Sysmex Corporation and Its Subsidiaries

Consolidated Financial Statements as of and for the Year Ended March 31, 2020 and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Sysmex Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

<u>Notes to the Readers of Independent Auditor's Report</u>
This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Deloitte Touche Tohmatsu LLC

June 19, 2020

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2020

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
Assets				
Current assets				
Cash and cash equivalents	6	¥ 56,592	¥ 51,062	$ 519,193
Trade and other receivables	7, 15, 29	85,650	84,247	785,780
Inventories	8	48,303	40,231	443,147
Other short-term financial assets	18, 29	421	7,644	3,862
Income taxes receivable		546	412	5,009
Other current assets	19, 21	14,191	11,824	130,193
Total current assets		205,704	195,423	1,887,193
Non-current assets				
Property, plant and equipment	2, 9	96,839	76,312	888,431
Goodwill	10, 11	11,271	11,917	103,404
Intangible assets	10, 11	39,543	33,037	362,780
Investments accounted for using the equity method	12	2,945	634	27,018
Trade and other receivables	7, 15, 29	12,845	12,202	117,844
Other long-term financial assets	12, 18, 29	6,192	7,050	56,807
Asset for retirement benefits	17	897	917	8,229
Other non-current assets	19	5,810	3,456	53,303
Deferred tax assets	14	7,240	5,823	66,422
Total non-current assets		183,586	151,352	1,684,275
Total assets		¥ 389,291	¥ 346,775	$ 3,571,477

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2020

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 29	¥ 33,917	¥ 29,778	$ 311,165
Lease liabilities	2, 15, 27, 29	5,701		52,303
Other short-term financial liabilities	18, 29	552	806	5,064
Income taxes payable		5,673	6,947	52,046
Provisions	16	751	693	6,890
Contract liabilities	21	12,001	9,303	110,101
Accrued expenses		12,508	10,791	114,752
Accrued bonuses		7,591	7,670	69,642
Other current liabilities	19	5,448	5,257	49,982
Total current liabilities		84,145	71,247	771,972
Non-current liabilities				
Lease liabilities	2, 15, 27, 29	16,935		155,367
Other long-term financial liabilities	18, 29	269	415	2,468
Liability for retirement benefits	17	925	857	8,486
Provisions	16	255	226	2,339
Other non-current liabilities	19	2,061	3,203	18,908
Deferred tax liabilities	14	6,351	5,642	58,266
Total non-current liabilities		26,798	10,345	245,853
Total liabilities		110,944	81,592	1,017,835
Equity				
Equity attributable to owners of the parent				
Capital stock	20	12,877	12,654	118,138
Capital surplus	20	18,487	17,876	169,606
Retained earnings	20	261,321	241,445	2,397,440
Treasury stock	20	(306)	(302)	(2,807)
Other components of equity	20	(14,697)	(7,225)	(134,835)
Total equity attributable to owners of the parent		277,683	264,448	2,547,550
Non-controlling interests		663	733	6,083
Total equity		278,347	265,182	2,553,642
Total liabilities and equity		¥ 389,291	¥ 346,775	$ 3,571,477

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Income
For the Year Ended March 31, 2020

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
Net sales	5, 21	¥ 301,980	¥ 293,506	$ 2,770,459
Cost of sales	22	142,173	131,899	1,304,339
Gross profit		159,807	161,606	1,466,119
Selling, general and administrative expenses	22	83,545	81,230	766,468
Research and development expenses	22	21,761	19,578	199,642
Other operating income	23	1,486	1,610	13,633
Other operating expenses	23	702	1,126	6,440
Operating profit		55,284	61,282	507,193
Financial income	24	595	442	5,459
Financial expenses	24	1,031	390	9,459
Share of loss on equity method	12	(2,398)	(1,793)	(22,000)
Foreign exchange loss		(3,017)	(1,585)	(27,679)
Profit before tax		49,433	57,955	453,514
Income tax expenses	14	14,619	16,789	134,119
Profit		¥ 34,813	¥ 41,166	$ 319,385
Profit attributable to				
Owners of the parent		¥ 34,883	¥ 41,224	$ 320,028
Non-controlling interests		(69)	(58)	(633)
Profit		¥ 34,813	¥ 41,166	$ 319,385

	Notes	Yen 2020	Yen 2019	U.S. Dollars 2020
Earnings per share				
Basic	26	¥167.10	¥197.60	$1.53
Diluted	26	166.93	197.29	1.53

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income
For the Year Ended March 31, 2020

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
Profit		¥ 34,813	¥ 41,166	$ 319,385
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Net (loss) gain on financial assets measured at fair value through other comprehensive income	25	(588)	(379)	(5,394)
Remeasurements of defined benefit plans	25	21	113	193
Total		(567)	(266)	(5,202)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	25	(6,882)	(3,000)	(63,138)
Share of other comprehensive income (loss) of investments accounted for using the equity method	12, 25	(0)	2	(0)
Total		(6,883)	(2,998)	(63,147)
Total other comprehensive (loss) income		(7,450)	(3,264)	(68,349)
Comprehensive income		¥ 27,363	¥ 37,901	$ 251,037
Comprehensive income attributable to				
Owners of the parent		¥ 27,433	¥ 37,959	$ 251,679
Non-controlling interests		(69)	(58)	(633)
Comprehensive income		¥ 27,363	¥ 37,901	$ 251,037

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity
For the Year Ended March 31, 2020

		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, 2018		¥ 12,276	¥ 17,664	¥214,952	¥ (295)	¥ (3,847)	¥240,749	¥ 693	¥241,443
Cumulative effect of accounting change				(244)			(244)		(244)
Restated balance		12,276	17,664	214,707	(295)	(3,847)	240,504	693	241,198
Profit				41,224			41,224	(58)	41,166
Other comprehensive income (loss)						(3,264)	(3,264)	(0)	(3,264)
Comprehensive income (loss)				41,224		(3,264)	37,959	(58)	37,901
Exercise of warrants	20, 28	378	212				590		590
Stock-based compensation	28								
Cash dividends	20			(14,600)			(14,600)		(14,600)
Purchase of treasury stock	20				(6)		(6)		(6)
Transfer to retained earnings	20			113		(113)			
Establishment of subsidiary with non-controlling interests								98	98
Total transactions with the owners		378	212	(14,486)	(6)	(113)	(14,015)	98	(13,917)
As of March 31, 2019		12,654	17,876	241,445	(302)	(7,225)	264,448	733	265,182
Cumulative effect of accounting change									
Restated balance		12,654	17,876	241,445	(302)	(7,225)	264,448	733	265,182
Profit				34,883			34,883	(69)	34,813
Other comprehensive income (loss)						(7,450)	(7,450)	0	(7,450)
Comprehensive income (loss)				34,883		(7,450)	27,433	(69)	27,363
Exercise of warrants	20, 28	223	125				348		348
Stock-based compensation	28		485				485		485
Cash dividends	20			(15,028)			(15,028)		(15,028)
Purchase of treasury stock	20				(3)		(3)		(3)
Transfer to retained earnings	20			21		(21)			
Establishment of subsidiary with non-controlling interests									
Total transactions with the owners		223	610	(15,006)	(3)	(21)	(14,198)		(14,198)
As of March 31, 2020		¥ 12,877	¥ 18,487	¥261,321	¥ (306)	¥ (14,697)	¥277,683	¥ 663	¥278,347

		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, 2019		$116,092	$164,000	$2,215,092	$ (2,771)	$ (66,284)	$2,426,128	$ 6,725	$2,432,862
Cumulative effect of accounting change									
Restated balance		116,092	164,000	2,215,092	(2,771)	(66,284)	2,426,128	6,725	2,432,862
Profit				320,028			320,028	(633)	319,385
Other comprehensive income (loss)						(68,349)	(68,349)	0	(68,349)
Comprehensive income (loss)				320,028		(68,349)	251,679	(633)	251,037
Exercise of warrants	20, 28	2,046	1,147				3,193		3,193
Stock-based compensation	28		4,450				4,450		4,450
Cash dividends	20			(137,872)			(137,872)		(137,872)
Purchase of treasury stock	20				(28)		(28)		(28)
Transfer to retained earnings	20			193		(193)			
Establishment of subsidiary with non-controlling interests									
Total transactions with the owners		2,046	5,596	(137,670)	(28)	(193)	(130,257)		(130,257)
As of March 31, 2020		$118,138	$169,606	$2,397,440	$ (2,807)	$ (134,835)	$2,547,550	$ 6,083	$2,553,642

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2020

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
Operating activities				
Profit before tax		¥ 49,433	¥ 57,955	$ 453,514
Depreciation and amortization		23,955	15,842	219,771
Interest and dividend income		(343)	(331)	(3,147)
Interest expenses		911	70	8,358
Share of loss on equity method		2,398	1,793	22,000
(Increase) in trade receivables		(4,423)	(11,988)	(40,578)
Decrease (increase) in inventories		(9,807)	471	(89,972)
Increase in trade payables		2,762	269	25,339
Increase in accrued expenses	2	2,212	186	20,294
Decrease/increase in consumption taxes receivable/payable		(1,134)	(1,679)	(10,404)
Decrease in asset for retirement benefits		50	47	459
Increase (decrease) in contract liabilities		3,292	(703)	30,202
Increase in accrued bonuses		102	201	936
Other – net	2	505	(296)	4,633
Subtotal		69,914	61,839	641,413
Interest and dividend received		280	269	2,569
Interest paid		(804)	(60)	(7,376)
Income taxes paid		(16,208)	(17,305)	(148,697)
Net cash provided by operating activities		53,182	44,743	487,908
Investing activities				
Purchase of property, plant and equipment		(13,629)	(18,726)	(125,037)
Proceeds from sales of property, plant and equipment		325	491	2,982
Purchase of intangible assets		(12,843)	(10,252)	(117,826)
Increase in long-term prepaid expenses	2	(2,487)	(1,441)	(22,817)
Purchase of investments in equity instruments		(4,554)	(2,315)	(41,780)
Acquisitions of subsidiaries or other businesses			(20)	
Payments into time deposits		(231)	(7,737)	(2,119)
Refund of time deposits	2	7,327	94	67,220
Other – net	2	185	(220)	1,697
Net cash used in investing activities		(25,906)	(40,128)	(237,670)
Financing activities				
Exercise of warrants		348	590	3,193
Dividends paid	20	(15,028)	(14,600)	(137,872)
Repayment of lease liabilities	2, 15, 27	(5,913)		(54,248)
Other – net		(3)	(81)	(28)
Net cash used in financing activities		(20,597)	(14,090)	(188,963)
Foreign currency translation adjustments on cash and cash equivalents		(1,147)	(907)	(10,523)
Net (decrease) increase in cash and cash equivalents		5,530	(10,382)	50,734
Cash and cash equivalents, beginning of year		51,062	61,444	468,459
Cash and cash equivalents, end of year		¥ 56,592	¥ 51,062	$ 519,193

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
As of and for the Year Ended March 31, 2020

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 19, 2020.

(2) Basis for measurement

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

(3) Presentation currency

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

(4) Use of estimates and judgments

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

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

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

- Estimated useful lives and residual values of property, plant and equipment and intangible assets (Refer to "9. PROPERTY, PLANT AND EQUIPMENT" and "10. GOODWILL AND INTANGIBLE ASSETS")
- Impairment of non-financial assets (Refer to "11. IMPAIRMENT OF NON-FINANCIAL ASSETS")
- Recoverability of deferred tax assets (Refer to "14. INCOME TAXES")
- Lease term of right-of-use assets (Refer to "15. LEASES")
- Measurements of defined benefit obligations (assets) (Refer to "17. POST-EMPLOYMENT BENEFITS")
- Revenues (Refer to "21. REVENUES")
- Fair values of financial instruments (Refer to "29. FINANCIAL INSTRUMENTS")
- Fair values of assets acquired and liabilities assumed in a business combination (Refer to "30. BUSINESS COMBINATIONS")
- Evaluation of a contingent consideration in a business combination (Refer to "30. BUSINESS COMBINATIONS")

(5) Changes in accounting policies

The Group has applied IFRS 16 (Leases) from the fiscal year ended March 31, 2020. Upon the adoption of IFRS 16, rather than making an adjusted restatement of comparative information as recognized under previous measures, the Group has adopted the method of recognizing the cumulative impact of adopting this standard on the initial balance of retained earnings at the date of adoption (retrospective restatement approach).

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

For the fiscal year ended March 31, 2020, based on IFRS 16, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Agreements entered into during or prior to the fiscal year ended March 31, 2019 apply a practical expedient, maintaining the previously determined practice as to whether or not a transaction is a lease.

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

As a result of recognition and measurement in accordance with IFRS 16, right-of-use assets increased by ¥21,298 million ($195,394 thousand) and lease liabilities increased by ¥22,786 million ($209,046 thousand) in the consolidated statement of financial position at the beginning of the fiscal year. In the consolidated statement of financial position, right-of-use assets are included in property, plant and equipment. In the consolidated statement of income, the impact on operating profit and profit for the fiscal year was immaterial.

The difference between the amount of operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application and lease liabilities recognized in the statement of financial position at the date of initial application, are as follows. To the lease previously classified as operating leases, exemption rules that does not recognize right-of-use assets and lease liabilities were applied if the remaining lease term was less than 12 months at the timing applying IFRS 16.

	Millions of Yen	Thousands of U.S. Dollars
Operating lease commitment as of March 31, 2019	¥ 24,082	$ 220,936
Weighted average of additional borrowing rate as of April 1, 2019 (%)	3.5%	3.5%
Operating lease commitment as of April 1, 2019 (Discounted value)	21,574	197,927
Commitment of short-term lease and low-value lease that are not recognizing lease liabilities	(498)	(4,569)
Lease commitment categorized as finance lease	384	3,523
Differences in lease term estimates	1,747	16,028
Other	(421)	(3,862)
Lease liabilities recognized as of April 1, 2019	¥ 22,786	$ 209,046

(6) Changes in presentation method

Due to the increased financial significance of "Increase/decrease in accrued expense," which was included in "Other – net" of operating activities in the previous fiscal year, "Purchase of increase in long-term prepaid expenses" and "Proceeds from refund of time deposits," which were included in "Other – net" of investing activities in the previous fiscal year, these amounts were stated as independent line items from the fiscal year ended March 31, 2020. The consolidated financial statements for the previous fiscal year have been retroactively adjusted to conform with the current fiscal year's presentation.

As a result, negative ¥110 million ($1,009 thousand) that was presented in "Other – net" of operating activities in the consolidated statement of cash flows of previous fiscal year was reclassified to show ¥186 million ($1,706 thousand) in "Increase/decrease in accrued expense" and negative ¥296 million ($2,716 thousand) in "Other – net." And also negative ¥1,567 million ($14,376 thousand) that was presented in "Other – net" of investing activities in the consolidated statement of cash flows of previous fiscal year was reclassified to show negative ¥1,441 million ($13,220 thousand) in "Increase in long-term prepaid expenses," ¥94 million ($862 thousand) in "Refund of time deposits" and negative ¥220 million ($2,018 thousand) in "Other – net."

(7) 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 ¥109 to $1, the approximate rate of exchange at March 31, 2020. 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

1) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

(iii) Derecognition

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

2) Impairment of financial assets

In terms of financial assets measured at amortized cost, an assessment is made at each reporting date as to whether or not the credit risk on financial assets has increased significantly since the initial recognition, and the following amounts are recognized as an impairment loss depending on whether or not a significant increase in credit risk has occurred since the initial recognition:

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

Amount equal to 12-month expected credit losses

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

Amount equal to lifetime expected credit losses

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

Expected credit losses are calculated in the following manner:

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

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

・Assets for which credit risk has increased significantly since initial recognition and assets that fall under credit-impaired financial assets:
The recoverable amounts are estimated individually, and the difference between the recoverable amounts and the carrying amounts is recognized as expected credit loss.

(ii) Assets other than (i) above

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

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

The carrying amount of financial assets for which an impairment loss has been recognized is reduced through loss allowance, and impairment loss is recognized in profit or loss. In addition, when the Group has no reasonable expectations of recovering a financial asset, the carrying amount of the financial asset is reduced directly and the corresponding allowance account is also reduced.

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

3) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

4) Derivatives and hedge accounting

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

The Group uses forward exchange contracts, and similar contracts, to manage the foreign currency exchange rate risk exposure of recognized financial assets, liabilities and forecast transactions.

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

5) Offsetting financial instruments

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

6) Fair value measurements

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

1) Recognition and measurement

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

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

2) Depreciation

Year Ended March 31, 2020

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

The estimated useful lives are as follows:

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

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

Year Ended March 31, 2019

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 or the value in use. The value in use is the present value calculated by discounting the estimated future cash flows from the asset or cash-generating unit.

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

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

Impairment loss recognized for goodwill is not reversed.

(10) Leases

Year Ended March 31, 2020

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

1) Lease as lessor

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

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

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

2) Lease as lessee

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

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

Year Ended March 31, 2019

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 Company recognizes revenue from contracts with customers based on the following five-step approach.

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

1) Sales of instruments and reagents

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

2) Maintenance service

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

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

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

(16) Government grants

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

(17) Income tax expenses

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

Current taxes are calculated based on the estimated amounts to be paid to (refunded from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

(18) Earnings per share

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

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

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

(2) Segment profit and operating results

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

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

Year ended March 31, 2020

(Unit: Millions of yen)

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

Notes:

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

Year ended March 31, 2019

(Unit: Millions of yen)

	Reportable segment							
	Japan	Americas	EMEA	China	Asia Pacific	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales								
Sales to external customers	¥ 47,073	¥ 65,957	¥ 77,600	¥ 78,114	¥ 24,759	¥ 293,506		¥ 293,506
Intersegment sales	107,877	278	3,039	17	6	111,219	¥ (111,219)	
Total	154,951	66,236	80,640	78,131	24,766	404,726	(111,219)	293,506
Segment profit	38,996	3,580	7,091	9,125	3,112	61,906	(624)	61,282
Financial income								442
Financial expenses								390
Share of loss on equity method								(1,793)
Foreign exchange loss								(1,585)
Profit before tax								57,955
Income tax expenses								16,789
Profit								41,166
Other information								
Depreciation and amortization (Note 3)	¥ 8,992	¥ 1,872	¥ 3,281	¥ 501	¥ 2,095	¥ 16,743	¥ (900)	¥ 15,842

Notes:

1. Segment profit adjustments of negative ¥624 million include negative ¥485 million for unrealized gains on inventories, and negative ¥142 million for unrealized gains on non-current assets.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.
3. Depreciation and amortization adjustments of negative ¥900 million are adjustments relating to intersegment transactions.

Year ended March 31, 2020

(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	$ 463,670	$ 607,239	$ 721,064	$ 733,633	$ 244,835	$ 2,770,459		$ 2,770,459
Intersegment sales	1,024,064	6,523	34,147	28	37	1,064,817	$ (1,064,817)	
Total	1,487,743	613,761	755,211	733,661	244,881	3,835,284	(1,064,817)	2,770,459
Segment profit	332,862	26,202	76,578	52,532	28,615	516,817	(9,624)	507,193
Financial income								5,459
Financial expenses								9,459
Share of loss on equity method								(22,000)
Foreign exchange loss								(27,679)
Profit before tax								453,514
Income tax expenses								134,119
Profit								319,385
Other information								
Depreciation and amortization (Note 3)	$ 117,284	$ 37,183	$ 42,431	$ 7,055	$ 24,826	$ 228,807	$ (9,037)	$ 219,771

Notes:

1. Segment profit adjustments of negative $9,624 thousand include negative $11,697 thousand for unrealized gains on inventories, and $2,055 thousand for unrealized gains on non-current assets.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.
3. Depreciation and amortization adjustments of negative $9,037 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
	2020	2019	2020
Instruments	¥ 81,207	¥ 82,667	$ 745,018
Reagents	173,176	167,829	1,588,771
Maintenance services	37,577	34,585	344,743
Others	10,018	8,423	91,908
Total	¥ 301,980	¥ 293,506	$ 2,770,459

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japan	¥ 46,725	¥ 44,071	$ 428,670
United States of America	61,462	60,413	563,872
China	80,048	78,213	734,385
Others	113,743	110,807	1,043,514
Total	¥ 301,980	¥ 293,506	$ 2,770,459

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
	2020	2019	2020
Japan	¥ 95,454	¥ 81,215	$ 875,725
Germany	12,085	10,285	110,872
Others	45,924	33,222	421,321
Total	¥ 153,464	¥ 124,724	$ 1,407,927

(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
	2020	2019	2020
Cash and cash equivalents	¥ 56,592	¥ 51,062	$ 519,193
Total	¥ 56,592	¥ 51,062	$ 519,193

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Notes and trade receivable	¥ 81,206	¥ 80,510	$ 745,009
Lease receivables	17,524	16,345	160,771
Accounts receivable – other	842	607	7,725
Loss allowance	(1,078)	(1,013)	(9,890)
Total	¥ 98,495	¥ 96,450	$ 903,624

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
	2020	2019	2020
Merchandise and finished goods	¥ 35,417	¥ 30,207	$ 324,927
Work in process	4,490	3,845	41,193
Raw materials and supplies	8,395	6,178	77,018
Total	¥ 48,303	¥ 40,231	$ 443,147

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2020 and 2019 were ¥94,760 million ($869,358 thousand) and ¥90,402 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2020 and 2019 were ¥196 million ($1,798 thousand) and ¥208 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, 2018	¥ 26,062	¥ 4,936	¥ 18,153	¥ 11,132	¥ 7,366	¥ 67,651
Acquisition	901	338	6,783	0	11,979	20,002
Depreciation	(2,118)	(872)	(5,951)			(8,942)
Sale or disposal	(97)	(11)	(579)	(15)	(17)	(722)
Exchange differences on translation of foreign currency	(114)	(1)	(431)	(20)	52	(515)
Transfer	1,389	270	744		(3,564)	(1,160)
As of March 31, 2019	26,022	4,659	18,717	11,096	15,815	76,312
Adjustment of adopting IFRS 16	16,090	2,086	2,651	262		21,091
As of April 1, 2019	42,113	6,746	21,369	11,359	15,815	97,403
Acquisition	6,457	2,098	8,251	1	2,292	19,100
Depreciation	(6,492)	(2,003)	(7,394)	(31)		(15,923)
Sale or disposal	(309)	(123)	(389)	(19)	(24)	(866)
Exchange differences on translation of foreign currency	(862)	(210)	(1,096)	(18)	(51)	(2,239)
Transfer	13,462	758	1,279		(16,135)	(635)
As of March 31, 2020	¥ 54,366	¥ 7,265	¥ 22,019	¥ 11,291	¥ 1,897	¥ 96,839

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2019	$ 238,734	$ 42,743	$ 171,716	$ 101,798	$ 145,092	$ 700,110
Adjustment of adopting IFRS 16	147,615	19,138	24,321	2,404		193,495
As of April 1, 2019	386,358	61,890	196,046	104,211	145,092	893,606
Acquisition	59,239	19,248	75,697	9	21,028	175,229
Depreciation	(59,560)	(18,376)	(67,835)	(284)		(146,083)
Sale or disposal	(2,835)	(1,128)	(3,569)	(174)	(220)	(7,945)
Exchange differences on translation of foreign currency	(7,908)	(1,927)	(10,055)	(165)	(468)	(20,541)
Transfer	123,505	6,954	11,734		(148,028)	(5,826)
As of March 31, 2020	$ 498,771	$ 66,651	$ 202,009	$ 103,587	$ 17,404	$ 888,431

Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2018	¥ 47,564	¥ 12,146	¥ 52,724	¥ 11,243	¥ 7,366	¥ 131,046
As of March 31, 2019	49,492	12,427	53,614	11,202	15,815	142,552
As of March 31, 2020	83,767	16,446	59,523	11,424	1,897	173,059

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2020	$ 768,505	$ 150,881	$ 546,083	$ 104,807	$ 17,404	$1,587,697

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, 2018	¥ (21,502)	¥ (7,210)	¥ (34,571)	¥ (110)	¥	¥ (63,394)
As of March 31, 2019	(23,469)	(7,767)	(34,896)	(105)		(66,239)
As of March 31, 2020	(29,400)	(9,180)	(37,504)	(133)		(76,219)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2020	$ (269,725)	$ (84,220)	$ (344,073)	$ (1,220)	$	$ (699,257)

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

The carrying amounts of right-of-use assets (leased assets under finance leases for prior fiscal year) included in property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Buildings and structures	¥ 16,462		$ 151,028
Machinery and vehicles	2,122	¥ 25	19,468
Furniture and fixtures	2,038	235	18,697
Land	208		1,908
Total	¥ 20,831	¥ 261	$ 191,110

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

Carrying amount

	Millions of Yen	Thousands of U.S. Dollars
	Furniture and fixtures	Furniture and fixtures
As of March 31, 2019	¥ 10,990	$ 100,826
Adjustment of adopting IFRS 16	1,836	16,844
As of April 1, 2019	12,826	117,670
Acquisition	4,974	45,633
Depreciation	(4,837)	(44,376)
Sale or disposal	(334)	(3,064)
Exchange differences on translation of foreign currency	(810)	(7,431)
Transfer	(66)	(606)
As of March 31, 2020	¥ 11,751	$ 107,807

Acquisition cost

	Millions of Yen	Thousands of U.S. Dollars
	Furniture and fixtures	Furniture and fixtures
As of April 1, 2019	¥ 33,905	$ 311,055
As of March 31, 2020	34,521	316,706

Accumulated depreciation and accumulated impairment losses

	Millions of Yen	Thousands of U.S. Dollars
	Furniture and fixtures	Furniture and fixtures
As of April 1, 2019	¥ (21,078)	$ (193,376)
As of March 31, 2020	(22,769)	(208,890)

10. GOODWILL AND INTANGIBLE ASSETS

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

Carrying amount

	Millions of Yen				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of April 1, 2018	¥ 12,251	¥ 10,311	¥ 10,239	¥ 9,215	¥ 29,765
Acquisitions		6,824	3,306	543	10,673
Amortization		(4,462)	(1,219)	(953)	(6,634)
Impairment losses					
Sale or disposal		(11)	(565)	(0)	(578)
Exchange differences on translation of foreign currency	(333)	(28)	(4)	(156)	(189)
As of March 31, 2019	11,917	12,633	11,756	8,647	33,037
Acquisitions		12,449	2,242	96	14,788
Amortization		(4,550)	(2,112)	(975)	(7,638)
Impairment losses					
Sale or disposal		(57)	(186)	(9)	(253)
Exchange differences on translation of foreign currency	(646)	(96)	(3)	(290)	(390)
As of March 31, 2020	¥ 11,271	¥ 20,378	¥ 11,697	¥ 7,467	¥ 39,543

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2019	$ 109,330	$ 115,899	$ 107,853	$ 79,330	$ 303,092
Acquisitions		114,211	20,569	881	135,670
Amortization		(41,743)	(19,376)	(8,945)	(70,073)
Impairment losses					
Sale or disposal		(523)	(1,706)	(83)	(2,321)
Exchange differences on translation of foreign currency	(5,927)	(881)	(28)	(2,661)	(3,578)
As of March 31, 2020	$ 103,404	$ 186,954	$ 107,312	$ 68,505	$ 362,780

Acquisition cost

	Millions of Yen				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of April 1, 2018	¥ 17,029	¥ 28,771	¥ 11,915	¥ 13,441	¥ 54,128
As of March 31, 2019	16,471	35,244	14,628	13,692	63,566
As of March 31, 2020	15,645	47,027	16,449	13,275	76,752

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2020	$ 143,532	$ 431,440	$ 150,908	$ 121,789	$ 704,147

Accumulated amortization and accumulated impairment losses

	Millions of Yen				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of April 1, 2018	¥ (4,778)	¥ (18,460)	¥ (1,676)	¥ (4,226)	¥ (24,363)
As of March 31, 2019	(4,553)	(22,611)	(2,872)	(5,045)	(30,528)
As of March 31, 2020	(4,374)	(26,649)	(4,751)	(5,808)	(37,208)

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2020	$ (40,128)	$ (244,486)	$ (43,587)	$ (53,284)	$ (341,358)

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

Software includes internally developed software.

11. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount used in impairment testing of goodwill and intangible assets with indefinite useful lives is measured at value in use. The value in use is determined by discounting estimated future cash flows based on financial budgets of each cash-generating unit or a group of cash-generating units for one to five years, which are approved by management, and growth rates. 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, 2020: 0.0% to 3.0%; year ended March 31, 2019: 0.0% to 3.0%). The discount rate is determined based on the before-tax weighted-average capital cost for the market or the country in which each cash-generating unit or group of cash-generating units operates (year ended March 31, 2020: 9.1% to 17.0%; year ended March 31, 2019: 9.5% to 18.0%).

The recoverable amount of Sysmex Partec exceeds its carrying amount by ¥4,140 million ($37,982 thousand) as of March 31, 2020. 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 11.2%. However, impairment loss may arise if its growth rate decreases by 3.1% or its discount rate increases by 1.7%. The recoverable amount of Oxford Gene Technology exceeds its carrying amount by ¥1,749 million ($16,046 thousand) as of March 31, 2020. 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 11.2%. However, impairment loss may arise if its growth rate decreases by 3.1% or its discount rate increases by 1.7%. 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, 2020.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Sysmex Partec	¥ 3,716	¥ 3,871	$ 34,092
Oxford Gene Technology	3,940	4,285	36,147
Sysmex Korea	1,480	1,626	13,578
Riken Genesis	1,655	1,655	15,183
Others	479	479	4,394
Total	¥ 11,271	¥ 11,917	$ 103,404

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	
	2020		2019		2020	
Oxford Gene Technology	¥	814	¥	885	$	7,468
Total	¥	814	¥	885	$	7,468

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		3		Manufacture of in-house reagents	Lease of buildings and facilities	
Sysmex America, Inc.	Americas	Illinois, USA	Thousand USD 22,000	Sales of in vitro diagnostic instruments and reagents	100		100	1	2		Sales of in-house products, etc.		
Sysmex Europe GmbH	EMEA	Norderstedt, Germany	Thousand EUR 820	Sales of in vitro diagnostic instruments and sales and manufacture of in vitro diagnostic reagents	100		100	1	2		Sales and manufacture of in-house reagents, etc.		
Sysmex Deutschland GmbH	EMEA	Norderstedt, Germany	Thousand EUR 2,050	Sales of in vitro diagnostic instruments and reagents	100		100		1		Sales of in-house products		
Sysmex UK Limited	EMEA	Milton Keynes, United Kingdom	Thousand GBP 400	Sales of in vitro diagnostic instruments and reagents	100		100		1		Sales of in-house products		
Sysmex France S.A.S.	EMEA	Villepinte, France	Thousand EUR 2,457	Sales of in vitro diagnostic instruments and reagents	18.6	81.4	100		1		Sales of in-house products		
Sysmex RUS LLC	EMEA	Moscow, Russia	Thousand RUB 40,400	Sales of in vitro diagnostic instruments and reagents		100	100				Sales of in-house products		
Sysmex Shanghai Ltd.	China	Shanghai, China	Thousand USD 1,000	Sales of in vitro diagnostic instruments and reagents	100		100	1	4		Sales of in-house products, etc.		
Sysmex Asia Pacific Pte Ltd.	Asia Pacific	Singapore	Thousand SGD 11,500	Sales of in vitro diagnostic instruments and sales and manufacture of in vitro diagnostic reagents	100		100	1	2		Sales and manufacture of in-house reagents, etc.		
Sysmex Korea Co., Ltd.	Asia Pacific	Seoul, Korea	Thousand KRW 190,000	Sales of in vitro diagnostic instruments and reagents	100		100		4		Sales of in-house products		
66 other subsidiaries													

2) Associates

					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 7,960	Marketing, development, manufacture, and sales of medical robots	50		50	1	2		Manufacture of in-house research instruments and materials	Lease of buildings and facilities	
1 other associates													

(2) Investments accounted for using the equity method

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Carrying amount	¥ 1,207	¥	$ 11,073

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Comprehensive income			
Profit	¥ (3)	¥	$ (28)
Total	¥ (3)	¥	$ (28)

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
	2020	2019	2020
Carrying amount	¥ 1,737	¥ 634	$ 15,936

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Comprehensive income			
Profit	¥ (2,394)	¥ (1,793)	$ (21,963)
Other comprehensive income	(0)	2	(0)
Total	¥ (2,395)	¥ (1,790)	$ (21,972)

(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
	2020	2019	2020
Other long-term financial assets	¥ 893	¥ 975	$ 8,193

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Electronically recorded monetary obligations and note and trade payables	¥ 24,245	¥ 21,814	$ 222,431
Accounts payable – other	9,671	7,963	88,725
Total	¥ 33,917	¥ 29,778	$ 311,165

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
	2020	2019	2020
Deferred tax assets			
Loss allowance	¥ 271	¥ 269	$ 2,486
Inventories	434	412	3,982
Unrealized intercompany profits	3,878	3,451	35,578
Property, plant and equipment	207	213	1,899
Intangible assets	1,035	1,306	9,495
Accrued enterprise tax	204	248	1,872
Accrued expenses	1,581	1,107	14,505
Accrued bonuses	1,169	1,205	10,725
Accrued paid leave	644	610	5,908
Liability for retirement benefits	168	165	1,541
Tax loss carryforwards	24	113	220
Other	1,946	1,965	17,853
Total deferred tax assets	¥ 11,565	¥ 11,070	$ 106,101
Deferred tax liabilities			
Property, plant and equipment	120	401	1,101
Intangible assets	4,426	4,514	40,606
Financial assets measured at fair value through other comprehensive income	330	589	3,028
Assets for retirement benefits	274	280	2,514
Undistributed earnings of foreign subsidiaries	4,397	4,027	40,339
Other	1,126	1,076	10,330
Total deferred tax liabilities	¥ 10,676	¥ 10,889	$ 97,945
Net deferred tax assets (liabilities)	¥ 889	¥ 180	$ 8,156

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Beginning balance	¥ 180	¥ (6)	$ 1,651
Cumulative effects of changes in accounting policies		132	
Deferred tax expense	594	(68)	5,450
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	258	166	2,367
Remeasurement of defined benefit liabilities (assets)	(9)	(49)	(83)
Exchange difference on translation of foreign currency	(135)	6	(1,239)
Ending balance	¥ 889	¥ 180	$ 8,156

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
	2020	2019	2020
Deductible temporary differences	¥ 952	¥ 1,178	$ 8,734
Tax loss carryforwards	15,206	14,429	139,505

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
	2020	2019	2020
Within one year			
Between one year and two years			
Between two and three years			
Between three and four years	¥ 409		$ 3,752
More than four years	14,796	¥ 14,429	135,743
Total	¥ 15,206	¥ 14,429	$ 139,505

(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
	2020	2019	2020
Current tax expense	¥ 15,214	¥ 16,720	$ 139,578
Deferred tax expense			
Occurrence and reversal of temporary differences	(962)	(436)	(8,826)
Reassessment of recoverability of deferred tax assets	368	505	3,376
Total	¥ 14,619	¥ 16,789	$ 134,119

2) Reconciliation of applicable tax rates

The Group is mainly subject to income tax, inhabitant tax, and enterprise tax based on which the effective statutory tax rates came to 30.6% for the year ended March 31, 2020 and for the year ended March 31, 2019. 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:

	2020	2019
Effective tax rates	30.6%	30.6%
Expenses not deductible for income tax purposes	0.8	0.6
Tax credit for research and other	(4.1)	(3.1)
Reassessment of recoverability of deferred tax assets	0.7	0.9
Tax effect on undistributed earnings of foreign subsidiaries	0.8	0.2
Different tax rates applied to foreign subsidiaries	(2.0)	(2.0)
Share of loss on equity method	1.5	0.9
Other	1.3	0.9
Actual tax rates	29.6%	29.0%

15. LEASES

(1) Lessor

For the fiscal year ended March 31, 2019, the Group has applied IAS 17 (Lease).

1) Finance leases

The Group leases diagnostic instruments and others under finance leases.

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

Lease payments receivable (gross investment in leases, present value of minimum lease payments receivable, and adjustments for prior fiscal year) relating to finance leases are as follows:

Year ended March 31, 2020

	Millions of Yen	Thousands of U.S. Dollars
	Lease payments receivable	Lease payments receivable
Not later than one year	¥ 5,064	$ 46,459
Later than one year and not later than two years	4,181	38,358
Later than two years and not later than three years	3,213	29,477
Later than three years and not later than four years	2,295	21,055
Later than four years and not later than five years	1,488	13,651
Later than five years	1,009	9,257
Undiscounted lease payments	¥ 17,252	$ 158,275
Unearned finance income	(1,227)	(11,257)
Present value of unguaranteed residual value	1,500	13,761
Net investment in the lease	¥ 17,524	$ 160,771

Year ended March 31, 2019

	Millions of Yen	
	Gross investment in leases	Present value of minimum lease payments receivable
Not later than one year	¥ 4,762	¥ 4,020
Later than one year and not later than five years	11,748	9,761
Later than five years	1,379	1,028
Total	¥ 17,890	¥ 14,810
(Including unguaranteed residual value)	¥ (1,817)	
Less		
Unearned finance income	1,544	
Present value of unguaranteed residual value	1,535	
Present value of minimum lease payments receivable	¥ 14,810	

2) Operating leases

The Group leases diagnostic instruments and others under operating leases.

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

Future minimum lease payments expected to be received under operating leases (non-cancellable operating leases in previous fiscal year) are as follows:

Year Ended March 31, 2020

	Millions of Yen	Thousands of U.S. Dollars
Not later than one year	¥ 1,539	$ 14,119
Later than one year and not later than two years	734	6,734
Later than two years and not later than three years	496	4,550
Later than three years and not later than four years	318	2,917
Later than four years and not later than five years	216	1,982
Later than five years	138	1,266
Total	¥ 3,442	$ 31,578

Year Ended March 31, 2019

	Millions of Yen
	2019
Not later than one year	¥ 2,045
Later than one year and not later than five years	2,133
Later than five years	213
Total	¥ 4,391

Lease income from lease contracts in which the Group serves as a lessor for the year ended March 31, 2020, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Finance leases		
Selling profit or loss	¥ 2,143	$ 19,661
Finance income on the net investment in the lease	434	3,982
Income relating to variable lease payments not included in the measurement of the net investment in the lease		
Operating leases		
Lease income	11,427	104,835

In the lease income, ¥5,574 million ($51,138 thousand) of variable lease payments which do not depend on index or rate is included for the year ended March 31, 2020.

(2) Lessee

Year Ended March 31, 2020

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

Residual value guarntees, restrictions or covenanats imposed by leases, leases not yet commnced to which the lessee is commiteed and sale and leaseback transactions were immaterial as of March 31, 2020.

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

	Millions of Yen	Thousands of U.S. Dollars
Depreciation and amortization charge for right-of-use assets		
Buildings and structures	¥ 3,766	$ 34,550
Machinery and vehicles	1,081	9,917
Furniture and fixtures	1,214	11,138
Land	32	294
Total	¥ 6,094	$ 55,908
Interest expense on lease liabilities	¥ 834	$ 7,651
Expenses relating to short-term leases	878	8,055
Expenses relating to leases of low-value assets	258	2,367
Expenses relating to variable lease payments (Note)	22	202
Income from subleasing right-of-use assets	1,087	9,972

Note:

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

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

	Millions of Yen	Thousands of U.S. Dollars
Right-of-use assets		
Buildings and structures	¥ 16,462	$ 151,028
Machinery and vehicles	2,122	19,468
Furniture and fixtures	2,038	18,697
Land	208	1,908
Total	¥ 20,831	$ 191,110

Right-of-use assets increased by ¥6,063 million ($55,624 thousand) as of March 31, 2020.

Cash outflows for lease was ¥7,906 million ($72,532 thousand) as of March 31, 2020.

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

Year Ended March 31, 2019

For the fiscal year ended March 31, 2019, the Group has applied IAS 17 (Lease).

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
Not later than one year	¥ 219	¥ 192
Later than one year and not later than five years	204	191
Later than five years		
Total	¥ 423	¥ 384
Less		
Amount equivalent to interest	¥ 39	
Present value of future minimum lease payments	¥ 384	

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
	2019
Not later than one year	¥ 6,997
Later than one year and not later than five years	12,468
Later than five years	4,617
Total	¥ 24,082

Minimum lease payments recognized as expenses for the year ended March 31, 2019 were ¥7,473 million.

16. PROVISIONS

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

	Millions of Yen		
	Provisions for product warranties	Asset retirement obligations	Total
As of April 1, 2018	¥ 614	¥ 202	¥ 817
Provision made	462	20	482
Increase associated with passage of time		1	1
Provision used	(376)		(376)
Effects of foreign currency exchange differences	(7)	1	(6)
As of March 31, 2019	693	226	919
Provision made	511	35	547
Increase associated with passage of time		1	1
Provision used	(424)	0	(424)
Effects of foreign currency exchange differences	(29)	(7)	(36)
As of March 31, 2020	¥ 751	¥ 255	¥ 1,006

	Thousands of U.S. Dollars		
	Provisions for product warranties	Asset retirement obligations	Total
As of March 31, 2019	$ 6,358	$ 2,073	$ 8,431
Provision made	4,688	321	5,018
Increase associated with passage of time		9	9
Provision used	(3,890)	0	(3,890)
Effects of foreign currency exchange differences	(266)	(64)	(330)
As of March 31, 2020	$ 6,890	$ 2,339	$ 9,229

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

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

17. POST-EMPLOYMENT BENEFITS

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

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

(1) Defined benefit plan

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Present value of defined benefit obligation	¥ 9,455	¥ 9,472	$ 86,743
Fair value of plan assets	10,814	11,172	99,211
Total	¥ (1,359)	¥ (1,700)	$ (12,468)
Effects of asset ceiling	1,386	1,640	12,716
Net liability arising from defined benefit plan	¥ 27	¥ (59)	$ 248
Amount in consolidated statement of financial position			
Liabilities	¥ 925	¥ 857	$ 8,486
Assets	897	917	8,229

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
	2020	2019	2020
Defined benefit costs recognized in profit or loss			
Current service cost	¥ 813	¥ 808	$ 7,459
Net interest expense	(3)	(4)	(28)
Subtotal	809	804	7,422
Defined benefit costs recognized in other comprehensive income			
Remeasurements			
Return on plan assets (excluding amounts included in net interest expense)	486	(132)	4,459
Actuarial gains and losses arising from changes in demographic assumptions	(205)		(1,881)
Actuarial gains and losses arising from changes in financial assumptions	(54)	97	(495)
Actuarial gains and losses arising from experience adjustments	2	(28)	18
Amount of changes in effects of asset ceiling	(260)	(98)	(2,385)
Subtotal	(31)	(162)	(284)
Total	¥ 778	¥ 641	$ 7,138

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
	2020	2019	2020
Beginning balance	¥ 9,472	¥ 9,216	$ 86,899
Current service cost	813	808	7,459
Interest expense	34	42	312
Change of accompanying transition to the defined contribution pension plan	(12)		(110)
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(205)		(1,881)
Actuarial gains and losses arising from changes in financial assumptions	(54)	97	(495)
Actuarial gains and losses arising from experience adjustments	2	(28)	18
Benefits paid	(555)	(657)	(5,092)
Effects of foreign currency exchange differences	(39)	(6)	(358)
Ending balance	¥ 9,455	¥ 9,472	$ 86,743

The weighted-average durations of defined benefit obligations as of March 31, 2020 and 2019, were 10 years and 11 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
	2020	2019	2020
Beginning balance	¥ 11,172	¥ 11,017	$ 102,495
Interest income	44	55	404
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	(486)	132	(4,459)
Contributions from the employer	542	535	4,972
Benefits paid	(458)	(568)	(4,202)
Ending balance	¥ 10,814	¥ 11,172	$ 99,211

The Company expects ¥542 million ($4,972 thousand) of the contribution to be paid to the defined benefit plan in the year ending March 31, 2021.

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
	2020	2019	2020
Beginning balance	¥ 1,640	¥ 1,730	$ 15,046
Limit on interest income	6	8	55
Remeasurement			
Changes in effects of asset ceiling	(260)	(98)	(2,385)
Ending balance	¥ 1,386	¥ 1,640	$ 12,716

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, 2020			March 31, 2019		
	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	¥ 3,059		¥ 3,059	¥ 3,555		¥ 3,555
Domestic equity	1,635		1,635	1,706		1,706
Foreign bonds	1,169		1,169	1,584		1,584
Foreign equity	1,762		1,762	2,053		2,053
Others	2,835	¥ 350	3,186	1,891	¥ 380	2,272
Total	¥ 10,463	¥ 350	¥ 10,814	¥ 10,792	¥ 380	¥ 11,172

	Thousands of U.S. Dollars		
	March 31, 2020		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	$ 28,064		$ 28,064
Domestic equity	15,000		15,000
Foreign bonds	10,725		10,725
Foreign equity	16,165		16,165
Others	26,009	$ 3,211	29,229
Total	$ 95,991	$ 3,211	$ 99,211

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2020	2019
Discount rate	0.5%	0.4%
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	2020	2019	2020
Discount rate	Rise by 0.5%	¥ (409)	¥ (448)	$ (3,752)
	Decline by 0.5%	445	489	4,083
Revaluation rate	Rise by 0.5%	¥ 482	¥ 526	$ 4,422
	Decline by 0.5%	(444)	(483)	(4,073)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2020 and 2019 were ¥4,410 million ($40,459 thousand) and ¥4,472 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
	2020	2019	2020
Other short-term financial assets			
Bonds	¥ 21	¥ 253	$ 193
Derivative financial assets	177	4	1,624
Time deposits	221	7,385	2,028
Others	0	0	0
Total	¥ 421	¥ 7,644	$ 3,862
Other long-term financial assets			
Stocks, etc.	¥ 4,859	¥ 5,832	$ 44,578
Others	1,333	1,217	12,229
Total	¥ 6,192	¥ 7,050	$ 56,807

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Other short-term financial liabilities			
Deposits received	¥ 510	¥ 462	$ 4,679
Lease obligations		192	
Derivative financial liabilities	42	151	385
Total	¥ 552	¥ 806	$ 5,064
Long-term financial liabilities			
Lease obligations		¥ 191	
Others	¥ 269	223	$ 2,468
Total	¥ 269	¥ 415	$ 2,468

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
	2020	2019	2020
Other current assets			
Consumption taxes receivable	¥ 6,238	¥ 4,880	$ 57,229
Prepaid expenses	4,058	3,572	37,229
Advance payments	696	728	6,385
Accrued income	932	1,170	8,550
Contract assets	1,465	725	13,440
Others	799	747	7,330
Total	¥ 14,191	¥ 11,824	$ 130,193
Other non-current assets			
Long-term prepaid expenses	¥ 4,355	¥ 1,994	$ 39,954
Guarantee deposits	1,454	1,462	13,339
Total	¥ 5,810	¥ 3,456	$ 53,303

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Other current liabilities			
Accrued short-term paid leave	¥ 2,722	¥ 2,534	$ 24,972
Accrued directors' bonuses	276	449	2,532
Others	2,449	2,272	22,468
Total	¥ 5,448	¥ 5,257	$ 49,982
Other non-current liabilities			
Lease incentives		¥ 758	
Accrued long-term paid leave	¥ 267	273	$ 2,450
Others	1,794	2,171	16,459
Total	¥ 2,061	¥ 3,203	$ 18,908

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			
	2020		2019	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	209,154	598,688	208,964
Increase/decrease during the period		112		190
Ending balance	598,688	209,266	598,688	209,154

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 112 thousand shares in the number of issued shares in the year ended March 31, 2020, was due to the exercise of subscription rights to shares as stock options.
3. The increase of 190 thousand shares in the number of issued shares in the year ended March 31, 2019, 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	
	2020	2019
Beginning balance	446	445
Increase/decrease during the period	0	0
Ending balance	446	446

Note:

The increase in the number of treasury stocks in the years ended March 31, 2020 and 2019, was due to purchases of fractional shares less than one unit.

(3) Retained earnings

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

(4) Other components of equity

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

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

2) Remeasurements of defined benefit plans

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

3) Exchange difference on translation of foreign operations

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

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

	Millions of Yen			
	Net gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange difference on translation of foreign operations	Total
As of April 1, 2018	¥ 1,700		¥ (5,547)	¥ (3,847)
Other comprehensive income	(379)	¥ 113	(2,998)	(3,264)
Reclassification into retained earnings		(113)		(113)
As of March 31, 2019	1,320		(8,546)	(7,225)
Other comprehensive income	(588)	21	(6,883)	(7,450)
Reclassification into retained earnings		(21)		(21)
As of March 31, 2020	¥ 732	¥	¥ (15,429)	¥ (14,697)

	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, 2019	$ 12,110		$ (78,404)	$ (66,284)
Other comprehensive income	(5,394)	$ 193	(63,147)	(68,349)
Reclassification into retained earnings		(193)		(193)
As of March 31, 2020	$ 6,716	$	$ (141,550)	$ (134,835)

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2020

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 21, 2019	Common stock	¥7,513	¥36.00	$68,927	$0.33	March 31, 2019	June 24, 2019
Board of Directors' Meeting November 6, 2019	Common stock	¥7,514	¥36.00	$68,936	$0.33	September 30, 2019	December 2, 2019

Year Ended March 31, 2019

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	$67,622	$0.32	March 31, 2018	June 25, 2018
Board of Directors' Meeting November 7, 2018	Common stock	¥7,093	¥34.00	$63,901	$0.31	September 30, 2018	December 3, 2018

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

Year Ended March 31, 2020

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 19, 2020	Common stock	¥7,517	¥36.00	$68,963	$0.33	March 31, 2020	June 22, 2020

Year Ended March 31, 2019

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 21, 2019	Common stock	¥7,513	¥36.00	$67,685	$0.32	March 31, 2019	June 24, 2019

21. REVENUES

(1) Disaggregation of revenue

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

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

Year ended March 31, 2020

(Unit: Millions of yen)

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

Note:

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

Year ended March 31, 2019

(Unit: Millions of yen)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	¥ 11,444	¥ 23,123	¥ 21,310	¥ 19,996	¥ 6,793	¥ 82,667
Reagents	28,104	27,049	43,855	53,097	15,722	167,829
Maintenance services	6,036	15,196	8,975	2,945	1,432	34,585
Others	1,488	588	3,459	2,076	810	8,423
Total	47,073	65,957	77,600	78,114	24,759	293,506
Revenues recognized from contracts with customers	46,886	61,972	72,135	78,039	22,970	282,004
Revenues recognized from other items (Note)	¥ 187	¥ 3,985	¥ 5,465	¥ 74	¥ 1,788	¥ 11,501

Note:

Lease revenues based on IAS 17 are included in revenues recognized from other items.

Year ended March 31, 2020

(Unit: Thousands of U.S. Dollars)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	$ 121,908	$ 186,642	$ 182,450	$ 196,835	$ 57,156	$ 745,018
Reagents	269,743	270,642	421,642	461,294	165,440	1,588,771
Maintenance services	58,165	143,606	80,963	48,156	13,844	344,743
Others	13,844	6,339	35,991	27,339	8,385	91,908
Total	463,670	607,239	721,064	733,633	244,835	2,770,459
Revenues recognized from contracts with customers	461,633	574,404	665,367	732,936	228,064	2,662,422
Revenues recognized from other items	$ 2,037	$ 32,835	$ 55,688	$ 697	$ 16,761	$ 108,037

1) Sales of instruments and reagents

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

2) Maintenance service

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

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

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

(2) Contract balances

	Millions of Yen			Thousands of U.S. Dollars
	2020	2019	2018	2020
Contract assets	¥ 1,465	¥ 725	¥ 344	$ 13,440
Contract liabilities	12,001	9,303	10,377	110,101

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

Contract liabilities are mainly related to advances received from customers. Of the revenue recognized in the current fiscal year, ¥8,546 million ($78,404 thousand) of contract liabilities was included in the beginning of the fiscal year. The amount of revenue recognized from the performance obligation in the past has no significance as of March 31, 2020.

(3) Transaction price allocated to remaining performance obligation

The aggregated amount of transaction price allocated to remaining performance obligations unsatisfied as of March 31, 2020, and the expected duration of the remaining performance obligations are as follows:

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Within one year	¥ 8,074	¥ 11,325	$ 74,073
Longer than one year	13,842	10,889	126,991
Total	¥ 21,917	¥ 22,214	$ 201,073

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

Assets recognized from the costs to obtain or fulfil a contract with a customer had no significance as of March 31, 2020. In addition, when the amortization period of the asset to be recognized is within one year, practical expedients are used and recognized as an expense when cost is incurred.

22. INFORMATION OF EXPENSES BY NATURE

Information of expenses by nature is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cost of materials	¥ 50,905	¥ 41,621	$ 467,018
Personnel expenses	79,356	75,162	728,037
Depreciation and amortization	23,955	15,842	219,771

23. OTHER OPERATING INCOME AND EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Other operating income			
Grants	¥ 627	¥ 494	$ 5,752
Gain on sales of property, plant and equipment	87	42	798
Others	772	1,073	7,083
Total	¥ 1,486	¥ 1,610	$ 13,633
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 322	¥ 687	$ 2,954
Others	379	438	3,477
Total	¥ 702	¥ 1,126	$ 6,440

Note:

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

24. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 235	¥ 230	$ 2,156
Dividend income			
Financial assets measured at fair value through other comprehensive income	96	86	881
Others	263	125	2,413
Total	¥ 595	¥ 442	$ 5,459
Financial expenses			
Interest expenses			
Lease liabilities	¥ 834		$ 7,651
Financial liabilities measured at amortized cost	51	¥ 70	468
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	137	319	1,257
Others	7		64
Total	¥ 1,031	¥ 390	$ 9,459

25. OTHER COMPREHENSIVE INCOME

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

Year Ended March 31, 2020

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at fair value through other comprehensive income	¥ (847)	¥	¥ (847)	¥ 258	¥ (588)
Remeasurements of defined benefit plans	31		31	(9)	21
Subtotal	(816)		(816)	249	(567)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(6,882)		(6,882)		(6,882)
Share of other comprehensive income of investments accounted for using the equity method	(0)		(0)		(0)
Subtotal	(6,883)		(6,883)		(6,883)
Total	¥ (7,699)	¥	¥ (7,699)	¥ 249	¥ (7,450)

Year Ended March 31, 2019

	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	¥ (545)	¥	¥ (545)	¥ 166	¥ (379)
Remeasurements of defined benefit plans	162		162	(49)	113
Subtotal	(382)		(382)	116	(266)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(3,000)		(3,000)		(3,000)
Share of other comprehensive income of investments accounted for using the equity method	2		2		2
Subtotal	(2,998)		(2,998)		(2,998)
Total	¥ (3,381)	¥	¥ (3,381)	¥ 116	¥ (3,264)

Year Ended March 31, 2020

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at fair value through other comprehensive income	$ (7,771)	$	$ (7,771)	$ 2,367	$ (5,394)
Remeasurements of defined benefit plans	284		284	(83)	193
Subtotal	(7,486)		(7,486)	2,284	(5,202)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(63,138)		(63,138)		(63,138)
Share of other comprehensive income of investments accounted for using the equity method	(0)		(0)		(0)
Subtotal	(63,147)		(63,147)		(63,147)
Total	$ (70,633)	$	$ (70,633)	$ 2,284	$ (68,349)

26. EARNINGS PER SHARE

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 34,883	¥ 41,224	$ 320,028
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	34,883	41,224	320,028
Average number of common stock shares during the period (Thousands of shares)	208,755	208,624	208,755
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	34,883	41,224	320,028
Profit adjustment			
Profit used in calculating diluted earnings per share	34,883	41,224	320,028
Average number of common stock shares during the period (Thousands of shares)	208,755	208,624	208,755
Effect of dilutive shares (Thousands of shares)	217	330	217
Average number of common stock shares after adjustment for dilution (Thousands of shares)	208,973	208,955	208,973
Summary of potential shares that were not included in the calculation of diluted earnings per share because they do not have a dilutive effect	Stock options approved in Board meeting on August 28, 2019 (91,890 shares)		

27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Change of liabilities in financing activities

Year Ended March 31, 2020

The change of liabilities in financing activities is as follows:

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

Note:

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

	Thousands of U.S. Dollars						
					Fluctuations not accompanying cash flows		
	April 1, 2019	Impact of changes in accounting policies (Note)	Beginning balance after reflecting the impact of changes in accounting policies	Fluctuations accompanying cash flows from financing activities	New leases	Others	March 31, 2020
Lease liabilities		$ 209,046	$ 209,046	$ (54,248)	$ 56,679	$ (3,798)	$ 207,670

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

Year Ended March 31, 2019

The main changes in liabilities arising from financing activities are those accompanying cash flows from financing activities, and changes without cash flows are not material.

(2) Non-cash transactions

Year Ended March 31, 2020

Non-cash transactions cosists of acquistion of right-of-use assets through the lease agreements in the amount of ¥6,063 million ($55,624 thousand).

Year Ended March 31, 2019

Non-cash transactions consists of the acquisition of non-current assets through new finance lease arrangements in the amount of ¥9 million ($81 thousand).

28. STOCK-BASED COMPENSATION

(1) Details of stock-based compensation

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

The details are as follows:

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

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

	2020		2019		2020	
	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	428	¥ 3,110	622	¥ 3,110	428	$ 28.53
Granted during period	935	7,295			935	66.93
Forfeited during period	(23)	6,078	(4)	3,110	(23)	55.76
Exercised during period	(112)	3,110	(190)	3,110	(112)	28.53
Outstanding at end of period	1,228	¥ 6,239	428	¥ 3,110	1,228	$ 57.23
Exercisable at end of period	310	¥ 3,110	428	¥ 3,110	310	$ 28.53

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2020 and 2019, was ¥7,299 ($66.96) and ¥8,399, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2020 and 2019, was ¥ 6,239 ($57.24) and ¥3,110, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2020 and 2019, was 5.9 years and 2.4 years, respectively.

(3) Stock-based compensation transactions

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

	Yen		U.S. Dollars
	2020	2019	2020
Weighted-average fair value on the grant date	¥ 1,994	¥	$ 18
Stock price on the grant date	7,295		67
Exercise price	7,295		67
Expected volatility (Note)	35.6%		35.6%
Expected remaining term	5.0 years		5.0 years
Expected dividend	0.9%		0.9%
Risk free rate	(0.3)%		(0.3)%

Note:

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

(4) Stock-based expenses

¥485 million ($4,450 thousand) of stock-based expneses was recognized in the year ended March 31, 2020. This expenses is included in "Cost of sales;" "Selling, general and administrative expenses;" and "Research and development expenses" in the consolidated statement of income.

29. FINANCIAL INSTRUMENTS

(1) Capital management

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

To this end, the Group periodically monitors its ROE (ratio of profit attributable to owners of the parent to average equity attributable to the owners of the parent) to gauge its capital efficiency and its equity ratio (ratio of equity attributable to the owners of the parent) for financial soundness. ROE for the years ended March 31, 2020 and 2019, was 12.9% and 16.3%, respectively, and the equity ratios for the years ended March 31, 2020 and 2019, were 71.3% and 76.3%, respectively. The equity ratio was calculated by dividing total equity attributable to the owners of the parent by total liabilities and equity.

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

The Group is not subject to any material capital restrictions.

(2) Financial risk management policy

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

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

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

(3) Credit risk management

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

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

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

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

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

(a) Unbiased, probability-weighted amounts derived by evaluating the probable results within a certain range;

(b) Time value of money;

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions, and future economic conditions.

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

Changes in the loss allowance are as follows:

	Millions of Yen			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss		
		Credit-impaired financial assets	Trade, contract assets, and lease receivables	Total
As of April 1, 2018	¥ 1	¥ 0	¥ 801	¥ 802
Provision made			426	426
Provision used			(92)	(92)
Provision reversed	(1)		(95)	(96)
Exchange differences on translation of foreign currency	(0)	0	(27)	(27)
As of March 31, 2019		0	1,012	1,013
Provision made		0	406	406
Provision used			(199)	(199)
Provision reversed			(87)	(87)
Exchange differences on translation of foreign currency		0	(54)	(54)
As of March 31, 2020	¥	¥ 0	¥ 1,077	¥ 1,078

	Thousands of U.S. Dollars			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss		
		Credit-impaired financial assets	Trade, contract assets, and lease receivables	Total
As of March 31, 2019	$	$ 0	$ 9,284	$ 9,294
Provision made		0	3,725	3,725
Provision used			(1,826)	(1,826)
Provision reversed			(798)	(798)
Exchange differences on translation of foreign currency		0	(495)	(495)
As of March 31, 2020	$	$ 0	$ 9,881	$ 9,890

Note:

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

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

	Millions of Yen			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss		
		Credit-impaired financial assets	Trade, contract assets, and lease receivables	Total
As of April 1, 2018	¥ 519	¥ 0	¥ 83,741	¥ 84,261
Cumulative effects of changes in accounting policies			344	344
Recognition and derecognition	104		14,404	14,508
Exchange differences on translation of foreign currency	(10)	0	(908)	(919)
As of March 31, 2019	613	0	97,581	98,194
Recognition and derecognition	247	2	6,924	7,174
Exchange differences on translation of foreign currency	(16)	(0)	(4,308)	(4,325)
As of March 31, 2020	¥ 844	¥ 2	¥ 100,196	¥ 101,043

	Thousands of U.S. Dollars			
	Financial assets with loss allowance measured at an amount equal to 12-month expected credit loss	Financial assets with loss allowance measured at an amount equal to lifetime expected credit loss		
		Credit-impaired financial assets	Trade, contract assets, and lease receivables	Total
As of March 31, 2019	$ 5,624	$ 0	$ 895,239	$ 900,862
Recognition and derecognition	2,266	18	63,523	65,817
Exchange differences on translation of foreign currency	(147)	(0)	(39,523)	(39,679)
As of March 31, 2020	$ 7,743	$ 18	$ 919,229	$ 927,000

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, 2020 and 2019.

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

As of March 31, 2020

	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	¥ 3,879	¥ 893	$ 35,587	$ 8,193
Financial assets other than the above	97,164	184	891,413	1,688
Total	¥ 101,043	¥ 1,078	$ 927,000	$ 9,890

As of March 31, 2019

	Millions of Yen	
	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,748	¥ 751
Financial assets other than the above	94,446	261
Total	¥ 98,194	¥ 1,013

(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, 2020

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

As of March 31, 2019

	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	¥ 29,778	¥ 29,778	¥ 29,778					
Lease obligations	384	423	219	¥ 150	¥ 27	¥ 25	¥ 0	¥
Deposits received	462	462	462					
Others	223	223		223				
Subtotal	30,849	30,888	30,460	373	27	25	0	
Derivative financial liabilities								
Forward exchange contracts	151	151	151					
Subtotal	151	151	151					
Total	¥ 31,000	¥ 31,040	¥ 30,611	¥ 373	¥ 27	¥ 25	¥ 0	¥

As of March 31, 2020

	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	$ 311,165	$ 311,165	$ 311,165					
Lease liabilities	207,670	228,064	59,193	$ 43,413	$ 31,431	$ 20,651	$ 17,890	$ 55,459
Deposits received	4,679	4,679	4,679					
Others	2,468	2,468	817	1,642				
Subtotal	525,991	546,376	375,862	45,055	31,431	20,651	17,890	55,459
Derivative financial liabilities								
Forward exchange contracts	385	385	385					
Subtotal	385	385	385					
Total	$ 526,376	$ 546,771	$ 376,248	$ 45,055	$ 31,431	$ 20,651	$ 17,890	$ 55,459

Average interest rates as of March 31, 2020, were 3.9% for lease liabilities and 0.0% for deposits received.

(5) Market risk management

1) Management of foreign currency exchange rate risk

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

(i) Exposure to foreign currency exchange rate risk

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

	2020	2019
Thousands of U.S. dollars	(30,216)	(40,745)
Thousands of euros	(616)	6,580
Thousands of yuan	1,158	708

(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	
	2020		2019		2020	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ 228	¥ 228	¥ 313	¥ 313	$ 2,092	$ 2,092
Euro (yen appreciates by 10%)	4	4	(56)	(56)	37	37
Yuan (yen appreciates by 10%)	(3)	(3)	(1)	(1)	(28)	(28)

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, 2020 and 2019 were ¥255 million ($2,339 thousand) and ¥342 million, respectively. This analysis assumes that all other factors are constant.

(6) Fair value of financial instruments

1) Fair value measurement method

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

(i) Trade and other receivables

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

(ii) Other financial assets

・Stocks

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

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

(iii) Derivative financial assets and derivative financial liabilities

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

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

2) Financial instruments measured at amortized cost

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

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Lease receivables	¥ 17,524	¥ 17,767	¥ 16,345	¥ 16,188	$ 160,771	$ 163,000
Total	17,524	17,767	16,345	16,188	160,771	163,000
Liabilities						
Others	269	269	223	223	2,468	2,468
Total	¥ 269	¥ 269	¥ 223	¥ 223	$ 2,468	$ 2,468

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, 2020

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

As of March 31, 2019

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 975	¥ 975
Financial assets measured at fair value through other comprehensive income	¥ 3,428		1,427	4,856
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 4		4
Others				
Financial assets measured at fair value through profit or loss	863	253	338	1,455
Total	¥ 4,292	¥ 257	¥ 2,742	¥ 7,292
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 151		¥ 151
Total		¥ 151		¥ 151

As of March 31, 2020

	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			$ 8,193	$ 8,193
Financial assets measured at fair value through other comprehensive income	$ 23,477		12,899	36,385
Derivative financial assets				
Financial assets measured at fair value through profit or loss		$ 1,624		1,624
Others				
Financial assets measured at fair value through profit or loss	6,835	193	4,633	11,679
Total	$ 30,321	$ 1,826	$ 25,734	$ 57,890
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		$ 385	$	$ 385
Total		$ 385	$	$ 385

Note:

Transfers between levels of the fair value hierarchy are recognized on the date on which the event occurred or the situation changed to necessitate the transfer. No transfers occurred for the years ended March 31, 2020 and 2019.

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
	2020	2019	2020
Beginning balance	¥ 2,742	¥ 2,761	$ 25,156
Total gains or losses recognized			
In profit or loss (Note 1)	(107)	(207)	(982)
In other comprehensive income (Note 2)	(9)	9	(83)
Purchase	210	315	1,927
Sales or settlement	(30)	(35)	(275)
Others	(0)	(100)	(0)
Ending balance	¥ 2,805	¥ 2,742	$ 25,734

Notes:

1. Total gains or losses recognized in profit or loss relate to financial assets measured at fair value through profit or loss, and are included in "Financial income" and "Financial expenses" in the consolidated statement of income.

2. Total gains or losses recognized in other comprehensive income relate to financial assets measured at fair value through other comprehensive income, and are included in "Net gain (loss) on financial assets measured at fair value through other comprehensive income" in the 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, 2020

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 1,172	$ 10,752
Noritz Corporation	553	5,073
Falco Holdings Co., Ltd.	169	1,550
Mitsubishi UFJ Financial Group, Inc.	143	1,312
BML, Inc.	116	1,064

As of March 31, 2019

Investment	Millions of Yen
TOA Corporation	¥ 1,626
Noritz Corporation	812
Mitsubishi UFJ Financial Group, Inc.	195
Falco Holdings Co., Ltd.	129
BML, Inc.	128

2) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments held at end of period	¥ 96	¥ 86	$ 881

30. BUSINESS COMBINATIONS

There were no business combinations for the years ended March 31, 2020 and 2019.

31. RELATED PARTIES

(1) Related party transactions

The Group engages in transactions with the following related parties:

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

As of March 31, 2020

			Transaction amount		Outstanding	
Type	Name	Nature of transaction with related parties	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Officer	Kaoru Asano	Exercise of stock options	¥ 11	$ 101	¥	$
Officer	Kenji Tachibana	Exercise of stock options	20	183		
Companies in which officers and their close relatives have a majority of voting rights	Vision Care	Revenues from commissioned business related to R&D	12	110		

As of March 31, 2019

Type	Name	Nature of transaction with related parties	Transaction amount (Millions of Yen)	Outstanding (Millions of Yen)
Officer	Hisashi Ietsugu	Exercise of stock options	¥ 62	¥
Officer	Yukio Nakajima	Exercise of stock options	31	
Officer	Kaoru Asano	Exercise of stock options	11	
Officer	Kazuya Obe	Exercise of stock options	11	
Officer	Mitsuru Watanabe	Exercise of stock options	11	

Notes:

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

(2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Short-term benefits	¥ 543	¥ 750	$ 4,982
Stock-based compensation	107		982
Total	¥ 650	¥ 750	$ 5,963

32. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Commitments to purchase of intangible assets and other assets	¥ 746	¥ 0	$ 6,844

33. CONTINGENT LIABILITIES

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

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

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

34. SUBSEQUENT EVENT

Filing of a lawsuit against the Company and its subsidiary.

On May 25, 2020, the Company confirmed that legal proceedings were filed against the Company and its subsidiary Sysmex America Inc. The outline of the lawsuit is as follows:

1) Court and date of filing

(i) Court: Dutch-speaking Enterprise Court of Brussels, Belgium

(ii) Date of the summons: April 6, 2020

2) Overview of the plaintiff

(i) Name: Uniface BV ("Uniface")

(ii) Registered Office: Amsterdam, Netherlands

3) Details of the claim

At this moment, Uniface petitions for the payment of a total of approximately 324 million euro from the Company and Sysmex America Inc. One of the main grounds for such claim is the alleged infringement of the Uniface's copyright as a consequence of the breach of contract by the Company and Sysmex America Inc.

4) Next steps

The Company and Sysmex America Inc. assert that we are in compliance with the contract and will defend against Uniface's allegations. At this time, it is difficult to predict the final court decision of this case.