Sysmex Corporation and Its Subsidiaries

Consolidated Financial Statements as of and for the Year Ended March 31, 2018 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, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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, 2018, 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 22, 2018

Member of
Deloitte Touche Tohmatsu Limited

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2018

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 2) 2018
Assets				
Current assets				
Cash and cash equivalents	6	¥ 61,444	¥ 57,944	$ 579,660
Trade and other receivables	7, 15, 28	72,567	63,084	684,594
Inventories	8	40,975	36,998	386,557
Other short-term financial assets	18, 28	214	528	2,019
Income taxes receivable		619	457	5,840
Other current assets	19	9,131	7,303	86,142
Total current assets		184,952	166,318	1,744,830
Non-current assets				
Property, plant and equipment	9	67,651	60,144	638,217
Goodwill	10, 11	12,251	8,308	115,575
Intangible assets	10, 11	29,765	21,228	280,802
Investments accounted for using the equity method	12	411	552	3,877
Trade and other receivables	7, 15, 28	10,882	8,813	102,660
Other long-term financial assets	18, 28	7,486	6,107	70,623
Asset for retirement benefits	17	802	666	7,566
Other non-current assets	19	2,343	2,095	22,104
Deferred tax assets	14	5,432	5,581	51,245
Total non-currents assets		137,027	113,499	1,292,708
Total assets		¥ 321,979	¥ 279,817	$ 3,037,538

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2018

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 2) 2018
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 28	¥ 28,579	¥ 24,376	$ 269,613
Other short-term financial liabilities	15, 18, 28	690	956	6,509
Income taxes payable		7,717	2,915	72,802
Provisions	16	614	610	5,792
Advance received		4,588	6,418	43,283
Accrued expenses		10,632	8,330	100,302
Accrued bonuses		7,474	6,636	70,509
Other current liabilities	19	10,501	9,708	99,066
Total current liabilities		70,796	59,952	667,887
Non-current liabilities				
Long-term financial liabilities	15, 18, 28	712	549	6,717
Liability for retirement benefits	17	731	654	6,896
Provisions	16	202	2,318	1,906
Other non-current liabilities	19	2,652	3,527	25,019
Deferred tax liabilities	14	5,439	2,562	51,311
Total non-current liabilities		9,739	9,612	91,877
Total liabilities		80,536	69,564	759,774
Equity				
Equity attributable to owners of the parent				
Capital stock	20	12,276	11,611	115,811
Capital surplus	20	17,664	17,303	166,642
Retained earnings	20	214,952	188,506	2,027,849
Treasury stock	20	(295)	(289)	(2,783)
Other components of equity	20	(3,847)	(7,725)	(36,292)
Total equity attributable to owners of the parent		240,749	209,406	2,271,217
Non-controlling interests		693	845	6,538
Total equity		241,443	210,252	2,277,764
Total liabilities and equity		¥ 321,979	¥ 279,817	$ 3,037,538

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Income
For the Year Ended March 31, 2018

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 2) 2018
Net sales	5	¥ 281,935	¥ 249,899	$ 2,659,764
Cost of sales	21	122,986	108,122	1,160,245
Gross profit		158,948	141,777	1,499,509
Selling, general and administrative expenses	21	82,544	75,401	778,717
Research and development expenses	21	16,754	15,554	158,057
Impairment losses	11	1,073		10,123
Other operating income	22	857	1,277	8,085
Other operating expenses	22	355	397	3,349
Operating profit		59,078	51,701	557,340
Financial income	23	356	514	3,358
Financial expenses	23	206	372	1,943
Share of loss on equity method	12	(1,059)	(677)	(9,991)
Gain on sale of investment in associates		1,221		11,519
Foreign exchange loss		(1,272)	(2,218)	(12,000)
Profit before tax		58,117	48,946	548,274
Income tax expenses	14	19,040	8,493	179,623
Profit		¥ 39,076	¥ 40,453	$ 368,642
Profit attributable to				
Owners of the parent		¥ 39,222	¥ 40,636	$ 370,019
Non-controlling interests		(145)	(182)	(1,368)
Profit		¥ 39,076	¥ 40,453	$ 368,642

	Notes	Yen 2018	Yen 2017	U.S. Dollars 2018
Earnings per share				
Basic	25	¥188.29	¥195.31	$1.78
Diluted	25	187.84	194.74	1.77

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income
For the Year Ended March 31, 2018

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 2) 2018
Profit		¥ 39,076	¥ 40,453	$ 368,642
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Net gain on financial assets measured at fair value through other comprehensive income	24	327	158	3,085
Remeasurements of defined benefit plans	24	117	139	1,104
Total		444	298	4,189
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	24	3,153	(3,606)	29,745
Share of other comprehensive income of investments accounted for using the equity method	12, 24	(3)	(0)	(28)
Total		3,150	(3,607)	29,717
Total other comprehensive income (loss)		3,595	(3,309)	33,915
Comprehensive income		¥ 42,672	¥ 37,144	$ 402,566
Comprehensive income attributable to				
Owners of the parent		¥ 42,817	¥ 37,327	$ 403,934
Non-controlling interests		(145)	(182)	(1,368)
Comprehensive income		¥ 42,672	¥ 37,144	$ 402,566

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity
For the Year Ended March 31, 2018

		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, 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	20, 27	594	333				928		928
Cash dividends	20			(11,646)			(11,646)		(11,646)
Purchase of treasury stock	20				(3)		(3)		(3)
Transfer to retained earnings	20			141		(141)			
Changes due to business combination	29							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
Profit				39,222			39,222	(145)	39,076
Other comprehensive income (loss)						3,595	3,595	(0)	3,595
Comprehensive income (loss)				39,222		3,595	42,817	(145)	42,672
Exercise of warrants	20, 27	664	372				1,036		1,036
Cash dividends	20			(12,493)			(12,493)		(12,493)
Purchase of treasury stock	20				(6)		(6)		(6)
Transfer to retained earnings	20			(282)		282			
Changes due to business combination									
Equity transactions with non-controlling interests			(11)				(11)	(6)	(18)
Total transactions with the owners		664	361	(12,776)	(6)	282	(11,475)	(6)	(11,481)
As of March 31, 2018		¥ 12,276	¥ 17,664	¥214,952	¥ (295)	¥ (3,847)	¥240,749	¥ 693	¥241,443

		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, 2017		$109,538	$163,236	$1,778,358	$ (2,726)	$ (72,877)	$1,975,528	$ 7,972	$1,983,509
Profit				370,019			370,019	(1,368)	368,642
Other comprehensive income (loss)						33,915	33,915	(0)	33,915
Comprehensive income (loss)				370,019		33,915	403,934	(1,368)	402,566
Exercise of warrants	20, 27	6,264	3,509				9,774		9,774
Cash dividends	20			(117,858)			(117,858)		(117,858)
Purchase of treasury stock	20				(57)		(57)		(57)
Transfer to retained earnings	20			(2,660)		2,660			
Changes due to business combination									
Equity transactions with non-controlling interests			(104)				(104)	(57)	(170)
Total transactions with the owners		6,264	3,406	(120,528)	(57)	2,660	(108,255)	(57)	(108,311)
As of March 31, 2018		$115,811	$166,642	$2,027,849	$ (2,783)	$ (36,292)	$2,271,217	$ 6,538	$2,277,764

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2018

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 2) 2018
Operating activities				
Profit before tax		¥ 58,117	¥ 48,946	$ 548,274
Depreciation and amortization		14,643	12,381	138,142
Impairment loss	11	1,073		10,123
Interest and dividend income		(323)	(425)	(3,047)
Interest expenses		90	104	849
Share of loss on equity method		1,059	677	9,991
Gain on sale of investment in associates		(1,221)		(11,519)
Increase in trade receivables		(7,341)	(6,368)	(69,255)
Increase in inventories		(1,962)	(2,104)	(18,509)
Increase (decrease) in trade payables		3,531	(2,483)	33,311
Decrease/increase in consumption taxes receivable/payable		(74)	817	(698)
Decrease in asset for retirement benefits		33	117	311
Decrease in advance received		(2,067)	(3,635)	(19,500)
Increase in accrued bonuses		817	107	7,708
Other – net		(1,813)	634	(17,104)
Subtotal		64,563	48,770	609,085
Interest and dividend received		255	415	2,406
Interest paid		(81)	(85)	(764)
Income taxes paid		(12,497)	(16,268)	(117,896)
Net cash provided by operating activities		52,240	32,832	492,830
Investing activities				
Purchase of property, plant and equipment		(16,573)	(11,682)	(156,349)
Proceeds from sales of property, plant and equipment		140	200	1,321
Purchase of intangible assets		(9,122)	(7,424)	(86,057)
Purchase of investments in equity instruments		(1,875)	(632)	(17,689)
Proceeds from the sale of investments in equity instruments		1,500		14,151
Acquisitions of subsidiaries or other businesses	29	(11,672)	(1,453)	(110,113)
Net decrease in short-term loans receivable			1,930	
Other – net		(226)	(338)	(2,132)
Net cash used in investing activities		(37,828)	(19,400)	(356,868)
Financing activities				
Exercise of warrants		1,036	928	9,774
Dividends paid	20	(12,493)	(11,646)	(117,858)
Other – net		(89)	(148)	(840)
Net cash used in financing activities		(11,545)	(10,866)	(108,915)
Foreign currency translation adjustments on cash and cash equivalents		633	(1,102)	5,972
Net increase in cash and cash equivalents		3,500	1,462	33,019
Cash and cash equivalents, beginning of year		57,944	56,481	546,642
Cash and cash equivalents, end of year		¥ 61,444	¥ 57,944	$ 579,660

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, 2018

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

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

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

The consolidated financial statements of the Company were approved by Hisashi Ietsugu, chairman and CEO, and Yukio Nakajima, Member of the Managing Board and Senior Executive Officer, Senior Managing Director, CFO, on June 22, 2018.

(2) Basis for measurement

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

(3) Presentation currency

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

(4) Use of estimates and judgments

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

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of a change in an accounting estimate are recognized prospectively by including it in profit or loss in the period of the change and future periods.

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

- Estimated useful lives and residual values of property, plant and equipment and intangible assets (Refer to "9. PROPERTY, PLANT AND EQUIPMENT" and "10. GOODWILL AND INTANGIBLE ASSETS")
- Impairment of non-financial assets (Refer to "11. IMPAIRMENT OF NON-FINANCIAL ASSETS")
- Recoverability of deferred tax assets (Refer to "14. INCOME TAXES")
- Measurements of defined benefit obligations (assets) (Refer to "17. POST-EMPLOYMENT BENEFITS")
- Revenues (Refer to "3. SIGNIFICANT ACCOUNTING POLICIES, (15) Revenues")
- Fair values of financial instruments (Refer to "28. FINANCIAL INSTRUMENTS")
- Fair values of assets acquired and liabilities assumed in a business combination (Refer to "29. BUSINESS COMBINATIONS")
- Evaluation of a contingent consideration in a business combination (Refer to "29. 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 ¥106 to $1, the approximate rate of exchange at March 31, 2018. 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 loses significant influence.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

If the cost of an acquisition, which includes the consideration transferred, the amount of non-controlling interests in the acquired entity, and the acquisition-date fair value of equity interests in the acquired entity previously held, exceeds the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount. If the net value of identifiable assets and liabilities at the acquisition date exceeds the cost of an acquisition, the excess amount is recognized in net profit or loss. The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer, including the fair values of the assets or liabilities arising from a contingent consideration arrangement. Acquisition-related costs are recognized as expenses in the periods in which the costs were incurred.

Non-controlling interests are measured either at fair value or at the present ownership instruments' proportionate share in the recognized amount of the acquiree's identifiable net assets, which is determined for each business combination.

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

2) Foreign operations

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

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

(4) Financial instruments

The Group has early adopted IFRS 9, "Financial Instruments," (revised in July 2014) since the date of transition to IFRS (April 1, 2015).

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, liabilities and forecast transactions.

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

5) Offsetting financial instruments

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

6) Fair value measurements

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

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

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

(5) Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits, and short-term investments that are readily convertible to cash, with original maturities of three months or less, and have no significant risk of changes in value.

(6) Inventories

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

(7) Property, plant and equipment

1) Recognition and measurement

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

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

2) Depreciation

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

The estimated useful lives are as follows:

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

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 development and to use or sell the intangible asset.

(vi) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

The estimated useful lives are as follows:

Software:	3 to 10 years
Development expenses:	3 to 20 years
Other intangible assets:	2 to 22 years

The amortization methods, estimated useful lives, and residual values are reviewed at the end of the fiscal year and revised as necessary. Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

(9) Impairment of non-financial assets

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

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

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

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

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

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

Impairment loss recognized for goodwill is not reversed.

(10) Leases

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. The lease payment receivable is treated as repayment of principal and interest income, and interest income is recognized as revenue in the consolidated statement of income.

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

2) Lease as lessee

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 the minimum lease payments. Lease payments are appointed between the finance charge and the reduction of the outstanding liability based on the interest method, and the finance charges are recognized as expenses in the consolidated statement of income.

In operating lease transactions, lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are treated as an integral part of the net consideration and are recognized as a reduction of rental expense 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 multi-employer plans in which the Company and certain of its subsidiaries have participated are defined benefit plans, sufficient information has not been available to use defined benefit accounting. Accordingly, the contribution amount is recognized as an expense similar to the contribution amounts under defined contribution plans.

2) Others

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

Long-term employee benefits are recognized as a liability, the discount amount of future payment in exchange for services rendered in the prior and current periods.

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

(12) Stock-based compensation

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

(13) Provisions

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

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

(14) Equity

1) Common stock

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

2) Treasury stock

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

(15) Revenues

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

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Deferred taxes are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of assets or liabilities in transactions that affect neither accounting profit nor taxable profit (tax loss), other than business combinations;
- Temporary differences associated with investments in subsidiaries and associates and joint arrangements where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes are calculated at the tax rates that are expected to apply to the period when the temporary difference is reversed based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

(18) Earnings per share

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

New or revised major standards and interpretations issued by the date of approval of the consolidated financial statements but not yet adopted by the Group are as follows. There is no material impact to consolidated financial statements expected as a result of adopting IFRS 15. The Group is currently evaluating the potential impact of applying the other 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 therein. These companies formulate comprehensive strategies tailored to regional characteristics and conduct business activities accordingly. Regional headquarters and other domestic and overseas subsidiaries are independent management units that handle production and sales for each region.

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

(2) Segment profit and operating results

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

- Intersegment sales are determined based on market prices or costs of goods manufactured.
- Accounting policies of reporting segments are consistent with the Group's accounting policies noted in "3. SIGNIFICANT ACCOUNTING POLICIES."

Year ended March 31, 2018

(Unit: Millions of yen)

	Reportable segment							
	Japan	Americas	EMEA	China	Asia Pacific	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales								
Sales to external customers	¥ 47,414	¥ 62,550	¥ 75,543	¥ 72,017	¥ 24,408	¥ 281,935		¥ 281,935
Intersegment sales	98,443	368	2,410	24	5	101,251	¥ (101,251)	
Total	145,858	62,918	77,953	72,042	24,413	383,186	(101,251)	281,935
Segment profit	37,855	5,533	4,974	8,323	3,166	59,851	(773)	59,078
Financial income								356
Financial expenses								206
Share of loss on equity method								(1,059)
Gain on sale of shares of associates								1,221
Foreign exchange loss								(1,272)
Profit before tax								58,117
Income tax expenses								19,040
Profit								39,076
Other information								
Depreciation and amortization (Note 3)	¥ 7,751	¥ 1,804	¥ 3,620	¥ 394	¥ 1,938	¥ 15,511	¥ (867)	¥ 14,643
Impairment loss			1,073			1,073		1,073

Notes:

1. Segment profit adjustments of negative ¥773 million include negative ¥674 million for the unrealized gains on inventories, and negative ¥93 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 ¥867 million are adjustments relating to intersegment transactions.

Year ended March 31, 2017

(Unit: Millions of yen)

	Reportable segment							
	Japan	Americas	EMEA	China	Asia Pacific	Total	Adjustments (Note 1)	Consolidated (Note 2)
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)
Gain on sale of shares of associates								
Foreign exchange loss								(2,218)
Profit before tax								48,946
Income tax expenses								8,493
Profit								40,453
Other information								
Depreciation and amortization (Note 3)	¥ 6,352	¥ 2,035	¥ 3,344	¥ 295	¥ 1,326	¥ 13,353	¥ (972)	¥ 12,381
Impairment loss								

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, 2018

(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	$ 447,302	$ 590,094	$ 712,670	$ 679,406	$ 230,264	$ 2,659,764		$ 2,659,764
Intersegment sales	928,708	3,472	22,736	226	47	955,198	$ (955,198)	
Total	1,376,019	593,566	735,406	679,642	230,311	3,614,962	(955,198)	2,659,764
Segment profit	357,123	52,198	46,925	78,519	29,868	564,632	(7,292)	557,340
Financial income								3,358
Financial expenses								1,943
Share of loss on equity method								(9,991)
Gain on sale of shares of associates								11,519
Foreign exchange loss								(12,000)
Profit before tax								548,274
Income tax expenses								179,623
Profit								368,642
Other information								
Depreciation and amortization (Note 3)	$ 73,123	$ 17,019	$ 34,151	$ 3,717	$ 18,283	$ 146,330	$ (8,179)	$ 138,142
Impairment loss			10,123			10,123		10,123

Notes:

1. Segment profit adjustments of $7,292 thousand include negative $6,358 thousand for the unrealized gains on inventories, and negative $877 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 $8,179 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
	2018	2017	2018
Instruments	¥ 83,838	¥ 83,024	$ 790,925
Reagents	158,070	131,250	1,491,226
Maintenance services	31,157	27,703	293,934
Others	8,868	7,921	83,660
Total	¥ 281,935	¥ 249,899	$ 2,659,764

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japan	¥ 45,019	¥ 43,467	$ 424,708
United States of America	55,635	51,904	524,858
China	72,089	60,334	680,085
Others	109,189	94,192	1,030,085
Total	¥ 281,935	¥ 249,899	$ 2,659,764

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
	2018	2017	2018
Japan	¥ 68,044	¥ 59,438	$ 641,925
Germany	11,230	11,778	105,943
Others	32,736	20,561	308,830
Total	¥ 112,011	¥ 91,777	$ 1,056,708

(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
	2018	2017	2018
Cash and cash equivalents	¥ 61,444	¥ 57,944	$ 579,660
Total	¥ 61,444	¥ 57,944	$ 579,660

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Notes and trade receivable	¥ 69,251	¥ 60,616	$ 653,311
Lease receivables	14,489	11,486	136,689
Accounts receivable - other	511	380	4,821
Loss allowance	(802)	(585)	(7,566)
Total	¥ 83,450	¥ 71,898	$ 787,264

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
	2018	2017	2018
Merchandise and finished goods	¥ 31,419	¥ 28,865	$ 296,406
Work in process	3,842	2,819	36,245
Raw materials and supplies	5,713	5,313	53,896
Total	¥ 40,975	¥ 36,998	$ 386,557

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2018 and 2017 were ¥85,783 million ($809,274 thousand) and ¥75,822 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2018 and 2017 were ¥364 million ($3,434 thousand) and ¥179 million, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

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

Carrying amount

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2016	¥ 25,077	¥ 4,179	¥ 17,576	¥ 10,431	¥ 2,016	¥ 59,282
Acquisition	1,472	275	6,931	76	3,133	11,888
Additions by business combination	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
Acquisition	596	300	6,740	1	8,227	15,867
Additions by business combination	311	49	1,008	627		1,995
Depreciation	(1,983)	(783)	(6,146)			(8,913)
Sale or disposal	(23)	(15)	(474)		(23)	(536)
Exchange differences on translation of foreign currency	131	(5)	135	8	37	307
Transfer	1,417	1,563	(100)		(4,092)	(1,213)
As of March 31, 2018	¥ 26,062	¥ 4,936	¥ 18,153	¥ 11,132	¥ 7,366	¥ 67,651

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2017	$ 241,623	$ 36,104	$ 160,292	$ 99,000	$ 30,358	$ 567,396
Acquisition	5,623	2,830	63,585	9	77,613	149,689
Additions by business combination	2,934	462	9,509	5,915		18,821
Depreciation	(18,708)	(7,387)	(57,981)			(84,085)
Sale or disposal	(217)	(142)	(4,472)		(217)	(5,057)
Exchange differences on translation of foreign currency	1,236	(47)	1,274	75	349	2,896
Transfer	13,368	14,745	(943)		(38,604)	(11,443)
As of March 31, 2018	$ 245,868	$ 46,566	$ 171,255	$ 105,019	$ 69,491	$ 638,217

Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 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
As of March 31, 2018	47,564	12,146	52,724	11,243	7,366	131,046

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2018	$ 448,717	$ 114,585	$ 497,396	$ 106,066	$ 69,491	$ 1,236,283

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, 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)
As of March 31, 2018	(21,502)	(7,210)	(34,571)	(110)		(63,394)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2018	$ (202,849)	$ (68,019)	$ (326,142)	$ (1,038)	$	$ (598,057)

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, 2018 and 2017, ¥96 million ($906 thousand) and ¥217 million, respectively, were pledged as collateral for loans payable.

For commitments for purchases of property, plant and equipment, please refer to "31. 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
	2018	2017	2018
Machinery and vehicles	¥ 26	¥ 16	$ 245
Furniture and fixtures	367	537	3,462
Total	¥ 394	¥ 553	$ 3,717

10. GOODWILL AND INTANGIBLE ASSETS

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

Carrying amount

	Millions of Yen				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of April 1, 2016	¥ 6,921	¥ 8,470	¥ 4,997	¥ 3,214	¥ 16,682
Acquisitions		4,029	2,753	873	7,656
Additions by business combination	1,655	18		803	821
Amortization		(2,878)	(365)	(520)	(3,765)
Impairment losses					
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
Acquisitions		4,551	3,723	1,247	9,522
Additions by business combination	4,417	5		4,329	4,335
Amortization		(3,821)	(843)	(899)	(5,564)
Impairment losses	(1,073)				
Sale or disposal		(22)		(0)	(22)
Exchange differences on translation of foreign currency	598	13	9	244	266
As of March 31, 2018	¥ 12,251	¥ 10,311	¥ 10,239	¥ 9,215	¥ 29,765

	Thousands of U.S. Dollars				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of March 31, 2017	$ 78,377	$ 90,415	$ 69,340	$ 40,500	$ 200,264
Acquisitions		42,934	35,123	11,764	89,830
Additions by business combination	41,670	47		40,840	40,896
Amortization		(36,047)	(7,953)	(8,481)	(52,491)
Impairment losses	(10,123)				
Sale or disposal		(208)		(0)	(208)
Exchange differences on translation of foreign currency	5,642	123	85	2,302	2,509
As of March 31, 2018	$ 115,575	$ 97,274	$ 96,594	$ 86,934	$ 280,802

Acquisition cost

	Millions of Yen				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of April 1, 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
As of March 31, 2018	17,029	28,771	11,915	13,441	54,128

	Thousands of U.S. Dollars				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of March 31, 2018	$ 160,651	$ 271,425	$ 112,406	$ 126,802	$ 510,642

Accumulated amortization and accumulated impairment losses

	Millions of Yen				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of April 1, 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)
As of March 31, 2018	(4,778)	(18,460)	(1,676)	(4,226)	(24,363)

	Thousands of U.S. Dollars				
	Goodwill	Intangible assets			
		Software	Development expenses	Other	Total
As of March 31, 2018	$ (45,075)	$(174,151)	$ (15,811)	$ (39,868)	$(229,840)

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

Software includes internally developed software.

11. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment losses

The Group recognized an impairment loss of ¥1,073 million ($10,123 thousand) for the year ended March 31, 2018. The impairment loss was related to a cash-generating unit which includes goodwill for Sysmex Partec in the EMEA segment for which profitability has not met the original plan. All impairment losses were allocated to reduce the carrying amount of goodwill.

Value in use is determined by discounting estimated future cash flows based on five-year financial budgets, which are approved by management, and growth rates. 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 unit operates. The discount rate is determined based on the after-tax weighted-average capital cost for the market or the country in which the cash-generating unit operates.

The discount rate used to calculate the value in use of the group of cash-generating units is 12.2%.

(2) Impairment test of goodwill and intangible assets with indefinite useful lives.

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

The recoverable amount used in impairment testing of goodwill and intangible assets with indefinite useful lives is measured at value in use. The value in use is determined by discounting estimated future cash flows based on financial budgets of each cash-generating unit or a group of cash-generating units for one to five years, which are approved by management, and growth rates. 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, 2018: 0.0% to 3.0%; year ended March 31, 2017: 0.0% to 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, 2018: 6.6% to 14.3%; year ended March 31, 2017: 6.5% to 14.7%).

The recoverable amount of Oxford Gene Technology exceeds its carrying amount by ¥910 million ($8,585 thousand) as of March 31, 2018. The growth rate used for the calculation of the recoverable amount is 3.0% and the discount rate used for the calculation of the recoverable amount is 11.5%. However, impairment loss may arise if its growth rate decreases by 1.5% or its discount rate increases by 0.9%. For other cash-generating units or groups of cash-generating units, even if a reasonably possible change in a key assumption happened, it is unlikely that the recoverable amount would fall below the carrying amount of each cash-generating unit or group of cash-generating units as of March 31, 2018.

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Sysmex Partec	¥ 4,057	¥ 4,706	$ 38,274
Oxford Gene Technology	4,399		41,500
Sysmex Korea	1,657	1,665	15,632
Riken Genesis	1,655	1,655	15,613
Others	481	281	4,538
Total	¥ 12,251	¥ 8,308	$ 115,575

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Oxford Gene Technology	¥ 909	¥	$ 8,575
Total	¥ 909	¥	$ 8,575

12. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) Significant subsidiaries and associates

Significant subsidiaries and associates of the Company are as follows:

1) Subsidiaries

					Holding percentage of voting rights			Relationships					
								Concurrent officers					
Company name	Segment	Location	Capital or investments	Line of business	Direct (%)	Indirect (%)	Total (%)	Officers (person)	Employees (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 GBP 400	Sales of in vitro diagnostic instruments and reagents	100		100		1		Sales of in-house products		
Sysmex France S.A.S.	EMEA	Villepinte, France	Thousand EUR 2,457	Sales of in vitro diagnostic instruments and reagents	18.6	81.4	100		1		Sales of in-house products		
Sysmex 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		
63 other subsidiaries													

2) Associates

					Holding percentage of voting rights			Relationships					
								Concurrent officers					
Company name	Segment	Location	Capital or investments	Line of business	Direct (%)	Indirect (%)	Total (%)	Officers (person)	Employees (person)	Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
Medicaroid Corporation	Japan	Chuo-ku, Kobe	Million JPY 2,460	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
	2018	2017	2018
Carrying amount	¥	¥ 255	$

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Comprehensive income			
Profit	¥ 23	¥ 21	$ 217
Total	¥ 23	¥ 21	$ 217

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
	2018	2017	2018
Carrying amount	¥ 411	¥ 296	$ 3,877

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Comprehensive income			
Profit	¥ (1,082)	¥ (699)	$ (10,208)
Other comprehensive income	(3)	(0)	(28)
Total	¥ (1,085)	¥ (699)	$ (10,236)

(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
	2018	2017	2018
Other long-term financial assets	¥ 778	¥ 299	$ 7,340

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Electronically recorded monetary obligations and note and trade payables	¥ 21,579	¥ 17,661	$ 203,575
Accounts payable – other	6,999	6,714	66,028
Total	¥ 28,579	¥ 24,376	$ 269,613

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

14. INCOME TAXES

(1) Deferred taxes

1) Components of deferred tax assets and deferred tax liabilities

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets			
Loss allowance	¥ 196	¥ 142	$ 1,849
Inventories	360	405	3,396
Unrealized intercompany profits	3,200	3,460	30,189
Property, plant and equipment	207	207	1,953
Intangible assets	1,273	1,052	12,009
Accrued enterprise tax	238	22	2,245
Accrued expenses	1,153	645	10,877
Accrued bonuses	1,157	1,265	10,915
Accrued paid leave	582	568	5,491
Liability for retirement benefits	151	133	1,425
Special contributions		649	
Tax loss carryforwards	126	141	1,189
Other	1,935	1,869	18,255
Total deferred tax assets	¥ 10,583	¥ 10,565	$ 99,840
Deferred tax liabilities			
Property, plant and equipment	237	329	2,236
Intangible assets	4,315	2,687	40,708
Financial assets measured at fair value through other comprehensive income	755	434	7,123
Investment loss for subsidiaries' capital reduction by corporate tax law	324	324	3,057
Assets for retirement benefits	245	203	2,311
Undistributed earnings of foreign subsidiaries	3,906	2,829	36,849
Other	804	737	7,585
Total deferred tax liabilities	¥ 10,589	¥ 7,546	$ 99,896
Net deferred tax assets (liabilities)	¥ (6)	¥ 3,018	$ (57)

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Beginning balance	¥ 3,018	¥ (700)	$ 28,472
Deferred tax expense	(1,954)	4,178	(18,434)
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	(321)	(69)	(3,028)
Remeasurement of defined benefit liabilities (assets)	(51)	(61)	(481)
Exchange difference on translation of foreign currency	(40)	(83)	(377)
Decrease associated with business combination	(657)	(246)	(6,198)
Ending balance	¥ (6)	¥ 3,018	$ (57)

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
	2018	2017	2018
Deductible temporary differences	¥ 715	¥ 669	$ 6,745
Tax loss carryforwards	13,652	7,345	128,792
Tax credits		7	

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
	2018	2017	2018
Within one year			
Between one year and two years			
Between two and three years			
Between three and four years			
More than four years	¥ 13,652	¥ 7,345	$ 128,792
Total	¥ 13,652	¥ 7,345	$ 128,792

(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
	2018	2017	2018
Current tax expense	¥ 17,086	¥ 12,672	$ 161,189
Deferred tax expense			
Occurrence and reversal of temporary differences (Note)	80	(5,521)	755
Effect of change in tax rates	747	30	7,047
Reassessment of recoverability of deferred tax assets	1,126	1,312	10,623
Total	¥ 19,040	¥ 8,493	$ 179,623

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 recognized for dividend withholding taxes were reversed during the fiscal year ended March 31, 2017.

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% for each of the years ended March 31, 2018 and 2017. However, foreign subsidiaries are subject to income taxes applicable to the jurisdictions in which they are located.

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

	2018	2017
Effective tax rates	30.8%	30.8%
Expenses not deductible for income tax purposes	0.4	0.5
Tax credit for research and other	(2.6)	(4.3)
Reassessment of recoverability of deferred tax assets	1.9	1.6
Tax effect on undistributed earnings of foreign subsidiaries	1.9	(10.7)
Different tax rates applied to foreign subsidiaries	(1.3)	(0.5)
Gain on step acquisitions		(0.3)
Effect of change in tax rates	1.3	0.1
Other	0.4	0.2
Actual tax rates	32.8%	17.4%

15. 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	
	2018	2017	2018	2017
Not later than one year	¥ 4,102	¥ 3,020	¥ 3,456	¥ 2,587
Later than one year and not later than five years	10,523	8,705	8,765	7,103
Later than five years	1,161	799	918	669
Total	¥ 15,787	¥ 12,525	¥ 13,141	¥ 10,360
(Including unguaranteed residual value)	¥ (1,573)	¥ (1,302)		
Less:				
Unearned finance income	1,297	1,038		
Present value of unguaranteed residual value	1,348	1,126		
Present value of minimum lease payments receivable	13,141	10,360		

	Thousands of U.S. Dollars	
	Gross investment in leases	Present value of minimum lease payments receivable
	2018	2018
Not later than one year	$ 38,698	$ 32,604
Later than one year and not later than five years	99,274	82,689
Later than five years	10,953	8,660
Total	$ 148,934	$ 123,972
(Including unguaranteed residual value)	$ (14,840)	
Less:		
Unearned finance income	12,236	
Present value of unguaranteed residual value	12,717	
Present value of minimum lease payments receivable	123,972	

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
	2018	2017	2018
Not later than one year	¥ 1,932	¥ 1,750	$ 18,226
Later than one year and not later than five years	2,607	2,738	24,594
Later than five years	246	91	2,321
Total	¥ 4,786	¥ 4,579	$ 45,151

(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	
	2018	2017	2018	2017
Not later than one year	¥ 223	¥ 230	¥ 180	¥ 170
Later than one year and not later than five years	391	588	356	512
Later than five years		22		22
Total	¥ 614	¥ 842	¥ 537	¥ 704
Less:				
Amount equivalent to interest	¥ 77	¥ 137		
Present value of future minimum lease payments	537	704		

	Thousands of U.S. Dollars	
	Future minimum lease payments	Present value of future minimum lease payments
	2018	2018
Not later than one year	$ 2,104	$ 1,698
Later than one year and not later than five years	3,689	3,358
Later than five years		
Total	$ 5,792	$ 5,066
Less:		
Amount equivalent to interest	$ 726	
Present value of future minimum lease payments	5,066	

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
	2018	2017	2018
Not later than one year	¥ 4,842	¥ 4,203	$ 45,679
Later than one year and not later than five years	9,349	8,000	88,198
Later than five years	4,859	5,898	45,840
Total	¥ 19,051	¥ 18,103	$ 179,726

Minimum lease payments recognized as expenses for the years ended March 31, 2018 and 2017 were ¥5,966 million ($56,283 thousand) and ¥5,115 million, respectively.

16. PROVISIONS

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

	Millions of Yen			
	Provisions for product warranties	Asset retirement obligations	Liability for special contributions on multi-employer plan	Total
As of April 1, 2016	¥ 554	¥ 123	¥ 2,218	¥ 2,896
Provision made	359	101	59	520
Increase associated with business combination				
Increase associated with passage of time		1	3	5
Provision used	(321)	(1)	(157)	(479)
Provision reversed				
Effects of foreign currency exchange differences	(13)	(0)		(13)
As of March 31, 2017	579	224	2,124	2,928
Provision made	399	6	22	428
Increase associated with business combination		1		1
Increase associated with passage of time		1	2	4
Provision used	(377)	(30)	(153)	(561)
Provision reversed			(1,996)	(1,996)
Effects of foreign currency exchange differences	12	(0)		12
As of March 31, 2018	¥ 614	¥ 202	¥	¥ 817

	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, 2017	$ 5,462	$ 2,113	$ 20,038	$ 27,623
Provision made	3,764	57	208	4,038
Increase associated with business combination		9		9
Increase associated with passage of time		9	19	38
Provision used	(3,557)	(283)	(1,443)	(5,292)
Provision reversed			(18,830)	(18,830)
Effects of foreign currency exchange differences	113	(0)		113
As of March 31, 2018	$ 5,792	$ 1,906	$	$ 7,708

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 "17. POST-EMPLOYMENT BENEFITS."

17. POST-EMPLOYMENT BENEFITS

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

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

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, similar 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 "16. PROVISIONS").

In December 5, 2017, the Pension Fund of Japan Electronics Information Technology Industry decided to dissolve in March 31, 2018, at their conference of representatives. Residual assets would be distributed to active members, deferred members, and pensioners. However for the Company's employees, if they desire, the residual assets allocated to them will be transferred to defined contribution plans. The Company will compensate the shortage between planned payments and allocated residual assets. The payment for the compensation will be made for four years after the distribution.

Following this event, as of March 31, 2018, the provision for special contribution of ¥1,886 million ($17,792 thousand) was reversed and recorded as reversal of "Cost of sales," "Selling, general and administrative expenses," and "Research and development expenses." The shortage amount ¥285 million ($2,689 thousand) was recognized as "Long-term financial liabilities," and recorded as "Cost of sales," "Selling, general and administrative expences," and "Research and development expenses." The shortage amount will not be determined before FY2019 so it is recorded by allocation based on information from the pension.

The Osaka Pharmaceutical Employees' Pension Fund also announced its dissolution on March 28, 2018, but this had no material impact on the financial position of the Group and its operating results.

(1) Defined benefit plan

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Present value of defined benefit obligation	¥ 9,216	¥ 8,903	$ 86,943
Fair value of plan assets	11,017	10,421	103,934
Total	¥ (1,800)	¥ (1,518)	$ (16,981)
Effects of asset ceiling	1,730	1,506	16,321
Net liability arising from defined benefit plan	¥ (70)	¥ (11)	$ (660)
Amount in consolidated statement of financial position			
Liabilities	¥ 731	¥ 654	$ 6,896
Assets	802	666	7,566

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
	2018	2017	2018
Defined benefit costs recognized in profit or loss			
Current service cost	¥ 767	¥ 828	$ 7,236
Net interest expense	(4)	(3)	(38)
Subtotal	763	825	7,198
Defined benefit costs recognized in other comprehensive income			
Remeasurements			
Return on plan assets (excluding amounts included in net interest expense)	(516)	(545)	(4,868)
Actuarial gains and losses arising from changes in demographic assumptions	(62)		(585)
Actuarial gains and losses arising from changes in financial assumptions	142	(1,327)	1,340
Actuarial gains and losses arising from experience adjustments	53	165	500
Amount of changes in effects of asset ceiling	213	1,506	2,009
Subtotal	(169)	(200)	(1,594)
Total	¥ 594	¥ 624	$ 5,604

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
	2018	2017	2018
Beginning balance	¥ 8,903	¥ 9,782	$ 83,991
Current service cost	767	828	7,236
Interest expense	54	53	509
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(62)		(585)
Actuarial gains and losses arising from changes in financial assumptions	142	(1,327)	1,340
Actuarial gains and losses arising from experience adjustments	53	165	500
Benefits paid	(643)	(584)	(6,066)
Effects of foreign currency exchange differences	1	(15)	9
Other		1	
Ending balance	¥ 9,216	¥ 8,903	$ 86,943

The weighted-average durations of defined benefit obligations as of March 31, 2018 and 2017 were 10 years and 13 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
	2018	2017	2018
Beginning balance	¥ 10,421	¥ 9,798	$ 98,311
Interest income	68	56	642
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	516	545	4,868
Contributions from the employer	523	523	4,934
Benefits paid	(513)	(503)	(4,840)
Ending balance	¥ 11,017	¥ 10,421	$ 103,934

The Company expects ¥523 million ($4,934 thousand) of the contribution to be paid to the defined benefit plan in the year ending March 31, 2019.

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

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

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

3) Reconciliation of the asset ceiling

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Beginning balance	¥ 1,506		$ 14,208
Limit on interest income	9		85
Remeasurement			
Changes in effects of asset ceiling	213	¥ 1,506	2,009
Ending balance	¥ 1,730	¥ 1,506	$ 16,321

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, 2018			March 31, 2017		
	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	¥ 3,292		¥ 3,292	¥ 3,311		¥ 3,311
Domestic equity	1,838		1,838	2,956		2,956
Foreign bonds	1,443		1,443	961		961
Foreign equity	1,910		1,910	2,624		2,624
Others	2,010	¥ 522	2,533		¥ 568	568
Total	¥ 10,494	¥ 522	¥ 11,017	¥ 9,853	¥ 568	¥ 10,421

	Thousands of U.S. Dollars		
	March 31, 2018		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	$ 31,057		$ 31,057
Domestic equity	17,340		17,340
Foreign bonds	13,613		13,613
Foreign equity	18,019		18,019
Others	18,962	$ 4,925	23,896
Total	$ 99,000	$ 4,925	$ 103,934

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2018	2017
Discount rate	0.5%	0.7%
Revaluation rate	1.0%	1.0%

6) Sensitivity analysis of actuarial assumptions

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

		Millions of Yen		Thousands of U.S. Dollars
Assumption	Change in assumption	2018	2017	2018
Discount rate	Rise by 0.5%	¥ (433)	¥ (501)	$ (4,085)
	Decline by 0.5%	473	552	4,462
Revaluation rate	Rise by 0.5%	¥ 507	¥ 583	$ 4,783
	Decline by 0.5%	(466)	(533)	(4,396)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2018 and 2017 were ¥4,270 million ($40,283 thousand) and ¥3,798 million, respectively.

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

18. OTHER FINANCIAL ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Other short-term financial assets			
Bonds	¥ 69	¥ 212	$ 651
Derivative financial assets	114	71	1,075
Others	30	244	283
Total	¥ 214	¥ 528	$ 2,019
Other long-term financial assets			
Stocks, etc.	¥ 6,198	¥ 4,879	$ 58,472
Others	1,287	1,227	12,142
Total	¥ 7,486	¥ 6,107	$ 70,623

Bonds and derivative financial assets 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
	2018	2017	2018
Other short-term financial liabilities			
Deposits received	¥ 462	¥ 462	$ 4,358
Lease obligations	180	170	1,698
Derivative financial liabilities	13	319	123
Others	33	4	311
Total	¥ 690	¥ 956	$ 6,509
Long-term financial liabilities			
Lease obligations	¥ 356	¥ 534	$ 3,358
Others	356	15	3,358
Total	¥ 712	¥ 549	$ 6,717

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.

19. OTHER ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Other current assets			
Consumption taxes receivable	¥ 3,471	¥ 3,015	$ 32,745
Prepaid expenses	3,068	2,781	28,943
Advance payments	709	577	6,689
Accrued income	938	295	8,849
Others	943	633	8,896
Total	¥ 9,131	¥ 7,303	$ 86,142
Other non-current assets			
Guarantee deposits	¥ 1,433	¥ 1,402	$ 13,519
Others	909	693	8,575
Total	¥ 2,343	¥ 2,095	$ 22,104

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Other current liabilities			
Unearned revenue	¥ 5,697	¥ 5,754	$ 53,745
Accrued short-term paid leave	2,446	2,210	23,075
Accrued directors' bonuses	527	433	4,972
Others	1,829	1,309	17,255
Total	¥ 10,501	¥ 9,708	$ 99,066
Other non-current liabilities			
Lease incentives	¥ 835	¥ 949	$ 7,877
Accrued long-term paid leave	272	262	2,566
Others	1,544	2,315	14,566
Total	¥ 2,652	¥ 3,527	$ 25,019

20. EQUITY

(1) Capital stock and capital surplus

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

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

	Thousands of shares			
	2018		2017	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	208,631	598,688	208,332
Increase/decrease during the period		333		298
Ending balance	598,688	208,964	598,688	208,631

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 333 thousand shares in the number of issued shares in the year ended March 31, 2018, was due to the exercise of subscription rights to shares as stock options.
3. 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.

(2) Treasury stocks

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

	Thousands of shares	
	2018	2017
Beginning balance	444	444
Increase/decrease during the period	0	0
Ending balance	445	444

Note:

The increase in the number of treasury stocks in the years ended March 31, 2018 and 2017, 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 the asset ceiling (excluding amounts included in interest income). Actuarial differences consist of actual adjustments relating to defined benefit obligations (i.e., the difference between actuarial assumptions at the beginning of the period and actual results) and the effects of changes in actuarial assumptions. These amounts are recognized in other comprehensive income when they occur and are immediately reclassified from other components of equity into retained earnings.

3) Exchange difference on translation of foreign operations

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

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

	Millions of Yen			
	Net gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange difference on translation of foreign operations	Total
As of April 1, 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)
Other comprehensive income	327	117	3,150	3,595
Reclassification into retained earnings	400	(117)		282
As of March 31, 2018	¥ 1,700	¥	¥ (5,547)	¥ (3,847)

	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, 2017	$ 9,170	$	$ (82,057)	$ (72,877)
Other comprehensive income	3,085	1,104	29,717	33,915
Reclassification into retained earnings	3,774	(1,104)		2,660
As of March 31, 2018	$ 16,038	$	$ (52,330)	$ (36,292)

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2018

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	$58,915	$0.28	March 31, 2017	June 26, 2017
Board of Directors' Meeting November 8, 2017	Common stock	¥6,247	¥30.00	$58,934	$0.28	September 30, 2017	December 4, 2017

Year Ended March 31, 2017

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
Board of Directors' Meeting November 9, 2016	Common stock	¥5,825	¥28.00	September 30, 2016	December 5, 2016

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

Year Ended March 31, 2018

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 22, 2018	Common stock	¥7,506	¥36.00	$70,811	$0.34	March 31, 2018	June 25, 2018

Year Ended March 31, 2017

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 23, 2017	Common stock	¥6,245	¥30.00	March 31, 2017	June 26, 2017

21. INFORMATION OF EXPENSES BY NATURE

Information of expenses by nature is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cost of materials	¥ 44,567	¥ 42,818	$ 420,443
Personnel expenses	72,261	67,003	681,708
Depreciation and amortization	14,643	12,381	138,142

22. OTHER OPERATING INCOME AND EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Other operating income			
Subsidies	¥ 181	¥ 221	$ 1,708
Gain on sales of property, plant and equipment	44	50	415
Gain on step acquisitions		534	
Others	631	471	5,953
Total	¥ 857	¥ 1,277	$ 8,085
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 84	¥ 214	$ 792
Others	270	182	2,547
Total	¥ 355	¥ 397	$ 3,349

Note:

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

23. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 252	¥ 188	$ 2,377
Dividend income			
Financial assets measured at fair value through other comprehensive income	70	237	660
Others	32	88	302
Total	¥ 356	¥ 514	$ 3,358
Financial expenses			
Interest expenses			
Financial liabilities measured at amortized cost	¥ 90	¥ 104	$ 849
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	37	220	349
Others	79	47	745
Total	¥ 206	¥ 372	$ 1,943

24. 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, 2018

	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	¥ 648	¥	¥ 648	¥ (321)	¥ 327
Remeasurements of defined benefit plans	169		169	(51)	117
Subtotal	817		817	(373)	444
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	3,153		3,153		3,153
Share of other comprehensive income of investments accounted for using the equity method	(3)		(3)		(3)
Subtotal	3,150		3,150		3,150
Total	¥ 3,968	¥	¥ 3,968	¥ (373)	¥ 3,595

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, 2018

	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	$ 6,113	$	$ 6,113	$ (3,028)	$ 3,085
Remeasurements of defined benefit plans	1,594		1,594	(481)	1,104
Subtotal	7,708		7,708	(3,519)	4,189
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	29,745		29,745		29,745
Share of other comprehensive income of investments accounted for using the equity method	(28)		(28)		(28)
Subtotal	29,717		29,717		29,717
Total	$ 37,434	$	$ 37,434	$ (3,519)	$ 33,915

25. EARNINGS PER SHARE

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 39,222	¥ 40,636	$ 370,019
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	39,222	40,636	370,019
Average number of common stock shares during the period (Thousands of shares)	208,306	208,058	208,306
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	39,222	40,636	370,019
Profit adjustment			
Profit used in calculating diluted earnings per share	39,222	40,636	370,019
Average number of common stock shares during the period (Thousands of shares)	208,306	208,058	208,306
Effect of dilutive shares (Thousands of shares)	497	609	497
Average number of common stock shares after adjustment for dilution (Thousands of shares)	208,804	208,667	208,804

26. NON-CASH TRANSACTIONS

Non-cash transactions during the year ended March 31, 2018 consist of the acquisition of non-current assets through new finance lease arrangements in the amount of ¥21 million ($198 thousand).

27. 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 13, 2013) through the vesting date (September 12, 2015)

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

	2018		2017		2018	
	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	956	¥ 3,110	1,255	¥ 3,110	956	$ 29.34
Forfeited during period		3,110	(0)	3,110		29.34
Exercised during period	(333)	3,110	(298)	3,110	(333)	29.34
Outstanding at end of period	622	¥ 3,110	956	¥ 3,110	622	$ 29.34
Exercisable at end of period	622	¥ 3,110	956	¥ 3,110	622	$ 29.34

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2018 and 2017, was ¥8,113 ($76.54) and ¥7,080, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2018 and 2017, was ¥3,110 ($29.34) and ¥3,110, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2018 and 2017, were four years and five years, respectively.

(3) Stock-based compensation transactions

There were no stock-based compensation transactions at either March 31, 2018 or 2017.

28. FINANCIAL INSTRUMENTS

(1) Capital management

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

To this end, the Group periodically monitors its ROE (ratio of profit attributable to owners of the parent to average equity attributable to the owners of the parent) to gauge its capital efficiency and its equity ratio (ratio of equity attributable to the owners of the parent) for financial soundness. ROE for the years ended March 31, 2018 and 2017 was 17.4% and 20.7%, respectively, and the equity ratios for the years ended March 31, 2018 and 2017 were both 74.8%. 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 contributes to keeping down future funding costs.

The Group is not subject to any material capital restrictions.

(2) Financial risk management policy

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

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

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

(3) Credit risk management

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

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

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

The Group calculates the loss allowance by classifying them into the categories of trade 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, 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
Provision made			391	391
Provision used			(99)	(99)
Provision reversed			(115)	(115)
Exchange differences on translation of foreign currency	0	(0)	40	40
As of March 31, 2018	¥ 1	¥ 0	¥ 801	¥ 802

	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, 2017	$ 9	$ 0	$ 5,500	$ 5,519
Provision made			3,689	3,689
Provision used			(934)	(934)
Provision reversed			(1,085)	(1,085)
Exchange differences on translation of foreign currency	0	(0)	377	377
As of March 31, 2018	$ 9	$ 0	$ 7,557	$ 7,566

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, 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
Recognition and derecognition	130		11,011	11,141
Exchange differences on translation of foreign currency	3	(0)	626	630
As of March 31, 2018	¥ 519	¥ 0	¥ 83,741	¥ 84,261

	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, 2017	$ 3,632	$ 0	$ 680,217	$ 683,858
Recognition and derecognition	1,226		103,877	105,104
Exchange differences on translation of foreign currency	28	(0)	5,906	5,943
As of March 31, 2018	$ 4,896	$ 0	$ 790,009	$ 794,915

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, 2018 and 2017.

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

As of March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars	
	Receivable	Loss allowance	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,284	¥ 640	$ 30,981	$ 6,038
Financial assets other than the above	80,976	162	763,925	1,528
Total	¥ 84,261	¥ 802	$ 794,915	$ 7,566

As of March 31, 2017

	Millions of Yen	
	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 2,514	¥ 493
Financial assets other than the above	69,974	92
Total	¥ 72,489	¥ 585

(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, 2018

	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	¥ 28,579	¥ 28,579	¥ 28,579					
Lease obligations	537	614	223	¥ 207	¥ 131	¥ 26	¥ 25	¥
Deposits received	462	462	462					
Others	389	389	33	292	63			
Subtotal	29,969	30,046	29,299	500	195	26	25	
Derivative financial liabilities								
Forward exchange contracts	13	13	13					
Subtotal	13	13	13					
Total	¥ 29,982	¥ 30,060	¥ 29,312	¥ 500	¥ 195	¥ 26	¥ 25	¥

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, 2018

	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	$ 269,613	$ 269,613	$ 269,613					
Lease obligations	5,066	5,792	2,104	$ 1,953	$ 1,236	$ 245	$ 236	$
Deposits received	4,358	4,358	4,358					
Others	3,670	3,670	311	2,755	594			
Subtotal	282,726	283,453	276,406	4,717	1,840	245	236	
Derivative financial liabilities								
Forward exchange contracts	123	123	123					
Subtotal	123	123	123					
Total	$ 282,849	$ 283,585	$ 276,528	$ 4,717	$ 1,840	$ 245	$ 236	$

Average interest rates as of March 31, 2018, were 11.3% 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 and loans for subsidiaries, according to conditions in respect of foreign currency exchange rate fluctuations.

(i) Exposure to foreign currency exchange rate risk

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

	2018	2017
Thousands of U.S. dollars	(112)	15,431
Thousands of euros	9,676	20,406
Thousands of yuan	775	(15,110)

(ii) Sensitivity analysis of foreign currency exchange risk

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

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ 0	¥ 0	¥ (119)	¥ (119)	$ 0	$ 0
Euro (yen appreciates by 10%)	(86)	(86)	(168)	(168)	(811)	(811)
Yuan (yen appreciates by 10%)	(2)	(2)	10	10	(19)	(19)

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, 2018 and 2017 were ¥400 million ($3,774 thousand) and ¥349 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.

(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	
	2018		2017		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Lease receivables	¥14,489	¥14,247	¥11,486	¥11,441	$136,689	$134,406
Total	14,489	14,247	11,486	11,441	136,689	134,406
Liabilities						
Lease obligations	537	512	704	683	5,066	4,830
Others	84	84			792	792
Total	¥ 621	¥ 597	¥ 704	¥ 683	$ 5,858	$ 5,632

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, 2018

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 778	¥ 778
Financial assets measured at fair value through other comprehensive income	¥ 4,002		1,417	5,420
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 114		114
Others				
Financial assets measured at fair value through profit or loss	690	69	565	1,325
Total	¥ 4,693	¥ 184	¥ 2,761	¥ 7,639
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 13		¥ 13
Total		¥ 13		¥ 13

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
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	566	1,433
Total	¥ 4,151	¥ 284	¥ 1,949	¥ 6,384
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 319		¥ 319
Total		¥ 319		¥ 319

As of March 31, 2018

	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			$ 7,340	$ 7,340
Financial assets measured at fair value through other comprehensive income	$ 37,755		13,368	51,132
Derivative financial assets				
Financial assets measured at fair value through profit or loss		$ 1,075		1,075
Others				
Financial assets measured at fair value through profit or loss	6,509	651	5,330	12,500
Total	$ 44,274	$ 1,736	$ 26,047	$ 72,066
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		$ 123		$ 123
Total		$ 123		$ 123

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 year ended March 31, 2018.

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
	2018	2017	2018
Beginning balance	¥ 1,949	¥ 2,210	$ 18,387
Total gains or losses recognized			
In profit or loss (Note 1)	(23)	(168)	(217)
In other comprehensive income (Note 2)	77	(43)	726
Purchase	774	13	7,302
Sales or settlement	(26)	(5)	(245)
Others	9	(56)	85
Ending balance	¥ 2,761	¥ 1,949	$ 26,047

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
	2018	2017	2018
Beginning balance	¥	¥ 143	$
Total gains or losses recognized			
In profit or loss (Note 1)		(3)	
In other comprehensive income (Note 2)	0		0
Sales or settlement	(0)	(140)	(0)
Others	0		0
Ending balance	¥	¥	$

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" in the 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" in the 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, 2018

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 1,918	$ 18,094
Noritz Corporation	903	8,519
Mitsubishi UFJ Financial Group, Inc.	228	2,151
Human Metabolome Technologies, Inc.	171	1,613
Nomura Holdings, Inc.	164	1,547

As of March 31, 2017

Investment	Millions of Yen
TOA Corporation	¥ 1,407
Noritz Corporation	992
Mitsubishi UFJ Financial Group, Inc.	229
Human Metabolome Technologies, Inc.	153
Nomura Holdings, Inc.	138

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	
2018		2017		2018	
Fair value	Cumulative gain or loss	Fair value	Cumulative gain or loss	Fair value	Cumulative gain or loss
¥	¥	¥ 21	¥ 1	$	$

3) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments held at end of period	¥ 70	¥ 237	$ 660

29. 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 the realization of personalized medicine.

(3) Acquisition date

May 13, 2016

(4) Consideration for acquisition

The acquisition-date fair value of the total consideration transferred is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 1,540
The acquisition-date fair value of the Company's previously held equity interest in Riken Genesis	1,999
Total	¥ 3,540

(5) Acquisition-related costs

The ¥0 million 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 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
Cash and cash equivalents paid due to the acquisition	¥ 1,540
Cash and cash equivalents held by the acquired company at the time of acquisition	(227)
Total	¥ 1,312

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

	Millions of Yen
Fair values of assets acquired and liabilities assumed	
Current assets	¥ 2,809
Cash and cash equivalents	227
Trade and other receivables (Note 2)	416
Inventories	156
Loans receivables (Note 2)	1,930
Others	77
Non-current assets	1,048
Property, plant and equipment	220
Intangible assets (Note 1)	821
Others	6
Current liabilities	685
Trade and other payables	390
Others	295
Non-current liabilities	258
Provisions	11
Deferred tax liabilities (Note 1)	246
Others	1
Fair values of assets acquired and liabilities assumed (net)	2,914
Non-controlling interests (Notes 1 and 3)	1,028
Goodwill (Notes 1 and 4)	¥ 1,655

Notes:

1. Acquisition costs have been allocated to assets acquired and liabilities assumed based on the fair values as of the acquisition date.
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	
	Gross contractual amounts receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Trade and other receivables	¥ 416	¥ (0)
Loans receivable	1,930	

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 previous fiscal year.

Year ended March 31, 2018

(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 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

The acquisition-date fair value of the total consideration transferred is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 4,204	$ 39,660
Receivable for consideration adjustment (Note)	(25)	(236)
Contingent consideration	0	0
Total	¥ 4,179	$ 39,425

Note:

This is a price adjustment based on the changes of the working capital and the amount was agreed at March 31, 2018. There is no accrued amount at March 31, 2018.

(5) Acquisition-related costs

The ¥64 million ($604 thousand) in acquisition-related costs was included in "Selling, general and administrative expenses" in the consolidated statement of income.

(6) Cash flows associated with acquisition

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents paid due to the acquisition	¥ 4,179	$ 39,425
Total	¥ 4,179	$ 39,425

(7) 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	¥ 1,772	$ 16,717
Trade and other receivables (Note 2)	614	5,792
Inventories	1,158	10,925
Non-current assets	2,931	27,651
Property, plant and equipment	1,869	17,632
Intangible assets	1,055	9,953
Others	6	57
Current liabilities	548	5,170
Trade and other payables	539	5,085
Others	8	75
Non-current liabilities	179	1,689
Deferred tax liabilities	178	1,679
Others	1	9
Fair values of assets acquired and liabilities assumed (net)	3,975	37,500
Goodwill (Note 3)	¥ 204	$ 1,925

Notes:

1. Acquisition costs have been allocated to assets acquired and liabilities assumed based on the fair values as of the acquisition date.
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 receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected	Gross contractual amounts receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Trade and other receivables	¥ 614	¥	$ 5,792	$

3. Goodwill reflects excess future earning capacity anticipated as a result of business development and the synergy generated between the Group and the acquired company.

(8) 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.

(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 bases and sequences that contain genetic information.

(2) Overview of business combination

The Company acquired all shares of Oxford Gene Technology IP Limited ("OGT"). As a result, OGT and its subsidiaries became consolidated subsidiaries of the Company from the first quarter of the fiscal year ended 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

The acquisition-date fair value of the total consideration transferred is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 6,043	$ 57,009
Accrued consideration (Note)	2,224	20,981
Total	¥ 8,268	$ 78,000

Note:

This is a price adjustment based on the changes of the working capital and the consideration that had been agreed at March 31, 2018. The unpaid amount of consideration at March 31, 2018 was ¥84 million ($792 thousand).

(5) Acquisition-related costs

The ¥232 million ($2,189 thousand) in acquisition-related costs was included in "Selling, general and administrative expenses" in the consolidated statement of income.

(6) Cash flows associated with acquisition

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents paid due to the acquisition	¥ 8,245	$ 77,783
Cash and cash equivalents accepted at the time of acquisition	(778)	(7,340)
Total	¥ 7,467	$ 70,443

(7) 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	¥ 1,559	$ 14,708
Cash and cash equivalents	778	7,340
Trade and other receivables (Note 2)	469	4,425
Inventories	236	2,226
Others	75	708
Non-current assets	3,405	32,123
Property, plant and equipment	125	1,179
Intangible assets (Note 1)	3,279	30,934
Current liabilities	422	3,981
Trade and other payables	208	1,962
Others	213	2,009
Non-current liabilities	488	4,604
Deferred tax liabilities	482	4,547
Others	5	47
Fair values of assets acquired and liabilities assumed (net)	4,055	38,255
Goodwill (Notes 1 and 3)	¥ 4,213	$ 39,745

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 fiscal year. Major adjustments to the provisional amounts were as follows:

The consideration for the acquisition	Increase of ¥714 million ($6,736 thousand)
Intangible assets	Increase of ¥3,276 million ($30,906 thousand)
Deferred tax assets	Decrease of ¥52 million ($491 thousand)
Deferred tax liabilities	Increase of ¥2,028 million ($19,132 thousand)

As a result, goodwill decreased by ¥2,028 million ($19,132 thousand).

These impacts were reflected in the consolidated financial statements retrospectively.

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 receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected	Gross contractual amounts receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Trade and other receivables	¥ 469	¥	$ 4,425	$

3. Goodwill reflects excess future earning capacity anticipated as a result of business development and the synergy generated between the Group and the acquired company.

(8) 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.

30. RELATED PARTIES

(1) Related party transactions

The Group engages in transactions with the following related parties:

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

As of March 31, 2018

Type	Name	Nature of transaction with related parties	Transaction amount Millions of Yen	Transaction amount Thousands of U.S. Dollars	Outstanding Millions of Yen	Outstanding Thousands of U.S. Dollars
Officer	Hisashi Ietsugu	Exercise of stock options	¥ 62	$ 585	¥	$
Officer	Yukio Nakajima	Exercise of stock options	62	585		
Officer	Kaoru Asano	Exercise of stock options	11	104		
Officer	Kenji Tachibana	Exercise of stock options	23	217		
Officer	Kazuya Obe	Exercise of stock options	11	104		
Officer	Mitsuru Watanabe	Exercise of stock options	11	104		
Officer	Junzo Yamamoto	Exercise of stock options	18	170		
Officer	Yukitoshi Kamao	Exercise of stock options	23	217		

As of March 31, 2017

Type	Name	Nature of transaction with related parties	Transaction amount (Millions of Yen)	Outstanding (Millions of Yen)
Officer	Masayoshi Hayashi	Exercise of stock options	¥ 93	¥
Officer	Yukio Nakajima	Exercise of stock options	31	
Officer	Koji Tamura	Exercise of stock options	23	
Officer	Mitsuru Watanabe	Exercise of stock options	23	
Officer	Kazuya Obe	Exercise of stock options	11	
Officer	Kaoru Asano	Exercise of stock options	11	
Officer	Kenji Tachibana	Exercise of stock options	11	

Note:

The exercise price of stock options and other matters relating to stock options are as disclosed in "27. STOCK-BASED COMPENSATION."

(2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Short-term benefits	¥ 740	¥ 720	$ 6,981
Retirement benefits	3		28
Total	¥ 744	¥ 720	$ 7,019

31. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Commitments to purchase property, plant and equipment	¥ 8,604	¥ 834	$ 81,170
Commitments to purchase intangible assets	956		9,019

32. CONTINGENT LIABILITIES

Not applicable.

33. SUBSEQUENT EVENT

Not applicable.