# *Sysmex Corporation and Its Subsidiaries*

*Consolidated Financial Statements as of and for the Year Ended March 31, 2017 and Independent Auditor's Report*

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

We have audited the accompanying consolidated statement of financial position of Sysmex Corporation and its subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows, all expressed in Japanese yen, for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sysmex Corporation and its subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

## 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 2(5) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2017

Member of
Deloitte Touche Tohmatsu Limited

## Sysmex Corporation and its Subsidiaries

### Consolidated Statement of Financial Position
### As of March 31, 2017

| | | Millions of Yen | | | Thousands of U.S. Dollars (Note 2) |
|---|---|---|---|---|---|
| | Notes | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | ¥ 57,944 | ¥ 56,481 | ¥ 49,613 | $ 517,357 |
| Trade and other receivables | 7, 14, 27 | 63,084 | 57,652 | 53,662 | 563,250 |
| Inventories | 8 | 36,998 | 35,604 | 29,966 | 330,339 |
| Other short-term financial assets | 17, 27 | 528 | 615 | 298 | 4,714 |
| Income taxes receivable | | 457 | 453 | 223 | 4,080 |
| Other current assets | 18 | 7,303 | 7,450 | 6,484 | 65,205 |
| Total current assets | | 166,318 | 158,258 | 140,248 | 1,484,982 |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 60,144 | 59,282 | 56,835 | 537,000 |
| Goodwill | 10 | 8,308 | 6,921 | 7,192 | 74,179 |
| Intangible assets | 10 | 21,228 | 16,682 | 11,598 | 189,536 |
| Investments accounted for using the equity method | 11 | 552 | 2,089 | 1,937 | 4,929 |
| Trade and other receivables | 7, 14, 27 | 8,813 | 6,476 | 3,901 | 78,688 |
| Other long-term financial assets | 17, 27 | 6,107 | 6,010 | 6,440 | 54,527 |
| Asset for retirement benefits | 16 | 666 | 582 | 960 | 5,946 |
| Other non-current assets | 18 | 2,095 | 1,928 | 1,717 | 18,705 |
| Deferred tax assets | 13 | 5,581 | 5,684 | 6,478 | 49,830 |
| Total non-currents assets | | 113,499 | 105,659 | 97,062 | 1,013,384 |
| Total assets | | ¥ 279,817 | ¥ 263,917 | ¥ 237,310 | $ 2,498,366 |

See notes to consolidated financial statements.

## Sysmex Corporation and its Subsidiaries

**Consolidated Statement of Financial Position**
**As of March 31, 2017**

| | | Millions of Yen | | | Thousands of U.S. Dollars (Note 2) |
|---|---|---|---|---|---|
| | Notes | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 12, 27 | ¥ 24,376 | ¥ 26,824 | ¥ 22,776 | $ 217,643 |
| Other short-term financial liabilities | 14, 17, 27 | 956 | 788 | 1,001 | 8,536 |
| Income taxes payable | | 2,915 | 6,511 | 9,418 | 26,027 |
| Provisions | 15 | 610 | 554 | 450 | 5,446 |
| Advance received | | 6,418 | 10,431 | 10,357 | 57,304 |
| Accrued expenses | | 8,330 | 6,864 | 8,137 | 74,375 |
| Accrued bonuses | | 6,636 | 6,538 | 6,130 | 59,250 |
| Other current liabilities | 18 | 9,708 | 9,383 | 9,084 | 86,679 |
| Total current liabilities | | 59,952 | 67,896 | 67,355 | 535,286 |
| Non-current liabilities | | | | | |
| Long-term financial liabilities | 14, 17, 27 | 549 | 734 | 342 | 4,902 |
| Liability for retirement benefits | 16 | 654 | 566 | 562 | 5,839 |
| Provisions | 15 | 2,318 | 2,341 | 2,312 | 20,696 |
| Other non-current liabilities | 18 | 3,527 | 3,192 | 3,094 | 31,491 |
| Deferred tax liabilities | 13 | 2,562 | 6,384 | 5,669 | 22,875 |
| Total non-current liabilities | | 9,612 | 13,219 | 11,980 | 85,821 |
| Total liabilities | | 69,564 | 81,116 | 79,336 | 621,107 |
| Equity | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Capital stock | 19 | 11,611 | 11,016 | 10,483 | 103,670 |
| Capital surplus | 19 | 17,303 | 16,969 | 16,340 | 154,491 |
| Retained earnings | 19 | 188,506 | 159,375 | 130,183 | 1,683,089 |
| Treasury stock | 19 | (289) | (285) | (280) | (2,580) |
| Other components of equity | 19 | (7,725) | (4,275) | 1,246 | (68,973) |
| Total equity attributable to owners of the parent | | 209,406 | 182,800 | 157,972 | 1,869,696 |
| Non-controlling interests | | 845 | 0 | 0 | 7,545 |
| Total equity | | 210,252 | 182,801 | 157,973 | 1,877,250 |
| Total liabilities and equity | | ¥ 279,817 | ¥ 263,917 | ¥ 237,310 | $ 2,498,366 |

See notes to consolidated financial statements.

## Sysmex Corporation and its Subsidiaries

**Consolidated Statement of Income**
**For the Year Ended March 31, 2017**

| | | Millions of Yen | | Thousands of U.S. Dollars (Note 2) |
|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 |
| Net sales | 5 | ¥ 249,899 | ¥ 252,622 | $ 2,231,241 |
| Cost of sales | 20 | 108,122 | 101,932 | 965,375 |
| Gross profit | | 141,777 | 150,689 | 1,265,866 |
| Selling, general and administrative expenses | 20 | 75,401 | 74,571 | 673,223 |
| Research and development expenses | 20 | 15,554 | 15,409 | 138,875 |
| Other operating income | 21 | 1,277 | 610 | 11,402 |
| Other operating expenses | 21 | 397 | 588 | 3,545 |
| Operating profit | | 51,701 | 60,729 | 461,616 |
| Financial income | 22 | 514 | 382 | 4,589 |
| Financial expenses | 22 | 372 | 96 | 3,321 |
| Share of loss on equity method | 11 | (677) | (465) | (6,045) |
| Foreign exchange loss | | (2,218) | (2,741) | (19,804) |
| Profit before tax | | 48,946 | 57,809 | 437,018 |
| Income tax expenses | 13 | 8,493 | 18,530 | 75,830 |
| Profit | | ¥ 40,453 | ¥ 39,278 | $ 361,188 |
| | | | | |
| Profit attributable to | | | | |
| Owners of the parent | | 40,636 | 39,278 | 362,821 |
| Non-controlling interests | | (182) | (0) | (1,625) |
| Profit | | ¥ 40,453 | ¥ 39,278 | $ 361,188 |

| | | Yen | | U.S. Dollars |
|---|---|---|---|---|
| Earnings per share | | | | |
| Basic | 24 | ¥195.31 | ¥189.08 | $1.74 |
| Diluted | 24 | 194.74 | 188.30 | 1.74 |

See notes to consolidated financial statements.

## Sysmex Corporation and its Subsidiaries

**Consolidated Statement of Comprehensive Income**
**For the Year Ended March 31, 2017**

| | Notes | Millions of Yen 2017 | Millions of Yen 2016 | Thousands of U.S. Dollars (Note 2) 2017 |
|---|---|---|---|---|
| Profit | | ¥ 40,453 | ¥ 39,278 | $ 361,188 |
| Other comprehensive income (loss) | | | | |
| 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 | 23 | 158 | (430) | 1,411 |
| Remeasurements of defined benefit plans | 23 | 139 | (536) | 1,241 |
| Total | | 298 | (967) | 2,661 |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of foreign operations | 23 | (3,606) | (5,091) | (32,196) |
| Share of other comprehensive income of investments accounted for using the equity method | 11, 23 | (0) | | (0) |
| Total | | (3,607) | (5,091) | (32,205) |
| Total other comprehensive income (loss) | | (3,309) | (6,059) | (29,545) |
| Comprehensive income | | ¥ 37,144 | ¥ 33,219 | $ 331,643 |
| | | | | |
| Comprehensive income attributable to | | | | |
| Owners of the parent | | ¥ 37,327 | ¥ 33,219 | $ 333,277 |
| Non-controlling interests | | (182) | (0) | (1,625) |
| Comprehensive income | | ¥ 37,144 | ¥ 33,219 | $ 331,643 |

See notes to consolidated financial statements.

# Sysmex Corporation and its Subsidiaries

## Consolidated Statement of Changes in Equity
## For the Year Ended March 31, 2017

| | | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent | | | | | | | |
| | Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total | Non-controlling interests | Total equity |
| As of April 1, 2015 | | ¥ 10,483 | ¥ 16,340 | ¥130,183 | ¥ (280) | ¥ 1,246 | ¥157,972 | ¥ 0 | ¥157,973 |
| Profit | | | | 39,278 | | | 39,278 | (0) | 39,278 |
| Other comprehensive income (loss) | | | | | | (6,058) | (6,058) | (0) | (6,059) |
| Comprehensive income (loss) | | | | 39,278 | | (6,058) | 33,219 | (0) | 33,219 |
| Exercise of warrants | 19, 26 | 533 | 316 | | | | 849 | | 849 |
| Share-based payment transaction | 26 | | 312 | | | | 312 | | 312 |
| Cash dividends | 19 | | | (9,549) | | | (9,549) | | (9,549) |
| Purchase of treasury stock | 19 | | | | (4) | | (4) | | (4) |
| Transfer to retained earnings | 19 | | | (536) | | 536 | | | |
| Changes from business combination | | | | | | | | | |
| Equity transactions with non-controlling interests | | | | | | | | | |
| Total transactions with the owners | | 533 | 628 | (10,086) | (4) | 536 | (8,391) | | (8,391) |
| As of March 31, 2016 | | 11,016 | 16,969 | 159,375 | (285) | (4,275) | 182,800 | 0 | 182,801 |
| Profit | | | | 40,636 | | | 40,636 | (182) | 40,453 |
| Other comprehensive income (loss) | | | | | | (3,309) | (3,309) | (0) | (3,309) |
| Comprehensive income (loss) | | | | 40,636 | | (3,309) | 37,327 | (182) | 37,144 |
| Exercise of warrants | 19, 26 | 594 | 333 | | | | 928 | | 928 |
| Share-based payment transaction | 26 | | | | | | | | |
| Cash dividends | 19 | | | (11,646) | | | (11,646) | | (11,646) |
| Purchase of treasury stock | 19 | | | | (3) | | (3) | | (3) |
| Transfer to retained earnings | 19 | | | 141 | | (141) | | | |
| Changes from business combination | 28 | | | | | | | 1,028 | 1,028 |
| Equity transactions with non-controlling interests | | | 0 | | | | 0 | (0) | |
| Total transactions with the owners | | 594 | 334 | (11,505) | (3) | (141) | (10,721) | 1,028 | (9,692) |
| As of March 31, 2017 | | ¥ 11,611 | ¥ 17,303 | ¥188,506 | ¥ (289) | ¥ (7,725) | ¥209,406 | ¥ 845 | ¥210,252 |

| | | Thousands of U.S. Dollars (Note 2) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent | | | | | | | |
| | Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total | Non-controlling interests | Total equity |
| As of March 31, 2016 | | $ 98,357 | $151,509 | $1,422,991 | $ (2,545) | $ (38,170) | $1,632,143 | $ 0 | $1,632,152 |
| Profit | | | | 362,821 | | | 362,821 | (1,625) | 361,188 |
| Other comprehensive income (loss) | | | | | | (29,545) | (29,545) | (0) | (29,545) |
| Comprehensive income (loss) | | | | 362,821 | | (29,545) | 333,277 | (1,625) | 331,643 |
| Exercise of warrants | 19, 26 | 5,304 | 2,973 | | | | 8,286 | | 8,286 |
| Share-based payment transaction | 26 | | | | | | | | |
| Cash dividends | 19 | | | (103,982) | | | (103,982) | | (103,982) |
| Purchase of treasury stock | 19 | | | | (27) | | (27) | | (27) |
| Transfer to retained earnings | 19 | | | 1,259 | | (1,259) | | | |
| Changes from business combination | 28 | | | | | | | 9,179 | 9,179 |
| Equity transactions with non-controlling interests | | | 0 | | | | 0 | (0) | |
| Total transactions with the owners | | 5,304 | 2,982 | (102,723) | (27) | (1,259) | (95,723) | 9,179 | (86,536) |
| As of March 31, 2017 | | $103,670 | $154,491 | $1,683,089 | $ (2,580) | $ (68,973) | $1,869,696 | $ 7,545 | $1,877,250 |

See notes to consolidated financial statements.

## Sysmex Corporation and its Subsidiaries

**Consolidated Statement of Cash Flows**
**For the Year Ended March 31, 2017**

| | Notes | Millions of Yen 2017 | Millions of Yen 2016 | Thousands of U.S. Dollars (Note 2) 2017 |
|---|---|---|---|---|
| Operating activities | | | | |
| Profit before tax | | ¥ 48,946 | ¥ 57,809 | $ 437,018 |
| Depreciation and amortization | | 12,381 | 12,110 | 110,545 |
| Interest and dividend income | | (425) | (335) | (3,795) |
| Interest expenses | | 104 | 46 | 929 |
| Share of loss on equity method | | 677 | 465 | 6,045 |
| Increase in trade receivables | | (6,368) | (5,476) | (56,857) |
| Increase in inventories | | (2,104) | (6,775) | (18,786) |
| (Decrease) increase in trade payables | | (2,483) | 4,145 | (22,170) |
| Decrease/increase in consumption taxes receivable/payable | | 817 | (903) | 7,295 |
| Decrease (increase) in asset for retirement benefits | | 117 | (418) | 1,045 |
| (Decrease) increase in advance received | | (3,635) | 687 | (32,455) |
| Increase in accrued bonuses | | 107 | 577 | 955 |
| Other - net | | 634 | (884) | 5,661 |
| Subtotal | | 48,770 | 61,047 | 435,446 |
| Interest and dividend received | | 415 | 356 | 3,705 |
| Interest paid | | (85) | (31) | (759) |
| Income taxes paid | | (16,268) | (19,578) | (145,250) |
| Net cash provided by operating activities | | 32,832 | 41,794 | 293,143 |
| Investing activities | | | | |
| Purchase of property, plant and equipment | | (11,682) | (13,685) | (104,304) |
| Proceeds from sales of property, plant and equipment | | 200 | 107 | 1,786 |
| Purchase of intangible assets | | (7,424) | (8,399) | (66,286) |
| Purchase of investments in equity instruments | | (632) | (633) | (5,643) |
| Acquisitions of subsidiaries or other businesses | 28 | (1,453) | (403) | (12,973) |
| Net decrease in short-term loans receivable | | 1,930 | | 17,232 |
| Other - net | | (338) | (836) | (3,018) |
| Net cash used in investing activities | | (19,400) | (23,850) | (173,214) |
| Financing activities | | | | |
| Exercise of warrants | | 928 | 849 | 8,286 |
| Dividends paid | 19 | (11,646) | (9,549) | (103,982) |
| Other - net | | (148) | (55) | (1,321) |
| Net cash used in financing activities | | (10,866) | (8,755) | (97,018) |
| Foreign currency translation adjustments on cash and cash equivalents | | (1,102) | (2,320) | (9,839) |
| Net increase in cash and cash equivalents | | 1,462 | 6,868 | 13,054 |
| Cash and cash equivalents, beginning of year | | 56,481 | 49,613 | 504,295 |
| Cash and cash equivalents, end of year | | ¥ 57,944 | ¥ 56,481 | $ 517,357 |

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, 2017**

## 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") and first-time adoption

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 Group has adopted IFRS from the current fiscal year (the year beginning April 1, 2016, and ended March 31, 2017), and it is the first time to disclose the annual consolidated financial statements in accordance with IFRS. The date of transition to IFRS was April 1, 2015, and the Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards." ("IFRS 1").

The effects of the transition to IFRS on financial position, financial performance, and cash flows are stated in "33. DISCLOSURES ON TRANSITION TO IFRS."

The consolidated financial statements of the Company were approved by Hisashi Ietsugu, chairman and CEO, on June 23, 2017.

(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 property, plant and equipment; goodwill; and intangible assets (Refer to "9. PROPERTY, PLANT AND EQUIPMENT" and "10. GOODWILL AND INTANGIBLE ASSETS")
- Recoverability of deferred tax assets (Refer to "13. INCOME TAXES")

・Measurements of defined benefit obligations (Refer to "16. POST-EMPLOYMENT BENEFITS")
・Revenues (Refer to "3. SIGNIFICANT ACCOUNTING POLICIES, (15) Revenues")
・Fair values of financial instruments (Refer to "27. FINANCIAL INSTRUMENTS")
・Fair values of assets acquired and liabilities assumed in a business combination (Refer to "28. BUSINESS COMBINATIONS")
・Evaluation of a contingent consideration in a business combination (Refer to "28. 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 ¥112 to $1, the approximate rate of exchange at March 31, 2017. U.S. dollar amounts are rounded down 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 loss 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

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

1) Financial assets

(i) Initial recognition and measurement

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

Financial assets 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 gives 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 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 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 and liabilities in order to fix the cash flows from future transactions.

Hedge accounting does not apply to any of the above derivatives. Accordingly, derivative financial instruments are classified as "financial assets measured at fair value through 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 accessible 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.

Valuation techniques used to measure fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(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 comprise 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, equipment, and vehicles: | 5 to 11 years |
| Tools, furniture, and fixtures: | 2 to 15 years |

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

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

(8) Goodwill and intangible assets

1) Goodwill

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

2) Intangible assets

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 the 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 became available for use.

The estimated useful lives are as follows:

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

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

There are no intangible assets with indefinite useful lives.

(9) Impairment of non-financial assets

In terms of non-financial assets (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 at least once a year, regardless of whether any indications of impairment exist, and an impairment test is conducted each time any such indications of impairment are identified.

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.

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

Impairment loss recognized for goodwill is not reversed.

(10) Leases

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership, while all other leases are classified as operating leases.

1) Lease as lessor

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

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

2) Lease as lessee

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

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

(11) Employee benefits

1) Post-employment benefits

The Group has 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 the Company and certain of its subsidiaries have participated in a multi-employer defined benefit plan, 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 the amounts of future benefit received by employees as consideration for services rendered in the prior and current periods discounted to the present value.

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

(12) Stock-based compensation

The Company has adopted a stock option plan as an incentive 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 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 Group is engaged in the sales of diagnostic instruments and reagents and the rendering of related services. This includes lease contracts for diagnostic instruments. Revenue is measured at the fair value of the consideration received less discount; rebate; and taxes, including consumption taxes.

1) Sale of goods

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

2) Rendering of services

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

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

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3) Multiple-element arrangements

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

- Each element has a stand-alone value to the customer and
- The fair value of each element can be measured reliably.

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

4) Revenues from leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership, while all other leases are classified as operating leases.

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

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

5) Dividend and interest income

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

(16) Government grants

Government grants are measured and recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. Government grants 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 (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of 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

New or revised major standards and interpretations issued by the date of approval of the consolidated financial statements but were not yet adopted by the Group are as follows. The Group is currently evaluating the potential impact of applying these standards and interpretations to its consolidated financial statements, which cannot be estimated at this point.

| IFRS | Mandatory application (from the year beginning) | Year of application period | Details of new or revised standards and interpretations |
|---|---|---|---|
| IFRS 15 Revenue from Contracts with Customers | January 1, 2018 | Year ending March 31, 2019 | Revision of accounting treatment relating to revenue recognition |
| IFRS 16 Leases | January 1, 2019 | Year ending March 31, 2020 | Revision of accounting treatment relating to leases |

## 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 in those regions. 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, 2017

(Unit: Millions of yen)

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

Notes:

1. Segment profit adjustments of ¥2,386 million include negative ¥4 million for the elimination of intersegment transactions, ¥2,227 million for the unrealized gains on inventories, and ¥166 million for the 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 ¥972 million are adjustments relating to intersegment transactions.

Year ended March 31, 2016

(Unit: Millions of yen)

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

Notes:

1. Segment profit adjustments of ¥2,578 million include ¥15 million for the elimination of intersegment transactions, ¥2,309 million for the unrealized gains on inventories, and ¥253 million for the 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 ¥1,162 million are adjustments relating to intersegment transactions.

Year ended March 31, 2017

(Unit: Thousands of U.S. dollars)

| | Reportable segment | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Japan | Americas | EMEA | China | Asia Pacific | Total | Adjustments (Note 1) | Consolidated (Note 2) |
| Sales | | | | | | | | |
| Sales to external customers | $ 418,750 | $ 505,214 | $ 579,679 | $ 538,545 | $ 189,036 | $ 2,231,241 | | $ 2,231,241 |
| Intersegment sales | 839,661 | 3,125 | 23,214 | 98 | 27 | 866,143 | $ (866,143) | |
| Total | 1,258,411 | 508,348 | 602,902 | 538,643 | 189,071 | 3,097,393 | (866,143) | 2,231,241 |
| Segment profit | 318,509 | 28,607 | 44,589 | 32,116 | 16,473 | 440,313 | 21,304 | 461,616 |
| Financial income | | | | | | | | 4,589 |
| Financial expenses | | | | | | | | 3,321 |
| Share of loss on equity method | | | | | | | | (6,045) |
| Foreign exchange loss | | | | | | | | (19,804) |
| Profit before tax | | | | | | | | 437,018 |
| Income tax expenses | | | | | | | | 75,830 |
| Profit | | | | | | | | 361,188 |
| Other | | | | | | | | |
| Depreciation and amortization (Note 3) | $ 56,714 | $ 18,170 | $ 29,857 | $ 2,634 | $ 11,839 | $ 119,223 | $ (8,679) | $ 110,545 |

Notes:

1. Segment profit adjustments of $21,304 thousand include negative $36 thousand for the elimination of intersegment transactions, $19,884 thousand for the unrealized gains on inventories, and $1,482 thousand for the 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 $8,679 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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Instruments | ¥ 83,024 | ¥ 91,081 | $ 741,286 |
| Reagents | 131,250 | 126,436 | 1,171,875 |
| Maintenance services | 27,703 | 28,501 | 247,348 |
| Others | 7,921 | 6,603 | 70,723 |
| Total | ¥ 249,899 | ¥ 252,622 | $ 2,231,241 |

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Japan | ¥ 43,467 | ¥ 39,846 | $ 388,098 |
| America | 51,904 | 50,056 | 463,429 |
| China | 60,334 | 65,189 | 538,696 |
| Others | 94,192 | 97,530 | 841,000 |
| Total | ¥ 249,899 | ¥ 252,622 | $ 2,231,241 |

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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Japan | ¥ 59,438 | ¥ 52,985 | ¥ 46,642 | $ 530,696 |
| Germany | 11,778 | 12,093 | 12,307 | 105,161 |
| Others | 20,561 | 19,735 | 18,394 | 183,580 |
| Total | ¥ 91,777 | ¥ 84,814 | ¥ 77,344 | $ 819,438 |

(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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Cash and cash equivalents | ¥ 57,944 | ¥ 56,481 | ¥ 49,613 | $ 517,357 |
| Total | ¥ 57,944 | ¥ 56,481 | ¥ 49,613 | $ 517,357 |

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Notes and trade receivable | ¥ 60,616 | ¥ 55,505 | ¥ 52,372 | $ 541,214 |
| Lease receivables | 11,486 | 8,535 | 5,413 | 102,554 |
| Accounts receivable - other | 380 | 680 | 356 | 3,393 |
| Loss allowance | (585) | (592) | (579) | (5,223) |
| Total | ¥ 71,898 | ¥ 64,129 | ¥ 57,563 | $ 641,946 |

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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Merchandise and finished goods | ¥ 28,865 | ¥ 27,040 | ¥ 22,754 | $ 257,723 |
| Work in process | 2,819 | 2,982 | 2,977 | 25,170 |
| Raw materials and supplies | 5,313 | 5,581 | 4,234 | 47,438 |
| Total | ¥ 36,998 | ¥ 35,604 | ¥ 29,966 | $ 330,339 |

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2017 and 2016, were ¥75,822 million ($676,982 thousand) and ¥71,302 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2017 and 2016, were ¥179 million ($1,598 thousand) and ¥186 million, respectively.

## 9. PROPERTY, PLANT AND EQUIPMENT

Reconciliations of carrying amount from the beginning balances to the 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, 2015 | ¥ 22,330 | ¥ 3,579 | ¥ 16,445 | ¥ 10,377 | ¥ 4,103 | ¥ 56,835 |
| Additions | 1,810 | 734 | 8,432 | 62 | 2,764 | 13,803 |
| Additions by business combinations | | | | | | |
| Depreciation | (2,142) | (406) | (6,033) | | | (8,582) |
| Sale or disposal | (47) | (17) | (108) | | (130) | (303) |
| Exchange differences on translation of foreign currency | (329) | (113) | (950) | (9) | (65) | (1,467) |
| Transfer | 3,456 | 403 | (209) | 1 | (4,655) | (1,002) |
| As of March 31, 2016 | 25,077 | 4,179 | 17,576 | 10,431 | 2,016 | 59,282 |
| Additions | 1,472 | 275 | 6,931 | 76 | 3,133 | 11,888 |
| Additions by business combinations | 40 | | 180 | | | 220 |
| Depreciation | (1,940) | (650) | (5,865) | | | (8,455) |
| Sale or disposal | (69) | (2) | (482) | (2) | (0) | (557) |
| Exchange differences on translation of foreign currency | (242) | (66) | (770) | (10) | 24 | (1,066) |
| Transfer | 1,275 | 91 | (579) | | (1,955) | (1,167) |
| As of March 31, 2017 | ¥ 25,612 | ¥ 3,827 | ¥ 16,991 | ¥ 10,494 | ¥ 3,218 | ¥ 60,144 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Land | Construction in progress | Total |
| As of March 31, 2016 | $ 223,902 | $ 37,313 | $ 156,929 | $ 93,134 | $ 18,000 | $ 529,304 |
| Additions | 13,143 | 2,455 | 61,884 | 679 | 27,973 | 106,143 |
| Additions by business combinations | 357 | | 1,607 | | | 1,964 |
| Depreciation | (17,321) | (5,804) | (52,366) | | | (75,491) |
| Sale or disposal | (616) | (18) | (4,304) | (18) | (0) | (4,973) |
| Exchange differences on translation of foreign currency | (2,161) | (589) | (6,875) | (89) | 214 | (9,518) |
| Transfer | 11,384 | 813 | (5,170) | | (17,455) | (10,420) |
| As of March 31, 2017 | $ 228,679 | $ 34,170 | $ 151,705 | $ 93,696 | $ 28,732 | $ 537,000 |

Acquisition cost

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Land | Construction in progress | Total |
| As of April 1, 2015 | ¥ 38,436 | ¥ 10,636 | ¥ 49,405 | ¥ 10,487 | ¥ 4,138 | ¥ 113,104 |
| As of March 31, 2016 | 43,028 | 10,971 | 50,740 | 10,540 | 2,050 | 117,331 |
| As of March 31, 2017 | 45,128 | 10,972 | 50,207 | 10,596 | 3,250 | 120,154 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Land | Construction in progress | Total |
| As of March 31, 2017 | $ 402,929 | $ 97,964 | $ 448,277 | $ 94,607 | $ 29,018 | $ 1,072,804 |

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, 2015 | ¥ (16,106) | ¥ (7,056) | ¥ (32,960) | ¥ (110) | ¥ (35) | ¥ (56,269) |
| As of March 31, 2016 | (17,951) | (6,792) | (33,163) | (108) | (34) | (58,049) |
| As of March 31, 2017 | (19,515) | (7,144) | (33,215) | (101) | (32) | (60,010) |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Land | Construction in progress | Total |
| As of March 31, 2017 | $ (174,241) | $ (63,786) | $ (296,563) | $ (902) | $ (286) | $ (535,804) |

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.

Of the balances of property, plant and equipment as of March 31, 2017, March 31, 2016, and the date of transition to IFRS, ¥217 million ($1,938 thousand), ¥243 million, and ¥302 million, respectively, were pledged as collateral for loans payable.

For commitments for purchases of property, plant and equipment, please refer to "30. COMMITMENTS FOR EXPENDITURES."

The carrying amounts of leased assets under finance leases included in property, plant and equipment are as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Machinery and equipment | ¥ 16 | ¥ 21 | ¥ 21 | $ 143 |
| Furniture and fixtures | 537 | 690 | | 4,795 |
| Total | ¥ 553 | ¥ 712 | ¥ 21 | $ 4,938 |

## 10. GOODWILL AND INTANGIBLE ASSETS

(1) Reconciliations of 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

The movement of 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 is as follows:

Carrying amount

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of April 1, 2015 | ¥ 7,192 | ¥ 6,297 | ¥ 3,122 | ¥ 2,177 | ¥ 11,598 |
| Acquisitions | | 4,454 | 2,866 | 1,325 | 8,645 |
| Additions by business combinations | | | | | |
| Amortization | | (2,146) | (991) | (249) | (3,386) |
| Sale or disposal | | (38) | | (0) | (38) |
| Exchange differences on translation of foreign currency | (271) | (97) | | (38) | (136) |
| As of March 31, 2016 | 6,921 | 8,470 | 4,997 | 3,214 | 16,682 |
| Acquisitions | | 4,029 | 2,753 | 873 | 7,656 |
| Additions by business combinations | 1,655 | 18 | | 803 | 821 |
| Amortization | | (2,878) | (365) | (520) | (3,765) |
| Sale or disposal | | (20) | (35) | | (56) |
| Exchange differences on translation of foreign currency | (267) | (33) | | (75) | (109) |
| As of March 31, 2017 | ¥ 8,308 | ¥ 9,584 | ¥ 7,350 | ¥ 4,293 | ¥ 21,228 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of March 31, 2016 | $ 61,795 | $ 75,625 | $ 44,616 | $ 28,696 | $ 148,946 |
| Acquisition | | 35,973 | 24,580 | 7,795 | 68,357 |
| Additions by business combinations | 14,777 | 161 | | 7,170 | 7,330 |
| Amortization | | (25,696) | (3,259) | (4,643) | (33,616) |
| Sale or disposal | | (179) | (313) | | (500) |
| Exchange differences on translation of foreign currency | (2,384) | (295) | | (670) | (973) |
| As of March 31, 2017 | $ 74,179 | $ 85,571 | $ 65,625 | $ 38,330 | $ 189,536 |

Acquisition cost

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of April 1, 2015 | ¥ 10,912 | ¥ 17,215 | ¥ 3,842 | ¥ 4,969 | ¥ 26,027 |
| As of March 31, 2016 | 10,559 | 21,076 | 6,226 | 6,078 | 33,381 |
| As of March 31, 2017 | 11,730 | 24,591 | 8,321 | 7,462 | 40,376 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of March 31, 2017 | $ 104,732 | $ 219,563 | $ 74,295 | $ 66,625 | $ 360,500 |

Accumulated amortization and accumulated impairment losses

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of April 1, 2015 | ¥ (3,720) | ¥ (10,917) | ¥ (720) | ¥ (2,791) | ¥ (14,428) |
| As of March 31, 2016 | (3,637) | (12,606) | (1,228) | (2,864) | (16,699) |
| As of March 31, 2017 | (3,421) | (15,007) | (971) | (3,168) | (19,147) |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets | | | |
| | | Software | Development expenses | Other | Total |
| As of March 31, 2017 | $ (30,545) | $(133,991) | $ (8,670) | $ (28,286) | $(170,955) |

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.

(2) Impairment losses

The Group tests impairment for goodwill at least once a year, and if any indications of impairment exist, impairment testing is conducted each time such indications of impairment become apparent.

The recoverable amount used in impairment testing of goodwill is measured at value in use. The value in use is determined by discounting to the present value of 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 for the following: 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, 2017: 0.0%-3.0%; year ended March 31, 2016: 0.0%-3.0%). The discount rate is determined based on the after-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, 2017: 6.5%-14.7%; year ended March 31, 2016: 7.3%-14.0%).

The Group believes that even if the major assumptions used in impairment testing would change within a reasonably estimated range, it is unlikely that the recoverable amount falls below the carrying amount as of March 31, 2016, and the date of transition to IFRS. As of March 31, 2017, the recoverable amount of Sysmex Partec exceeds the carrying amount, but if its growth rate decreases by 1.3% or its discount rate increases by 0.8%, impairment is needed. The Group also believes that even if the significant assumptions used in impairment testing would change within a reasonably estimated range, it is unlikely that the recoverable amount falls below the carrying amount of each cash-generating unit or a group of cash-generating units as of March 31, 2017.

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

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Sysmex Partec | ¥ 4,706 | ¥ 5,004 | ¥ 5,107 | $ 42,018 |
| Sysmex Korea | 1,665 | 1,636 | 1,803 | 14,866 |
| Riken Genesis | 1,655 | | | 14,777 |
| Others | 281 | 281 | 281 | 2,509 |
| Total | ¥ 8,308 | ¥ 6,921 | ¥ 7,192 | $ 74,179 |

## 11. 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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Concurrent officers | | | | | |
| | | | | | Direct (%) | Indirect (%) | Total (%) | Officers (person) | Employee (person) | Financial aid | Transactions in operations | Lease of facilities | Business partnership, etc. |
| Sysmex International Reagents Co., Ltd. | Japan | Nishi-ku, Kobe | Million JPY 300 | Manufacture of in vitro diagnostic reagents | 100 | | 100 | | 5 | | 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 £ 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 Suisse AG | EMEA | Zürich Switzerland | Thousand CHF 50 | Sales of in vitro diagnostic instruments and reagents | | 100 | 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 | | 3 | | Sales of in-house products | | |
| Other 52 subsidiaries | | | | | | | | | | | | | |

2) Associates

| Company name | Segment | Location | Capital or investments | Line of business | Holding percentage of voting rights | | | Relationships | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Concurrent officers | | | | | |
| | | | | | Direct (%) | Indirect (%) | Total (%) | Officers (person) | Employee (person) | Financial aid | Transactions in operations | Lease of facilities | Business partnership, etc. |
| Sysmex bioMérieux Co., Ltd. | Japan | Shinagawa-ku, Tokyo | Million JPY 480 | Sales of in vitro diagnostic reagents and import and sales of medical instruments | 34 | | 34 | | 3 | | Sales of in-house products, etc. | | Business partnership on sales and services |
| Medicaroid Corporation | Japan | Chuo-ku, Kobe | Million JPY 1,260 | Marketing, development, manufacture, and sales of medical robots | 50 | | 50 | 1 | 2 | | | | |

### (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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Carrying amount | ¥ 255 | ¥ 1,717 | ¥ 1,929 | $ 2,277 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Comprehensive income | | | |
| Profit | ¥ 21 | ¥ (211) | $ 188 |
| Total | ¥ 21 | ¥ (211) | $ 188 |

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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Carrying amount | ¥ 296 | ¥ 371 | ¥ 7 | $ 2,643 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Comprehensive income | | | |
| Profit | ¥ (699) | ¥ (253) | $ (6,241) |
| Other comprehensive income | (0) | | (0) |
| Total | ¥ (699) | ¥ (253) | $ (6,241) |

(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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Other long-term financial assets | ¥ 299 | ¥ 518 | ¥ 916 | $ 2,670 |

## 12. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Notes and trade payable | ¥ 17,661 | ¥ 19,873 | ¥ 16,066 | $ 157,688 |
| Accounts payable - other | 6,714 | 6,950 | 6,710 | 59,946 |
| Total | ¥ 24,376 | ¥ 26,824 | ¥ 22,776 | $ 217,643 |

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

## 13. 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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Deferred tax assets | | | | |
| Loss allowance | ¥ 142 | ¥ 108 | ¥ 84 | $ 1,268 |
| Inventories | 405 | 512 | 555 | 3,616 |
| Unrealized intercompany profits | 3,460 | 4,003 | 4,688 | 30,893 |
| Property, plant and equipment | 207 | 251 | 386 | 1,848 |
| Intangible assets | 1,052 | 927 | 930 | 9,393 |
| Accrued enterprise tax | 22 | 435 | 519 | 196 |
| Accrued expenses | 645 | 654 | 939 | 5,759 |
| Accrued bonuses | 1,265 | 1,302 | 1,205 | 11,295 |
| Accrued paid leave | 568 | 517 | 535 | 5,071 |
| Liability for retirement benefits | 133 | 112 | 117 | 1,188 |
| Special contributions | 649 | 678 | 704 | 5,795 |
| Tax loss carryforwards | 141 | 82 | 28 | 1,259 |
| Other | 1,869 | 1,594 | 1,343 | 16,688 |
| Total deferred tax assets | ¥ 10,565 | ¥ 11,182 | ¥ 12,039 | $ 94,330 |
| Deferred tax liabilities | | | | |
| Property, plant and equipment | 329 | 651 | 875 | 2,938 |
| Intangible assets | 2,687 | 1,692 | 1,155 | 23,991 |
| Financial assets measured at fair value through other comprehensive income | 434 | 365 | 585 | 3,875 |
| Investment loss for subsidiaries' capital reduction by corporate tax law | 324 | 324 | 341 | 2,893 |
| Asset for retirement benefits | 203 | 178 | 309 | 1,813 |
| Undistributed earnings of foreign subsidiaries (Note) | 2,829 | 8,083 | 7,526 | 25,259 |
| Other | 737 | 587 | 435 | 6,580 |
| Total deferred tax liabilities | ¥ 7,546 | ¥ 11,882 | ¥ 11,230 | $ 67,375 |
| Net deferred tax assets (liabilities) | ¥ 3,018 | ¥ (700) | ¥ 809 | $ 26,946 |

Note:

Regarding the "Agreement between Japan and the Federal Republic of Germany for the Elimination of Double Taxation with respect to Taxes on Income and to Certain Other Taxes and the Prevention of Tax Evasion and Avoidance," the necessary approval in Japan and Germany was completed on July 8, 2016, and the above tax agreement was substantively enacted. As a result of the acceptance of the agreement, withholding taxes regarding dividends from subsidiaries in Germany paid to the Company have been exempted since January 1, 2017. In accordance with the exemption of withholding taxes, deferred tax liabilities of ¥5,123 million ($45,741 thousand) recognized for dividend withholding taxes were reversed during the second quarter of the fiscal year ended March 31, 2017.

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ (700) | ¥ 809 | $ (6,250) |
| Deferred tax expense | 4,178 | (2,016) | 37,304 |
| 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 | (69) | 219 | (616) |
| Remeasurement of defined benefit liabilities (assets) | (61) | 259 | (545) |
| Translation differences in foreign operation | (83) | 28 | (741) |
| Decrease associated with business combination | (246) | | (2,196) |
| Ending balance | ¥ 3,018 | ¥ (700) | $ 26,946 |

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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Deductible temporary differences | ¥ 669 | ¥ 699 | ¥ 57 | $ 5,973 |
| Tax loss carryforwards | 7,345 | 3,413 | 1,072 | 65,580 |
| Tax credits | 7 | 7 | 76 | 63 |

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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Within one year | | | | |
| Between one year and two years | | | | |
| Between two and three years | | | | |
| Between three and four years | | | | |
| More than five years | ¥ 7,345 | ¥ 3,413 | ¥ 1,072 | $ 65,580 |
| Total | ¥ 7,345 | ¥ 3,413 | ¥ 1,072 | $ 65,580 |

(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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Current tax expense | ¥ 12,672 | ¥ 16,513 | $ 113,143 |
| Deferred tax expense | | | |
| Occurrence and reversal of temporary differences (Note) | (5,521) | 842 | (49,295) |
| Effect of change in tax rates | 30 | 225 | 268 |
| Reassessment of recoverability of deferred tax assets | 1,312 | 948 | 11,714 |
| Total | ¥ 8,493 | ¥ 18,530 | $ 75,830 |

Note:

In accordance with acceptance of the agreement, withholding taxes, deferred tax liabilities of ¥5,123 million ($45,741 thousand) recognized for dividend withholding taxes were reversed during the second quarter of the fiscal year ended March 31, 2017. Please see (1) Deferred taxes 1) Components of deferred tax assets and deferred tax liabilities above for the details of the agreement.

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 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively. However, foreign subsidiaries are subject to income taxes applicable to the jurisdictions in which they are located.

Following enactment by the Diet of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) on March 29, 2016, statutory tax rates were lowered from the fiscal year commencing April 1, 2016. As a result, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities was lowered from the previous 33.0% to 30.8% for temporary differences that are expected to be utilized in the fiscal years commencing April 1, 2016, and 2017, and to 30.6% for temporary differences that are expected to be utilized in the fiscal year commencing April 1, 2018.

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

| | 2017 | 2016 |
|---|---|---|
| Effective tax rates | 30.8% | 33.0% |
| Expenses not deductible for income tax purposes | 0.5 | 0.8 |
| Tax credit for research and other | (4.3) | (3.6) |
| Reassessment of recoverability of deferred tax assets | 1.6 | 1.9 |
| Tax effect on undistributed earnings of foreign subsidiaries | (10.7) | 1.1 |
| Different tax rates applied to foreign subsidiaries | (0.5) | (1.6) |
| Gain on step acquisitions | (0.3) | |
| Other | 0.3 | 0.5 |
| Actual tax rates | 17.4% | 32.1% |

## 14. LEASES

(1) Lessor

1) Finance leases

The Group leases diagnostic instruments and others under finance leases.

Gross investment in leases, present value of minimum lease payments receivable, and adjustments relating to finance leases are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Gross investment in leases | | | Present value of minimum lease payments receivable | | |
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 | March 31, 2016 | Date of transition to IFRS |
| Not later than one year | ¥ 3,020 | ¥ 2,275 | ¥ 1,623 | ¥ 2,587 | ¥ 1,960 | ¥ 1,379 |
| Later than one year and not later than five years | 8,705 | 6,375 | 4,047 | 7,103 | 5,202 | 2,993 |
| Later than five years | 799 | 547 | 161 | 669 | 461 | 94 |
| Total | ¥ 12,525 | ¥ 9,198 | ¥ 5,832 | ¥ 10,360 | ¥ 7,624 | ¥ 4,467 |
| (Including unguaranteed residual value) | ¥ 1,302 | ¥ 1,031 | ¥ 1,019 | | | |
| Less: | | | | | | |
| Unearned finance income | 1,038 | 662 | 418 | | | |
| Present value of unguaranteed residual value | 1,126 | 911 | 946 | | | |
| Present value of minimum lease payments receivable | 10,360 | 7,624 | 4,467 | | | |

| | Thousands of U.S. Dollars | |
|---|---|---|
| | Gross investment in leases | Present value of minimum lease payments receivable |
| | March 31, 2017 | March 31, 2017 |
| Not later than one year | $ 26,964 | $ 23,098 |
| Later than one year and not later than five years | 77,723 | 63,420 |
| Later than five years | 7,134 | 5,973 |
| Total | $ 111,830 | $ 92,500 |
| (Including unguaranteed residual value) | $ 11,625 | |
| Less: | | |
| Unearned finance income | 9,268 | |
| Present value of unguaranteed residual value | 10,054 | |
| Present value of minimum lease payments receivable | 92,500 | |

2) Operating leases

The Group leases diagnostic instruments and others under operating leases.

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

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Not later than one year | ¥ 1,750 | ¥ 1,233 | ¥ 1,328 | $ 15,625 |
| Later than one year and not later than five years | 2,738 | 2,365 | 2,519 | 24,446 |
| Later than five years | 91 | 282 | 309 | 813 |
| Total | ¥ 4,579 | ¥ 3,882 | ¥ 4,157 | $ 40,884 |

(2) Lessee

1) Finance leases

The Group rents diagnostic instruments and others under finance leases.

Future minimum lease payments and the present value thereof are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Future minimum lease payments | | | Present value of future minimum lease payments | | |
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 | March 31, 2016 | Date of transition to IFRS |
| Not later than one year | ¥ 230 | ¥ 236 | ¥ 61 | ¥ 170 | ¥ 149 | ¥ 49 |
| Later than one year and not later than five years | 588 | 819 | 143 | 512 | 687 | 114 |
| Later than five years | 22 | 49 | 87 | 22 | 46 | 81 |
| Total | ¥ 842 | ¥ 1,105 | ¥ 292 | ¥ 704 | ¥ 883 | ¥ 245 |
| Less: | | | | | | |
| Amount equivalent to interest | ¥ 137 | ¥ 222 | ¥ 47 | | | |
| Present value of future minimum lease payments | 704 | 883 | 245 | | | |

| | Thousands of U.S. Dollars | |
|---|---|---|
| | Future minimum lease payments | Present value of future minimum lease payments |
| | March 31, 2017 | March 31, 2017 |
| Not later than one year | $ 2,054 | $ 1,518 |
| Later than one year and not later than five years | 5,250 | 4,571 |
| Later than five years | 196 | 196 |
| Total | $ 7,518 | $ 6,286 |
| Less: | | |
| Amount equivalent to interest | $ 1,223 | |
| Present value of future minimum lease payments | 6,286 | |

2) Operating leases

The Group rents buildings and others under operating leases.
Future minimum lease payments under non-cancellable operating leases are as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Not later than one year | ¥ 4,203 | ¥ 3,825 | ¥ 3,543 | $ 37,527 |
| Later than one year and not later than five years | 8,000 | 6,969 | 6,671 | 71,429 |
| Later than five years | 5,898 | 5,576 | 5,944 | 52,661 |
| Total | ¥ 18,103 | ¥ 16,371 | ¥ 16,158 | $ 161,634 |

Minimum lease payments recognized as expenses for the years ended March 31, 2017 and 2016, were ¥5,115 million ($45,670 thousand) and ¥4,852 million, respectively.

## 15. 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 | Liability for special contributions on multi-employer plan | Total |
| As of April 1, 2015 | ¥ 450 | ¥ 124 | ¥ 2,187 | ¥ 2,762 |
| Provision made | 374 | | 167 | 542 |
| Increase associated with passage of time | | 1 | 10 | 11 |
| Provision used | (254) | (2) | (146) | (402) |
| Effects of foreign currency exchange differences | (16) | (0) | | (17) |
| As of March 31, 2016 | 554 | 123 | 2,218 | 2,896 |
| Provision made | 359 | 101 | 59 | 520 |
| Increase associated with passage of time | | 1 | 3 | 5 |
| Provision used | (321) | (1) | (157) | (479) |
| Effects of foreign currency exchange differences | (13) | (0) | | (13) |
| As of March 31, 2017 | ¥ 579 | ¥ 224 | ¥ 2,124 | ¥ 2,928 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Provisions for product warranties | Asset retirement obligations | Liability for special contributions on multi-employer plan | Total |
| As of March 31, 2016 | $ 4,946 | $ 1,098 | $ 19,804 | $ 25,857 |
| Provision made | 3,205 | 902 | 527 | 4,643 |
| Increase associated with passage of time | | 9 | 27 | 45 |
| Provision used | (2,866) | (9) | (1,402) | (4,277) |
| Effects of foreign currency exchange differences | (116) | (0) | | (116) |
| As of March 31, 2017 | $ 5,170 | $ 2,000 | $ 18,964 | $ 26,143 |

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.

For liability for special contributions on multi-employer plan, please refer to "16. POST-EMPLOYMENT BENEFITS."

## 16. 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. Effective April 1, 2015, the Company revised its retirement benefit system and transitioned to a cash balance plan as a defined benefit pension plan, and it has transitioned a portion of its defined benefit pension plan to a defined contribution pension plan. In conjunction with this transition, the Company has recognized prior service costs and gains and losses on settlement in the consolidated statement of income for the year ended March 31, 2016.

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

Additionally, the Company and certain of its subsidiaries participate in multi-employer plans - the Pension Fund of Japan Electronics Information Technology Industry and the Osaka Pharmaceutical Employees' Pension Fund. While these pension plans are defined benefit plans, sufficient information has not been available to use defined benefit accounting, and consequently, the amounts of contributions have been recognized as retirement benefit expenses, similarly to those of defined contribution plans. In addition, special contributions to such plans are recognized as liabilities discounted to the present value for the portion in which the amount to be borne by the Group has been clarified through actuarial recalculation, while such liabilities are reversed upon payment of special contributions (see "15. PROVISIONS"). The Pension Fund of Japan Electronics Information Technology Industry was approved to return the substitutional portion of future pension obligations to government, effective April 1, 2016.

(1) Defined benefit plan

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

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Present value of defined benefit obligation | ¥ 8,903 | ¥ 9,782 | ¥ 13,161 | $ 79,491 |
| Fair value of plan assets | 10,421 | 9,798 | 13,559 | 93,045 |
| Total | ¥ (1,518) | ¥ (16) | ¥ (398) | $ (13,554) |
| Effects of asset ceiling | 1,506 | | | 13,446 |
| Net liability arising from defined benefit plan | ¥ (11) | ¥ (16) | ¥ (398) | $ (98) |
| Amount in consolidated statement of financial position | | | | |
| Liabilities | ¥ 654 | ¥ 566 | ¥ 562 | $ 5,839 |
| Assets | 666 | 582 | 960 | 5,946 |

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 U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Defined benefit costs recognized in profit or loss | | | |
| Current service cost | ¥ 828 | ¥ 724 | $ 7,393 |
| Past service cost | | 111 | |
| Net interest expense | (3) | (13) | (27) |
| Changes due to the transition to defined contribution pension plans | | (600) | |
| Subtotal | 825 | 222 | 7,366 |
| Defined benefit costs recognized in other comprehensive income | | | |
| Changes due to the transition to defined contribution pension plans | | 11 | |
| Remeasurements | | | |
| Return on plan assets (excluding amounts included in net interest expense) | (545) | 343 | (4,866) |
| Actuarial gains and losses arising from changes in demographic assumptions | | 52 | |
| Actuarial gains and losses arising from changes in financial assumptions | (1,327) | 461 | (11,848) |
| Actuarial gains and losses arising from experience adjustments | 165 | (62) | 1,473 |
| Amount of changes in effects of asset ceiling | 1,506 | (11) | 13,446 |
| Subtotal | (200) | 795 | (1,786) |
| Total | ¥ 624 | ¥ 1,018 | $ 5,571 |

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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ 9,782 | ¥ 13,161 | $ 87,339 |
| Current service cost | 828 | 724 | 7,393 |
| Past service cost | | 111 | |
| Interest expense | 53 | 83 | 473 |
| Changes due to the transition to defined contribution pension plans | | (4,048) | |
| Remeasurements | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | | 52 | |
| Actuarial gains and losses arising from changes in financial assumptions | (1,327) | 461 | (11,848) |
| Actuarial gains and losses arising from experience adjustments | 165 | (62) | 1,473 |
| Benefits paid | (584) | (620) | (5,214) |
| Effects of foreign currency exchange differences | (15) | (20) | (134) |
| Other | 1 | (61) | 9 |
| Ending balance | ¥ 8,903 | ¥ 9,782 | $ 79,491 |

The weighted-average durations of defined benefit obligations as of March 31, 2017, March 31, 2016, and the date of transition to IFRS were 13 years,13 years, and 12 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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ 9,798 | ¥ 13,559 | $ 87,482 |
| Interest income | 56 | 97 | 500 |
| Changes due to the transition to defined contribution pension plans | | (3,448) | |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in interest income) | 545 | (343) | 4,866 |
| Contributions from the employer | 523 | 500 | 4,670 |
| Benefits paid | (503) | (566) | (4,491) |
| Ending balance | ¥ 10,421 | ¥ 9,798 | $ 93,045 |

The Company expects ¥523 million ($4,670 thousand) of the contribution to be paid to the defined benefit plan in the year ending March 31, 2018.

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 asset ceiling is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ | ¥ | $ |
| Changes due to the transition to defined contribution pension plans | | 11 | |
| Remeasurement | | | |
| Changes in effects of asset ceiling | 1,506 | (11) | 13,446 |
| Ending balance | ¥ 1,506 | ¥ | $ 13,446 |

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, 2017 | | | March 31, 2016 | | | Date of transition to IFRS | | |
| | 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 | Assets with quoted market price in an active market | Assets without quoted market price in an active market | Total |
| Domestic bonds | ¥ 3,311 | | ¥ 3,311 | ¥ 2,865 | | ¥ 2,865 | ¥ 3,985 | | ¥ 3,985 |
| Domestic equity | 2,956 | | 2,956 | 2,732 | | 2,732 | 4,118 | | 4,118 |
| Foreign bonds | 961 | | 961 | 1,021 | | 1,021 | 1,454 | | 1,454 |
| Foreign equity | 2,624 | | 2,624 | 2,409 | | 2,409 | 3,312 | | 3,312 |
| Others | | ¥ 568 | 568 | | ¥ 769 | 769 | | ¥ 688 | 688 |
| Total | ¥ 9,853 | ¥ 568 | ¥10,421 | ¥ 9,029 | ¥ 769 | ¥ 9,798 | ¥12,871 | ¥ 688 | ¥13,559 |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | March 31, 2017 | | |
| | Assets with quoted market price in an active market | Assets without quoted market price in an active market | Total |
| Domestic bonds | $29,563 | | $29,563 |
| Domestic equity | 26,393 | | 26,393 |
| Foreign bonds | 8,580 | | 8,580 |
| Foreign equity | 23,429 | | 23,429 |
| Others | | $ 5,071 | 5,071 |
| Total | $87,973 | $ 5,071 | $93,045 |

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS |
|---|---|---|---|
| Discount rate | 0.7% | 0.6% | 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.

| | | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|
| Assumption | Change in assumption | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Discount rate | Rise by 0.5% | ¥ (501) | ¥ (593) | ¥ (714) | $ (4,473) |
| | Decline by 0.5% | 552 | 656 | 781 | 4,929 |

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2017 and 2016, were ¥3,798 million ($33,911 thousand) and ¥3,195 million, respectively.

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

(3) Multi-employer plans

The funding statuses of contributions to each multi-employer plan based on the latest available materials are as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Pension Fund of Japan Electronics Information Technology Industry | | | | |
| Plan assets | ¥ 256,615 | ¥ 261,938 | ¥ 231,950 | $ 2,291,205 |
| Sum of actuarial liabilities of pension plan finance calculation and minimum actuarial reserve | 274,553 | 284,214 | 262,246 | 2,451,366 |
| Net balance | (17,937) | (22,275) | (30,295) | (160,152) |
| Ratio of Group contributions to total plan | 5.9% | 5.6% | 5.3% | 5.9% |
| Osaka Pharmaceutical Employees' Pension Fund | | | | |
| Plan assets | ¥ 306,490 | ¥ 334,667 | ¥ 292,416 | $ 2,736,518 |
| Sum of actuarial liabilities of pension plan finance calculation and minimum actuarial reserve | 365,488 | 381,437 | 366,867 | 3,263,286 |
| Net balance | (58,997) | (46,769) | (74,450) | (526,759) |
| Ratio of Group contributions to total plan | 0.2% | 0.2% | 0.2% | 0.2% |

Notes:

1. The above differences are mainly due to the deficit on the pension plan's statutory balance sheet. The main causes of the deficit are unfounded carryforwards, the difference between book value and fair value of plan assets, and unamortized prior service costs.
2. The contributions are calculated based on a participant's standard salary. The contribution is recalculated at least once every five years in order to maintain the plan balance in accordance with statutory standards.
3. The plan assets may be used as pension benefits for the participants of other company. When an employer ceases to contribute to the plan, other employers may be obligated to it.
4. In the event that the fund dissolves and liquidates, deficit will be collected from employers required by law. When an employer withdraws from the plan, the employer will be obligated to contribute for deficit.
5. The Group has an estimated contribution of ¥273 million ($2,438 thousand) to the plans for the fiscal year ending March 31, 2018.

## 17. 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 U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Other short-term financial assets | | | | |
| Bonds | ¥ 212 | ¥ 299 | ¥ 240 | $ 1,893 |
| Derivative financial assets | 71 | 252 | 3 | 634 |
| Others | 244 | 63 | 53 | 2,179 |
| Total | ¥ 528 | ¥ 615 | ¥ 298 | $ 4,714 |
| Other long-term financial assets | | | | |
| Stocks, etc. | ¥ 4,879 | ¥ 4,914 | ¥ 5,570 | $ 43,563 |
| Insurance reserve funds | 304 | 297 | 291 | 2,714 |
| Others | 923 | 798 | 578 | 8,241 |
| Total | ¥ 6,107 | ¥ 6,010 | ¥ 6,440 | $ 54,527 |

Bonds, derivative financial assets, and insurance reserve funds are classified into financial assets measured at fair value through profit and loss. Stocks and similar equity instruments are classified into either financial assets measured at fair value through profit and loss or financial assets measured at fair value through other comprehensive income.

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Other short-term financial liabilities | | | | |
| Deposits received | ¥ 462 | ¥ 492 | ¥ 495 | $ 4,125 |
| Lease obligations | 170 | 149 | 49 | 1,518 |
| Derivative financial liabilities | 319 | 1 | 54 | 2,848 |
| Others | 4 | 144 | 401 | 36 |
| Total | ¥ 956 | ¥ 788 | ¥ 1,001 | $ 8,536 |
| Long-term financial liabilities | | | | |
| Lease obligations | ¥ 534 | ¥ 733 | ¥ 196 | $ 4,768 |
| Others | 15 | 1 | 146 | 134 |
| Total | ¥ 549 | ¥ 734 | ¥ 342 | $ 4,902 |

Deposits received and lease obligations 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.

## 18. 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 |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Other current assets | | | | |
| Consumption taxes receivable | ¥ 3,015 | ¥ 3,719 | ¥ 2,966 | $ 26,920 |
| Prepaid expenses | 2,781 | 2,201 | 1,996 | 24,830 |
| Advance payments | 577 | 622 | 382 | 5,152 |
| Accrued income | 295 | 381 | 248 | 2,634 |
| Others | 633 | 523 | 891 | 5,652 |
| Total | ¥ 7,303 | ¥ 7,450 | ¥ 6,484 | $ 65,205 |
| Other non-current assets | | | | |
| Guarantee deposits | ¥ 1,402 | ¥ 1,347 | ¥ 1,288 | $ 12,518 |
| Others | 693 | 581 | 429 | 6,188 |
| Total | ¥ 2,095 | ¥ 1,928 | ¥ 1,717 | $ 18,705 |

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | Date of transition to IFRS | March 31, 2017 |
| Other current liabilities | | | | |
| Unearned revenue | ¥ 5,754 | ¥ 5,010 | ¥ 4,814 | $ 51,375 |
| Accrued short-term paid leave | 2,210 | 1,950 | 1,687 | 19,732 |
| Accrued directors' bonuses | 433 | 526 | 411 | 3,866 |
| Others | 1,309 | 1,895 | 2,171 | 11,688 |
| Total | ¥ 9,708 | ¥ 9,383 | ¥ 9,084 | $ 86,679 |
| Other non-current liabilities | | | | |
| Lease incentives | ¥ 949 | ¥ 1,064 | ¥ 1,251 | $ 8,473 |
| Accrued long-term paid leave | 262 | 261 | 223 | 2,339 |
| Others | 2,315 | 1,866 | 1,619 | 20,670 |
| Total | ¥ 3,527 | ¥ 3,192 | ¥ 3,094 | $ 31,491 |

## 19. 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 beginning balance to ending balance are as follows:

| | Thousands of shares | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Number of authorized shares | Number of issued shares | Number of authorized shares | Number of issued shares |
| Beginning balance | 598,688 | 208,332 | 598,688 | 207,894 |
| Increase/decrease during the period | | 298 | | 438 |
| Ending balance | 598,688 | 208,631 | 598,688 | 208,332 |

Notes:

1. Shares issued by the Company are common stock with no par value, and outstanding shares are fully paid up.
2. The increase of 298 thousand shares in the number of issued shares in the year ended March 31, 2017, was due to the exercise of subscription rights to shares as stock options.
3. The increase of 438 thousand shares in the number of issued shares in the year ended March 31, 2016, was due to the exercise of subscription rights to shares as stock options.

(2) Treasury stocks

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

| | Thousands of shares | |
|---|---|---|
| | 2017 | 2016 |
| Beginning balance | 444 | 443 |
| Increase/decrease during the period | 0 | 0 |
| Ending balance | 444 | 444 |

Notes:

The increase in the number of treasury stocks in the years ended March 31, 2017 and 2016, were 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 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 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, 2015 | ¥ 1,246 | ¥ | ¥ | ¥ 1,246 |
| Other comprehensive income | (430) | (536) | (5,091) | (6,058) |
| Reclassification into retained earnings | | 536 | | 536 |
| As of March 31, 2016 | 815 | | (5,091) | (4,275) |
| Other comprehensive income | 158 | 139 | (3,607) | (3,309) |
| Reclassification into retained earnings | (1) | (139) | | (141) |
| As of March 31, 2017 | ¥ 972 | ¥ | ¥ (8,698) | ¥ (7,725) |

| | 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, 2016 | $ 7,277 | $ | $ (45,455) | $ (38,170) |
| Other comprehensive income | 1,411 | 1,241 | (32,205) | (29,545) |
| Reclassification into retained earnings | (9) | (1,241) | | (1,259) |
| As of March 31, 2017 | $ 8,679 | $ | $ (77,661) | $ (68,973) |

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2017

| 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 24, 2016 | Common stock | ¥5,820 | ¥28.00 | $51,964 | $0.25 | March 31, 2016 | June 27, 2016 |
| Board of Directors' Meeting November 9, 2016 | Common stock | ¥5,825 | ¥28.00 | $52,009 | $0.25 | September 30, 2016 | December 5, 2016 |

Year Ended March 31, 2016

| 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, 2015 | Common stock | ¥4,563 | ¥22.00 | March 31, 2015 | June 22, 2015 |
| Board of Directors' Meeting November 5, 2015 | Common stock | ¥4,985 | ¥24.00 | September 30, 2015 | December 2, 2015 |

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

Year Ended March 31, 2017

| 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 23, 2017 | Common stock | ¥6,245 | ¥30.00 | $55,759 | $0.27 | March 31, 2017 | June 26, 2017 |

Year Ended March 31, 2016

| Resolution | Class of shares | Total dividends (Millions of Yen) | Dividends per share (Yen) | Dividend record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders June 24, 2016 | Common stock | ¥5,820 | ¥28.00 | March 31, 2016 | June 27, 2016 |

**20. INFORMATION OF EXPENSES BY NATURE**

Information of expenses by nature is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Cost of materials | ¥ 42,818 | ¥ 46,301 | $ 382,304 |
| Personnel expenses | 67,003 | 67,860 | 598,241 |
| Depreciation and amortization | 12,381 | 12,110 | 110,545 |

## 21. OTHER OPERATING INCOME AND EXPENSES

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Other operating income | | | |
| Subsidies | ¥ 221 | ¥ 310 | $ 1,973 |
| Gain on sales of property, plant and equipment | 50 | 22 | 446 |
| Gain on step acquisitions | 534 | | 4,768 |
| Others | 471 | 278 | 4,205 |
| Total | ¥ 1,277 | ¥ 610 | $ 11,402 |
| Other operating expenses | | | |
| Loss on sales and retirement of property, plant and equipment | ¥ 214 | ¥ 347 | $ 1,911 |
| Others | 182 | 240 | 1,625 |
| Total | ¥ 397 | ¥ 588 | $ 3,545 |

Note:

Subsidies consist of government subsidies received for business activities conducted in special economic areas. There was no unfulfilled conditions or other contingent events entailed by these subsidies.

## 22. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses consist of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Financial income | | | |
| Interest income | | | |
| Financial assets measured at amortized cost | ¥ 188 | ¥ 252 | $ 1,679 |
| Dividend income | | | |
| Financial assets measured at fair value through other comprehensive income | 237 | 82 | 2,116 |
| Others | 88 | 47 | 786 |
| Total | ¥ 514 | ¥ 382 | $ 4,589 |
| Financial expenses | | | |
| Interest expenses | | | |
| Financial liabilities measured at amortized cost | ¥ 104 | ¥ 46 | $ 929 |
| Loss related to stock, etc. | | | |
| Financial assets measured at fair value through profit or loss | 220 | 5 | 1,964 |
| Others | 47 | 44 | 420 |
| Total | ¥ 372 | ¥ 96 | $ $3,321 |

## 23. 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, 2017

| | 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 | ¥ 227 | ¥ | ¥ 227 | ¥ (69) | ¥ 158 |
| Remeasurements of defined benefit plans | 200 | | 200 | (61) | 139 |
| Subtotal | 428 | | 428 | (130) | 298 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | (3,606) | | (3,606) | | (3,606) |
| Share of other comprehensive income of investments accounted for using the equity method | (0) | | (0) | | (0) |
| Subtotal | (3,607) | | (3,607) | | (3,607) |
| Total | ¥ (3,178) | ¥ | ¥ (3,178) | ¥ (130) | ¥ (3,309) |

Year Ended March 31, 2016

| | 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 | ¥ (650) | ¥ | ¥ (650) | ¥ 219 | ¥ (430) |
| Remeasurements of defined benefit plans | (795) | | (795) | 259 | (536) |
| Subtotal | (1,446) | | (1,446) | 479 | (967) |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | (5,091) | | (5,091) | | (5,091) |
| Share of other comprehensive income of investments accounted for using the equity method | | | | | |
| Subtotal | (5,091) | | (5,091) | | (5,091) |
| Total | ¥ (6,538) | ¥ | ¥ (6,538) | ¥ 479 | ¥ (6,059) |

Year Ended March 31, 2017

| | 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 | $ 2,027 | $ | $ 2,027 | $ (616) | $ 1,411 |
| Remeasurements of defined benefit plans | 1,786 | | 1,786 | (545) | 1,241 |
| Subtotal | 3,821 | | 3,821 | (1,161) | 2,661 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | (32,196) | | (32,196) | | (32,196) |
| Share of other comprehensive income of investments accounted for using the equity method | (0) | | (0) | | (0) |
| Subtotal | (32,205) | | (32,205) | | (32,205) |
| Total | $ (28,375) | $ | $ (28,375) | $ (1,161) | $ (29,545) |

## 24. EARNINGS PER SHARE

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Basis for calculating basic earnings per share | | | |
| Profit attributable to owners of the parent | ¥ 40,636 | ¥ 39,278 | $ 362,821 |
| Profit not attributable to common stock shareholders of the parent | | | |
| Profit used in calculating basic earnings per share | 40,636 | 39,278 | 362,821 |
| Average number of common stock shares during the period (Thousands of shares) | 208,058 | 207,734 | 208,058 |
| Basis for calculating diluted earnings per share | | | |
| Profit used in calculating basic earnings per share | 40,636 | 39,278 | 362,821 |
| Profit adjustment | | | |
| Profit used in calculating diluted earnings per share | 40,636 | 39,278 | 362,821 |
| Average number of common stock shares during the period (Thousands of shares) | 208,058 | 207,734 | 208,058 |
| Effect of dilutive shares (Thousands of shares) | 609 | 856 | 609 |
| Average number of common stock shares after adjustment for dilution (Thousands of shares) | 208,667 | 208,590 | 208,667 |

## 25. NON-CASH TRANSACTIONS

Non-cash transactions during the year ended March 31, 2016, consist of the acquisition of non-current assets through new finance lease arrangements in the amount of ¥708 million.

## 26. 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:

| | |
|---|---|
| Grant date | September 13, 2013 |
| Number and type of shares | Common stock 1,460 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 |
| Exercise price | ¥3,110 |
| Settlement method | Equity settled |
| Exercise conditions | Must be employed by the Company continuously from the grant date (September 31, 2013) through the vesting date (September 12, 2015) |

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

| | 2017 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|
| | 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 | 1,255 | ¥ 3,110 | 1,438 | ¥ 3,110 | 1,255 | $ 27,768 |
| Forfeited during period | (0) | 3,110 | (8) | 3,110 | (0) | 27,768 |
| Exercised during period | (298) | 3,110 | (174) | 3,110 | (298) | 27,768 |
| Outstanding at end of period | 956 | ¥ 3,110 | 1,255 | ¥ 3,110 | 956 | $ 27,768 |
| Exercisable at end of period | 956 | ¥ 3,110 | 1,255 | ¥ 3,110 | 956 | $ 27,768 |

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2017 and 2016, was ¥7,080 ($63,214) and ¥7,178, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2017 and 2016, was ¥3,110 ($27,768) and ¥3,110, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2017 and 2016, were four years and five years.

(3) Stock-based compensation transactions to which IFRS 2 "Share-Based Payment" has not been applied

Due to the exemption provision of IFRS 1, IFRS 2 "Share-Based Payment" has not been applied to the following stock option as it was granted after November 7, 2002, but was vested prior to the date of transition to IFRS:

| | |
|---|---|
| Grant date | July 30, 2007 |
| Number and type of shares | Common stock 2,932 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. |
| Exercise price | ¥1,163 |
| Settlement method | Equity-settled |
| Exercise conditions | Must be employed by the Company continuously from the grant date (July 30, 2007) through the vesting date (July 29, 2009). |

The number of exercisable shares and the average exercise prices are as follows:

| | 2017 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|
| | 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 | | ¥ | 336 | ¥ 1,163 | | $ |
| Forfeited during period | | | (10) | 1,163 | | |
| Exercised during period | | | (263) | 1,163 | | |
| Expired during period | | | (63) | 1,163 | | |
| Outstanding at end of period | | ¥ | | ¥ | | $ |
| Exercisable at end of period | | ¥ | | ¥ | | $ |

(4) Expenses associated with stock-based compensation transactions

Expenses associated with stock-based compensation transactions in the year ended March 31, 2016, was ¥312 million . Such expenses are included in "Cost of sales," "Selling, general and administrative expenses," and "Research and development expenses" in the consolidated statement of income.

## 27. 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 its financial soundness. ROE for the years ended March 31, 2017, and March 31, 2016, were 20.7% and 23.1%, respectively, and the equity ratio for the years ended March 31, 2017, and March 31, 2016, and at the date of transition to IFRS and were 74.8%, 69.3%, and 66.6%, 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 A+ (Single A plus) 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, 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 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 lifetime expected credit loss | | |
| | Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss | Credit-impaired financial assets | Trade and lease receivables | Total |
| As of April 1, 2015 | ¥ 3 | ¥ 0 | ¥ 574 | ¥ 579 |
| Provision made | | | 262 | 262 |
| Provision used | | | (101) | (101) |
| Provision reversed | (2) | | (108) | (110) |
| Exchange differences on translation of foreign currency | (0) | (0) | (37) | (37) |
| As of March 31, 2016 | 1 | 0 | 590 | 592 |
| Provision made | | | 244 | 244 |
| Provision used | | | (103) | (103) |
| Provision reversed | | | (110) | (110) |
| Exchange differences on translation of foreign currency | (0) | (0) | (37) | (37) |
| As of March 31, 2017 | ¥ 1 | ¥ 0 | ¥ 583 | ¥ 585 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | | Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss | | |
| | Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss | Credit-impaired financial assets | Trade and lease receivables | Total |
| As of March 31, 2016 | $ 9 | $ 0 | $ 5,268 | $ 5,286 |
| Provision made | | | 2,179 | 2,179 |
| Provision used | | | (920) | (920) |
| Provision reversed | | | (982) | (982) |
| Exchange differences on translation of foreign currency | (0) | (0) | (330) | (330) |
| As of March 31, 2017 | $ 9 | $ 0 | $ 5,205 | $ 5,223 |

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 lifetime expected credit loss | | |
| | Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss | Credit-impaired financial assets | Trade and lease receivables | Total |
| As of April 1, 2015 | ¥ 363 | ¥ 0 | ¥ 57,786 | ¥ 58,150 |
| Recognition and derecognition | 358 | | 9,456 | 9,815 |
| Exchange differences on translation of foreign currency | (36) | (0) | (3,201) | (3,237) |
| As of March 31, 2016 | 686 | 0 | 64,041 | 64,728 |
| Recognition and derecognition | (272) | | 9,829 | 9,556 |
| Exchange differences on translation of foreign currency | (28) | (0) | (1,767) | (1,795) |
| As of March 31, 2017 | ¥ 385 | ¥ 0 | ¥ 72,103 | ¥ 72,489 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | | Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss | | |
| | Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss | Credit-impaired financial assets | Trade and lease receivables | Total |
| As of March 31, 2016 | $ 6,125 | $ 0 | $ 571,795 | $ 577,929 |
| Recognition and derecognition | (2,429) | | 87,759 | 85,321 |
| Exchange differences on translation of foreign currency | (250) | (0) | (15,777) | (16,027) |
| As of March 31, 2017 | $ 3,438 | $ 0 | $ 643,777 | $ 647,223 |

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, 2017 and 2016.

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

As of March 31, 2017

| | 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 | ¥ 2,514 | ¥ 493 | $ 22,446 | $ 4,402 |
| Financial assets other than the above | 69,974 | 92 | 624,768 | 821 |
| Total | ¥ 72,489 | ¥ 585 | $ 647,223 | $ 5,223 |

As of March 31, 2016

| | Millions of Yen | |
|---|---|---|
| | Receivable | Loss allowance |
| Financial assets with significantly increased credit risk or credit-impaired financial assets | ¥ 2,667 | ¥ 483 |
| Financial assets other than the above | 62,061 | 109 |
| Total | ¥ 64,728 | ¥ 592 |

Date of transition to IFRS

| | Millions of Yen | |
|---|---|---|
| | Receivable | Loss allowance |
| Financial assets with significantly increased credit risk or credit-impaired financial assets | ¥ 1,376 | ¥ 543 |
| Financial assets other than the above | 56,774 | 35 |
| Total | ¥ 58,150 | ¥ 579 |

(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, 2017

| | 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 |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥ 24,376 | ¥ 24,376 | ¥ 24,376 | | | | | |
| Lease obligations | 704 | 842 | 230 | ¥ 225 | ¥ 209 | ¥ 130 | ¥ 23 | ¥ 22 |
| Deposits received | 462 | 462 | 462 | | | | | |
| Others | 19 | 21 | 4 | 5 | 4 | 5 | 1 | |
| Subtotal | 25,563 | 25,702 | 25,074 | 230 | 214 | 135 | 24 | 22 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts | 319 | 319 | 319 | | | | | |
| Subtotal | 319 | 319 | 319 | | | | | |
| Total | ¥ 25,882 | ¥ 26,021 | ¥ 25,393 | ¥ 230 | ¥ 214 | ¥ 135 | ¥ 24 | ¥ 22 |

As of March 31, 2016

| | 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 |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥ 26,824 | ¥ 26,824 | ¥ 26,824 | | | | | |
| Lease obligations | 883 | 1,105 | 236 | ¥ 231 | ¥ 227 | ¥ 215 | ¥ 145 | ¥ 49 |
| Deposits received | 492 | 492 | 492 | | | | | |
| Others | 145 | 145 | 144 | 1 | | | | |
| Subtotal | 28,345 | 28,568 | 27,698 | 233 | 227 | 215 | 145 | 49 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts | 1 | 1 | 1 | | | | | |
| Subtotal | 1 | 1 | 1 | | | | | |
| Total | ¥ 28,347 | ¥ 28,570 | ¥ 27,699 | ¥ 233 | ¥ 227 | ¥ 215 | ¥ 145 | ¥ 49 |

Date of transition to IFRS

| | 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 |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥ 22,776 | ¥ 22,776 | ¥ 22,776 | | | | | |
| Lease obligations | 245 | 299 | 60 | ¥ 44 | ¥ 41 | ¥ 38 | ¥ 28 | ¥ 85 |
| Deposits received | 495 | 495 | 495 | | | | | |
| Others | 547 | 547 | 401 | 146 | | | | |
| Subtotal | 24,066 | 24,119 | 23,734 | 191 | 41 | 38 | 28 | 85 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts | 54 | 54 | 54 | | | | | |
| Subtotal | 54 | 54 | 54 | | | | | |
| Total | ¥ 24,120 | ¥ 24,173 | ¥ 23,788 | ¥ 191 | ¥ 41 | ¥ 38 | ¥ 28 | ¥ 85 |

As of March 31, 2017

| | 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 |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | $217,643 | $217,643 | $217,643 | | | | | |
| Lease obligations | 6,286 | 7,518 | 2,054 | $ 2,009 | $ 1,866 | $ 1,161 | $ 205 | $ 196 |
| Deposits received | 4,125 | 4,125 | 4,125 | | | | | |
| Others | 170 | 188 | 36 | 45 | 36 | 45 | 9 | |
| Subtotal | 228,241 | 229,482 | 223,875 | 2,054 | 1,911 | 1,205 | 214 | 196 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts | 2,848 | 2,848 | 2,848 | | | | | |
| Subtotal | 2,848 | 2,848 | 2,848 | | | | | |
| Total | $231,089 | $232,330 | $226,723 | $ 2,054 | $ 1,911 | $ 1,205 | $ 214 | $ 196 |

Average interest rates as of March 31, 2017, were 9.6% for lease obligations 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, 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.

| | 2017 | 2016 |
|---|---|---|
| Thousands of U.S. dollars | 15,431 | 13,538 |
| Thousands of euros | 20,406 | 59,422 |
| Thousands of yuan | (15,110) | (10,286) |

(ii) Sensitivity analysis of foreign currency exchange risk

The following shows the impacts on profit 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 | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | |
| | Profit | Equity | Profit | Equity | Profit or loss | Equity |
| U.S. dollar (yen appreciates by 10%) | ¥ (119) | ¥ (119) | ¥ (103) | ¥ (103) | $ (1,063) | $ (1,063) |
| Euro (yen appreciates by 10%) | (168) | (168) | (507) | (507) | (1,500) | (1,500) |
| Yuan (yen appreciates by 10%) | 10 | 10 | 11 | 11 | 89 | 89 |

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, 2017, and March 31, 2016 and, on the date of transition to IFRS, were ¥349 million ($3,116 thousand), ¥326 million, and ¥359 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 a 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 flow, 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.

・Insurance reserve funds

The fair values of insurance reserve funds are measured at the cash surrender value, as there are no significant contractual restrictions on refunds, and classified in Level 3.

(iii) Other financial liabilities

The fair values of lease obligations are measured at the present value, calculated by discounting future cash flows of the total amount of principal and interest, using the interest rate that would presumably apply if a new and similar lease transaction were made, and classified in Level 3.

(iv) 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 | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2017 | | March 31, 2016 | | Date of transition to IFRS | | March 31, 2017 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | | | | | |
| Lease receivables | ¥ 11,486 | ¥ 11,441 | ¥ 8,535 | ¥ 8,458 | ¥ 5,413 | ¥ 5,365 | $ 102,554 | $ 102,152 |
| Total | 11,486 | 11,441 | 8,535 | 8,458 | 5,413 | 5,365 | 102,554 | 102,152 |
| Liabilities | | | | | | | | |
| Lease obligations | 704 | 683 | 883 | 867 | 245 | 260 | 6,286 | 6,098 |
| Total | ¥ 704 | ¥ 683 | ¥ 883 | ¥ 867 | ¥ 245 | ¥ 260 | $ 6,286 | $ 6,098 |

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, 2017

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Stocks, etc. | | | | |
| Financial assets measured at fair value through profit or loss | | | ¥ 299 | ¥ 299 |
| Financial assets measured at fair value through other comprehensive income | ¥ 3,496 | | 1,082 | 4,579 |
| Insurance reserve funds | | | | |
| Financial assets measured at fair value through profit or loss | | | 304 | 304 |
| Derivative financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | ¥ 71 | | 71 |
| Others | | | | |
| Financial assets measured at fair value through profit or loss | 654 | 212 | 262 | 1,129 |
| Total | ¥ 4,151 | ¥ 284 | ¥ 1,949 | ¥ 6,384 |
| Liabilities | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | ¥ 319 | | ¥ 319 |
| Others | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Total | | ¥ 319 | | ¥ 319 |

As of March 31, 2016

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Stocks, etc. | | | | |
| Financial assets measured at fair value through profit or loss | | | ¥ 518 | ¥ 518 |
| Financial assets measured at fair value through other comprehensive income | ¥ 3,264 | | 1,131 | 4,395 |
| Insurance reserve funds | | | | |
| Financial assets measured at fair value through profit or loss | | | 297 | 297 |
| Derivative financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | ¥ 252 | | 252 |
| Others | | | | |
| Financial assets measured at fair value through profit or loss | 516 | 299 | 262 | 1,079 |
| Total | ¥ 3,780 | ¥ 551 | ¥ 2,210 | ¥ 6,543 |
| Liabilities | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | ¥ 1 | | ¥ 1 |
| Others | | | | |
| Financial liabilities measured at fair value through profit or loss | | | ¥ 143 | 143 |
| Total | | ¥ 1 | ¥ 143 | ¥ 145 |

Date of transition to IFRS

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Stocks, etc. | | | | |
| Financial assets measured at fair value through profit or loss | | | ¥ 516 | ¥ 516 |
| Financial assets measured at fair value through other comprehensive income | ¥ 3,594 | | 1,459 | 5,054 |
| Insurance reserve funds | | | | |
| Financial assets measured at fair value through profit or loss | | | 291 | 291 |
| Derivative financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | ¥ 3 | | 3 |
| Others | | | | |
| Financial assets measured at fair value through profit or loss | 469 | 240 | 71 | 781 |
| Total | ¥ 4,063 | ¥ 244 | ¥ 2,338 | ¥ 6,646 |
| Liabilities | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | ¥ 54 | | ¥ 54 |
| Others | | | | |
| Financial liabilities measured at fair value through profit or loss | | | ¥ 547 | 547 |
| Total | | ¥ 54 | ¥ 547 | ¥ 602 |

As of March 31, 2017

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Stocks, etc. | | | | |
| Financial assets measured at fair value through profit or loss | | | $ 2,670 | $ 2,670 |
| Financial assets measured at fair value through other comprehensive income | $ 31,214 | | 9,661 | 40,884 |
| Insurance reserve funds | | | | |
| Financial assets measured at fair value through profit or loss | | | 2,714 | 2,714 |
| Derivative financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | $ 634 | | 634 |
| Others | | | | |
| Financial assets measured at fair value through profit or loss | 5,839 | 1,893 | 2,339 | 10,080 |
| Total | $ 37,063 | $ 2,536 | $ 17,402 | $ 57,000 |
| Liabilities | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | $ 2,848 | | $ 2,848 |
| Others | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Total | | $ 2,848 | | $ 2,848 |

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 in the years ended March 31, 2017, and March 31, 2016.

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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ 2,210 | ¥ 2,338 | $ 19,732 |
| Total gains or losses recognized | | | |
| In profit or loss (Note 1) | (168) | 2 | (1,500) |
| In other comprehensive income (Note 2) | (43) | (330) | (384) |
| Purchase | 13 | 204 | 116 |
| Sales or settlement | (5) | (1) | (45) |
| Others | (56) | (3) | (500) |
| Ending balance | ¥ 1,949 | ¥ 2,210 | $ 17,402 |

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Beginning balance | ¥ 143 | ¥ 547 | $ 1,277 |
| Total gains or losses recognized | | | |
| In profit or loss (Note 1) | (3) | (7) | (27) |
| In other comprehensive income (Note 2) | | 6 | |
| Sales or settlement | (140) | (403) | (1,250) |
| Ending balance | ¥ | ¥ 143 | $ |

Notes:

1. Total gains or losses recognized in profit or loss relate to financial assets and financial liabilities measured at fair value through profit or loss, and are included in "Financial income" and "Financial expenses" on consolidated statement of income.
2. Total gains or losses recognized in other comprehensive income relate to financial assets and financial liabilities 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" on conslidated 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, 2017

| Investment | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| TOA Corporation | ¥ 1,407 | $ 12,563 |
| Noritz Corporation | 992 | 8,857 |
| Mitsubishi UFJ Financial Group, Inc. | 229 | 2,045 |
| Human Metabolome Technologies, Inc. | 153 | 1,366 |
| Nomura Holdings, Inc. | 138 | 1,232 |

As of March 31, 2016

| Investment | Millions of Yen |
|---|---|
| TOA Corporation | ¥ 1,560 |
| Noritz Corporation | 861 |
| Mitsubishi UFJ Financial Group, Inc. | 170 |
| Falco Holdings Co., Ltd. | 121 |
| Nomura Holdings, Inc. | 100 |

Date of transition to IFRS

| Investment | Millions of Yen |
|---|---|
| TOA Corporation | ¥ 1,688 |
| Noritz Corporation | 926 |
| Mitsubishi UFJ Financial Group, Inc. | 243 |
| Nomura Holdings, Inc. | 141 |
| Falco Holdings Co., Ltd. | 123 |

2) Derecognition of financial assets measured at fair value through other comprehensive income

The Group derecognized certain financial assets measured at fair value through other comprehensive income, which were disposed of by way of sales, etc., based on the statuses of market prices, business necessity, and other factors.

Fair values and cumulative gains or losses at the time of disposal are as follows:

| Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|
| 2017 | | 2016 | | 2017 | |
| Fair value | Cumulative gain or loss | Fair value | Cumulative gain or loss | Fair value | Cumulative gain or loss |
| ¥ 21 | ¥ 1 | ¥ | ¥ | $ 188 | $ 9 |

3) Dividend income

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Investments held at end of period | ¥ 237 | ¥ 82 | $ 2,116 |

**28. BUSINESS COMBINATIONS**

Year ended March 31, 2017

(Acquisition of shares of RIKEN GENESIS CO., LTD.)

(1) Overview of acquired company

Name: RIKEN GENESIS CO., LTD.

Business description: Contracted gene analysis business and diagnostic reagent business

(2) Overview of business combination

The Company acquired additional shares of RIKEN GENESIS CO., LTD. ("Riken Genesis"), which provides contract genetic analysis services and products, and has technology, experience, and expertise in the field of personalized medicine from TOPPAN PRINTING CO., LTD. (Ownership of voting rights: 28.2%). As a result, the Company holds majority ownership of Riken Genesis (Ownership of voting rights: 64.7%), and it converted Riken Genesis and BNA Inc., its subsidiary, into subsidiaries of the Company from the first quarter of the fiscal year ended March 31, 2017. The acquisition was carried out in order to strengthen the synergy between the Group and Riken Genesis, and to accelerate the Company's initiatives toward realization of personalized medicine.

(3) Acquisition date

May 13, 2016

(4) Consideration for acquisition

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash and cash equivalents | ¥ 1,540 | $ 13,750 |
| The acquisition-date fair value of the Company's previously held equity interest in Riken Genesis | 1,999 | 17,848 |
| Total | ¥ 3,540 | $ 31,607 |

(5) Acquisition-related costs

The ¥0 million ($0 thousand) in acquisition-related costs was included in "Selling, general and administrative expenses" in the consolidated statement of income.

(6) Gain on step acquisition

The Company recognized a gain on step acquisition of ¥534 million ($4,768 thousand) as a result of remeasuring the fair value of the equity interest of 36.5% in Riken Genesis, which the Company previously held on the acquisition date. This gain was included in "Other operating income" in the consolidated statement of income.

(7) Cash flows associated with acquisition

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash and cash equivalents paid due to the acquisition | ¥ 1,540 | $ 13,750 |
| Cash and cash equivalents held by the acquired company at the time of acquisition | (227) | (2,027) |
| Total | ¥ 1,312 | $ 11,714 |

(8) Fair values of assets acquired and liabilities assumed as of the acquisition date

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Fair values of assets acquired and liabilities assumed | | |
| Current assets | ¥ 2,809 | $ 25,080 |
| Cash and cash equivalents | 227 | 2,027 |
| Trade and other receivables (Note 2) | 416 | 3,714 |
| Inventories | 156 | 1,393 |
| Loans receivables (Note 2) | 1,930 | 17,232 |
| Others | 77 | 688 |
| Non-current assets | 1,048 | 9,357 |
| Property, plant and equipment | 220 | 1,964 |
| Intangible assets (Note 1) | 821 | 7,330 |
| Others | 6 | 54 |
| Current liabilities | 685 | 6,116 |
| Trade and other payables | 390 | 3,482 |
| Others | 295 | 2,634 |
| Non-current liabilities | 258 | 2,304 |
| Provisions | 11 | 98 |
| Deferred tax liabilities (Note 1) | 246 | 2,196 |
| Others | 1 | 9 |
| Fair values of assets acquired and liabilities assumed (net) | 2,914 | 26,018 |
| Non-controlling interests (Notes 1 and 3) | 1,028 | 9,179 |
| Goodwill (Notes 1 and 4) | ¥ 1,655 | $ 14,777 |

Notes:

1. Acquisition costs have been allocated to assets acquired and liabilities assumed based on the fair values as of the acquisition date. Allocation of acquisition costs was complete as of the end of the second quarter of the fiscal year ended March 31, 2017. Major adjustments to the provisional amounts were as follows:

| | |
|---|---|
| Intangible assets | Increase of ¥629 million ($5,616 thousand) |
| Deferred tax liabilities | Increase of ¥246 million ($2,196 thousand) |

As a result, non-controlling interests increased by ¥92 million ($821 thousand) and goodwill decreased by ¥290 million ($2,589 thousand).

2. Gross contractual amounts receivable and the best estimate at the acquisition date of the contractual cash flows not expected to be collected are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| | Gross contractual amounts receivables | The best estimate at the acquisition date of the contractual cash flows not expected to be collected | Gross contractual amounts receivables | The best estimate at the acquisition date of the contractual cash flows not expected to be collected |
| Trade and other receivables | ¥ 416 | ¥ (0) | $ 3,714 | $ (0) |
| Loans receivable | 1,930 | | 17,232 | |

3. Non-controlling interests are measured at the proportionate share in the recognized amount of the identifiable net assets.
4. Goodwill reflects excess future earning capacity anticipated as a result of business development and the synergy generated between the Group and the acquired company.

(9) Impact on business results

Due to the immateriality of its impact on the consolidated financial statements, disclosure has been omitted for the impacts of the business combination on net sales and profit included in the consolidated statement of income for the current fiscal year and the impacts on net sales and profit assuming that the business combination had occurred at the beginning of the current fiscal year.

Business combinations occurred after the end of the reporting period, but before the consolidated financial statements were authorized for issuance, as follows:

(Business Transfer from SANTUNG INSTRUMENTS CO., LTD.)

(1) Overview of the business transfer

| | |
|---|---|
| Name: | SANTUNG INSTRUMENTS CO., LTD. |
| Business description: | Sales, service, and support of in vitro diagnostic products |

(2) Overview of business combination

A subsidiary, Sysmex Taiwan Co., Ltd., acquired the business of SANTUNG INSTRUMENTS CO., LTD., a distributor in Taiwan. Sysmex Taiwan Co., Ltd., aims to build a sales and service network in Taiwan, to offer the immunochemistry and other new business fields, in addition to hematology, and to expand its business in Taiwan.

(3) Acquisition date

May 2, 2017

(4) Consideration for acquisition

Approximately 1,133 million TWD

As there is a contingent consideration term in the business transfer agreement, the amount may change.

(5) Fair value of assets acquired and liability assumed as of the acquisition date

As the value of the acquisition is under assessment, fair value of assets acquired and liability assumed as of the acquisition date is omitted. The allocation of acquisition costs is also not completed, and the amount of goodwill has not yet been determined.

(Acquisition of shares of Oxford Gene Technology IP Limited)

(1) Overview of the acquired company

| | |
|---|---|
| Name: | Oxford Gene Technology IP Limited |
| Business description: | Development, production, and sale of diagnostic and research reagents used in cytogenetic testing[1] and the development, production, and sale of research reagents used in NGSs[2]. |

Notes:

1. Cytogenetic testing:

   Cytogenetic testing refers to the study of chromosomes, particularly research related to illnesses arising due to chromosomal abnormalities. Research and testing typically involves the use of white blood cells, amniotic fluid, or tissues samples.

2. Next-generation sequencer (NGS):

   An analyzer capable of simultaneously reading the large quantities of DNA basis and sequences that contain genetic information.

(2) Overview of business combination

The Company have acquired all shares of Oxford Gene Technology IP Limited ("OGT"). As a result, OGT and its subsidiaries become consolidated subsidiaries of the Company from the first quarter of the fiscal year ending March 31, 2018. The acquisition was carried out in order to obtain OGT's business and expertise in the cytogenetics domain and its reagent development capabilities used in next-generation sequencers (NGSs), thereby reinforcing its base in the life science business.

(3) Acquisition date

June 8, 2017

(4) Consideration for acquisition

Around 53 million GBP

(5) Fair value of acquired assets and assumption of liability at the reporting date

As it is under assessment, fair value of acquired assets and assumed liabilities at the reporting date is omitted. Since the allocation of acquisition costs has also not been completed, the amount of goodwill and other assets and liabilities are not determined.

## 29. RELATED PARTIES

(1) Related party transaction

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, 2017

| | | | Transaction amount | | Outstanding | |
|---|---|---|---|---|---|---|
| Type | Name | Nature of transaction with related parties | Millions of Yen | Thousands of U.S. Dollars | Millions of Yen | Thousands of U.S. Dollars |
| Officer | Masayoshi Hayashi | Exercise of stock options | ¥ 93 | $ 830 | ¥ | $ |
| Officer | Yukio Nakajima | Exercise of stock options | 31 | 277 | | |
| Officer | Koji Tamura | Exercise of stock options | 23 | 205 | | |
| Officer | Mitsuru Watanabe | Exercise of stock options | 23 | 205 | | |
| Officer | Kazuya Obe | Exercise of stock options | 11 | 98 | | |
| Officer | Kaoru Asano | Exercise of stock options | 11 | 98 | | |
| Officer | Kenji Tachibana | Exercise of stock options | 11 | 98 | | |

As of March 31, 2016

| Type | Name | Nature of transaction with related parties | Transaction amount (Millions of Yen) | Outstanding (Millions of Yen) |
|---|---|---|---|---|
| Officer | Hisashi Ietsugu | Exercise of stock options | ¥ 93 | ¥ |
| Officer | Masayoshi Hayashi | Exercise of stock options | 31 | |
| Officer | Kazuya Obe | Exercise of stock options | 11 | |
| Officer | Mitsuru Watanabe | Exercise of stock options | 11 | |

Note:

The exercise price of stock options and other matters relating to stock options are as disclosed in "26. STOCK-BASED COMPENSATION."

(2) Key management personnel compensation

Key management personnel compensation is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Short-term benefits | ¥ 720 | ¥ 903 | $ 6,429 |
| Stock-based compensation | | 59 | |
| Total | ¥ 720 | ¥ 963 | $ 6,429 |

## 30. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Commitments to purchase property, plant and equipment | ¥ 834 | ¥ 887 | $ 7,446 |

## 31. CONTINGENT LIABILITIES

Not applicable.

## 32. SUBSEQUENT EVENT

(Acquisition of shares of Oxford Gene Technology IP Limited)

The Company acquired all shares of Oxford Gene Technology IP Limited.

The details of this acquisition are disclosed in "28. BUSINESS COMBINATION."

## 33. DISCLOSURES ON TRANSITION TO IFRS

The Group has prepared its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2017.

The most recent consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan ("J-GAAP"), its previous GAAP, is for the year ended March 31, 2016, and the date of transition to IFRS was April 1, 2015.

(1) Exemptions of IFRS 1

IFRS 1 generally requires companies that are adopting IFRS for the first time to retrospectively apply standards under IFRS. However, IFRS 1 provides for exemptions to some of these requirements retrospectively, and first-time adopters may elect to use one or more of such exemptions. The Group has adopted such exemptions mainly to the following items:

1) Business combinations

IFRS 3 "Business Combinations" is not applied to business combinations occurring before the date of transition to IFRS.

2) Cumulative exchange differences on translating foreign operations

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

3) Deemed cost

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

4) Financial instruments

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

5) Share-based payment

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

(2) Mandatory exceptions to the retrospective application of IFRS 1

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

(3) Reconciliations

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

1) Reconciliation of equity

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

(Unit: Millions of yen)

| Account item of J-GAAP | J-GAAP | Reclassif-ication | Differences in recognition and measurement | IFRS | Note | Account item of IFRS |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | ¥ 50,272 | ¥ (52) | ¥ (605) | ¥ 49,613 | A | Cash and cash equivalents |
| | | 54,327 | (665) | 53,662 | A | Trade and other receivables |
| Notes and accounts receivable-trade | 53,038 | (53,038) | | | | |
| Lease investment assets | 5,413 | (5,413) | | | | |
| Short-term investment securities | 240 | (240) | | | | |
| | | 29,888 | 78 | 29,966 | A | Inventories |
| Merchandise and finished goods | 22,737 | (22,737) | | | | |
| Work in process | 2,869 | (2,869) | | | | |
| Raw materials and supplies | 4,281 | (4,281) | | | | |
| | | 298 | | 298 | | Other short-term financial assets |
| | | 236 | (13) | 223 | A | Income taxes receivable |
| Deferred tax assets | 8,987 | (8,987) | | | | |
| Prepaid expenses | 1,991 | (1,991) | | | | |
| Short-term loans receivable | 1 | (1) | | | | |
| Others | 4,890 | 1,399 | 194 | 6,484 | A | Other current assets |
| Allowance for doubtful accounts | (575) | 575 | | | | |
| Total current assets | 154,148 | (12,889) | (1,011) | 140,248 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| Property, plant and equipment | 59,061 | | (2,226) | 56,835 | A, B, D | Property, plant and equipment |
| Goodwill | 12,114 | | (4,921) | 7,192 | A, D | Goodwill |
| Intangible assets (excluding goodwill) | 11,668 | | (70) | 11,598 | A, D, E | Intangible assets |
| | | 1,931 | 5 | 1,937 | | Investments accounted for using the equity method |
| | | 3,901 | | 3,901 | | Trade and other receivables |
| | | 6,112 | 327 | 6,440 | F | Other long-term financial assets |
| Investment securities | 7,174 | (7,174) | | | | |
| Long-term loans receivable | 11 | (11) | | | | |
| Net defined benefit assets | 960 | | | 960 | | Asset for retirement benefits |
| Long-term prepaid expenses | 419 | (419) | | | | |
| Others | 2,161 | (443) | 0 | 1,717 | A | Other non-current assets |
| Deferred tax assets | 267 | 8,987 | (2,776) | 6,478 | A, K | Deferred tax assets |
| Allowance for doubtful accounts | (3) | 3 | | | | |
| Total non-current assets | 93,835 | 12,889 | (9,662) | 97,062 | | Total non-current assets |
| Total assets | ¥ 247,983 | ¥ | ¥ (10,673) | ¥ 237,310 | | Total assets |

(Unit: Millions of yen)

| Account item of J-GAAP | J-GAAP | Reclassif-ication | Differences in recognition and measurement | IFRS | Note | Account item of IFRS |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| | | ¥ 22,098 | ¥ 677 | ¥ 22,776 | A, H | Trade and other payables |
| Notes and accounts payable-trade | ¥ 15,965 | (15,965) | | | | |
| | | 600 | 400 | 1,001 | A, L | Other short-term financial liabilities |
| Current portion of lease obligations | 50 | (50) | | | | |
| Income taxes payable | 9,639 | | (220) | 9,418 | A, H | Income taxes payable |
| Deferred tax liabilities | 101 | (101) | | | | |
| | | 456 | (6) | 450 | A | Provisions |
| | | 10,228 | 128 | 10,357 | A | Advance received |
| Accrued expenses | 8,301 | | (164) | 8,137 | A | Accrued expenses |
| Provision for bonuses | 6,119 | | 11 | 6,130 | A | Accrued bonuses |
| Provision for directors' bonuses | 411 | (411) | | | | |
| Provision for product warranties | 456 | (456) | | | | |
| Others | 24,124 | (16,004) | 965 | 9,084 | A, G | Other current liabilities |
| Total current liabilities | 65,170 | 394 | 1,791 | 67,355 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| | | 199 | 143 | 342 | A, L | Long-term financial liabilities |
| Lease obligations | 199 | (199) | | | | |
| Provision for directors' retirement benefits | 102 | (102) | | | | |
| Net defined benefit liabilities | 460 | 102 | (0) | 562 | A | Liability for retirement benefits |
| | | 124 | 2,187 | 2,312 | J | Provisions |
| Others | 3,507 | (620) | 208 | 3,094 | G | Other non-current liabilities |
| Deferred tax liabilities | 8,993 | 101 | (3,426) | 5,669 | A, K | Deferred tax liabilities |
| Total non-current liabilities | 13,262 | (394) | (887) | 11,980 | | Total non-current liabilities |
| Total liabilities | 78,432 | | 903 | 79,336 | | Total liabilities |
| Net assets | | | | | | Equity |
| Shareholders' equity | | | | | | Equity attributable to owners of the parent |
| Capital stock | 10,483 | | | 10,483 | | Capital stock |
| Capital surplus | 15,423 | 1,024 | (107) | 16,340 | N | Capital surplus |
| Retained earnings | 129,703 | | 479 | 130,183 | Q | Retained earnings |
| Treasury stock | (280) | | | (280) | | Treasury stock |
| Total shareholders' equity | 155,330 | | | | | |
| Accumulated other comprehensive income | 13,196 | | (11,949) | 1,246 | A, F, I, O | Other components of equity |
| | | | | 157,972 | | Total equity attributable to owners of the parent |
| Stock acquisition rights | 1,024 | (1,024) | | | | |
| Minority interests | | | 0 | 0 | A | Non-controlling interests |
| Total net assets | 169,550 | | (11,577) | 157,973 | | Total equity |
| Total liabilities and net assets | ¥ 247,983 | ¥ | ¥ (10,673) | ¥ 237,310 | | Total liabilities and equity |

(ii) As of March 31, 2016

(Unit: Millions of yen)

| Account item of J-GAAP | J-GAAP | Reclassif-ication | Differences in recognition and measurement | IFRS | Note | Account item of IFRS |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | ¥ 56,544 | ¥ (62) | | ¥ 56,481 | | Cash and cash equivalents |
| | | 57,652 | | 57,652 | | Trade and other receivables |
| Notes and accounts receivable-trade | 55,505 | (55,505) | | | | |
| Lease investment assets | 8,535 | (8,535) | | | | |
| Short-term investment securities | 299 | (299) | | | | |
| | | 35,623 | ¥ (18) | 35,604 | | Inventories |
| Merchandise and finished goods | 27,056 | (27,056) | | | | |
| Work in process | 2,984 | (2,984) | | | | |
| Raw materials and supplies | 5,581 | (5,581) | | | | |
| | | 615 | | 615 | | Other short-term financial assets |
| | | 453 | | 453 | | Income taxes receivable |
| Deferred tax assets | 7,911 | (7,911) | | | | |
| Prepaid expenses | 2,201 | (2,201) | | | | |
| Others | 6,632 | 818 | | 7,450 | | Other current assets |
| Allowance for doubtful accounts | (588) | 588 | | | | |
| Total current assets | 172,665 | (14,388) | (18) | 158,258 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| Property, plant and equipment | 61,235 | | (1,953) | 59,282 | B, D | Property, plant and equipment |
| Goodwill | 9,085 | | (2,164) | 6,921 | C, D | Goodwill |
| Intangible assets (excluding goodwill) | 14,155 | | 2,526 | 16,682 | D, E | Intangible assets |
| | | 2,047 | 42 | 2,089 | C | Investments accounted for using the equity method |
| | | 6,476 | | 6,476 | | Trade and other receivables |
| | | 5,607 | 402 | 6,010 | F | Other long-term financial assets |
| Investment securities | 6,753 | (6,753) | | | | |
| Net defined benefit assets | 582 | | | 582 | | Asset for retirement benefits |
| Long-term prepaid expenses | 581 | (581) | | | | |
| Others | 2,253 | (324) | | 1,928 | | Other non-current assets |
| Deferred tax assets | 329 | 7,911 | (2,556) | 5,684 | K | Deferred tax assets |
| Allowance for doubtful accounts | (3) | 3 | | | | |
| Total non-current assets | 94,973 | 14,388 | (3,702) | 105,659 | | Total non-current assets |
| Total assets | ¥ 267,638 | ¥ | ¥ (3,720) | ¥ 263,917 | | Total assets |

(Unit: Millions of yen)

| Account item of J-GAAP | J-GAAP | Reclassif- ication | Differences in recognition and measurement | IFRS | Note | Account item of IFRS |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| | | ¥ 26,111 | ¥ 712 | ¥ 26,824 | H | Trade and other payables |
| Notes and accounts payable-trade | ¥ 19,873 | (19,873) | | | | |
| | | 644 | 143 | 788 | L | Other short-term financial liabilities |
| Current portion of lease obligations | 149 | (149) | | | | |
| Income taxes payable | 6,817 | | (306) | 6,511 | H | Income taxes payable |
| Deferred tax liabilities | 315 | (315) | | | | |
| | | 554 | | 554 | | Provisions |
| | | 10,431 | | 10,431 | | Advance received |
| Accrued expenses | 6,864 | | | 6,864 | | Accrued expenses |
| Provision for bonuses | 6,538 | | | 6,538 | | Accrued bonuses |
| Provision for directors' bonuses | 526 | (526) | | | | |
| Provision for product warranties | 554 | (554) | | | | |
| Others | 24,254 | (16,144) | 1,273 | 9,383 | G, M | Other current liabilities |
| Total current liabilities | 65,895 | 176 | 1,823 | 67,896 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| | | 734 | | 734 | | Long-term financial liabilities |
| Lease obligations | 733 | (733) | | | | |
| Provision for directors' retirement benefits | 102 | (102) | | | | |
| Net defined benefit liabilities | 463 | 102 | | 566 | | Liability for retirement benefits |
| | | 123 | 2,218 | 2,341 | J | Provisions |
| Others | 3,568 | (617) | 240 | 3,192 | G | Other non-current liabilities |
| Deferred tax liabilities | 8,778 | 315 | (2,709) | 6,384 | K | Deferred tax liabilities |
| Total non-current liabilities | 13,646 | (176) | (250) | 13,219 | | Total non-current liabilities |
| Total liabilities | 79,542 | | 1,573 | 81,116 | | Total liabilities |
| Net assets | | | | | | Equity |
| Shareholders' equity | | | | | | Equity attributable to owners of the parent |
| Capital stock | 11,016 | | | 11,016 | | Capital stock |
| Capital surplus | 15,957 | 1,097 | (85) | 16,969 | N | Capital surplus |
| Retained earnings | 155,562 | | 3,812 | 159,375 | Q | Retained earnings |
| Treasury stock | (285) | | | (285) | | Treasury stock |
| Total shareholders' equity | 182,251 | | | | | |
| Accumulated other comprehensive income | 4,745 | | (9,021) | (4,275) | F, I, O, P | Other components of equity |
| | | | | 182,800 | | Total equity attributable to owners of the parent |
| Stock acquisition rights | 1,097 | (1,097) | | | | |
| Non-controlling interests | 0 | | | 0 | | Non-controlling interests |
| Total net assets | 188,095 | | (5,294) | 182,801 | | Total equity |
| Total liabilities and net assets | ¥ 267,638 | ¥ | ¥ (3,720) | ¥ 263,917 | | Total liabilities and equity |

2) Reconciliation of profit and comprehensive income

Year ended March 31, 2016

(Unit: Millions of yen)

| Account item of J-GAAP | J-GAAP | Reclassif-ication | Differences in recognition and measurement | IFRS | Note | Account item of IFRS |
|---|---|---|---|---|---|---|
| Net sales | ¥ 253,157 | | ¥ (535) | ¥ 252,622 | M | Net sales |
| Cost of sales | 102,063 | | (130) | 101,932 | D, E, G, H, I, J, M | Cost of sales |
| Gross profit | 151,093 | | (404) | 150,689 | | Gross profit |
| Selling, general and administrative expenses | 94,131 | ¥ (17,775) | (1,784) | 74,571 | C, D, E, G, H, I, J | Selling, general and administrative expenses |
| | | 17,775 | (2,365) | 15,409 | E, G, H, I, J | Research and development expenses |
| | | 611 | (0) | 610 | | Other operating income |
| | | 605 | (16) | 588 | D | Other operating expenses |
| Operating income | 56,962 | 5 | 3,761 | 60,729 | | Operating profit |
| | | 374 | 7 | 382 | L | Financial income |
| | | 96 | | 96 | | Financial expenses |
| | | (502) | 36 | (465) | C | Share of profit (loss) on equity method |
| | | (2,743) | 2 | (2,741) | | Foreign exchange gain (loss) |
| Non-operating income | 963 | (963) | | | | |
| Non-operating expenses | 3,582 | (3,582) | | | | |
| Extraordinary profits | 1,082 | (22) | (1,059) | | I | |
| Extraordinary loss | 764 | (364) | (400) | | F | |
| Income before income taxes | 54,660 | | 3,149 | 57,809 | | Profit before tax |
| | | 18,426 | 103 | 18,530 | K | Income tax expenses |
| Income taxes-current | 16,513 | (16,513) | | | | |
| Income taxes-deferred | 1,912 | (1,912) | | | | |
| Profit | 36,233 | | 3,045 | 39,278 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| | | | | | | Items that will not be reclassified subsequently to profit or loss |
| Unrealized loss on available-for-sale securities | (196) | | (234) | (430) | F | Net gain (loss) on financial assets measured at fair value through other comprehensive income |
| Defined retirement benefit plans | (1,256) | | 719 | (536) | I | Remeasurements of defined benefit plans |
| | | | | (967) | | Total |
| | | | | | | Items that may be reclassified subsequently to profit or loss |
| Foreign currency translation adjustments | (6,999) | | 1,907 | (5,091) | P | Exchange differences on translation of foreign operations |
| Deferred gains on derivatives under hedge accounting | 1 | | (1) | | | |
| | | | | (5,091) | | Total |
| Total other comprehensive income | (8,450) | | 2,391 | (6,059) | | Total other comprehensive income (loss) |
| Comprehensive income | ¥ 27,782 | ¥ | ¥ 5,436 | ¥ 33,219 | | Comprehensive income |

(4) Notes to reconciliations

1) Reclassification

Reclassifications were changes to the presentation of the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, and therefore amounts of retained earnings were not affected.

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

- "Deferred tax assets" and "Deferred tax liabilities" presented as current items under J-GAAP have been presented as non-current items under IFRS.
- Leases receivable for which maturity is more than one year were, under J-GAAP, included in "Lease investment assets" presented as current items. These are included in "Trade and other receivables" as non-current items under IFRS.
- Research and development (R&D) expenses presented as part of "Selling, general and administrative expenses" under J-GAAP have been presented separately as "R&D expenses" under IFRS.

2) Differences in recognition and measurement

A. Change in reporting date of subsidiaries

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

B. Property, plant and equipment

Since the Group applied IFRS 1 exemptions to certain property, plant and equipment, their fair value as of the date of transition to IFRS have been used for measurement as deemed costs. As of the date of transition to IFRS, the previous carrying amounts under J-GAAP and the fair value of property, plant and equipment accounted for as deemed costs were ¥10,481 million and ¥9,602 million, respectively. These property, plant and equipment were measured by any of following method, which management believes as most appropriate, independent appraisal values, prices for similar assets, or discounted future cash flow method, which are categorized as Level 3 fair value.

C. Goodwill

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

D. Impairment

Under J-GAAP, the need for impairment of goodwill was determined only in cases where indications of impairment were present. Under IFRS, however, impairment testing of goodwill is required at least once a one year, regardless of whether any indications of impairment exist. In addition, under J-GAAP, impairment losses on non-current assets were recognized at the excess of the carrying amount over the recoverable amount (i.e., the higher of the value in use and fair value, less costs of disposal) only when indications of impairment existed and the carrying amounts exceeded the undiscounted future cash flows expected to be generated from such assets. Under IFRS, however, impairment losses on non-current assets are recognized, upon impairment testing, in the amount of excess of the carrying amount of the non-current asset over the recoverable amount.

Major impairment losses arising at the date of transition as a result of the above differences between J-GAAP and IFRS include, in the EMEA segment, ¥5,907 million associated with a group of cash-generating units, including goodwill arising from the business combination of Sysmex Inostics GmbH and its subsidiary, and ¥1,033 million associated with cash-generating units, including goodwill arising from other business combinations, the total amount of which has been recorded as a reduction of the carrying amounts of property, plant and equipment; goodwill; and intangible assets. Value in use is determined by the discounted future cash flow method based on financial budgets and growth rates. The estimated period of the financial budgets is less than 5 years and the financial budgets are approved by the management of each cash-generating unit or a group of cash-generating units. Growth rates are determined by taking into consideration the average long-term growth rate of the market or the country in which the cash-generating group operates. The discount rate is determined based on the after-tax weighted-average capital cost for the market or the country in which each cash-generating unit or a group of cash-generating units operate. 11.8% of the discount rate used for the calculation of value in use pertains to the cash-generating unit group, including goodwill arising from the business combination of Sysmex Inostics GmbH and its subsidiaries.

E. R&D expenses

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

F. Financial instruments

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

In addition, under J-GAAP, gains or losses on the sale of securities were recognized in profit or loss. Under IFRS, however, if an equity instrument is designated as a financial asset measured at fair value through other comprehensive income, the gains or losses on the sale of such equity instruments are recognized in other comprehensive income and not reclassified to profit or loss.

G. Unused paid leave

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

H. Levies

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

I. Post-employment benefits

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

J. Special contributions to multi-employer plans

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

K. Deferred tax assets and deferred tax liabilities

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

In addition, changes have occurred in deferred tax assets due to additional temporary differences arising from other reconciliation items and a review of the recoverability of all deferred tax assets.

L. Contingent consideration

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

M. Sale and leaseback transactions

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

N. Costs of equity transactions

Under J-GAAP, costs of equity transactions were generally accounted for as expenses. Under IFRS, however, costs attributable to equity transactions are deducted from equity.

O. Other components of equity

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

P. Translation adjustment related to other reconciliation items

Foreign exchange translation differences which are related to other reconciliation items of foreign operations have been adjusted.

Q. Retained earnings

The effects of the above reconciliation items on retained earnings are as follows:

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

(5) Notes on adjustments of cash flows

Year ended March 31, 2016

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