

**Summary of Consolidated Financial Results [IFRS]
for the First Six Months of the Fiscal Year Ending March 31, 2020**

November 6, 2019

Listed company name : Sysmex Corporation
Code : 6869
Listed stock exchanges : Tokyo Stock Exchange
URL : <https://www.sysmex.co.jp/en/index.html>
Company representative : Hisashi Ietsugu, Chairman and CEO
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Scheduled date for filing of quarterly report : November 13, 2019
Scheduled date for dividend payment : December 2, 2019
Preparation of supplementary material for quarterly earnings : Yes
Holding of earnings announcement : Yes

(Unit: Millions of Yen)

1. Results for the First Six Months of the Fiscal Year Ending March 31, 2020

(1) Operating results

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

	Net Sales		Operating profit		Profit before tax		Profit	
Six months ended Sep. 30, 2019	142,990	5.0%	27,803	(2.5)%	25,075	(5.1)%	17,458	(10.0)%
Six months ended Sep. 30, 2018	136,194	3.9%	28,503	1.8%	26,411	(4.1)%	19,389	1.8%

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share (Yen)	Diluted earnings per share (Yen)
Six months ended Sep. 30, 2019	17,593	(9.7)%	10,241	(50.1)%	84.29	84.20
Six months ended Sep. 30, 2018	19,473	1.5%	20,512	(18.8)%	93.36	93.19

(2) Financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent to total assets
As of Sep. 30, 2019	364,028	268,057	267,459	73.5%
As of Mar. 31, 2019	346,775	265,182	264,448	76.3%

2. Dividend

	Dividend per share				
	First quarter (Yen)	Second quarter (Yen)	Third quarter (Yen)	Year-end (Yen)	Annual (Yen)
Year ended Mar. 31, 2019	—	34.00	—	36.00	70.00
Year ending Mar. 31, 2020	—	36.00			
Year ending Mar. 31, 2020 (Forecast)			—	36.00	72.00

Note: Revision of dividends forecast for this period: No

3. Financial Forecast for the Year Ending March 31, 2020

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

Year ending Mar. 31, 2020	Net Sales		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share (Yen)
		310,000	5.6%	60,000	(2.1)%	55,000	(5.1)%	38,500	(6.6)%

Note: Revision of business forecast for this period: Yes

4. Other Information

- (1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation):
No
- (2) Changes in accounting policies and accounting estimates
 - 1) Changes in accounting policies required by IFRS: Yes
 - 2) Other changes in accounting policies: No
 - 3) Changes in accounting estimates: No
- (3) Number of outstanding stock (common stock)
 - 1) Number of outstanding stock at the end of each fiscal period (including treasury stock):
209,193,432 shares as of Sep. 30, 2019; 209,154,432 shares as of Mar. 31, 2019
 - 2) Number of treasury stock at the end of each fiscal period:
446,444 shares as of Sep. 30, 2019; 446,168 shares as of Mar. 31, 2019
 - 3) Average number of outstanding stock for each period (cumulative):
208,731,410 shares for the three months ended Sep. 30, 2019
208,580,388 shares for the three months ended Sep. 30, 2018

Note: Quarterly summaries of financial results are excluded from quarterly reviews.

* Explanation regarding the appropriate use of financial forecast and other information

1. The forecasts and future projections contained herein have been prepared on the basis of rational decisions given the information available as of the date of announcement of this document. These forecasts do not represent a commitment by the Company, and actual performance may differ substantially from forecasts for a variety of reasons. Please refer to “3) Consolidated financial forecast” within “1. Qualitative information on quarterly financial results” on page 4 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.
2. Supplementary financial materials (in Japanese and English) will be posted on the Sysmex website on Wednesday, November 6, 2019.

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1. Qualitative information on quarterly financial results

1) Operating performance analysis

Future-related information contained in the text below is based on the judgement as of the end of the fiscal period under review.

During the first six months of the fiscal year ending March 31, 2020, the Japanese economy was affected in the manufacturing sector by worsening earnings due to trade friction and other uncertainties in the international situation, and yen appreciation, as well as a downturn in business confidence. However, the employment and income environments continued their modest recovery, and corporate investment remained firm as companies upgraded obsolete equipment and made streamlining and labor-saving investments against the backdrop of a labor shortage. Overseas, the economic outlook was characterized by a growing sense of caution, due to prolonged US–China trade friction, the United Kingdom’s exit from the European Union and rising geopolitical tension in the Middle East.

On the healthcare front, in Japan the medical and healthcare field faces growing demand due to an aging society and increasingly diverse health and medical needs. The Japanese government is including the medical and healthcare industry in its growth strategies, which is expected to continue invigorating healthcare-related industries going forward. Looking overseas, the populations of developed countries are aging, while economic growth in emerging markets is causing healthcare demand to increase and prompting higher levels of healthcare quality and service enhancements. These trends are promoting efficient healthcare, with structural changes brought about by artificial intelligence, information and communications technology, and other breaking technologies.

Against this backdrop, Sysmex obtained Japanese manufacturing and marketing approval for the OncoBEAM™¹ RAS CRC Kit, an RAS gene² mutation testing kit. This product is the first in vitro diagnostic reagent in Japan to be used for RAS gene mutation testing for colorectal cancer using liquid biopsy. Minimally invasive and simpler than conventional physical biopsies of tumor tissue, the new testing method provides detection results on a par with the use of tumor tissue. As a result, this testing method reduces the physical and mental burden on patients, expands testing opportunities, and contributes to the early-stage determination of treatment methods.

In addition, Sysmex launched its PS-10 sample preparation system in the North American market in August 2019. This system is for the clinical flow cytometry (FCM) testing market, which uses flow cytometry to perform detailed analyses of leukemia and malignant lymphoma diagnoses. By automating complicated sample preparation work for clinical laboratories, the PS-10 results in providing workflows which are more efficient and aids in standardizing clinical flow cytometry testing. In preparation for a global rollout, we will obtain necessary regulatory approval for flow cytometers as analyzers in various countries around the world.

Since 2013, Sysmex and Tasuku Honjo, a general and distinguished professor at the Kyoto University Institute for Advanced Studies, have been conducting joint R&D on a fully automated measurement method for soluble immune checkpoint molecules (sPD-1, sPD-L1 and sCTLA-4) using the HI-1000, an automated, highly sensitive immunoassay system for research applications. In September 2019, Sysmex began providing assay services for research using this measurement method. The measurement method can be used in cancer immunotherapy and as a new method for diagnosing autoimmune diseases, and has the potential to help realize personalized medicine. Going forward, we will promote R&D with a view toward commercialization, contributing to advances in healthcare.

1 OncoBEAM™:

The name of Sysmex’s technology to detect minute gene mutations circulating in the blood with a high degree of sensitivity using BEAMing technology, which was developed at Johns Hopkins University.

2 RAS gene:

As the likelihood is high that patients with RAS gene (KRAS/NRAS gene) mutations will not benefit (prolongation of life, tumor reduction) from the administration of anti-EGFR drugs, companion diagnostics may be performed to treat the gene mutation first.

Net sales by destination

	Six months ended Sep 30, 2018		Six months ended Sep 30, 2019		YoY (Previous period = 100)
	Amount (Millions of yen)	Percentage of total (%)	Amount (Millions of yen)	Percentage of total (%)	
Japan	20,937	15.4	22,691	15.9	108.4
Americas	31,413	23.1	32,788	22.9	104.4
EMEA	36,004	26.4	37,580	26.3	104.4
China	36,230	26.6	37,413	26.2	103.3
Asia Pacific	11,608	8.5	12,516	8.7	107.8
Overseas subtotal	115,257	84.6	120,298	84.1	104.4
Total	136,194	100.0	142,990	100.0	105.0

In Japan, instrument sales increased, mainly in the hematology and life science fields. As a result, sales in Japan rose 8.4% year on year, to ¥22,691 million.

In overseas markets, reagent sales were down, chiefly in the hemostasis field, but reagent sales rose, centered on the hematology, urinalysis and immunochemistry fields. Consequently, overseas sales for the Sysmex Group rose 4.4% year on year, to ¥120,298 million. The overseas sales ratio fell 0.5 percentage point, to 84.1%.

As a result, during the first six months of the fiscal year ending March 31, 2020, the Group recorded consolidated net sales of ¥142,990 million, up 5.0% year on year. Operating profit fell 2.5%, to ¥27,803 million; profit before tax decreased 5.1%, to ¥25,075 million; and profit attributable to owners of the parent fell 9.7%, to ¥17,593 million.

Performance by segment

(1) Japan

In Japan, sales increased 11.3% year on year, to ¥24,800 million, benefiting from such factors as higher instrument sales, principally in the hematology field.

On the profit front, higher sales pushed up gross profit, but segment profit (operating profit) rose 2.1%, to ¥17,907 million, owing to higher SG&A and R&D expenses.

(2) Americas

Instrument sales were down, mainly in the hemostasis field, but sales of reagents and maintenance services grew in the hematology field, pushing up sales 3.5% year on year, to ¥30,264 million.

On the profit front, increased sales boosted gross profit. Nevertheless, segment profit (operating profit) declined 37.6% year on year, to ¥951 million, as a result of rising SG&A expenses.

(3) EMEA

Sales in the EMEA region expanded 3.1% year on year, to ¥38,146 million, helped by higher reagent sales, mainly in the hematology and urinalysis fields.

On the profit front, higher sales and a decrease in SG&A expenses led to higher gross profit and pushed segment profit (operating profit) up 21.7% year on year, to ¥3,812 million.

(4) China

In China, reagent sales decreased, mainly in the hemostasis field, and instrument sales fell in the hematology field. However, instrument sales in the hemostasis field grew, as did reagent sales in the hematology field. As a result, sales increased 3.3% year on year, to ¥37,370 million.

On the profit front, SG&A expenses decreased, but a worsening cost of sales ratio caused gross profit to decline. Consequently, segment profit (operating profit) dropped 25.2%, to ¥4,146 million.

(5) Asia Pacific

Instrument sales were down, mainly in the hemostasis and hematology fields, but reagent sales in the hematology field increased, leading to an 8.1% year on year rise in sales in the Asia Pacific region, to ¥12,408 million.

On the profit front, despite worsening cost of sales ratio and higher SG&A expenses, higher sales led to a rise in gross profit and pushed segment profit (operating profit) up 10.0% year on year, to ¥1,610 million.

2) Financial conditions analysis

(1) Financial conditions

As of September 30, 2019, total assets amounted to ¥364,028 million, up ¥17,252 million from March 31, 2019. As principal factors, trade and other receivables (current assets) decreased ¥6,943 million, and other short-term financial assets fell ¥6,892 million, but property, plant and equipment increased ¥19,854 million, cash and cash equivalents expanded ¥5,923 million, and inventories grew ¥4,459 million.

Meanwhile, total liabilities as of September 30, 2019, were ¥95,970 million, up ¥14,377 from their level on March 31, 2019. Principal factors included a ¥3,054 million decrease in trade and other payables and a ¥1,863 decline in accrued bonuses, but lease liabilities (current) rose ¥5,422 million, and lease liabilities (non-current) increased ¥16,826 million.

Total equity came to ¥268,057 million, up ¥2,875 million from March 31, 2019. Among principal reasons, retained earnings rose ¥10,080 million, while other components of equity declined ¥7,217 million. Equity attributable to owners of the parent to total assets fell 2.8 percentage points, from 76.3% on March 31, 2019 to 73.5% on September 30, 2019.

(2) Cash flows

As of September 30, 2019, cash and cash equivalents amounted to ¥56,985 million, up ¥5,923 million from March 31, 2019.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥26,908 million, up ¥7,481 million from the first six months of the previous fiscal year. As principal factors, profit before tax provided ¥25,075 million (¥1,335 million less than in the corresponding period of the preceding year), depreciation and amortization provided ¥11,510 million (¥3,889 million more than in the corresponding period of the preceding year), an increase in inventories used ¥5,851 million (up ¥3,980 million), a decrease in trade payables used ¥1,068 million (decrease of ¥1,851 million), and a decrease in consumption taxes receivable and others provided ¥2,058 million (increased ¥1,802 million).

(Cash flows from investing activities)

Net cash used in investing activities was ¥9,057 million (decrease of ¥13,671 million). Among major factors, purchase of property, plant and equipment used ¥7,458 million (decrease of ¥1,967 million), purchase of intangible assets used ¥6,113 million (up ¥2,050 million), purchase of investments in equity instruments used ¥1,508 million (up ¥500 million), and proceeds from withdrawal of time deposits provided ¥7,221 million (up ¥7,221 million).

(Cash flows from financing activities)

Net cash used in financing activities was ¥10,195 million (up ¥2,942 million). This was mainly due to dividends paid of ¥7,513 million (up ¥6 million), and repayment of lease liabilities, which used ¥2,801 million.

3) Consolidated financial forecast

For the Company's consolidated financial forecast for the full fiscal year, please refer to the Announcement Regarding Differences between Actual and Forecast Figures for the Six Months Ended September 30, 2019, and Revision of Full-Year Financial Forecasts, announced today (November 6, 2019).

2. Condensed quarterly consolidated financial statements and notes

1) Condensed quarterly consolidated statement of financial position

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	51,062	56,985
Trade and other receivables	84,247	77,303
Inventories	40,231	44,691
Other short-term financial assets	7,644	752
Income taxes receivable	412	305
Other current assets	11,824	10,203
Total current assets	<u>195,423</u>	<u>190,241</u>
Non-current assets		
Property, plant and equipment	76,312	96,166
Goodwill	11,917	11,209
Intangible assets	33,037	35,101
Investments accounted for using the equity method	634	1,238
Trade and other receivables	12,202	11,551
Other long-term financial assets	7,050	7,057
Asset for retirement benefits	917	897
Other non-current assets	3,456	4,229
Deferred tax assets	5,823	6,335
Total non-current assets	<u>151,352</u>	<u>173,787</u>
Total assets	<u>346,775</u>	<u>364,028</u>

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	29,778	26,724
Lease liabilities	—	5,422
Other current financial liabilities	806	786
Income taxes payable	6,947	6,788
Provisions	693	735
Contract liabilities	9,303	8,908
Accrued expenses	10,791	11,042
Accrued bonuses	7,670	5,807
Other current liabilities	5,257	4,152
Total current liabilities	71,247	70,368
Non-current liabilities		
Lease liabilities	—	16,826
Other non-current financial liabilities	415	216
Liability for retirement benefits	857	897
Provisions	226	224
Other non-current liabilities	3,203	1,969
Deferred tax liabilities	5,642	5,468
Total non-current liabilities	10,345	25,602
Total liabilities	81,592	95,970
Equity		
Equity attributable to owners of the parent		
Capital stock	12,654	12,732
Capital surplus	17,876	17,948
Retained earnings	241,445	251,525
Treasury stock	(302)	(304)
Other components of equity	(7,225)	(14,442)
Total equity attributable to owners of the parent	264,448	267,459
Non-controlling interests	733	598
Total equity	265,182	268,057
Total liabilities and equity	346,775	364,028

2) Condensed quarterly consolidated statement of income

(Unit: Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	136,194	142,990
Cost of sales	59,663	65,454
Gross profit	76,531	77,535
Selling, general and administrative expenses	39,788	40,031
Research and development expenses	8,763	10,460
Other operating income	707	914
Other operating expenses	183	154
Operating profit	28,503	27,803
Financial income	188	330
Financial expenses	286	493
Share of profit (loss) of associates accounted for using the equity method	(680)	(893)
Foreign exchange gain (loss)	(1,313)	(1,671)
Profit before tax	26,411	25,075
Income taxes expenses	7,021	7,617
Profit	19,389	17,458
Profit attributable to		
Owners of the parent	19,473	17,593
Non-controlling interests	(84)	(135)
Profit	19,389	17,458
		(Unit: Yen)
Earnings per share		
Basic	93.36	84.29
Diluted	93.19	84.20

3) Condensed quarterly consolidated statement of other comprehensive income

(Unit: Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	19,389	17,458
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	7	(115)
Total	7	(115)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	1,112	(7,100)
Share of other comprehensive income of investments accounted for using the equity method	3	(1)
Total	1,116	(7,101)
Total other comprehensive income	1,123	(7,217)
Comprehensive income	20,512	10,241
Comprehensive income attributable to		
Owners of the parent	20,597	10,376
Non-controlling interests	(84)	(135)
Comprehensive income	20,512	10,241

4) Condensed quarterly consolidated statement of changes in equity
Six months ended September 30, 2018

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2018	12,276	17,664	214,952	(295)	(3,847)	240,749	693	241,443
Cumulative effect of accounting change	—	—	(244)	—	—	(244)	—	(244)
Restated balance	12,276	17,664	214,707	(295)	(3,847)	240,504	693	241,198
Profit	—	—	19,473	—	—	19,473	(84)	19,389
Other comprehensive income	—	—	—	—	1,123	1,123	0	1,123
Comprehensive income	—	—	19,473	—	1,123	20,597	(84)	20,512
Exercise of warrants	216	121	—	—	—	338	—	338
Cash dividends	—	—	(7,506)	—	—	(7,506)	—	(7,506)
Purchase of treasury stock	—	—	—	(4)	—	(4)	—	(4)
Total transactions with the owners	216	121	(7,506)	(4)	—	(7,172)	—	(7,172)
As of September 30, 2018	12,492	17,786	226,675	(300)	(2,724)	253,929	609	254,538

Six months ended September 30, 2019

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2019	12,654	17,876	241,445	(302)	(7,225)	264,448	733	265,182
Cumulative effect of accounting change	—	—	—	—	—	—	—	—
Restated balance	12,654	17,876	241,445	(302)	(7,225)	264,448	733	265,182
Profit	—	—	17,593	—	—	17,593	(135)	17,458
Other comprehensive income	—	—	—	—	(7,217)	(7,217)	0	(7,217)
Comprehensive income	—	—	17,593	—	(7,217)	10,376	(135)	10,241
Exercise of warrants	77	71	—	—	—	149	—	149
Cash dividends	—	—	(7,513)	—	—	(7,513)	—	(7,513)
Purchase of treasury stock	—	—	—	(2)	—	(2)	—	(2)
Total transactions with the owners	77	71	(7,513)	(2)	—	(7,366)	—	(7,366)
As of September 30, 2019	12,732	17,948	251,525	(304)	(14,442)	267,459	598	268,057

5) Condensed quarterly consolidated statement of cash flows

(Unit: Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before tax	26,411	25,075
Depreciation and amortization	7,620	11,510
Decrease (increase) in trade receivable	3,014	3,664
Decrease (increase) in inventories	(1,870)	(5,851)
Increase (decrease) in trade payable	(2,920)	(1,068)
Decrease/increase in consumption taxes receivable/payable	255	2,058
Increase (decrease) in accounts payable—other	(1,500)	(471)
Increase (decrease) in contract liabilities	(721)	78
Increase (decrease) in accrued bonuses	(1,267)	(1,719)
Other—net	(370)	1,344
Subtotal	28,650	34,619
Interest and dividend received	140	118
Interest paid	(22)	(359)
Income taxes paid	(9,341)	(7,468)
Net cash provided by (used in) operating activities	19,426	26,908
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,425)	(7,458)
Purchases of intangible assets	(4,062)	(6,113)
Purchases of investments in equity instruments	(1,007)	(1,508)
Acquisitions of subsidiaries or other businesses	(20)	—
Payments into time deposits	(7,565)	(428)
Proceeds from withdrawal of time deposits	0	7,221
Other—net	(646)	(769)
Net cash provided by (used in) investing activities	(22,729)	(9,057)
Cash flows from financing activities		
Dividends paid	(7,506)	(7,513)
Repayments of lease liabilities	—	(2,801)
Other—net	253	119
Net cash provided by (used in) financing activities	(7,253)	(10,195)
Effects of exchange rate changes on cash and cash equivalents	(44)	(1,732)
Net increase (decrease) in cash and cash equivalents	(10,600)	5,923
Cash and cash equivalents at the beginning of the term	61,444	51,062
Cash and cash equivalents at the end of the term	50,844	56,985

6) Notes to the condensed quarterly consolidated financial statements

1. Notes related to the going concern assumption

Not applicable

2. Changes in accounting policies

The Sysmex Group, on a consolidated basis, is applying IFRS 16 (Leases) from the first three months of the fiscal year ending March 31, 2020. Upon the adoption of IFRS 16, rather than making an adjusted restatement of comparative information as recognized under previous measures, we have adopted the method of recognizing the cumulative impact of adopting this standard on the initial balance of retained earnings at the date of adoption (retrospective restatement approach).

For the fiscal year ended March 31, 2019, the Sysmex Group has applied IAS 17 (Lease) and classifies as finance leases those lease agreements for which substantially all risk and economic benefits transfer to the lessee. Lease assets are initially recognized at the lower of the fair value of the leased property or the aggregate present value of the minimum lease payments. Lease agreements other than finance leases are classified as operating leases and are not presented in the consolidated statement of financial position for the Sysmex Group. Lease payments for operating leases are recognized as expenses using the straight-line method over the lease period.

For the six months ended September 30, 2019, based on IFRS 16 the Sysmex Group determines at the time of entering an agreement whether the agreement is a lease or is included within a lease. If the right to control the use of an asset specified by an agreement in exchange for consideration over a certain period of time is transferred, that agreement is determined to be a lease or included within a lease. Agreements entered into during or prior to the fiscal year ended March 31, 2019 apply the short-cut method, maintaining the previously determined practice as to whether or not a transaction is a lease.

If the agreement is determined to be a lease or included within a lease, right-of-use assets and lease liabilities are recognized on the starting date of the lease. Lease liabilities are initially measured at the discounted present value of the lease fees outstanding as of the starting date of the lease. 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 prepaid lease payments, etc. These assets are amortized regularly from the starting date of the lease over the economic useful life or the lease period, whichever is shorter. The Sysmex Group does not recognize as right-of-use assets and lease liabilities leases that have a lease period of less than 12 months and for which the value of the underlying asset is small. These leases are recognized as expenses, using the straight-line method over the lease period.

As a result of recognition and measurement in accordance with IFRS 16, right-of-use assets in the condensed quarterly consolidated statement of financial position at the beginning of the first three months of the fiscal year were ¥21,298 million higher, and lease liabilities were ¥22,786 million higher. In the condensed quarterly consolidated statement of financial position, right-of-use assets are included in property, plant and equipment. In the condensed quarterly consolidated statement of income, the impact on operating profit and profit for the first six months and the second three months of the fiscal year was negligible.

3. Segment information

1) Overview of reportable segments

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

The Group is primarily engaged in the manufacture and sale of diagnostic instruments and reagents. These businesses are conducted in Japan by the Company, and in the Americas, EMEA, China and the Asia Pacific by regional headquarters established in those regions. These companies formulate overarching strategies tailored to regional characteristics and conduct business activities accordingly. Regional headquarters and

other domestic and overseas subsidiaries are independent management units that handle production and sales for each region.

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

2) Segment profit and operating results

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

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

Accounting policies of reporting segments are consistent with the Group’s accounting policies noted in the “2. Changes in accounting policies”

Six months ended September 30, 2018

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	22,281	29,254	37,001	36,174	11,482	136,194	—	136,194
Intersegment sales	47,746	151	1,272	3	2	49,176	(49,176)	—
Total	70,028	29,406	38,273	36,178	11,484	185,371	(49,176)	136,194
Segment profit	17,546	1,525	3,133	5,545	1,463	29,215	(712)	28,503
Financial income	—	—	—	—	—	—	—	188
Financial expenses	—	—	—	—	—	—	—	286
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	—	(680)
Foreign exchange gain (loss)	—	—	—	—	—	—	—	(1,313)
Profit before tax	—	—	—	—	—	—	—	26,411
Income taxes expenses	—	—	—	—	—	—	—	7,021
Profit	—	—	—	—	—	—	—	19,389

Notes:

1. Segment profit adjustments of negative ¥712 million include negative ¥712 million for the unrealized gains on inventories and ¥1 million for the unrealized gains on non-current assets.
2. Segment profit is adjusted to coincide with operating profit in the condensed quarterly consolidated statement of income.

Six months ended September 30, 2019

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	24,800	30,264	38,146	37,370	12,408	142,990	—	142,990
Intersegment sales	51,907	140	1,706	0	2	53,757	(53,757)	—
Total	76,708	30,405	39,852	37,370	12,410	196,747	(53,757)	142,990
Segment profit	17,907	951	3,812	4,146	1,610	28,427	(624)	27,803
Financial income	—	—	—	—	—	—	—	330
Financial expenses	—	—	—	—	—	—	—	493
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	—	(893)
Foreign exchange gain (loss)	—	—	—	—	—	—	—	(1,671)
Profit before tax	—	—	—	—	—	—	—	25,075
Income taxes expenses	—	—	—	—	—	—	—	7,617
Profit	—	—	—	—	—	—	—	17,458

Notes:

1. Segment profit adjustments of negative ¥624 million include negative ¥741 million for the unrealized gains on inventories and ¥150 million for the unrealized gains on non-current assets.
2. Segment profit is adjusted to coincide with operating profit in the condensed quarterly consolidated statement of income.