars				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of March 31, 2021	\$ (42,694)	\$ (286,604)	\$ (60,865)	\$ (63,937)	\$ (411,405)

Amortization of intangible assets is included in "Cost of sales;" "Selling, general and administrative expenses;" and "Research and development expenses" in the consolidated statement of income.

Software includes internally developed software.

## 11. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group tests impairment for goodwill and intangible assets with indefinite useful lives at least once a year, and if any indications of impairment exist, impairment testing is performed each time such indications of impairment become apparent.

The recoverable amount used in impairment testing of goodwill and intangible assets with indefinite useful lives is measured at value in use. The value in use is determined by discounting estimated future cash flows based on financial budgets of each cash-generating unit or a group of cash-generating units for one to five years, which are approved by management, and growth rates. The financial budget used in impairment testing involves uncertainty mainly in estimates of the phase of market introduction of new products, sales volume, price and associated costs. Growth rates are determined by taking into consideration the average long-term growth rate of the market or the country in which each cash-generating unit or group of cash-generating units operates (year ended March 31, 2021: 0.0% to 3.0%; year ended March 31, 2020: 0.0% to 3.0%). The discount rate is determined based on the before-tax weighted-average capital cost for the market or the country in which each cash-generating unit or group of cash-generating units operates (year ended March 31, 2021: 9.3% to 14.7%; year ended March 31, 2020: 9.1% to 17.0%).

The recoverable amount of Sysmex Partec exceeds its carrying amount by ¥3,191 million (\$28,748 thousand) as of March 31, 2021. The growth rate used for the calculation of the recoverable amount is 3.0%, and the discount rate used for the calculation of the recoverable amount is 12.0%. However, impairment loss may arise if its growth rate decreases by 2.4% or its discount rate increases by 1.6%. The recoverable amount of Riken Genesis exceeds its carrying amount by ¥212 million (\$1,910 thousand) as of March 31, 2021. The growth rate used for the calculation of the recoverable amount is 3.0% and the discount rate used for the calculation of the recoverable amount is 12.5%. However, impairment loss may arise if its growth rate decreases by 0.6% or its discount rate increases by 0.4%. For other cash-generating units or groups of cash-generating units, even if a reasonably possible change in a key assumption happened, it is unlikely that the recoverable amount would fall below the carrying amount of each cash-generating unit or group of cash-generating units as of March 31, 2021.

The carrying amounts of goodwill that has been allocated to cash-generating units are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Sysmex Partec	¥ 4,038	¥ 3,716	\$ 36,378
Oxford Gene Technology	4,499	3,940	40,532
Sysmex Korea	1,622	1,480	14,613
Riken Genesis	1,655	1,655	14,910
Others	618	479	5,568
<b>Total</b>	<b>¥ 12,433</b>	<b>¥ 11,271</b>	<b>\$ 112,009</b>

The carrying amounts of intangible assets with indefinite useful lives that have been allocated to cash-generating units are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Oxford Gene Technology	¥ 929	¥ 814	\$ 8,369
<b>Total</b>	<b>¥ 929</b>	<b>¥ 814</b>	<b>\$ 8,369</b>

## 12. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

### (1) Significant subsidiaries and associates

Significant subsidiaries and associates of the Company are as follows:

#### 1) Subsidiaries

Company name	Segment	Location	Capital or investments	Line of business	Holding percentage of voting rights			Relationships			Business partnership, etc.	
					Direct (%)	Indirect (%)	Total (%)	Officers (person)	Employees (person)	Financial aid		Transactions in operations
Sysmex International Reagents Co., Ltd.	Japan	Nishi-ku, Kobe	Million JPY 300	Manufacture of in vitro diagnostic reagents	100		100		3		Manufacture of in-house reagents	Lease of buildings and facilities
Sysmex America, Inc.	Americas	Illinois, USA	Thousand USD 22,000	Sales of in vitro diagnostic instruments and reagents	100		100	1	2		Sales of in-house products, etc.	
Sysmex Europe GmbH	EMEA	Norderstedt, Germany	Thousand EUR 820	Sales of in vitro diagnostic instruments and sales and manufacture of in vitro diagnostic reagents	100		100	1	2		Sales and manufacture of in-house reagents, etc.	
Sysmex Deutschland GmbH	EMEA	Norderstedt, Germany	Thousand EUR 2,050	Sales of in vitro diagnostic instruments and reagents	100		100		1		Sales of in-house products	
Sysmex UK Limited	EMEA	Milton Keynes, United Kingdom	Thousand GBP 400	Sales of in vitro diagnostic instruments and reagents	100		100		1		Sales of in-house products	
Sysmex France S.A.S.	EMEA	Villepinte, France	Thousand EUR 2,457	Sales of in vitro diagnostic instruments and reagents	18.6	81.4	100		1		Sales of in-house products	
Sysmex RUS LLC	EMEA	Moscow, Russia	Thousand RUB 40,400	Sales of in vitro diagnostic instruments and reagents			100				Sales of in-house products	
Sysmex Shanghai Ltd.	China	Shanghai, China	Thousand USD 1,000	Sales of in vitro diagnostic instruments and reagents	100		100	1	4		Sales of in-house products, etc.	
Sysmex Asia Pacific Pte Ltd.	Asia Pacific	Singapore	Thousand SGD 11,500	Sales of in vitro diagnostic instruments and sales and manufacture of in vitro diagnostic reagents	100		100	1	2		Sales and manufacture of in-house reagents, etc.	
Sysmex Korea Co., Ltd.	Asia Pacific	Seoul, Korea	Thousand KRW 190,000	Sales of in vitro diagnostic instruments and reagents	100		100		4		Sales of in-house products	

66 other subsidiaries

## 2) Associates

Company name	Segment	Location	Capital or investments	Line of business	Holding percentage of voting rights		Relationships						
					Direct (%)	Indirect (%)	Total (%)	Concurrent officers		Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
								Officers (person)	Employees (person)				
Medicaroid Corporation	Japan	Chuo-ku, Kobe	Million JPY 100	Marketing, development, manufacture, sales and service of medical robots	50		50	1	2		Purchase of products	Lease of buildings and facilities	

1 other associates

### (2) Investments accounted for using the equity method

The Group accounts for investments in associates and joint ventures using the equity method. The Group has no material associates or joint ventures.

The carrying amounts of investments in associates which are immaterial individually and the financial information thereof are as shown below. The following represents amounts after adjustments using the equity method:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Carrying amount	¥ 1,117	¥ 1,207	\$ 10,063

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Comprehensive income			
Profit	¥ (57)	¥ (3)	\$ (514)
Other comprehensive income	(31)		(279)
Total	¥ (89)	¥ (3)	\$ (802)

The carrying amounts of investments in joint ventures which are immaterial individually, and the financial information thereof, are as shown below. The following represents amounts after adjustments using the equity method:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Carrying amount	¥	¥ 1,737	\$

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Comprehensive income			
Profit	¥ (3,025)	¥ (2,394)	\$ (27,252)
Other comprehensive income	6	(0)	54
Total	¥ (3,018)	¥ (2,395)	\$ (27,189)

### (3) Structured entities

The Group operates investment activities through investment partnerships. Such partnerships provide their investees with cash raised from members of the partnerships mainly in the form of investments, and have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Group invests in unconsolidated structured entities, such as investment funds and trusts, over which it does not have control with regard to operating policies such as those related to selecting investees.

The Company does not have any contractual obligations to provide any financial support to the unconsolidated structured entities. Therefore, the potential maximum loss exposure incurred from the involvement with such structured entities is limited to the total of the carrying amount of the Company's investment, which is as follows: The Company's maximum loss exposure represents the potential maximum loss amount and does not indicate the probability of occurrence.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Other long-term financial assets	¥ 1,480	¥ 893	\$ 13,333

### 13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Electronically recorded monetary obligations and note and trade payables	¥ 24,347	¥ 24,245	\$ 219,342
Accounts payable – other	9,812	9,671	88,396
<b>Total</b>	<b>¥ 34,159</b>	<b>¥ 33,917</b>	<b>\$ 307,739</b>

Trade and other payables are classified as financial liabilities measured at amortized cost.

### 14. INCOME TAXES

#### (1) Deferred taxes

##### 1) Components of deferred tax assets and deferred tax liabilities

Components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>Deferred tax assets</b>			
Loss allowance	¥ 240	¥ 271	\$ 2,162
Inventories	555	434	5,000
Unrealized intercompany profits	3,423	3,878	30,838
Property, plant and equipment	197	207	1,775
Intangible assets	728	1,035	6,559
Accrued enterprise tax	247	204	2,225
Accrued expenses	1,798	1,581	16,198
Accrued bonuses	1,487	1,169	13,396
Accrued paid leave	640	644	5,766
Liability for retirement benefits	194	168	1,748
Tax loss carryforwards	15	24	135
Other	2,505	1,946	22,568
<b>Total deferred tax assets</b>	<b>¥ 12,034</b>	<b>¥ 11,565</b>	<b>\$ 108,414</b>
<b>Deferred tax liabilities</b>			
Property, plant and equipment	565	120	5,090
Intangible assets	4,537	4,426	40,874
Financial assets measured at fair value through other comprehensive income	583	330	5,252
Assets for retirement benefits	282	274	2,541
Undistributed earnings of foreign subsidiaries	5,251	4,397	47,306
Other	1,304	1,126	11,748
<b>Total deferred tax liabilities</b>	<b>¥ 12,523</b>	<b>¥ 10,676</b>	<b>\$ 112,820</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ (488)</b>	<b>¥ 889</b>	<b>\$ (4,396)</b>

The changes in net amounts of deferred tax assets (liabilities) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance	¥ 889	¥ 180	\$ 8,009
Deferred tax expense	(1,184)	594	(10,667)
Deferred tax related to each item in other comprehensive income			
Net changes in fair value of financial assets measured at fair value through other comprehensive income	(252)	258	(2,270)
Remeasurement of defined benefit liabilities (assets)	(4)	(9)	(36)
Exchange difference on translation of foreign currency	103	(135)	928
Decrease associated with business combination	(39)		(351)
<b>Ending balance</b>	<b>¥ (488)</b>	<b>¥ 889</b>	<b>\$ (4,396)</b>



- 2) Deductible temporary differences, tax loss carryforwards, and tax credits for which no deferred tax assets have been recognized

Deductible temporary differences, tax loss carryforwards, and tax credits for which no deferred tax assets have been recognized are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deductible temporary differences	¥ 946	¥ 952	\$ 8,523
Tax loss carryforwards	16,150	15,206	145,495

Expiration dates for tax loss carryforwards for which deferred tax assets have not been recognized are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Within one year	¥ 3	¥	\$ 27
Between one year and two years			
Between two and three years	409		3,685
Between three and four years	759	409	6,838
More than four years	14,977	14,796	134,928
Total	¥ 16,150	¥ 15,206	\$ 145,495

(2) Income tax expenses

- 1) Components of income tax expenses

Income tax expenses consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current tax expense	¥ 13,746	¥ 15,214	\$ 123,838
Deferred tax expense			
Occurrence and reversal of temporary differences	1,177	(962)	10,604
Reassessment of recoverability of deferred tax assets	6	368	54
Total	¥ 14,930	¥ 14,619	\$ 134,505

2) Reconciliation of applicable tax rates

The Group is mainly subject to income tax, inhabitant tax, and enterprise tax based on which the effective statutory tax rates came to 30.6% for the year ended March 31, 2021 and for the year ended March 31, 2020. However, foreign subsidiaries are subject to income taxes applicable to the jurisdictions in which they are located.

The reasons for the difference between the effective tax rate and the actual tax rate are as follows:

	2021	2020
Effective tax rates	30.6%	30.6%
Expenses not deductible for income tax purposes	2.1	0.8
Tax credit for research and other	(3.9)	(4.1)
Reassessment of recoverability of deferred tax assets	0.0	0.7
Tax effect on undistributed earnings of foreign subsidiaries	1.8	0.8
Different tax rates applied to foreign subsidiaries	(1.9)	(2.0)
Share of loss on equity method	2.0	1.5
Other	0.4	1.3
Actual tax rates	31.1%	29.6%

## 15. LEASES

### (1) Lessor

#### 1) Finance leases

The Group leases diagnostic instruments and others under finance leases.

Risks related to the underlying assets are reduced by providing maintenance services throughout the lease period.

Lease payments receivable relating to finance leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Not later than one year	¥ 5,934	¥ 5,064	\$ 53,459
Later than one year and not later than two years	4,874	4,181	43,910
Later than two years and not later than three years	3,860	3,213	34,775
Later than three years and not later than four years	2,934	2,295	26,432
Later than four years and not later than five years	1,670	1,488	15,045
Later than five years	1,121	1,009	10,099
Undiscounted lease payments	¥ 20,396	¥ 17,252	\$ 183,748
Unearned finance income	(1,302)	(1,227)	(11,730)
Present value of unguaranteed residual value	1,778	1,500	16,018
Net investment in the lease	¥ 20,872	¥ 17,524	\$ 188,036

#### 2) Operating leases

The Group leases diagnostic instruments and others under operating leases.

Risks related to the underlying assets are reduced by providing maintenance services throughout the lease period.

Future minimum lease payments expected to be received under operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Not later than one year	¥ 1,595	¥ 1,539	\$ 14,369
Later than one year and not later than two years	799	734	7,198
Later than two years and not later than three years	584	496	5,261
Later than three years and not later than four years	460	318	4,144
Later than four years and not later than five years	400	216	3,604
Later than five years	93	138	838
Total	¥ 3,934	¥ 3,442	\$ 35,441

Lease income from lease contracts in which the Group serves as a lessor for the year ended March 31, 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Finance leases			
Selling profit or loss	¥ 1,192	¥ 2,143	\$ 10,739
Finance income on the net investment in the lease	623	434	5,613
Income relating to variable lease payments not included in the measurement of the net investment in the lease			
Operating leases			
Lease income	4,834	11,427	43,550

In the lease income, ¥2,601 million (\$23,432 thousand) of variable lease payments which do not depend on index or rate is included for the year ended March 31, 2021, ¥5,574 million for the year ended March 31, 2020, respectively.

## (2) Lessee

The Group rents offices, diagnostic instruments and others as a lessee. Mainly for building leases, there are extension options and termination options. The terms and conditions depends on each lease.

Residual value guarantees, restrictions or covenants imposed by leases, leases not yet commenced to which the lessee is committed and sale and leaseback transactions were immaterial as of March 31, 2021.

The details of the profit or loss of lessee's lease are as follow:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
			2021
Depreciation and amortization charge for right-of-use assets			
Buildings and structures	¥ 3,952	¥ 3,766	\$ 35,604
Machinery and vehicles	1,197	1,081	10,784
Furniture and fixtures	1,040	1,214	9,369
Land	31	32	279
Total	¥ 6,222	¥ 6,094	\$ 56,054
Interest expense on lease liabilities	¥ 665	¥ 834	\$ 5,991
Expenses relating to short-term leases	767	878	6,910
Expenses relating to leases of low-value assets	256	258	2,306
Expenses relating to variable lease payments (Note)	20	22	180
Income from subleasing right-of-use assets	1,022	1,087	9,207

Note:

Variable lease payments are not included in the measurement of the lease liability.

The detail of the carrying amount of right-of-use assets are as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
			2021
Right-of-use assets			
Buildings and structures	¥ 15,762	¥ 16,462	\$ 142,000
Machinery and vehicles	2,456	2,122	22,126
Furniture and fixtures	1,618	2,038	14,577
Land	224	208	2,018
Total	¥ 20,062	¥ 20,831	\$ 180,739

Right-of-use assets increased by ¥4,844 million (\$43,640 thousand) as of March 31, 2021, ¥6,063 million as of March 31, 2020, respectively.

Cash outflows for lease was ¥7,621 million (\$68,658 thousand) as of March 31, 2021, ¥7,906 million as of March 31, 2020, respectively.

For maturity analysis of lease liabilities, please refer to "29. FINANCIAL INSTRUMENTS (4) Liquidity risk management."

## 16. PROVISIONS

Reconciliations of provisions from the beginning balances to the ending balances are as follows:

	Millions of Yen		
	Provisions for product warranties	Asset retirement obligations	Total
As of April 1, 2019	¥ 693	¥ 226	¥ 919
Provision made	511	35	547
Increase associated with passage of time		1	1
Provision used	(424)	0	(424)
Effects of foreign currency exchange differences	(29)	(7)	(36)
As of March 31, 2020	751	255	1,006
Provision made	684	1	685
Increase associated with passage of time		2	2
Provision used	(481)		(481)
Provision reversed		(0)	(0)
Effects of foreign currency exchange differences	49	5	55
As of March 31, 2021	¥ 1,002	¥ 265	¥ 1,267

	Thousands of U.S. Dollars		
	Provisions for product warranties	Asset retirement obligations	Total
As of March 31, 2020	\$ 6,766	\$ 2,297	\$ 9,063
Provision made	6,162	9	6,171
Increase associated with passage of time		18	18
Provision used	(4,333)		(4,333)
Provision reversed		(0)	(0)
Effects of foreign currency exchange differences	441	45	495
As of March 31, 2021	\$ 9,027	\$ 2,387	\$ 11,414

As a provision for product warranties, the Group recognized the expected service expenses within the warranty period based on historical data. In most cases, the warranty period is one year.

Asset retirement obligations mainly consist of obligations to restore rented buildings and other assets to their original states. While such expenses are expected to be paid after their estimated period of use, they are affected by future business plans and other factors.

## 17. POST-EMPLOYMENT BENEFITS

The Company has a cash balance plan as a defined benefit plan. Under the defined benefit plan, benefits are calculated according to length of service, salary levels, and other factors. The Company or asset managers are required by law to act in the best interests of the plan participants and are responsible for managing the plan assets in accordance with the designated policy. The defined benefit plan is a contract-type pension. The Company operates the plan by entrusting trust banks and other financial institutions to manage payment of contributions and plan assets. Trust banks are contracted by the Company to manage and invest pension assets while engaging in actuarial calculations and operations to pay out annuities and lump-sum payments.

The Company and certain of its subsidiaries have lump-sum retirement plans and defined contribution pension plans.

(1) Defined benefit plan

Amounts recognized in the consolidated statement of operating results arising from the defined benefit plan are as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Present value of defined benefit obligation	¥ 9,635	¥ 9,455	\$ 86,802
Fair value of plan assets	12,312	10,814	110,919
Total	¥ (2,677)	¥ (1,359)	\$ (24,117)
Effects of asset ceiling	2,825	1,386	25,450
Net liability arising from defined benefit plan	¥ 148	¥ 27	\$ 1,333
Amount in consolidated statement of financial position			
Liabilities	¥ 1,071	¥ 925	\$ 9,649
Assets	923	897	8,315

Amounts recognized in the consolidated statement of income and consolidated statement of comprehensive income with regard to the defined benefit plan are as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Defined benefit costs recognized in profit or loss			
Current service cost	¥ 793	¥ 813	\$ 7,144
Net interest expense	(4)	(3)	(36)
Subtotal	788	809	7,099
Defined benefit costs recognized in other comprehensive income			
Remeasurements			
Return on plan assets (excluding amounts included in net interest expense)	(1,464)	486	(13,189)
Actuarial gains and losses arising from changes in demographic assumptions	(29)	(205)	(261)
Actuarial gains and losses arising from changes in financial assumptions	(16)	(54)	(144)
Actuarial gains and losses arising from experience adjustments	61	2	550
Amount of changes in effects of asset ceiling	1,432	(260)	12,901
Subtotal	(16)	(31)	(144)
Total	¥ 772	¥ 778	\$ 6,955

Defined benefit costs recognized in profit or loss are included in "Cost of sales;" "Selling, general and administrative expenses;" and "Research and development expenses" in the consolidated statement of income.

1) Reconciliations of the present value of defined benefit obligations from the beginning balance to the ending balance

Reconciliation of the present value of defined benefit obligations is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance	¥ 9,455	¥ 9,472	\$ 85,180
Current service cost	793	813	7,144
Interest expense	39	34	351
Change of accompanying transition to the defined contribution pension plan		(12)	
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(29)	(205)	(261)
Actuarial gains and losses arising from changes in financial assumptions	(16)	(54)	(144)
Actuarial gains and losses arising from experience adjustments	61	2	550
Benefits paid	(728)	(555)	(6,559)
Effects of foreign currency exchange differences	59	(39)	532
Ending balance	¥ 9,635	¥ 9,455	\$ 86,802

The weighted-average durations of defined benefit obligations as of March 31, 2021 and 2020, were 9 years and 10 years, respectively.

2) Reconciliation of the fair value of plan assets from the beginning balance to the ending balance

Reconciliation of the fair value of plan assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance	¥ 10,814	¥ 11,172	\$ 97,423
Interest income	49	44	441
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	1,464	(486)	13,189
Contributions from the employer	560	542	5,045
Benefits paid	(577)	(458)	(5,198)
Ending balance	¥ 12,312	¥ 10,814	\$ 110,919

The Company expects ¥560 million (\$5,045 thousand) of the contribution to be paid to the defined benefit plan in the year ending March 31, 2022.

With regard to the defined benefit pension plan, the Group periodically recalculates the amount of contributions in order to maintain a balanced budget into the future.

Investment of the Group's plan assets is conducted within an acceptable range to ensure comprehensive returns over the medium to long term; these are required in order to steadily pay out annuities and lump-sum payments stipulated in the defined benefit pension contracts, and to build up a portfolio of quality plan assets.

To this end, the Group maintains an investment policy of diversified investments after analyzing the attributes of risk and return on each asset and taking into account correlations among particular assets. Specifically, it determines a policy asset mix that efficiently combines various assets, such as stocks and bonds, and seeks to maintain that mix. Furthermore, periodic reviews of the policy asset mix are conducted in an effort to stay abreast of changes in the market environment, which have taken place since the initial assumptions were made, and changes in funding status.

3) Reconciliation of the asset ceiling

Reconciliation of the changes in effects of the asset ceiling is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance	¥ 1,386	¥ 1,640	\$ 12,486
Limit on interest income	6	6	54
Remeasurement			
Changes in effects of asset ceiling	1,432	(260)	12,901
Ending balance	¥ 2,825	¥ 1,386	\$ 25,450

4) Fair values of major categories of plan assets

Fair values of major categories of plan assets are as follows:

	Millions of Yen					
	March 31, 2021			March 31, 2020		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	¥ 3,525		¥ 3,525	¥ 3,059		¥ 3,059
Domestic equity	1,859		1,859	1,635		1,635
Foreign bonds	1,406		1,406	1,169		1,169
Foreign equity	1,941		1,941	1,762		1,762
Others	3,062	¥ 517	3,579	2,835	¥ 350	3,186
Total	¥ 11,794	¥ 517	¥ 12,312	¥ 10,463	¥ 350	¥ 10,814

	Thousands of U.S. Dollars		
	March 31, 2021		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	\$ 31,757		\$ 31,757
Domestic equity	16,748		16,748
Foreign bonds	12,667		12,667
Foreign equity	17,486		17,486
Others	27,586	\$ 4,658	32,243
Total	\$ 106,252	\$ 4,658	\$ 110,919

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2021	2020
Discount rate	0.5%	0.5%
Revaluation rate	1.0%	1.0%

6) Sensitivity analysis of actuarial assumptions

If the principal actuarial assumptions change within a reasonable range, the impact on defined benefit obligations will be as shown below. This analysis assumes a situation whereby changes occur in one assumption while all other assumptions remain unchanged.

Assumption	Change in assumption	Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Discount rate	Rise by 0.5%	¥ (388)	¥ (409)	\$ (3,495)
	Decline by 0.5%	421	445	3,793
Revaluation rate	Rise by 0.5%	¥ 461	¥ 482	\$ 4,153
	Decline by 0.5%	(425)	(444)	(3,829)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2021 and 2020 were ¥4,343 million (\$39,126 thousand) and ¥4,410 million, respectively.

The above expenses are included in "Cost of sales;" "Selling, general and administrative expenses;" and "Research and development expenses."

## 18. OTHER FINANCIAL ASSETS AND LIABILITIES

Other short-term financial assets, other long-term financial assets, other short-term financial liabilities, and long-term financial liabilities consist of the following:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Other short-term financial assets			2021
Bonds	¥ 192	¥ 21	\$ 1,730
Derivative financial assets	10	177	90
Time deposits	902	221	8,126
Others	0	0	0
Total	¥ 1,105	¥ 421	\$ 9,955
Other long-term financial assets			
Stocks, etc.	¥ 6,290	¥ 4,859	\$ 56,667
Others	1,654	1,333	14,901
Total	¥ 7,945	¥ 6,192	\$ 71,577

Bonds and derivative financial assets are classified into financial assets measured at fair value through profit or loss. Time deposits are classified into financial assets measured at amortized cost. Stocks and similar equity instruments are classified into either financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income.

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Other short-term financial liabilities			2021
Deposits received	¥ 524	¥ 510	\$ 4,721
Derivative financial liabilities	724	42	6,523
Others	280		2,523
Total	¥ 1,529	¥ 552	\$ 13,775
Long-term financial liabilities			
Others	¥ 108	¥ 269	\$ 973
Total	¥ 108	¥ 269	\$ 973

Deposits received are classified into financial liabilities measured at amortized cost. Derivative financial liabilities are classified into financial liabilities measured at fair value through profit or loss.



## 19. OTHER ASSETS AND LIABILITIES

Other current assets, other non-current assets, other current liabilities, and other non-current liabilities consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>Other current assets</b>			
Consumption taxes receivable	¥ 6,135	¥ 6,238	\$ 55,270
Prepaid expenses	4,115	4,058	37,072
Advance payments	1,314	696	11,838
Accrued income	581	932	5,234
Contract assets	1,718	1,465	15,477
Others	858	799	7,730
<b>Total</b>	<b>¥ 14,723</b>	<b>¥ 14,191</b>	<b>\$ 132,640</b>
<b>Other non-current assets</b>			
Long-term prepaid expenses	¥ 7,746	¥ 4,355	\$ 69,784
Guarantee deposits	1,591	1,454	14,333
<b>Total</b>	<b>¥ 9,337</b>	<b>¥ 5,810</b>	<b>\$ 84,117</b>
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>Other current liabilities</b>			
Accrued short-term paid leave	¥ 2,923	¥ 2,722	\$ 26,333
Accrued directors' bonuses	398	276	3,586
Others	2,642	2,449	23,802
<b>Total</b>	<b>¥ 5,964</b>	<b>¥ 5,448</b>	<b>\$ 53,730</b>
<b>Other non-current liabilities</b>			
Accrued long-term paid leave	¥ 263	¥ 267	\$ 2,369
Others	3,797	1,794	34,207
<b>Total</b>	<b>¥ 4,060</b>	<b>¥ 2,061</b>	<b>\$ 36,577</b>

## 20. EQUITY

### (1) Capital stock and capital surplus

Capital surplus comprises amounts generated through capital transactions that were not included in capital stock, and other capital surplus.

Reconciliations of number of authorized shares and number of issued shares from the beginning balance to the ending balance are as follows:

	Thousands of shares			
	2021		2020	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	209,266	598,688	209,154
Increase/decrease during the period		176		112
Ending balance	598,688	209,443	598,688	209,266

Notes:

- Shares issued by the Company are common stock with no par value, and outstanding shares are fully paid up.
- The increase of 176 thousand shares in the number of issued shares in the year ended March 31, 2021, was due to the exercise of subscription rights to shares as stock options.
- The increase of 112 thousand shares in the number of issued shares in the year ended March 31, 2020, was due to the exercise of subscription rights to shares as stock options.

## (2) Treasury stocks

Reconciliation of the number of treasury stocks from the beginning balance to the ending balance is as follows:

	Thousands of shares	
	2021	2020
Beginning balance	446	446
Increase/decrease during the period	0	0
Ending balance	446	446

Notes:

1. The increase/decrease in the number of treasury stocks in the year ended March 31, 2021 was due to purchases of 0 thousand shares and sales of 0 thousand shares of fractional shares less than one unit.
2. The increase of 0 thousand shares in the number of treasury stocks in the year ended March 31, 2020, was due to purchases of fractional shares less than one unit.

## (3) Retained earnings

Retained earnings comprise legal reserve of retained earnings and unappropriated retained earnings.

## (4) Other components of equity

- 1) Net gain (loss) on financial assets measured at fair value through other comprehensive income

Amounts consist of changes in fair value of financial assets measured at fair value through other comprehensive income.

- 2) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of actuarial differences, return on plan assets (excluding amounts included in interest income), and changes in effects of the asset ceiling (excluding amounts included in interest income). Actuarial differences consist of actual adjustments relating to defined benefit obligations (i.e., the difference between actuarial assumptions at the beginning of the period and actual results) and the effects of changes in actuarial assumptions. These amounts are recognized in other comprehensive income when they occur and are immediately reclassified from other components of equity into retained earnings.

- 3) Exchange difference on translation of foreign operations

Amounts consist of exchange differences arising from consolidation of the financial statements of foreign operations denominated in a currency other than the functional currency of the Company.

Details and amounts of other components of equity are as follows:

	Millions of Yen			
	Net gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange difference on translation of foreign operations	Total
As of April 1, 2019	¥ 1,320		¥ (8,546)	¥ (7,225)
Other comprehensive income	(588)	¥ 21	(6,883)	(7,450)
Reclassification into retained earnings		(21)		(21)
As of March 31, 2020	732		(15,429)	(14,697)
Other comprehensive income	608	11	10,045	10,665
Reclassification into retained earnings	(39)	(11)		(50)
As of March 31, 2021	¥ 1,301	¥	¥ (5,384)	¥ (4,082)

Thousands of U.S. Dollars				
	Net gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange difference on translation of foreign operations	Total
As of March 31, 2020	\$ 6,595		\$ (139,000)	\$ (132,405)
Other comprehensive income	5,477	\$ 99	90,495	96,081
Reclassification into retained earnings	(351)	(99)		(450)
As of March 31, 2021	\$ 11,721	\$	\$ (48,505)	\$ (36,775)

(5) Dividends

Dividends paid are as follows:

**Year Ended March 31, 2021**

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 19, 2020	Common stock	¥7,517	¥36.00	\$67,721	\$0.32	March 31, 2020	June 22, 2020
Board of Directors' Meeting November 5, 2020	Common stock	¥7,520	¥36.00	\$67,748	\$0.32	September 30, 2020	December 1, 2020

**Year Ended March 31, 2020**

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 21, 2019	Common stock	¥7,513	¥36.00	March 31, 2019	June 24, 2019
Board of Directors' Meeting November 6, 2019	Common stock	¥7,514	¥36.00	September 30, 2019	December 2, 2019

Dividends with effective dates in the following fiscal year are as follows:

**Year Ended March 31, 2021**

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 25, 2021	Common stock	¥7,523	¥36.00	\$67,775	\$0.32	March 31, 2021	June 28, 2021

## Year Ended March 31, 2020

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 19, 2020	Common stock	¥7,517	¥36.00	March 31, 2020	June 22, 2020

## 21. REVENUES

### (1) Disaggregation of revenue

The Group engages in the manufacture and sale of diagnostic instruments and reagents and the provision of related services. These businesses are conducted in Japan by the Company, and in the Americas, EMEA, China, and the Asia Pacific region by regional headquarters, and companies formulate comprehensive strategies tailored to regional characteristics and conduct business activities accordingly. Since the operating results are regularly reviewed by the Managing Board to make decisions about resources to be allocated to the segment and assess its performance, revenues in five regions, "Japan," the "Americas," "EMEA," "China," and "Asia Pacific" are recognized as sales.

Details disaggregated to goods or services based on revenue recognized from contracts with customers are as follows:

### Year ended March 31, 2021

(Unit: Millions of yen)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	¥ 13,633	¥ 16,422	¥ 21,696	¥ 26,455	¥ 6,469	¥ 84,676
Reagents	29,908	27,774	47,543	49,232	15,845	170,304
Maintenance services	7,472	16,573	9,322	4,655	1,347	39,371
Others	1,658	730	4,291	3,390	647	10,719
Total	52,672	61,501	82,854	83,735	24,309	305,073
Revenues recognized from contracts with customers	52,498	58,268	76,272	83,666	22,601	293,308
Revenues recognized from other items (Note)	¥ 174	¥ 3,232	¥ 6,582	¥ 68	¥ 1,707	¥ 11,764

Note:

Lease revenues based on IFRS 16 are included in revenues recognized from other items.

### Year ended March 31, 2020

(Unit: Millions of yen)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	¥ 13,288	¥ 20,344	¥ 19,887	¥ 21,455	¥ 6,230	¥ 81,207
Reagents	29,402	29,500	45,959	50,281	18,033	173,176
Maintenance services	6,340	15,653	8,825	5,249	1,509	37,577
Others	1,509	691	3,923	2,980	914	10,018
Total	50,540	66,189	78,596	79,966	26,687	301,980
Revenues recognized from contracts with customers	50,318	62,610	72,525	79,890	24,859	290,204
Revenues recognized from other items (Note)	¥ 222	¥ 3,579	¥ 6,070	¥ 76	¥ 1,827	¥ 11,776

Note:

Lease revenues based on IFRS 16 are included in revenues recognized from other items.

**Year ended March 31, 2021**

(Unit: Thousands of U.S. Dollars)

	Reportable segment					Total
	Japan	Americas	EMEA	China	Asia Pacific	
Goods or services						
Instruments	\$ 122,820	\$ 147,946	\$ 195,459	\$ 238,333	\$ 58,279	\$ 762,847
Reagents	269,441	250,216	428,315	443,532	142,748	1,534,270
Maintenance services	67,315	149,306	83,982	41,937	12,135	354,694
Others	14,937	6,577	38,658	30,541	5,829	96,568
Total	474,523	554,063	746,432	754,369	219,000	2,748,405
Revenues recognized from contracts with customers	472,955	524,937	687,135	753,748	203,613	2,642,414
Revenues recognized from other items	\$ 1,568	\$ 29,117	\$ 59,297	\$ 613	\$ 15,378	\$ 105,982

1) Sales of instruments and reagents

The Group recognizes revenue from the sale of instruments and reagents, based on the details of contracts with customers, when the customer obtains control of such products and performance obligations are deemed to have been satisfied. Specifically, revenue is recognized when the rights of ownership and the risks thereof are transferred from the Group to the customer, either on the shipping date, at the time of transfer to the customer, or at the time of customer inspection and acceptance. In addition, sales for reagents may be sold with rebates that are subject to certain sales targets. In this case, rebate estimation is deducted from the transaction price. For estimation of rebates, the most frequent method used is that based on past performance. In the Group, no transactions for selling the product with rights of return or any other similar rights are made.

2) Maintenance service

Maintenance services mainly involve the provision of services on products for a certain period of time. As the control of these maintenance services is transferred over a defined period, revenue is recognized when performance obligations are satisfied over a defined period.

Revenue from maintenance services for products is primarily recognized through a calculation based on the percentage of the total volume of goods or services transferred (output method). If consideration is received from a customer before performance obligations are satisfied, this consideration is recognized as a contract liability.

Consideration related to the provision of these product sales and services is generally received within one year from the point revenue is recognized, so it does not include a significant financial component.

(2) Contract balances

**As of March 31, 2021**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Contract assets	¥ 1,718	¥ 1,465	\$ 15,477
Contract liabilities	12,168	12,001	109,622

**As of March 31, 2020**

	Millions of Yen	
	2020	2019
Contract assets	¥ 1,465	¥ 725
Contract liabilities	12,001	9,303

Contract assets are mainly unconditional rights to receive considerations in exchange for multi-component transactions consisting of instruments, reagents, and maintenance services, which are related to goods or services that have been completed as of the reporting date. In the consolidated statement of financial position, they are included in other current assets.

Contract liabilities are mainly related to advances received from customers. Of the revenue recognized in the current fiscal year, ¥10,624 million (\$95,712 thousand) of contract liabilities was included in the beginning of the fiscal year. The amount of revenue recognized from the performance obligation in the past has no significance as of March 31, 2021.

(3) Transaction price allocated to remaining performance obligation

The aggregated amount of transaction price allocated to remaining performance obligations unsatisfied as of March 31, 2021, and the expected duration of the remaining performance obligations are as follows:

The table below does not include contracts for which original expected duration is one year or less. The table below also does not include contracts wherein the amount of consideration from a customer corresponds directly with the value provided to the customer using a practical expedient.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Within one year	¥ 9,757	¥ 8,074	\$ 87,901
Longer than one year	16,090	13,842	144,955
Total	¥ 25,848	¥ 21,917	\$ 232,865

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

Assets recognized from the costs to obtain or fulfil a contract with a customer had no significance as of March 31, 2021. In addition, when the amortization period of the asset to be recognized is within one year, practical expedients are used and recognized as an expense when cost is incurred.

## 22. INFORMATION OF EXPENSES BY NATURE

Information of expenses by nature is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cost of materials	¥ 50,733	¥ 50,905	\$ 457,054
Personnel expenses	81,041	79,356	730,099
Depreciation and amortization	25,575	23,955	230,405

## 23. OTHER OPERATING INCOME AND EXPENSES

Other operating income and other operating expenses consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Other operating income			
Grants	¥ 387	¥ 627	\$ 3,486
Gain on sales of property, plant and equipment	201	87	1,811
Others	1,049	772	9,450
Total	¥ 1,637	¥ 1,486	\$ 14,748
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 440	¥ 322	\$ 3,964
Others	349	379	3,144
Total	¥ 790	¥ 702	\$ 7,117

Note:

Grants consist of government grants received for business activities conducted in special economic areas and subsidies for employment adjustment under the COVID-19 pandemic. There were no unfulfilled conditions or other contingent events entailed in these subsidies.

## 24. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses consist of the following:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars 2021
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 192	¥ 235	\$ 1,730
Dividend income			
Financial assets measured at fair value through other comprehensive income	84	96	757
Others	143	263	1,288
<b>Total</b>	<b>¥ 420</b>	<b>¥ 595</b>	<b>\$ 3,784</b>
Financial expenses			
Interest expenses			
Lease liabilities	¥ 665	¥ 834	\$ 5,991
Financial liabilities measured at amortized cost	98	51	883
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	90	137	811
Others	12	7	108
<b>Total</b>	<b>¥ 866</b>	<b>¥ 1,031</b>	<b>\$ 7,802</b>

## 25. OTHER COMPREHENSIVE INCOME

Amounts of each item of other comprehensive income for the year, reclassification adjustments to profit or loss, and the impact of tax effects are as follows:

### Year Ended March 31, 2021

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
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	¥ 861	¥	¥ 861	¥ (252)	¥ 608
Remeasurements of defined benefit plans	16		16	(4)	11
<b>Subtotal</b>	<b>877</b>		<b>877</b>	<b>(257)</b>	<b>620</b>
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	10,070		10,070		10,070
Share of other comprehensive income of investments accounted for using the equity method	(25)		(25)		(25)
<b>Subtotal</b>	<b>10,045</b>		<b>10,045</b>		<b>10,045</b>
<b>Total</b>	<b>¥ 10,922</b>	<b>¥</b>	<b>¥ 10,922</b>	<b>¥ (257)</b>	<b>¥ 10,665</b>

**Year Ended March 31, 2020**

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
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	¥ (847)	¥	¥ (847)	¥ 258	¥ (588)
Remeasurements of defined benefit plans	31		31	(9)	21
Subtotal	(816)		(816)	249	(567)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(6,882)		(6,882)		(6,882)
Share of other comprehensive income of investments accounted for using the equity method	(0)		(0)		(0)
Subtotal	(6,883)		(6,883)		(6,883)
Total	¥ (7,699)	¥	¥ (7,699)	¥ 249	¥ (7,450)

**Year Ended March 31, 2021**

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
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	\$ 7,757	\$	\$ 7,757	\$ (2,270)	\$ 5,477
Remeasurements of defined benefit plans	144		144	(36)	99
Subtotal	7,901		7,901	(2,315)	5,586
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	90,721		90,721		90,721
Share of other comprehensive income of investments accounted for using the equity method	(225)		(225)		(225)
Subtotal	90,495		90,495		90,495
Total	\$ 98,396	\$	\$ 98,396	\$ (2,315)	\$ 96,081



## 26. EARNINGS PER SHARE

The basis for calculating basic and diluted earnings per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 33,142	¥ 34,883	\$ 298,577
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	33,142	34,883	298,577
Average number of common stock shares during the period (Thousands of shares)	208,905	208,755	208,905
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	33,142	34,883	298,577
Profit adjustment			
Profit used in calculating diluted earnings per share	33,142	34,883	298,577
Average number of common stock shares during the period (Thousands of shares)	208,905	208,755	208,905
Effect of dilutive shares (Thousands of shares)	347	217	347
Average number of common stock shares after adjustment for dilution (Thousands of shares)	209,253	208,973	209,253
Summary of potential shares that were not included in the calculation of diluted earnings per share because they do not have a dilutive effect		Stock options approved in Board meeting on August 28, 2019 (91,890 shares)	

## 27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Change of liabilities in financing activities

**Year Ended March 31, 2021**

The change of liabilities in financing activities is as follows:

	Millions of Yen				
	April 1, 2020	Fluctuations accompanying cash flows from financing activities	Fluctuations not accompanying cash flows		March 31, 2021
New leases			Others		
Lease liabilities	¥ 22,636	¥ (5,911)	¥ 3,874	¥ 1,362	¥ 21,962

Note:

There is no change in liabilities in financing activities other than lease liabilities.

	Thousands of U.S. Dollars				
	April 1, 2020	Fluctuations accompanying cash flows from financing activities	Fluctuations not accompanying cash flows		March 31, 2021
New leases			Others		
Lease liabilities	\$ 203,928	\$ (53,252)	\$ 34,901	\$ 12,270	\$ 197,856

## Year Ended March 31, 2020

The change of liabilities in financing activities is as follows:

Millions of Yen							
				Fluctuations not accompanying cash flows			
	April 1, 2019	Impact of changes in accounting policies (Note)	Beginning balance after reflecting the impact of changes in accounting policies	Fluctuations accompanying cash flows from financing activities	New leases	Others	March 31, 2020
Lease liabilities		¥ 22,786	¥ 22,786	¥ (5,913)	¥ 6,178	¥ (414)	¥ 22,636

Note:

The impact is due to adopting IFRS 16 (Leases).

There is no change in liabilities in financing activities other than lease liabilities.

### (2) Non-cash transactions

#### Year Ended March 31, 2021

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥4,844 million (\$43,640 thousand).

#### Year Ended March 31, 2020

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥6,063 million.

## 28. STOCK-BASED COMPENSATION

### (1) Details of stock-based compensation

The Company has adopted a stock option plan for members of the Managing Board, executive officers and employees, and members of the Managing Board and employees of some of its subsidiaries.

The details are as follows:

	3rd Stock Option	4th Stock Option
Grant date	September 13, 2013	September 20, 2019
Number and type of shares	Common stock 1,460 thousand shares	Common stock 935 thousand shares
Exercise period	Within six years from vesting, provided, however, that those who retire after vesting may exercise their rights for only two years from retirement date	Within six years from vesting, provided, however, that those who retire after vesting may exercise their rights for only two years from retirement date
Exercise price	¥3,110	¥7,295
Settlement method	Equity settled	Equity settled
Exercise conditions	Must be employed by the Company continuously from the grant date (September 13, 2013) through the vesting date (September 12, 2015)	Must be employed by the Company continuously from the grant date (September 20, 2019) through the vesting date (September 19, 2021)

(2) The number of stock options and the weighted-average exercise prices

	2021		2020		2021	
	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (U.S. Dollars)
Outstanding at beginning of period	1,228	¥ 6,239	428	¥ 3,110	1,228	\$ 56.21
Granted during period			935	7,295		
Forfeited during period	(13)	7,295	(23)	6,078	(13)	65.72
Exercised during period	(176)	3,110	(112)	3,110	(176)	28.02
Outstanding at end of period	1,039	¥ 6,758	1,228	¥ 6,239	1,039	\$ 60.88
Exercisable at end of period	133	¥ 3,110	310	¥ 3,110	133	\$ 28.02

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2021 and 2020, was ¥9,978 (\$89,892) and ¥7,299, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2021 and 2020, was ¥6,758 (\$60,883) and ¥6,239, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2021 and 2020, was 5.7 years and 5.9 years, respectively.

(3) Stock-based compensation transactions

The weighted-average fair value of stock options granted during the period is evaluated using the Black-Scholes model based on the following assumptions.

	Yen		U.S. Dollars
	2021	2020	2021
Weighted-average fair value on the grant date	¥	¥ 1,994	\$
Stock price on the grant date		7,295	
Exercise price		7,295	
Expected volatility (Note)	%	35.6%	%
Expected remaining term	years	5.0 years	years
Expected dividend	%	0.9%	%
Risk free rate	%	(0.3)%	%

Note:

Expected volatility is calculated based on the latest stock price correspond expected remaining term.

(4) Stock-based expenses

¥896 million (\$8,072 thousand) of stock-based expenses was recognized in the year ended March 31, 2021, ¥485 million of stock-based expenses was recognized in the year ended March 31, 2020. This expenses is included in "Cost of sales;" "Selling, general and administrative expenses;" and "Research and development expenses" in the consolidated statement of income.

## 29. FINANCIAL INSTRUMENTS

### (1) Capital management

The Group, in an effort to maximize its corporate value through sustained growth, has been focusing on capital management to maintain financial soundness in preparation for business investments that ensure growth, while enhancing capital efficiency.

To this end, the Group periodically monitors its ROE (ratio of profit attributable to owners of the parent to average equity attributable to the owners of the parent) to gauge its capital efficiency and its equity ratio (ratio of equity attributable to the owners of the parent) for financial soundness. ROE for the years ended March 31, 2021 and 2020, was 11.3% and 12.9%, respectively, and the equity ratios for the years ended March 31, 2021 and 2020, were 72.0% and 71.3%, respectively. The equity ratio was calculated by dividing total equity attributable to the owners of the parent by total liabilities and equity.

The Company, as part of efforts to expeditiously raise funds, has acquired an issuer rating of AA- (Double A minus) from Rating and Investment Information, Inc. (R&I), and updates such ratings through yearly reviews. Maintaining and improving such ratings contribute to keeping down future funding costs.

The Group is not subject to any material capital restrictions.

### (2) Financial risk management policy

In the course of executing business activities, the Group is exposed to various financial risks (credit, liquidity, and market). In order to avoid or mitigate such risks, the Group engages in risk management based on certain policies.

The Group invests funds in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly bank loans, for funding.

Derivative transactions have been approved by a predetermined decision-maker based on the internal guidelines, which prescribe the authority and the limit of transactions, and are managed through the finance department, regularly confirming the balance as at each due date.

### (3) Credit risk management

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances for major customers by each business administration department in order to identify at an early stage any customer default risks due to deteriorating finances. The credit risk regarding subsidiaries is also managed in the same manner.

Credit risk from derivatives is minimized due to dealing only with large financial institutions.

The carrying amounts of financial assets after impairment loss stated in the consolidated statement of financial position represent the maximum exposure to credit risk at reporting dates that do not take into account collateral and other credit enhancements. The counterparties and trading areas of the Group are extensive, and no significant concentration of the credit risk has occurred.

The Group calculates the loss allowance by classifying them into the categories of trade, contract assets, and lease receivables, and non-trade and non-lease receivables. Both types of financial assets are treated as defaults at the point when contracted payment terms and conditions cannot be met.

The Group recognizes loss allowance for all trade and lease receivables at an amount equal to the lifetime expected credit loss. Loss allowance is calculated to reflect the following factors:

- (a) Unbiased, probability-weighted amounts derived by evaluating the probable results within a certain range;
- (b) Time value of money;
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions, and future economic conditions.

For both types of financial assets, when evaluating whether or not the credit risk has increased significantly, in addition to information on due dates, the Group considers information that can be reasonably used and supported by the Group. Both types of financial assets are treated as credit-impaired financial assets in the event that the borrower requests revision of the payment terms and conditions, the borrower falls into serious financial difficulty, or legal liquidation procedures commence due to the borrower's bankruptcy, etc. In terms of amounts that are clearly not capable of being collected in future periods, the carrying amounts of financial assets are directly reduced and the corresponding loss allowance is also decreased.

Changes in the loss allowance are as follows:

	Millions of Yen			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss	Trade, contract assets, and lease receivables	Total
As of April 1, 2019	¥	¥ 0	¥ 1,012	¥ 1,013
Provision made		0	406	406
Provision used			(199)	(199)
Provision reversed			(87)	(87)
Exchange differences on translation of foreign currency		0	(54)	(54)
As of March 31, 2020		0	1,077	1,078
Provision made			463	463
Provision used		(0)	(197)	(198)
Provision reversed			(475)	(475)
Exchange differences on translation of foreign currency		0	68	68
As of March 31, 2021	¥	¥	¥ 936	¥ 936

	Thousands of U.S. Dollars			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss	Trade, contract assets, and lease receivables	Total
As of March 31, 2020	\$	\$ 0	\$ 9,703	\$ 9,712
Provision made			4,171	4,171
Provision used		(0)	(1,775)	(1,784)
Provision reversed			(4,279)	(4,279)
Exchange differences on translation of foreign currency		0	613	613
As of March 31, 2021	\$	\$	\$ 8,432	\$ 8,432

Note:

There are no financial assets for which credit risk is significantly increasing for the whole period, except for trade and lease receivables.

Changes in the gross carrying amount of financial assets are as follows:

	Millions of Yen			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss	Trade, contract assets, and lease receivables	Total
As of April 1, 2019	¥ 613	¥ 0	¥ 97,581	¥ 98,194
Recognition and derecognition	247	2	6,924	7,174
Exchange differences on translation of foreign currency	(16)	(0)	(4,308)	(4,325)
As of March 31, 2020	844	2	100,196	101,043
Recognition and derecognition	53	1	11,470	11,526
Exchange differences on translation of foreign currency	32	0	5,898	5,931
As of March 31, 2021	¥ 930	¥ 4	¥ 117,565	¥ 118,501

	Thousands of U.S. Dollars			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss	Trade, contract assets, and lease receivables	Total
As of March 31, 2020	\$ 7,604	\$ 18	\$ 902,667	\$ 910,297
Recognition and derecognition	477	9	103,333	103,838
Exchange differences on translation of foreign currency	288	0	53,135	53,432
As of March 31, 2021	\$ 8,378	\$ 36	\$ 1,059,144	\$ 1,067,577

Note:

There are no financial assets for which credit risk is significantly increasing for the whole period, except for trade and lease receivables.

No financial assets for which loss allowance was recorded at initial recognition were recognized for the years ended March 31, 2021 and 2020.

The carrying amounts of financial assets for which loss allowance was recognized are as follows:

**As of March 31, 2021**

	Millions of Yen		Thousands of U.S. Dollars	
	Receivable	Loss allowance	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,180	¥ 806	\$ 28,649	\$ 7,261
Financial assets other than the above	115,320	129	1,038,919	1,162
Total	¥ 118,501	¥ 936	\$ 1,067,577	\$ 8,432

**As of March 31, 2020**

	Millions of Yen	
	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,879	¥ 893
Financial assets other than the above	97,164	184
<b>Total</b>	<b>¥ 101,043</b>	<b>¥ 1,078</b>

(4) Liquidity risk management

The Company manages its liquidity risk by holding adequate volumes of cash on hand in view of business income and expenditure, and capital investment plan along with adequate cash management plan by the finance department. The finance department of the Company manages liquidity risk by obtaining information on cash flows for the whole Group.

The contractual maturities of financial liabilities are as follows:

**As of March 31, 2021**

	Millions of Yen							
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>								
Trade and other payables	¥ 34,159	¥ 34,159	¥ 34,159					
Lease liabilities	21,962	23,844	6,570	¥ 4,706	¥ 3,194	¥ 2,456	¥ 2,074	¥ 4,841
Deposits received	524	524	524					
Others	389	389	280	31	6	1		70
<b>Subtotal</b>	<b>57,035</b>	<b>58,917</b>	<b>41,535</b>	<b>4,737</b>	<b>3,200</b>	<b>2,458</b>	<b>2,074</b>	<b>4,911</b>
<b>Derivative financial liabilities</b>								
Forward exchange contracts	724	724	724					
<b>Subtotal</b>	<b>724</b>	<b>724</b>	<b>724</b>					
<b>Total</b>	<b>¥ 57,760</b>	<b>¥ 59,642</b>	<b>¥ 42,260</b>	<b>¥ 4,737</b>	<b>¥ 3,200</b>	<b>¥ 2,458</b>	<b>¥ 2,074</b>	<b>¥ 4,911</b>

**As of March 31, 2020**

	Millions of Yen							
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>								
Trade and other payables	¥ 33,917	¥ 33,917	¥ 33,917					
Lease liabilities	22,636	24,859	6,452	¥ 4,732	¥ 3,426	¥ 2,251	¥ 1,950	¥ 6,045
Deposits received	510	510	510					
Others	269	269	89	179				
<b>Subtotal</b>	<b>57,333</b>	<b>59,555</b>	<b>40,969</b>	<b>4,911</b>	<b>3,426</b>	<b>2,251</b>	<b>1,950</b>	<b>6,045</b>
<b>Derivative financial liabilities</b>								
Forward exchange contracts	42	42	42					
<b>Subtotal</b>	<b>42</b>	<b>42</b>	<b>42</b>					
<b>Total</b>	<b>¥ 57,375</b>	<b>¥ 59,598</b>	<b>¥ 41,011</b>	<b>¥ 4,911</b>	<b>¥ 3,426</b>	<b>¥ 2,251</b>	<b>¥ 1,950</b>	<b>¥ 6,045</b>

**As of March 31, 2021**

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>								
Trade and other payables	\$ 307,739	\$ 307,739	\$ 307,739					
Lease liabilities	197,856	214,811	59,189	\$ 42,396	\$ 28,775	\$ 22,126	\$ 18,685	\$ 43,613
Deposits received	4,721	4,721	4,721					
Others	3,505	3,505	2,523	279	54	9		631
<b>Subtotal</b>	<b>513,829</b>	<b>530,784</b>	<b>374,189</b>	<b>42,676</b>	<b>28,829</b>	<b>22,144</b>	<b>18,685</b>	<b>44,243</b>
<b>Derivative financial liabilities</b>								
Forward exchange contracts	6,523	6,523	6,523					
<b>Subtotal</b>	<b>6,523</b>	<b>6,523</b>	<b>6,523</b>					
<b>Total</b>	<b>\$ 520,360</b>	<b>\$ 537,315</b>	<b>\$ 380,721</b>	<b>\$ 42,676</b>	<b>\$ 28,829</b>	<b>\$ 22,144</b>	<b>\$ 18,685</b>	<b>\$ 44,243</b>

Average interest rates as of March 31, 2021, were 3.2% for lease liabilities and 0.0% for deposits received.

**(5) Market risk management**

**1) Management of foreign currency exchange rate risk**

In terms of foreign currency receivables, foreign currency exchange rate risk, which is summarized with respect to each currency and each month, is managed mainly through use of forward exchange contracts. Forward exchange contracts are used for foreign currency forecast transactions and loans for subsidiaries, according to conditions in respect of foreign currency exchange rate fluctuations.

**(i) Exposure to foreign currency exchange rate risk**

The Group's exposure to foreign currency exchange rate risk is as shown below. The exposure amounts represent the exposure to risk less the foreign currency exchange risks hedged by the forward exchange contracts.

	2021	2020
Thousands of U.S. dollars	(59,490)	(30,216)
Thousands of euros	(4,608)	(616)
Thousands of yuan	1,265	1,158

**(ii) Sensitivity analysis of foreign currency exchange risk**

The following shows the impacts on profit or loss and equity of a 10% appreciation of the Japanese yen against the U.S. dollar, euro and yuan. This analysis assumes that all other factors are constant. The impacts of fluctuations in currencies other than the U.S. dollar, euro and yuan on the Group's exposure are immaterial.

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2020		2021	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ 457	¥ 457	¥ 228	¥ 228	\$ 4,117	\$ 4,117
Euro (yen appreciates by 10%)	40	40	4	4	360	360
Yuan (yen appreciates by 10%)	(4)	(4)	(3)	(3)	(36)	(36)

**2) Management of interest rate risk**

As the Group does not have material financial instruments exposed to interest rate risk, the interest rate risk is limited.



### 3) Management of market price fluctuation risk

Equity instruments are managed through regular monitoring of market values and the financial positions of issuers.

With regard to listed shares held by the Group, the impacts of a 10% decline in share prices for the years ended March 31, 2021 and 2020 were ¥317 million (\$2,856 thousand) and ¥255 million, respectively. This analysis assumes that all other factors are constant.

### (6) Fair value of financial instruments

#### 1) Fair value measurement method

The fair values of major financial assets and financial liabilities are determined in the following manner. In measuring the fair values of financial instruments, the quoted price is used, if available. If the quoted price is not available, the method of discounting future cash flows or other appropriate methods are used.

#### (i) Trade and other receivables

The fair values of lease receivables are measured at the present value calculated by discounting future cash flows, using the applicable discount rate considering credit risk, and classified in Level 3.

#### (ii) Other financial assets

##### • Stocks

The fair values of listed stocks are measured from the quoted prices of identical assets in active markets, and classified in Level 1.

The fair values of unlisted stocks are measured, in accordance with the valuation policy and procedures set forth by the Company, using a valuation model based on the net assets of the investee and other appropriate valuation methods, and classified in Level 3.

#### (iii) Derivative financial assets and derivative financial liabilities

The fair values of forward exchange contracts, etc., are measured based on the prices indicated by the financial institutions, which are the counterparties of the contracts, and classified in Level 2.

The fair values of financial assets and financial liabilities other than those stated above approximate their carrying amounts.

#### 2) Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2020		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>						
Lease receivables	¥ 20,872	¥ 21,016	¥ 17,524	¥ 17,767	\$ 188,036	\$ 189,333
Total	20,872	21,016	17,524	17,767	188,036	189,333
<b>Liabilities</b>						
Others	294	294	269	269	2,649	2,649
Total	¥ 294	¥ 294	¥ 269	¥ 269	\$ 2,649	\$ 2,649

3) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is as follows:

**As of March 31, 2021**

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 1,480	¥ 1,480
Financial assets measured at fair value through other comprehensive income	¥ 3,173		1,636	4,809
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 10		10
Others				
Financial assets measured at fair value through profit or loss	970	192	681	1,844
<b>Total</b>	<b>¥ 4,143</b>	<b>¥ 202</b>	<b>¥ 3,798</b>	<b>¥ 8,145</b>
<b>Liabilities</b>				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 724		¥ 724
<b>Total</b>		<b>¥ 724</b>		<b>¥ 724</b>

**As of March 31, 2020**

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 893	¥ 893
Financial assets measured at fair value through other comprehensive income	¥ 2,559		1,406	3,966
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 177		177
Others				
Financial assets measured at fair value through profit or loss	745	21	505	1,273
<b>Total</b>	<b>¥ 3,305</b>	<b>¥ 199</b>	<b>¥ 2,805</b>	<b>¥ 6,310</b>
<b>Liabilities</b>				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 42		¥ 42
<b>Total</b>		<b>¥ 42</b>		<b>¥ 42</b>

**As of March 31, 2021**

	Thousands of U.S. Dollars			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			\$ 13,333	\$ 13,333
Financial assets measured at fair value through other comprehensive income	\$ 28,586		14,739	43,324
Derivative financial assets				
Financial assets measured at fair value through profit or loss		\$ 90		90
Others				
Financial assets measured at fair value through profit or loss	8,739	1,730	6,135	16,613
<b>Total</b>	<b>\$ 37,324</b>	<b>\$ 1,820</b>	<b>\$ 34,216</b>	<b>\$ 73,378</b>
<b>Liabilities</b>				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		\$ 6,523		\$ 6,523
<b>Total</b>		<b>\$ 6,523</b>		<b>\$ 6,523</b>

Note:

Transfers between levels of the fair value hierarchy are recognized on the date on which the event occurred or the situation changed to necessitate the transfer. No transfers occurred for the years ended March 31, 2021 and 2020.

Increases/decreases in financial assets classified in Level 3 of the fair value hierarchy are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance	¥ 2,805	¥ 2,742	\$ 25,270
Total gains or losses recognized			
In profit or loss (Note 1)	117	(107)	1,054
In other comprehensive income (Note 2)	212	(9)	1,910
Purchase	662	210	5,964
Sales or settlement		(30)	
Others		(0)	
Ending balance	¥ 3,798	¥ 2,805	\$ 34,216

Notes:

- Total gains or losses recognized in profit or loss relate to financial assets measured at fair value through profit or loss, and are included in "Financial income" and "Financial expenses" in the consolidated statement of income.
- Total gains or losses recognized in other comprehensive income relate to financial assets measured at fair value through other comprehensive income, and are included in "Net gain (loss) on financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

(7) Financial assets measured at fair value through other comprehensive income

The Group has designated investments in equity instruments held by the Group over the long term for the purpose of generating profit from rises in share prices or dividends, and for the purpose of reinforcing and stabilizing its business base, as financial assets measured at fair value through other comprehensive income.

1) Fair values of each investments

Name of major investments and their fair values are as follows:

**As of March 31, 2021**

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 1,403	\$ 12,640
Noritz Corporation	829	7,468
Mitsubishi UFJ Financial Group, Inc.	210	1,892
Falco Holdings Co., Ltd.	167	1,505
BML, Inc.	153	1,378

**As of March 31, 2020**

Investment	Millions of Yen
TOA Corporation	¥ 1,172
Noritz Corporation	553
Falco Holdings Co., Ltd.	169
Mitsubishi UFJ Financial Group, Inc.	143
BML, Inc.	116

2) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments held at end of period	¥ 84	¥ 96	\$ 757

### 30. BUSINESS COMBINATIONS

There were no business combinations for the years ended March 31, 2021 and 2020.

### 31. RELATED PARTIES

(1) Related party transactions

The Group engages in transactions with the following related parties:

Transactions with subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are therefore not disclosed.

**As of March 31, 2021**

Type	Name	Nature of transaction with related parties	Transaction amount		Outstanding	
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Officer	Junzo Yamamoto	Exercise of stock options	¥ 11	\$ 99		
Officer	Hiroshi Kanda	Exercise of stock options	23	207		
Companies in which officers and their close relatives have a majority of voting rights	Vision Care	Revenues from commissioned business related to R&D	13	117	¥ 0	\$ 0
Companies in which officers and their close relatives have a majority of voting rights	Vision Care	Expenditures from commissioned business related to R&D	0	0	48	432

**As of March 31, 2020**

Type	Name	Nature of transaction with related parties	Transaction amount (Millions of Yen)	Outstanding (Millions of Yen)
Officer	Kaoru Asano	Exercise of stock options	¥ 11	¥
Officer	Kenji Tachibana	Exercise of stock options	20	
Companies in which officers and their close relatives have a majority of voting rights	Vision Care	Revenues from commissioned business related to R&D	12	

## Notes:

1. The exercise price of stock options and other matters relating to stock options are as disclosed in "28. STOCK-BASED COMPENSATION."
2. Revenues from commissioned business is determined in the same way as general transaction conditions.
3. Expenditures from commissioned business is determined in the same way as general transaction conditions.

## (2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Short-term benefits	¥ 639	¥ 543	\$ 5,757
Stock-based compensation	236	107	2,126
Total	¥ 875	¥ 650	\$ 7,883

**32. COMMITMENTS FOR EXPENDITURES**

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Commitments to purchase of intangible assets and other assets	¥ 1,085	¥ 746	\$ 9,775

**33. CONTINGENT LIABILITIES**

## (1) Lawsuit

1. On October 16, 2017, our subsidiaries Sysmex Europe GmbH ("SEG") and Sysmex Deutschland GmbH ("SDG") were named in German patent infringement lawsuits filed by Beckman Coulter Inc. ("BC") in the Düsseldorf District Court. It is alleged that our product infringes a European patent owned by BC.

On August 8, 2019, the Düsseldorf District Court issued the first trial decision granting patent infringement. On September 10, 2019, SEG and SDG appealed to the Düsseldorf High Court due to dissatisfaction with the content of the judgment. In addition, in connection with this matter, on December 17, 2018, SEG and SDG filed a lawsuit against BC with the German Federal Patent Court for the invalidation of the European patent held by BC.

At present, it is not possible to predict the outcome of the final court decision, and the provisions are not recognized because it does not meet the criteria of IAS 37 "Provisions, contingent liabilities and contingent assets."

2. In April 2020, Uniface BV ("Uniface") filed a lawsuit in the Brussels Business Court against the Company and its subsidiary, Sysmex America Inc. ("SAI"). Uniface claims that the Company and SAI are in breach of the Software License Agreement ("Agreement") and claims that Uniface's copyrights have been infringed upon by this breach of the Agreement. At present, Uniface has requested payment of approximately €321 million in total. The Company and SAI will defend Uniface's claims by alleging compliance with the Agreement.

At present, it is not possible to predict the outcome of the final court decision, and the provisions are not recognized because it does not meet the criteria of IAS 37 "Provisions, contingent liabilities and contingent assets."

(2) Guarantee of obligations

The Company is contingently liable as guarantor of the indebtedness of its equity-method affiliated company for borrowing from a financial institution.

Guarantor	Guarantee amount (Millions of Yen)	Guarantee amount (Thousands of U.S. Dollars)	Nature of Guarantee
Medicaroid Corporation	¥3,000	\$27,027	Guarantee for working capital loans
Total	¥3,000	\$27,027	

**34. SUBSEQUENT EVENT**

Not applicable.