Sysmex Corporation and Its Subsidiaries

Consolidated Financial Statements as of and for the Year Ended March 31, 2022 and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

Opinion

We have audited the consolidated financial statements of Sysmex Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 (7) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

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

Valuation of goodwill related to affiliated companies	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 11, "IMPAIRMENT OF NON-FINANCIAL ASSETS," the amount of goodwill reported in the consolidated financial statements as of March 31, 2022 was ¥13,010 million, and the amount related to the cash generating unit to which Sysmex Partec GmbH ("Sysmex Partec") belongs was ¥4,253 million. The Group tests impairment for goodwill at least once a year, and if any indications of impairment exist, impairment testing is performed each time such indications of impairment become apparent. In performing the goodwill impairment test, the recoverable amount is calculated based on the value in use of the cash generating unit and compared to its carrying value to evaluate whether impairment should be recognized. The value in use is the present value calculated by discounting estimated future cash flows based on the financial budget for one to five years, which is approved by management of the cash generating unit, and a growth rate. The financial budget used in the impairment test reflects the medium-term demand outlook for the products including those newly introduced and the results of business-related initiatives being undertaken. Therefore, it is necessary to estimate the timing of introduction of new products to the market, sales volume, price, and associated costs of these products. Additionally, the growth rate should take into account the long-term average growth rate for the country to which the cash generating unit belongs, and the discount rate should be calculated based on the weighted average cost of capital for the market or country to which the cash generating unit belongs. These estimates are largely affected by management's assumptions and judgments, and the estimates used in the impairment test of goodwill related to Sysmex Partec require particularly careful consideration due to the uncertainty of the timing of introduction of new products to the market and the market response and Sysmex Partec's past business performance given that new products are launched in Sysmex Partec's business. Taking these factors into consideration, we identified the valuation of goodwill related to Sysmex Partec as a key audit matter.	We performed the following procedures on the goodwill impairment test for the cash generating unit of Sysmex Partec: ● We obtained an understanding of the process over the goodwill impairment test, and evaluated the design and operating effectiveness of the controls. ● We tested the identification of the cash generating unit, to which the goodwill is allocated, considering its consistency with the organizational structures and internal reporting systems of the Group. ● We assessed the level of competence and capabilities of management's experts who calculated the discount rate, considering their expertise and experience. ● We tested the value in use based on the discounted present value of future cash flows by performing the following procedures: 1. For the financial budget that future cash flows are based on, we inspected the supporting documents and related evidences and made inquiries of the appropriate responsible persons to primarily determine whether the projections for the timing of introduction of products to the market, the breakdown of sales volume, price, and each associated cost of the forthcoming new products reflected the results of the market environment analysis and the activities to market the products, as well as the most recent facts available. 2. We evaluated whether assumptions used in the financial budget fell within a reasonable range by comparing the past financial budgets to the actual financial performance. 3. With the assistance of our valuation specialists, we evaluated the discount rate by testing whether the calculation method, factors, and assumptions used in the calculation of the discount rate were within the range of what is considered reasonable based on market conditions and observable data. 4. With the assistance of our valuation specialists, we evaluated the growth rate by testing whether it was within the range of what is considered reasonable based on market conditions and observable data. 5. We tested the reasonableness of the calculation logic used in the impairment test, including the calculation of the value in use.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 29, 2022

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2022

	Notes	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 2) 2022
Assets				
Current assets				
Cash and cash equivalents	6	¥ 73,752	¥ 66,467	$ 604,525
Trade and other receivables	7, 15, 29	118,697	100,641	972,926
Inventories	8	61,944	46,985	507,738
Other short-term financial assets	18, 29	1,498	1,105	12,279
Income taxes receivable		470	909	3,852
Other current assets	19, 21	18,728	14,723	153,508
Total current assets		275,092	230,833	2,254,852
Non-current assets				
Property, plant and equipment	9	98,525	96,140	807,582
Goodwill	10, 11	13,010	12,433	106,639
Intangible assets	10, 11	57,260	46,840	469,344
Investments accounted for using the equity method	12	986	1,093	8,082
Trade and other receivables	7, 15, 29	16,403	15,202	134,451
Other long-term financial assets	12, 18, 29	9,157	7,945	75,057
Asset for retirement benefits	17	841	923	6,893
Other non-current assets	2, 19	3,910	5,621	32,049
Deferred tax assets	2, 14	8,520	7,860	69,836
Total non-current assets		208,614	194,061	1,709,951
Total assets		¥ 483,707	¥ 424,895	$ 3,964,811

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position
As of March 31, 2022

	Notes	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 2) 2022
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 29	¥ 32,111	¥ 34,159	$ 263,205
Lease liabilities	15, 27, 29	6,439	5,783	52,779
Other short-term financial liabilities	18, 29	1,482	1,529	12,148
Income taxes payable		12,813	6,563	105,025
Provisions	16	1,234	1,002	10,115
Contract liabilities	21	12,852	12,168	105,344
Accrued expenses		17,498	14,227	143,426
Accrued bonuses		10,985	8,508	90,041
Other current liabilities	19	6,663	5,964	54,615
Total current liabilities		102,082	89,907	836,738
Non-current liabilities				
Lease liabilities	15, 27, 29	15,840	16,178	129,836
Other long-term financial liabilities	18, 29	30	108	246
Liability for retirement benefits	17	1,183	1,071	9,697
Provisions	16	366	265	3,000
Other non-current liabilities	19	8,537	4,060	69,975
Deferred tax liabilities	14	6,613	7,212	54,205
Total non-current liabilities		32,571	28,898	266,975
Total liabilities		134,654	118,806	1,103,721
Equity				
Equity attributable to owners of the parent				
Capital stock	20	14,112	13,229	115,672
Capital surplus	20	20,483	19,581	167,893
Retained earnings	2, 20	305,710	276,897	2,505,820
Treasury stock	20	(312)	(307)	(2,557)
Other components of equity	20	8,309	(4,082)	68,107
Total equity attributable to owners of the parent		348,303	305,318	2,854,943
Non-controlling interests		750	771	6,148
Total equity		349,053	306,089	2,861,090
Total liabilities and equity		¥ 483,707	¥ 424,895	$ 3,964,811

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Income
For the Year Ended March 31, 2022

	Notes	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 2) 2022
Net sales	5, 21	¥ 363,780	¥ 305,073	$ 2,981,803
Cost of sales	22	173,195	150,770	1,419,631
Gross profit		190,585	154,302	1,562,172
Selling, general and administrative expenses	2, 22	94,235	82,621	772,418
Research and development expenses	22	26,784	22,517	219,541
Other operating income	23	1,409	1,637	11,549
Other operating expenses	23	3,557	790	29,156
Operating profit		67,416	50,010	552,590
Financial income	24	550	420	4,508
Financial expenses	24	909	866	7,451
Share of loss on equity method	12	(3,561)	(3,083)	(29,189)
Foreign exchange gain (loss)		850	(230)	6,967
Profit before tax		64,346	46,251	527,426
Income tax expenses	14	20,274	14,385	166,180
Profit		¥ 44,071	¥ 31,865	$ 361,238
Profit attributable to				
Owners of the parent		¥ 44,093	¥ 31,905	$ 361,418
Non-controlling interests		(21)	(39)	(172)
Profit		¥ 44,071	¥ 31,865	$ 361,238

	Notes	Yen 2022	Yen 2021	U.S. Dollars 2022
Earnings per share				
Basic	2, 26	¥210.88	¥152.73	$1.73
Diluted	2, 26	210.49	152.47	1.73

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income
For the Year Ended March 31, 2022

	Notes	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 2) 2022
Profit		¥ 44,071	¥ 31,865	$ 361,238
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	(213)	608	(1,746)
Remeasurements of defined benefit plans	25	(66)	11	(541)
Total		(280)	620	(2,295)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	25	12,647	10,070	103,664
Share of other comprehensive income (loss) of investments accounted for using the equity method	12, 25	3	(25)	25
Total		12,650	10,045	103,689
Total other comprehensive income		12,370	10,665	101,393
Comprehensive income		¥ 56,442	¥ 42,531	$ 462,639
Comprehensive income attributable to				
Owners of the parent		¥ 56,463	¥ 42,570	$ 462,811
Non-controlling interests		(21)	(39)	(172)
Comprehensive income		¥ 56,442	¥ 42,531	$ 462,639

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity
For the Year Ended March 31, 2022

		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, 2020		¥ 12,877	¥ 18,487	¥261,321	¥ (306)	¥ (14,697)	¥277,683	¥ 663	¥278,347
Cumulative effect of accounting change	2			(1,342)			(1,342)		(1,342)
Restated balance		12,877	18,487	259,978	(306)	(14,697)	276,340	663	277,004
Profit				31,905			31,905	(39)	31,865
Other comprehensive income (loss)						10,665	10,665	(0)	10,665
Comprehensive income (loss)				31,905		10,665	42,570	(39)	42,531
Exercise of warrants	20, 28	352	197				549		549
Stock-based compensation	28		896				896		896
Cash dividends	20			(15,037)			(15,037)		(15,037)
Purchase of treasury stock	20				(1)		(1)		(1)
Disposal of treasury stock	20		0		0		0		0
Transfer to retained earnings	20			50		(50)			
Establishment of subsidiary with non-controlling interests								49	49
Change in non-controlling interests due to capital increase of subsidiary								98	98
Total transactions with the owners		352	1,093	(14,987)	(1)	(50)	(13,593)	147	(13,446)
As of March 31, 2021		13,229	19,581	276,897	(307)	(4,082)	305,318	771	306,089
Cumulative effect of accounting change									
Restated balance		13,229	19,581	276,897	(307)	(4,082)	305,318	771	306,089
Profit				44,093			44,093	(21)	44,071
Other comprehensive income (loss)						12,370	12,370	0	12,370
Comprehensive income (loss)				44,093		12,370	56,463	(21)	56,442
Exercise of warrants	20, 28	882	502				1,384		1,384
Stock-based compensation	28		399				399		399
Cash dividends	20			(15,258)			(15,258)		(15,258)
Purchase of treasury stock	20				(4)		(4)		(4)
Disposal of treasury stock	20								
Transfer to retained earnings	20			(21)		21			
Establishment of subsidiary with non-controlling interests									
Change in non-controlling interests due to capital increase of subsidiary									
Total transactions with the owners		882	901	(15,280)	(4)	21	(13,478)		(13,478)
As of March 31, 2022		¥ 14,112	¥ 20,483	¥305,710	¥ (312)	¥ 8,309	¥348,303	¥ 750	¥349,053

		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, 2021		$108,434	$160,500	$2,269,648	$ (2,516)	$ (33,459)	$2,502,607	$ 6,320	$2,508,926
Cumulative effect of accounting change									
Restated balance		108,434	160,500	2,269,648	(2,516)	(33,459)	2,502,607	6,320	2,508,926
Profit				361,418			361,418	(172)	361,238
Other comprehensive income (loss)						101,393	101,393	0	101,393
Comprehensive income (loss)				361,418		101,393	462,811	(172)	462,639
Exercise of warrants	20, 28	7,230	4,115				11,344		11,344
Stock-based compensation	28		3,270				3,270		3,270
Cash dividends	20			(125,066)			(125,066)		(125,066)
Purchase of treasury stock	20				(33)		(33)		(33)
Disposal of treasury stock	20								
Transfer to retained earnings	20			(172)		172			
Establishment of subsidiary with non-controlling interests									
Change in non-controlling interests due to capital increase of subsidiary									
Total transactions with the owners		7,230	7,385	(125,246)	(33)	172	(110,475)		(110,475)
As of March 31, 2022		$115,672	$167,893	$2,505,820	$ (2,557)	$ 68,107	$2,854,943	$ 6,148	$2,861,090

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2022

	Notes	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 2) 2022
Operating activities				
Profit before tax		¥ 64,346	¥ 46,251	$ 527,426
Depreciation and amortization		27,431	25,416	224,844
Interest and dividend income		(408)	(277)	(3,344)
Interest expenses		740	767	6,066
Share of loss on equity method		3,561	3,083	29,189
Loss on disposal of property, plant and equipment	2	2,245	384	18,402
(Increase) in trade receivables		(10,297)	(9,066)	(84,402)
Decrease (increase) in inventories		(12,495)	3,851	(102,418)
(Decrease) in trade payables		(5,055)	(834)	(41,434)
Increase in accrued expenses		2,044	1,055	16,754
Decrease/increase in consumption taxes receivable/payable		(2,417)	(56)	(19,811)
Increase (decrease) in contract liabilities		158	(314)	1,295
Increase in accrued bonuses		1,984	625	16,262
Other – net	2	2,011	(325)	16,484
Subtotal		73,850	70,561	605,328
Interest and dividend received		298	232	2,443
Interest paid		(704)	(748)	(5,770)
Income taxes paid		(14,705)	(13,172)	(120,533)
Net cash provided by operating activities		58,739	56,873	481,467
Investing activities				
Purchase of property, plant and equipment		(12,768)	(9,930)	(104,656)
Proceeds from sales of property, plant and equipment		545	439	4,467
Purchase of intangible assets		(19,266)	(15,863)	(157,918)
Increase in long-term prepaid expenses		(1,896)	(2,110)	(15,541)
Purchase of investments in equity instruments		(320)	(623)	(2,623)
Purchase of investments in debt instruments		(1,199)		(9,828)
Acquisitions of subsidiaries or other businesses			(343)	
Payments into time deposits		(640)	(2,058)	(5,246)
Refund of time deposits		755	1,438	6,189
Other – net		(260)	(139)	(2,131)
Net cash used in investing activities		(35,052)	(29,191)	(287,311)
Financing activities				
Exercise of warrants		1,384	549	11,344
Dividends paid	20	(15,258)	(15,037)	(125,066)
Repayment of lease liabilities	15, 27	(6,577)	(5,911)	(53,910)
Other – net		(90)	145	(738)
Net cash used in financing activities		(20,542)	(20,253)	(168,377)
Foreign currency translation adjustments on cash and cash equivalents		4,139	2,447	33,926
Net (decrease) increase in cash and cash equivalents		7,284	9,875	59,705
Cash and cash equivalents, beginning of year		66,467	56,592	544,811
Cash and cash equivalents, end of year		¥ 73,752	¥ 66,467	$ 604,525

See notes to consolidated financial statements.

Sysmex Corporation and Its Subsidiaries

Notes to Consolidated Financial Statements
As of and for the Year Ended March 31, 2022

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

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

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

The consolidated financial statements of the Company were approved by Hisashi Ietsugu, Chairman and CEO on June 24, 2022.

(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 had recorded other non-current assets for configuration or customization costs in cloud computing contracts until the previous fiscal year. Effective from the current fiscal year, the Group has changed its accounting policy to recognize the costs as an expense when the services are received, following the discussion leading to an agenda decision published by the IFRS Interpretations Committee in April 2021.

The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis.

As a result, "Other non-current assets" decreased by ¥3,716 million ($30,459 thousand), "Deferred tax assets" increased by ¥1,136 million ($9,311 thousand), and "Retained earnings" decreased by ¥2,579 million ($21,139 thousand) in the consolidated statement of financial position for the previous fiscal year, compared to the amounts before retrospective application. In the consolidated statement of income for the previous fiscal year, "Selling, general and administrative expenses" increased ¥1,781 million ($14,598 thousand), "Operating profit" and "Profit before tax" respectively decreased ¥1,781 million ($14,598 thousand), and "Profit" decreased ¥1,237 million ($10,139 thousand). "Basic earnings per share" and "Diluted earnings per share" for the previous consolidated fiscal year decreased by ¥5.92 ($0.05) and ¥5.91 ($0.05), respectively.

In the "Consolidated statement of changes in equity" for the previous fiscal year, "Retained earnings" at the beginning of the previous fiscal year decreased by ¥1,342 million ($11,000 thousand), reflecting the cumulative effect on the amount of net assets at the beginning of the previous fiscal year.

(6) Changes in presentation method

<Consolidated Statement of Cash Flows>

Due to the decreased financial significance of "Decrease (increase) in asset for retirement benefits," which were stated as an independent line item of operating activities in the preceding fiscal year, this amount was included in "Other - net" of operating activities from the fiscal year ended March 31, 2022. Due to the increased financial significance of "Loss on disposal of property, plant and equipment," which were included in "Other – net" of operating activities in the preceding fiscal year, this amount was stated as an independent line item from the fiscal year ended March 31, 2022. 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, ¥9 million ($74 thousand) that was presented in "Decrease (increase) in asset for retirement benefits" of operating activities in the consolidated statement of cash flows for the previous fiscal year was reclassified to "Other – net" of operating activities, and ¥384 million ($3,148 thousand) that was presented in "Other – net" of operating activities in the consolidated statement of cash flows for the previous fiscal year was reclassified to "Loss on disposal of property, plant and equipment" of operating activities, which resulted in ¥325 million ($2,664 thousand) that was presented in "Other – net" of operating activities.

(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 ¥122 to $1, the approximate rate of exchange at March 31, 2022. U.S. dollar amounts are rounded to the nearest thousand. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless stated otherwise, apply to all periods stated in the consolidated financial statements:

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity controlled by the Company. The Company controls an entity when it has exposure or rights to variable returns from its involvement in an entity and has the ability to use its power over an entity to affect such returns.

The financial statements of subsidiaries are included in the Company's consolidated financial statements from the date the Company obtains control to the date the Company loses control.

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

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

Changes in the ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions. If control over a subsidiary is lost, gains and losses arising from the loss of control are recognized in net profit or loss.

2) Associates and joint ventures

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

A joint venture is a joint arrangement between two or more parties that have joint control, whereby each party to the arrangement has a right to the net assets of the arrangement.

Investments in associates and joint ventures are initially recognized at cost at the time of acquisition and accounted for using the equity method from the date the Company obtains significant influence to the date the Company loses significant influence.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

2) Foreign operations

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

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

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

(iii) Derecognition

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

2) Impairment of financial assets

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

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

Amount equal to 12-month expected credit losses

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

Amount equal to lifetime expected credit losses

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

Expected credit losses are calculated in the following manner:

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

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

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

(ii) Assets other than (i) above

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

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

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

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

3) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

4) Derivatives and hedge accounting

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

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

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

5) Offsetting financial instruments

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

6) Fair value measurements

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

1) Recognition and measurement

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

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

2) Depreciation

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

The estimated useful lives are as follows:

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

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

(8) Goodwill and intangible assets

1) Goodwill

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

2) Intangible assets

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

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

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(ii) Its intention to complete the intangible asset and use or sell it.

(iii) Its ability to use or sell the intangible asset.

(iv) How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself, or if it is to be used internally, the usefulness of the intangible asset.

(v) The availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset.

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

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

The estimated useful lives are as follows:

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

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

(9) Impairment of non-financial assets

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

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

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

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

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

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

Impairment loss recognized for goodwill is not reversed.

(10) Leases

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

1) Lease as lessor

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

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

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

2) Lease as lessee

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

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

(11) Employee benefits

1) Post-employment benefits

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

(i) Defined benefit plans

Net defined benefit liabilities (assets) are calculated at the discounted present value of benefit obligations under such plans less the fair value of the plan assets. Any amount recorded as assets from this calculation is limited to the present value of any future economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans. Defined benefit plan obligations are calculated using the projected unit credit method as the discounted present value of the amount of estimated future benefits. The discount rate is determined by reference to market yields on high-quality corporate bonds as of the end of the reporting period, which reflect the estimated timing and amount of payment of the benefits.

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

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

Remeasurements of net defined benefit liabilities (assets), including actuarial gains and losses, are recognized in other comprehensive income and are immediately reclassified from other comprehensive income to retained earnings.

(ii) Defined contribution plans

The contributions under the defined contribution plans are recognized as expenses in the period in which the employee renders the related service.

(iii) Multi-employer plans

Although multi-employer plans in which the Company and certain of its subsidiaries have participated are defined benefit plans, sufficient information has not been available to use defined benefit accounting. Accordingly, the contribution amount is recognized as an expense similar to the contribution amounts under defined contribution plans.

2) Others

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

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

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

(12) Stock-based compensation

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

(13) Provisions

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

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

(14) Equity

1) Common stock

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

2) Treasury stock

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

(15) Revenues

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

1) Sales of instruments and reagents

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

2) Maintenance service

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

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

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

(16) Government grants

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

(17) Income tax expenses

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

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

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

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

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

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

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

(18) Earnings per share

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

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

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

(2) Segment profit and operating results

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

- Intersegment sales are determined based on market prices or costs of goods manufactured.
- As described in "2. BASIS OF PREPARATION," the Group has changed its accounting policy in the current fiscal year. The change in accounting policy has been applied retrospectively, with retroactive adjustments reflected in the previous consolidated fiscal year. As a result, segment profit in "Japan" decreased by ¥1,781 million ($14,598 thousand) and depreciation decreased by ¥158 million ($1,295 thousand) in the previous consolidated fiscal year, compared with the previous method.

Year ended March 31, 2022

(Unit: Millions of yen)

	Reportable segment							
	Japan	Americas	EMEA	China	Asia Pacific	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales								
Sales to external customers	¥ 59,743	¥ 78,964	¥ 102,411	¥ 93,295	¥ 29,364	¥ 363,780		¥ 363,780
Intersegment sales	129,455	662	4,442	56	5	134,623	¥ (134,623)	
Total	189,199	79,627	106,854	93,351	29,369	498,403	(134,623)	363,780
Segment profit	38,246	4,625	12,310	11,572	2,176	68,932	(1,515)	67,416
Financial income								550
Financial expenses								909
Share of loss on equity method								(3,561)
Foreign exchange loss								850
Profit before tax								64,346
Income tax expenses								20,274
Profit								44,071
Other information								
Depreciation and amortization (Note 3)	¥ 14,360	¥ 4,062	¥ 5,326	¥ 969	¥ 3,520	¥ 28,239	¥ (807)	¥ 27,431

Notes:

1. Segment profit adjustments of negative ¥1,515 million include negative ¥1,546 million for unrealized gains on inventories, and ¥30 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 ¥807 million are adjustments relating to intersegment transactions.
4. The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

Year ended March 31, 2021

(Unit: Millions of yen)

	Reportable segment							
	Japan	Americas	EMEA	China	Asia Pacific	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales								
Sales to external customers	¥ 52,672	¥ 61,501	¥ 82,854	¥ 83,735	¥ 24,309	¥ 305,073		¥ 305,073
Intersegment sales	109,313	460	3,994	0	5	113,775	¥ (113,775)	
Total	161,986	61,961	86,849	83,735	24,315	418,848	(113,775)	305,073
Segment profit	28,652	2,512	10,085	5,066	2,134	48,451	1,559	50,010
Financial income								420
Financial expenses								866
Share of loss on equity method								(3,083)
Foreign exchange loss								(230)
Profit before tax								46,251
Income tax expenses								14,385
Profit								31,865
Other information								
Depreciation and amortization (Note 3)	¥ 13,592	¥ 3,889	¥ 4,809	¥ 930	¥ 3,049	¥ 26,270	¥ (854)	¥ 25,416

Notes:

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

Year ended March 31, 2022

(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	$ 489,697	$ 647,246	$ 839,434	$ 764,713	$ 240,689	$ 2,981,803		$ 2,981,803
Intersegment sales	1,061,107	5,426	36,410	459	41	1,103,467	$ (1,103,467)	
Total	1,550,811	652,680	875,852	765,172	240,730	4,085,270	(1,103,467)	2,981,803
Segment profit	313,492	37,910	100,902	94,852	17,836	565,016	(12,418)	552,590
Financial income								4,508
Financial expenses								7,451
Share of loss on equity method								(29,189)
Foreign exchange loss								6,967
Profit before tax								527,426
Income tax expenses								166,180
Profit								361,238
Other information								
Depreciation and amortization (Note 3)	$ 117,705	$ 33,295	$ 43,656	$ 7,943	$ 28,852	$ 231,467	$ (6,615)	$ 224,844

Notes:

1. Segment profit adjustments of negative $12,418 thousand include negative $12,672 thousand for unrealized gains on inventories, and $246 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 $6,615 thousand are adjustments relating to intersegment transactions.
4. The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

(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
	2022	2021	2022
Instruments	¥ 86,795	¥ 84,676	$ 711,435
Reagents	216,167	170,304	1,771,861
Maintenance services	46,579	39,371	381,797
Others	14,238	10,719	116,707
Total	¥ 363,780	¥ 305,073	$ 2,981,806

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Japan	¥ 55,618	¥ 48,756	$ 455,885
United States of America	73,225	57,420	600,205
China	93,373	83,830	765,352
Others	141,562	115,065	1,160,344
Total	¥ 363,780	¥ 305,073	$ 2,981,803

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
	2022	2021	2022
Japan	¥ 107,037	¥ 99,678	$ 877,352
Germany	12,316	12,839	100,951
Others	53,351	48,518	437,303
Total	¥ 172,705	¥ 161,036	$ 1,415,615

The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

(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
	2022	2021	2022
Cash and cash equivalents	¥ 73,752	¥ 66,467	$ 604,525
Total	¥ 73,752	¥ 66,467	$ 604,525

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Notes and trade receivable	¥ 112,313	¥ 94,974	$ 920,598
Lease receivables	22,754	20,872	186,508
Accounts receivable – other	900	932	7,377
Loss allowance	(867)	(936)	(7,107)
Total	¥ 135,100	¥ 115,843	$ 1,107,377

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
	2022	2021	2022
Merchandise and finished goods	¥ 45,209	¥ 35,733	$ 370,566
Work in process	5,814	3,147	47,656
Raw materials and supplies	10,920	8,104	89,508
Total	¥ 61,944	¥ 46,985	$ 507,738

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2022 and 2021 were ¥116,235 million ($952,746 thousand) and ¥107,512 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2022 and 2021 were ¥441 million ($3,615 thousand) and ¥698 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, 2020	¥ 54,366	¥ 7,265	¥ 22,019	¥ 11,291	¥ 1,897	¥ 96,839
Acquisition	3,122	1,982	8,335	17	1,919	15,377
Additions by business combination		1	234			236
Depreciation	(6,717)	(2,143)	(7,724)	(31)		(16,617)
Sale or disposal	(296)	(154)	(392)	(131)	(155)	(1,130)
Exchange differences on translation of foreign currency	1,098	220	785	63	45	2,213
Transfer	482	98	693		(2,053)	(779)
As of March 31, 2021	52,056	7,270	23,952	11,208	1,653	96,140
Acquisition	4,137	1,861	11,815	25	2,835	20,675
Depreciation	(6,877)	(2,338)	(8,616)	(28)		(17,861)
Sale or disposal	(1,026)	(143)	(578)	(6)	(51)	(1,806)
Exchange differences on translation of foreign currency	1,416	321	1,263	85	91	3,177
Transfer	101	200	386		(2,489)	(1,801)
As of March 31, 2022	¥ 49,807	¥ 7,172	¥ 28,222	¥ 11,283	¥ 2,039	¥ 98,525

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2021	$ 426,689	$ 59,590	$ 196,328	$ 91,869	$ 13,549	$ 788,033
Acquisition	33,910	15,254	96,844	205	23,238	169,467
Depreciation	(56,369)	(19,164)	(70,623)	(230)		(146,402)
Sale or disposal	(8,410)	(1,172)	(4,738)	(49)	(418)	(14,803)
Exchange differences on translation of foreign currency	11,607	2,631	10,352	697	746	26,041
Transfer	828	1,639	3,164		(20,402)	(14,762)
As of March 31, 2022	$ 408,254	$ 58,787	$ 231,328	$ 92,484	$ 16,713	$ 807,582

Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥ 83,767	¥ 16,446	¥ 59,523	¥ 11,424	¥ 1,897	¥ 173,059
As of March 31, 2021	88,238	18,373	68,730	11,375	1,653	188,371
As of March 31, 2022	92,261	19,620	79,742	11,493	2,039	205,156

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2022	$ 756,238	$ 160,820	$ 653,623	$ 94,205	$ 16,713	$1,681,607

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, 2020	¥ (29,400)	¥ (9,180)	¥ (37,504)	¥ (133)		¥ (76,219)
As of March 31, 2021	(36,182)	(11,102)	(44,778)	(167)		(92,231)
As of March 31, 2022	(42,453)	(12,448)	(51,519)	(209)		(106,631)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2022	$ (347,975)	$ (102,033)	$ (422,287)	$ (1,713)	$	$ (874,025)

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

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

Carrying amount

	Millions of Yen
	Furniture and fixtures
As of April 1, 2020	¥ 11,751
Acquisition	5,713
Additions by business combination	227
Depreciation	(4,747)
Sale or disposal	(334)
Exchange differences on translation of foreign currency	694
Transfer	(144)
As of March 31, 2021	13,161
Acquisition	8,837
Depreciation	(5,241)
Sale or disposal	(443)
Exchange differences on translation of foreign currency	760
Transfer	(756)
As of March 31, 2022	¥ 16,317

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2021	$ 107,877
Acquisition	72,434
Depreciation	(42,959)
Sale or disposal	(3,631)
Exchange differences on translation of foreign currency	6,230
Transfer	(6,197)
As of March 31, 2022	$ 133,746

Acquisition cost

	Millions of Yen
	Furniture and fixtures
As of April 1, 2020	¥ 34,521
As of March 31, 2021	40,876
As of March 31, 2022	47,844

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2022	$ 392,164

Accumulated depreciation and accumulated impairment losses

	Millions of Yen
	Furniture and fixtures
As of April 1, 2020	¥ (22,769)
As of March 31, 2021	(27,714)
As of March 31, 2022	(31,527)

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2022	$ (258,418)

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, 2020	¥ 11,271	¥ 20,378	¥ 11,697	¥ 7,467	¥ 39,543
Acquisitions		12,339	2,541	320	15,200
Additions by business combination	120				
Amortization		(5,030)	(2,316)	(986)	(8,333)
Sale or disposal		(68)	(71)	(43)	(183)
Exchange differences on translation of foreign currency	1,042	144	3	465	612
As of March 31, 2021	12,433	27,762	11,854	7,223	46,840
Acquisitions		19,598	1,173	146	20,917
Amortization		(5,630)	(2,414)	(994)	(9,039)
Sale or disposal		(125)	(1,866)	(6)	(1,998)
Exchange differences on translation of foreign currency	576	237	0	301	539
As of March 31, 2022	¥ 13,010	¥ 41,843	¥ 8,747	¥ 6,669	¥ 57,260

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2021	$ 101,910	$ 227,557	$ 97,164	$ 59,205	$ 383,934
Acquisitions		160,639	9,615	1,197	171,451
Amortization		(46,148)	(19,787)	(8,148)	(74,090)
Sale or disposal		(1,025)	(15,295)	(49)	(16,377)
Exchange differences on translation of foreign currency	4,721	1,943	0	2,467	4,418
As of March 31, 2022	$ 106,639	$ 342,975	$ 71,697	$ 54,664	$ 469,344

Acquisition cost

	Millions of Yen				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of April 1, 2020	¥ 15,645	¥ 47,027	¥ 16,449	¥ 13,275	¥ 76,752
As of March 31, 2021	17,173	59,575	18,610	14,320	92,506
As of March 31, 2022	18,010	80,065	16,749	15,010	111,824

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2022	$ 147,623	$ 656,270	$ 137,287	$ 123,033	$ 916,590

Accumulated amortization and accumulated impairment losses

	Millions of Yen				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of April 1, 2020	¥ (4,374)	¥ (26,649)	¥ (4,751)	¥ (5,808)	¥ (37,208)
As of March 31, 2021	(4,739)	(31,813)	(6,756)	(7,097)	(45,666)
As of March 31, 2022	(5,000)	(38,221)	(8,001)	(8,340)	(54,564)

	Thousands of U.S. Dollars				
		Intangible assets			
	Goodwill	Software	Development expenses	Other	Total
As of March 31, 2022	$ (40,984)	$ (313,287)	$ (65,582)	$ (68,361)	$ (447,246)

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

Software includes internally developed software.

11. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount used in impairment testing of goodwill and intangible assets with indefinite useful lives is measured at value in use. The value in use is determined by discounting estimated future cash flows based on financial budgets of each cash-generating unit or a group of cash-generating units for one to five years, which are approved by management, and growth rates. The financial budget used in impairment testing involves uncertainty mainly in estimates of the phase of market introduction of new products, sales volume, price and associated costs. Growth rates are determined by taking into consideration the average long-term growth rate of the market or the country in which each cash-generating unit or group of cash-generating units operates (year ended March 31, 2022: 0.0% to 3.0%; year ended March 31, 2021: 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, 2022: 7.2% to 16.7%; year ended March 31, 2021: 9.3% to 14.7%).

The recoverable amount of Sysmex Partec exceeds its carrying amount by ¥1,053 million ($8,631 thousand) as of March 31, 2022. The growth rate used for the calculation of the recoverable amount is 3.0%, and the discount rate used for the calculation of the recoverable amount is 12.4%. However, impairment loss may arise if its growth rate decreases by 1.1% or its discount rate increases by 0.7%. The recoverable amount of Riken Genesis exceeds its carrying amount by ¥1,199 million ($9,828 thousand) as of March 31, 2022. 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 13.3%. However, impairment loss may arise if its growth rate decreases by 3.8% or its discount rate increases by 2.5%. 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, 2022.

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Sysmex Partec	¥ 4,253	¥ 4,038	$ 34,861
Oxford Gene Technology	4,755	4,499	38,975
Sysmex Korea	1,680	1,622	13,770
Riken Genesis	1,655	1,655	13,566
Others	664	618	5,443
Total	¥ 13,010	¥ 12,433	$ 106,639

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
	2022	2021	2022
Oxford Gene Technology	¥ 982	¥ 929	$ 8,049
Total	¥ 982	¥ 929	$ 8,049

12. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) Significant subsidiaries and associates

Significant subsidiaries and associates of the Company are as follows:

1) Subsidiaries

Company name	Segment	Location	Capital or investments	Line of business	Holding percentage of voting rights: Direct (%)	Holding percentage of voting rights: Indirect (%)	Holding percentage of voting rights: Total (%)	Relationships: Concurrent officers: Officers (person)	Relationships: Concurrent officers: Employees (person)	Relationships: Financial aid	Relationships: Transactions in operations	Relationships: Lease of facilities	Relationships: 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 SE	EMEA	Norderstedt, Germany	Thousand EUR 120	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

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

(2) Investments accounted for using the equity method

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

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

	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Carrying amount	¥ 986	¥ 1,117	$ 8,082

	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Comprehensive income			
Profit	¥ (125)	¥ (57)	$ (1,025)
Other comprehensive income	(6)	(31)	(49)
Total	¥ (131)	¥ (89)	$ (1,074)

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
	2022	2021	2022
Carrying amount	¥	¥	$

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Comprehensive income			
Profit	¥ (3,436)	¥ (3,025)	$ (28,164)
Other comprehensive income	10	6	82
Total	¥ (3,425)	¥ (3,018)	$ (28,074)

(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
	2022	2021	2022
Other long-term financial assets	¥ 1,515	¥ 1,480	$ 12,418

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Electronically recorded monetary obligations and note and trade payables	¥ 19,335	¥ 24,347	$ 158,484
Accounts payable – other	12,776	9,812	104,721
Total	¥ 32,111	¥ 34,159	$ 263,205

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
	2022	2021	2022
Deferred tax assets			
Loss allowance	¥ 217	¥ 240	$ 1,779
Inventories	1,112	555	9,115
Unrealized intercompany profits	4,128	3,423	33,836
Property, plant and equipment	188	197	1,541
Intangible assets	1,645	1,865	13,484
Accrued enterprise tax	323	247	2,648
Accrued expenses	2,197	1,798	18,008
Accrued bonuses	1,605	1,487	13,156
Accrued paid leave	698	640	5,721
Liability for retirement benefits	181	194	1,484
Tax loss carryforwards	88	15	721
Other	3,324	2,505	27,246
Total deferred tax assets	¥ 15,712	¥ 13,171	$ 128,787
Deferred tax liabilities			
Property, plant and equipment	632	565	5,180
Intangible assets	3,748	4,537	30,721
Financial assets measured at fair value through other comprehensive income	471	583	3,861
Assets for retirement benefits	257	282	2,107
Undistributed earnings of foreign subsidiaries	7,138	5,251	58,508
Other	1,557	1,304	12,762
Total deferred tax liabilities	¥ 13,806	¥ 12,523	$ 113,164
Net deferred tax assets (liabilities)	¥ 1,906	¥ 648	$ 15,623

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Beginning balance	¥ 648	¥ 889	$ 5,311
Cumulative effect of accounting change		591	
Restated balance	648	1,480	5,311
Deferred tax expense	768	(639)	6,295
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	111	(252)	910
Remeasurement of defined benefit liabilities (assets)	29	(4)	238
Exchange difference on translation of foreign currency	348	103	2,852
Decrease associated with business combination		(39)	
Ending balance	¥ 1,906	¥ 648	$ 15,623

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
	2022	2021	2022
Deductible temporary differences	¥ 1,183	¥ 946	$ 9,697
Tax loss carryforwards	18,034	16,150	147,820

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
	2022	2021	2022
Within one year		¥ 3	
Between one year and two years	¥ 245		$ 2,008
Between two and three years	758	409	6,213
Between three and four years	615	759	5,041
More than four years	16,414	14,977	134,541
Total	¥ 18,034	¥ 16,150	$ 147,820

(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
	2022	2021	2022
Current tax expense	¥ 21,043	¥ 13,746	$ 172,484
Deferred tax expense			
Occurrence and reversal of temporary differences	(1,021)	633	(8,369)
Reassessment of recoverability of deferred tax assets	252	6	2,066
Total	¥ 20,274	¥ 14,385	$ 166,180

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, 2022 and for the year ended March 31, 2021. 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:

	2022	2021
Effective tax rates	30.6%	30.6%
Expenses not deductible for income tax purposes	1.3	2.2
Tax credit for research and other	(3.6)	(4.0)
Reassessment of recoverability of deferred tax assets	0.4	0.0
Tax effect on undistributed earnings of foreign subsidiaries	2.9	1.9
Different tax rates applied to foreign subsidiaries	(2.5)	(1.9)
Share of loss on equity method	1.7	2.0
Other	0.7	0.3
Actual tax rates	31.5%	31.1%

The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

15. LEASES

(1) Lessor

1) Finance leases

The Group leases diagnostic instruments and others under finance leases.

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

Lease payments receivable relating to finance leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Not later than one year	¥ 6,656	¥ 5,934	$ 54,557
Later than one year and not later than two years	5,506	4,874	45,131
Later than two years and not later than three years	4,333	3,860	35,516
Later than three years and not later than four years	2,883	2,934	23,631
Later than four years and not later than five years	1,613	1,670	13,221
Later than five years	1,061	1,121	8,697
Undiscounted lease payments	¥ 22,056	¥ 20,396	$ 180,787
Unearned finance income	(1,275)	(1,302)	(10,451)
Present value of unguaranteed residual value	1,974	1,778	16,180
Net investment in the lease	¥ 22,754	¥ 20,872	$ 186,508

2) Operating leases

The Group leases diagnostic instruments and others under operating leases.

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Not later than one year	¥ 1,951	¥ 1,595	$ 15,992
Later than one year and not later than two years	1,002	799	8,213
Later than two years and not later than three years	836	584	6,852
Later than three years and not later than four years	703	460	5,762
Later than four years and not later than five years	641	400	5,254
Later than five years	74	93	607
Total	¥ 5,209	¥ 3,934	$ 42,697

Lease income from lease contracts in which the Group serves as a lessor for the year ended March 31, 2022 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Finance leases			
Selling profit or loss	¥ 1,326	¥ 1,192	$ 10,869
Finance income on the net investment in the lease	691	623	5,664
Income relating to variable lease payments not included in the measurement of the net investment in the lease			
Operating leases			
Lease income	5,471	4,834	44,844

In the lease income, ¥3,023 million ($24,779 thousand) of variable lease payments which do not depend on index or rate is included for the year ended March 31, 2022, ¥2,601 million for the year ended March 31, 2021, respectively.

(2) Lessee

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

Residual value guarantees, restrictions or covenants imposed by leases, leases not yet commenced to which the lessee is committed and sale and leaseback transactions were immaterial as of March 31, 2022.

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Depreciation and amortization charge for right-of-use assets			
Buildings and structures	¥ 4,072	¥ 3,952	$ 33,377
Machinery and vehicles	1,346	1,197	11,033
Furniture and fixtures	874	1,040	7,164
Land	28	31	230
Total	¥ 6,322	¥ 6,222	$ 51,820
Interest expense on lease liabilities	¥ 680	¥ 665	$ 5,574
Expenses relating to short-term leases	775	767	6,352
Expenses relating to leases of low-value assets	246	256	2,016
Expenses relating to variable lease payments (Note)	24	20	197
Income from subleasing right-of-use assets	1,189	1,022	9,746

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
	2022	2021	2022
Right-of-use assets			
Buildings and structures	¥ 14,817	¥ 15,762	$ 121,451
Machinery and vehicles	2,479	2,456	20,320
Furniture and fixtures	2,251	1,618	18,451
Land	239	224	1,959
Total	¥ 19,787	¥ 20,062	$ 162,189

Right-of-use assets increased by ¥5,950 million ($48,770 thousand) as of March 31, 2022, ¥4,844 million as of March 31, 2021, respectively.

Cash outflows for lease was ¥8,304 million ($68,066 thousand) as of March 31, 2022, ¥7,621 million as of March 31, 2021, respectively.

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

16. PROVISIONS

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

	Millions of Yen		
	Provisions for product warranties	Asset retirement obligations	Total
As of April 1, 2020	¥ 751	¥ 255	¥ 1,006
Provision made	684	1	685
Increase associated with passage of time		2	2
Provision used	(481)		(481)
Provision reversed		(0)	(0)
Effects of foreign currency exchange differences	49	5	55
As of March 31, 2021	1,002	265	1,267
Provision made	875	83	958
Increase associated with passage of time		1	1
Provision used	(728)		(728)
Provision reversed			
Effects of foreign currency exchange differences	85	16	101
As of March 31, 2022	¥ 1,234	¥ 366	¥ 1,601

	Thousands of U.S. Dollars		
	Provisions for product warranties	Asset retirement obligations	Total
As of March 31, 2021	$ 8,213	$ 2,172	$ 10,385
Provision made	7,172	680	7,852
Increase associated with passage of time		8	8
Provision used	(5,967)		(5,967)
Provision reversed			
Effects of foreign currency exchange differences	697	131	828
As of March 31, 2022	$ 10,115	$ 3,000	$ 13,123

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 and certain of its subsidiaries have cash balance plans 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	
	2022		2021		2022	
Present value of defined benefit obligation	¥	12,878	¥	9,635	$	105,557
Fair value of plan assets		15,729		12,312		128,926
Total	¥	(2,850)	¥	(2,677)	$	(23,361)
Effects of asset ceiling		3,192		2,825		26,164
Net liability arising from defined benefit plan	¥	341	¥	148	$	2,795
Amount in consolidated statement of financial position						
Liabilities	¥	1,183	¥	1,071	$	9,697
Assets		841		923		6,893

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	
	2022		2021		2022	
Defined benefit costs recognized in profit or loss						
Current service cost	¥	846	¥	793	$	6,934
Net interest expense		(4)		(4)		(33)
Subtotal		842		788		6,902
Defined benefit costs recognized in other comprehensive income						
Remeasurements						
Return on plan assets (excluding amounts included in net interest expense)		(244)		(1,464)		(2,000)
Actuarial gains and losses arising from changes in demographic assumptions		(9)		(29)		(74)
Actuarial gains and losses arising from changes in financial assumptions		(87)		(16)		(713)
Actuarial gains and losses arising from experience adjustments		84		61		689
Amount of changes in effects of asset ceiling		352		1,432		2,885
Subtotal		96		(16)		787
Total	¥	938	¥	772	$	7,689

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
	2022	2021	2022
Beginning balance	¥ 9,635	¥ 9,455	$ 78,975
Current service cost	846	793	6,934
Interest expense	50	39	410
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(9)	(29)	(74)
Actuarial gains and losses arising from changes in financial assumptions	(87)	(16)	(713)
Actuarial gains and losses arising from experience adjustments	84	61	689
Benefits paid	(355)	(728)	(2,910)
Effects of foreign currency exchange differences	233	59	1,910
Others	2,480		20,328
Ending balance	¥ 12,878	¥ 9,635	$ 105,557

The weighted-average durations of defined benefit obligations as of March 31, 2022 and 2021, were 10 years and 9 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
	2022	2021	2022
Beginning balance	¥ 12,312	¥ 10,814	$ 100,918
Interest income	68	49	557
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	244	1,464	2,000
Contributions from the employer	658	560	5,393
Benefits paid	(388)	(577)	(3,180)
Effects of foreign currency exchange differences	319		2,615
Others	2,514		20,607
Ending balance	¥ 15,729	¥ 12,312	$ 128,926

The Company and certain of its subsidiaries expect ¥739 million ($6,057 thousand) of the contribution to be paid to the defined benefit plan in the year ending March 31, 2023.

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
	2022	2021	2022
Beginning balance	¥ 2,825	¥ 1,386	$ 23,156
Limit on interest income	13	6	107
Remeasurement			
Changes in effects of asset ceiling	352	1,432	2,885
Ending balance	¥ 3,192	¥ 2,825	$ 26,164

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, 2022			March 31, 2021		
	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	¥ 3,694		¥ 3,694	¥ 3,525		¥ 3,525
Domestic equity	2,363		2,363	1,859		1,859
Foreign bonds	2,411		2,411	1,406		1,406
Foreign equity	2,841		2,841	1,941		1,941
Others	3,961	¥ 456	4,417	3,062	¥ 517	3,579
Total	¥ 15,272	¥ 456	¥ 15,729	¥ 11,794	¥ 517	¥ 12,312

	Thousands of U.S. Dollars		
	March 31, 2022		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	$ 30,279		$ 30,279
Domestic equity	19,369		19,369
Foreign bonds	19,762		19,762
Foreign equity	23,287		23,287
Others	32,467	$ 3,738	36,205
Total	$ 125,180	$ 3,738	$ 128,926

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2022	2021
Discount rate	0.6%	0.5%
Revaluation rate	0.9%	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	2022	2021	2022
Discount rate	Rise by 0.5%	¥ (558)	¥ (388)	$ (4,574)
	Decline by 0.5%	611	421	5,008
Revaluation rate	Rise by 0.5%	¥ 537	¥ 461	$ 4,402
	Decline by 0.5%	(474)	(425)	(3,885)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2022 and 2021 were ¥5,287 million ($43,336 thousand) and ¥4,343 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
	2022	2021	2022
Other short-term financial assets			
Bonds	¥ 261	¥ 192	$ 2,139
Derivative financial assets	20	10	164
Time deposits	872	902	7,148
Others	343	0	2,811
Total	¥ 1,498	¥ 1,105	$ 12,279
Other long-term financial assets			
Stocks, etc.	¥ 7,363	¥ 6,290	$ 60,352
Others	1,794	1,654	14,705
Total	¥ 9,157	¥ 7,945	$ 75,057

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
	2022	2021	2022
Other short-term financial liabilities			
Deposits received	¥ 536	¥ 524	$ 4,393
Derivative financial liabilities	934	724	7,656
Others	11	280	90
Total	¥ 1,482	¥ 1,529	$ 12,148
Long-term financial liabilities			
Others	¥ 30	¥ 108	$ 246
Total	¥ 30	¥ 108	$ 246

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

19. OTHER ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Other current assets			
Consumption taxes receivable	¥ 8,377	¥ 6,135	$ 68,664
Prepaid expenses	4,338	4,115	35,557
Advance payments	639	1,314	5,238
Accrued income	748	581	6,131
Contract assets	2,049	1,718	16,795
Others	2,575	858	21,107
Total	¥ 18,728	¥ 14,723	$ 153,508
Other non-current assets			
Long-term prepaid expenses	¥ 2,274	¥ 4,029	$ 18,639
Guarantee deposits	1,635	1,591	13,402
Total	¥ 3,910	¥ 5,621	$ 32,049

The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Other current liabilities			
Accrued short-term paid leave	¥ 3,128	¥ 2,923	$ 25,639
Accrued directors' bonuses	460	398	3,770
Others	3,073	2,642	25,189
Total	¥ 6,663	¥ 5,964	$ 54,615
Other non-current liabilities			
Accrued long-term paid leave	¥ 278	¥ 263	$ 2,279
Liabilities associated with equity-method	4,710	1,258	38,607
Others	3,548	2,538	29,082
Total	¥ 8,537	¥ 4,060	$ 69,975

Due to the increased financial significance, the amount of "Liabilities associated with equity-method" in "Other non-current liabilities" was stated as an independent line item from the fiscal year ended March 31, 2022. The amount for the previous fiscal year has been retroactively adjusted to conform with the current fiscal year's presentation.

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			
	2022		2021	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	209,443	598,688	209,266
Increase/decrease during the period		214		176
Ending balance	598,688	209,657	598,688	209,443

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 214 thousand shares in the number of issued shares in the year ended March 31, 2022, was due to the exercise of subscription rights to shares as stock options.
3. The increase of 176 thousand shares in the number of issued shares in the year ended March 31, 2021, was due to the exercise of subscription rights to shares as stock options.

(2) Treasury stocks

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

	Thousands of shares	
	2022	2021
Beginning balance	446	446
Increase/decrease during the period	0	0
Ending balance	447	446

Notes:

1. The increase of 0 thousand shares in the number of treasury stocks in the year ended March 31, 2022, was due to purchases of fractional shares less than one unit.
2. The increase/decrease in the number of treasury stocks in the year ended March 31, 2021 was due to purchases of 0 thousand shares and sales of 0 thousand shares of fractional shares less than one unit.

(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, 2020	¥ 732		¥ (15,429)	¥ (14,697)
Other comprehensive income	608	¥ 11	10,045	10,665
Reclassification into retained earnings	(39)	(11)		(50)
As of March 31, 2021	1,301		(5,384)	(4,082)
Other comprehensive income	(213)	(66)	12,650	12,370
Reclassification into retained earnings	(45)	66		21
As of March 31, 2022	¥ 1,043	¥	¥ 7,266	¥ 8,309

	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, 2021	$ 10,664		$ (44,131)	$ (33,459)
Other comprehensive income	(1,746)	$ (541)	103,689	101,393
Reclassification into retained earnings	(369)	541		172
As of March 31, 2022	$ 8,549	$	$ 59,557	$ 68,107

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2022

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 25, 2021	Common stock	¥7,523	¥36.00	$61,664	$0.30	March 31, 2021	June 28, 2021
Board of Directors' Meeting November 10, 2021	Common stock	¥7,734	¥37.00	$63,393	$0.30	September 30, 2021	December 6, 2021

Year Ended March 31, 2021

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

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

Year Ended March 31, 2022

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 24, 2022	Common stock	¥8,159	¥39.00	$66,877	$0.32	March 31, 2022	June 27, 2022

Year Ended March 31, 2021

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 25, 2021	Common stock	¥7,523	¥36.00	March 31, 2021	June 28, 2021

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, 2022

(Unit: Millions of yen)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	¥ 13,881	¥ 21,169	¥ 24,374	¥ 20,201	¥ 7,168	¥ 86,795
Reagents	35,950	36,303	61,191	62,959	19,763	216,167
Maintenance services	7,778	20,584	10,789	5,755	1,671	46,579
Others	2,133	907	6,055	4,379	761	14,238
Total	59,743	78,964	102,411	93,295	29,364	363,780
Revenues recognized from contracts with customers	59,454	75,419	95,934	93,201	27,298	351,307
Revenues recognized from other items (Note)	¥ 289	¥ 3,545	¥ 6,477	¥ 93	¥ 2,066	¥ 12,472

Note:

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

Year ended March 31, 2021

(Unit: Millions of yen)

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

Note:

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

Year ended March 31, 2022

(Unit: Thousands of U.S. Dollars)

	Reportable segment					
	Japan	Americas	EMEA	China	Asia Pacific	Total
Goods or services						
Instruments	$ 113,779	$ 173,516	$ 199,787	$ 165,582	$ 58,754	$ 711,434
Reagents	294,672	297,566	501,566	516,057	161,992	1,771,861
Maintenance services	63,754	168,721	88,434	47,172	13,697	381,795
Others	17,484	7,434	49,631	35,893	6,238	116,705
Total	489,697	647,246	839,434	764,713	240,689	2,981,803
Revenues recognized from contracts with customers	487,328	618,189	786,344	763,943	223,754	2,879,566
Revenues recognized from other items	$ 2,369	$ 29,057	$ 53,090	$ 762	$ 16,934	$ 102,230

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 transactions for selling the product with rights of return or any other similar rights are made.

2) Maintenance service

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

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

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

(2) Contract balances

As of March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Contract assets	¥ 2,049	¥ 1,718	$ 16,795
Contract liabilities	12,852	12,168	105,344

As of March 31, 2021

	Millions of Yen	
	2021	2020
Contract assets	¥ 1,718	¥ 1,465
Contract liabilities	12,168	12,001

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, ¥11,078 million ($90,803 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, 2022.

(3) Transaction price allocated to remaining performance obligation

The aggregated amount of transaction price allocated to remaining performance obligations unsatisfied as of March 31, 2022, 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
	2022	2021	2022
Within one year	¥ 11,953	¥ 9,757	$ 97,975
Longer than one year	18,647	16,090	152,844
Total	¥ 30,601	¥ 25,848	$ 250,828

(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, 2022. 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
	2022	2021	2022
Cost of materials	¥ 49,637	¥ 50,733	$ 406,861
Personnel expenses	92,881	81,041	761,320
Depreciation and amortization	27,431	25,416	224,844

The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

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
	2022	2021	2022
Other operating income			
Grants	¥ 461	¥ 387	$ 3,779
Gain on sales of property, plant and equipment	179	201	1,467
Others	768	1,049	6,295
Total	¥ 1,409	¥ 1,637	$ 11,549
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 2,175	¥ 440	$ 17,828
Others	1,382	349	11,328
Total	¥ 3,557	¥ 790	$ 29,156

Note:

Grants consist of government grants received for business activities conducted in special economic areas and subsidies to support equipment development for PCR testing. 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
	2022	2021	2022
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 282	¥ 192	$ 2,311
Dividend income			
Financial assets measured at fair value through other comprehensive income	101	84	828
Others	166	143	1,361
Total	¥ 550	¥ 420	$ 4,508
Financial expenses			
Interest expenses			
Lease liabilities	¥ 680	¥ 665	$ 5,574
Financial liabilities measured at amortized cost	56	98	459
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	126	90	1,033
Others	45	12	369
Total	¥ 909	¥ 866	$ 7,451

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, 2022

	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	¥ (324)	¥	¥ (324)	¥ 111	¥ (213)
Remeasurements of defined benefit plans	(96)		(96)	29	(66)
Subtotal	(420)		(420)	140	(280)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	12,647		12,647		12,647
Share of other comprehensive income of investments accounted for using the equity method	3		3		3
Subtotal	12,650		12,650		12,650
Total	¥ 12,230	¥	¥ 12,230	¥ 140	¥ 12,370

Year Ended March 31, 2021

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at fair value through other comprehensive income	¥ 861	¥	¥ 861	¥ (252)	¥ 608
Remeasurements of defined benefit plans	16		16	(4)	11
Subtotal	877		877	(257)	620
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	10,070		10,070		10,070
Share of other comprehensive income of investments accounted for using the equity method	(25)		(25)		(25)
Subtotal	10,045		10,045		10,045
Total	¥ 10,922	¥	¥ 10,922	¥ (257)	¥ 10,665

Year Ended March 31, 2022

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at fair value through other comprehensive income	$ (2,656)	$	$ (2,656)	$ 910	$ (1,746)
Remeasurements of defined benefit plans	(787)		(787)	238	(541)
Subtotal	(3,443)		(3,443)	1,148	(2,295)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	103,664		103,664		103,664
Share of other comprehensive income of investments accounted for using the equity method	25		25		25
Subtotal	103,689		103,689		103,689
Total	$ 100,246	$	$ 100,246	$ 1,148	$ 101,393

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
	2022	2021	2022
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 44,093	¥ 31,905	$ 361,418
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	44,093	31,905	361,418
Average number of common stock shares during the period (Thousands of shares)	209,091	208,905	209,091
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	44,093	31,905	361,418
Profit adjustment			
Profit used in calculating diluted earnings per share	44,093	31,905	361,418
Average number of common stock shares during the period (Thousands of shares)	209,091	208,905	209,091
Effect of dilutive shares (Thousands of shares)	383	347	383
Average number of common stock shares after adjustment for dilution (Thousands of shares)	209,474	209,253	209,474
Summary of potential shares that were not included in the calculation of diluted earnings per share because they do not have a dilutive effect			

The Group has changed the method to recognize the cost related to configuration or customization in cloud computing contracts as an expense when the service is received for the year ended March 31, 2022. Accordingly, the changes in the accounting policy have been applied retroactively, with retroactive adjustments reflected in the previous consolidated fiscal year.

27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Change of liabilities in financing activities

Year Ended March 31, 2022

The change of liabilities in financing activities is as follows:

	Millions of Yen				
			Fluctuations not accompanying cash flows		
	April 1, 2021	Fluctuations accompanying cash flows from financing activities	New leases	Others	March 31, 2022
Lease liabilities	¥ 21,962	¥ (6,577)	¥ 5,257	¥ 1,638	¥ 22,280

Note:

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

	Thousands of U.S. Dollars				
			Fluctuations not accompanying cash flows		
	April 1, 2021	Fluctuations accompanying cash flows from financing activities	New leases	Others	March 31, 2022
Lease liabilities	$ 180,016	$ (53,910)	$ 43,090	$ 13,426	$ 182,623

Year Ended March 31, 2021

The change of liabilities in financing activities is as follows:

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

Note:

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

(2) Non-cash transactions

Year Ended March 31, 2022

Non-cash transactions cosists of increase in right-of-use assets through the lease agreements in the amount of ¥5,950 million ($48,770 thousand).

Year Ended March 31, 2021

Non-cash transactions cosists of increase in right-of-use assets through the lease agreements in the amount of ¥4,844 million.

28. STOCK-BASED COMPENSATION

(1) Details of stock-based compensation

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

The details are as follows:

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

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

	2022		2021		2022	
	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (U.S. Dollars)
Outstanding at beginning of period	1,039	¥ 6,758	1,228	¥ 6,239	1,039	$ 55.39
Granted during period						
Forfeited during period	(104)	3,644	(13)	7,295	(104)	29.87
Exercised during period	(214)	6,466	(176)	3,110	(214)	53.00
Outstanding at end of period	720	¥ 7,295	1,039	¥ 6,758	720	$ 59.80
Exercisable at end of period	720	¥ 7,295	133	¥ 3,110	720	$ 59.80

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2022 and 2021, was ¥13,487 ($110,549) and ¥9,978, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2022 and 2021, was ¥7,295 ($59,795) and ¥6,758, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2022 and 2021, was 5.4 years and 5.7 years, respectively.

(3) Stock-based expenses

¥399 million ($3,270 thousand) of stock-based expneses was recognized in the year ended March 31, 2022, ¥896 million of stock-based expneses was recognized in the year ended March 31, 2021. 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, 2022 and 2021, was 13.5% and 10.9%, respectively, and the equity ratios for the years ended March 31, 2022 and 2021, were 72.0% and 71.9%, 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, 2020	¥	¥ 0	¥ 1,077	¥ 1,078
Provision made			463	463
Provision used		(0)	(197)	(198)
Provision reversed			(475)	(475)
Exchange differences on translation of foreign currency		0	68	68
As of March 31, 2021			936	936
Provision made			278	278
Provision used			(131)	(131)
Provision reversed			(247)	(247)
Exchange differences on translation of foreign currency			32	32
As of March 31, 2022	¥	¥	¥ 867	¥ 867

	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, 2021	$	$	$ 7,672	$ 7,672
Provision made			2,279	2,279
Provision used			(1,074)	(1,074)
Provision reversed			(2,025)	(2,025)
Exchange differences on translation of foreign currency			262	262
As of March 31, 2022	$	$	$ 7,107	$ 7,107

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, 2020	¥ 844	¥ 2	¥ 100,196	¥ 101,043
Recognition and derecognition	53	1	11,470	11,526
Exchange differences on translation of foreign currency	32	0	5,898	5,931
As of March 31, 2021	930	4	117,565	118,501
Recognition and derecognition	282	2	10,344	10,629
Exchange differences on translation of foreign currency	24	0	9,206	9,231
As of March 31, 2022	¥ 1,237	¥ 7	¥ 137,116	¥ 138,362

	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, 2021	$ 7,623	$ 33	$ 963,648	$ 971,320
Recognition and derecognition	2,311	16	84,787	87,123
Exchange differences on translation of foreign currency	197	0	75,459	75,664
As of March 31, 2022	$ 10,139	$ 57	$ 1,123,902	$ 1,134,115

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, 2022 and 2021.

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

As of March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars	
	Receivable	Loss allowance	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 2,884	¥ 750	$ 23,639	$ 6,148
Financial assets other than the above	135,477	116	1,110,467	951
Total	¥ 138,362	¥ 867	$ 1,134,115	$ 7,107

As of March 31, 2021

	Millions of Yen	
	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,180	¥ 806
Financial assets other than the above	115,320	129
Total	¥ 118,501	¥ 936

(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, 2022

	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	¥ 32,111	¥ 32,111	¥ 32,111					
Lease liabilities	22,280	24,300	7,465	¥ 5,229	¥ 3,922	¥ 2,788	¥ 1,586	¥ 3,308
Deposits received	536	536	536					
Others	41	41	11					30
Subtotal	54,969	56,990	40,124	5,229	3,922	2,788	1,586	3,338
Derivative financial liabilities								
Forward exchange contracts	934	934	934					
Subtotal	934	934	934					
Total	¥ 55,904	¥ 57,924	¥ 41,059	¥ 5,229	¥ 3,922	¥ 2,788	¥ 1,586	¥ 3,338

As of March 31, 2021

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

As of March 31, 2022

	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	$ 263,205	$ 263,205	$ 263,205					
Lease liabilities	182,623	199,180	61,189	$ 42,861	$ 32,148	$ 22,852	$ 13,000	$ 27,115
Deposits received	4,393	4,393	4,393					
Others	336	336	90					246
Subtotal	450,566	467,131	328,885	42,861	32,148	22,852	13,000	27,361
Derivative financial liabilities								
Forward exchange contracts	7,656	7,656	7,656					
Subtotal	7,656	7,656	7,656					
Total	$ 458,230	$ 474,787	$ 336,549	$ 42,861	$ 32,148	$ 22,852	$ 13,000	$ 27,361

Average interest rates as of March 31, 2022, were 4.2% for lease liabilities and 0.0% for deposits received.

(5) Market risk management

1) Management of foreign currency exchange rate risk

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

(i) Exposure to foreign currency exchange rate risk

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

	2022	2021
Thousands of U.S. dollars	(24,194)	(59,490)
Thousands of euros	(4,415)	(4,608)
Thousands of yuan	4,142	1,265

(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	
	2022		2021		2022	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ 204	¥ 204	¥ 457	¥ 457	$ 1,672	$ 1,672
Euro (yen appreciates by 10%)	41	41	40	40	336	336
Yuan (yen appreciates by 10%)	(6)	(6)	(4)	(4)	(49)	(49)

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, 2022 and 2021 were ¥272 million ($2,230 thousand) and ¥317 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	
	2022		2021		2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Lease receivables	¥ 22,754	¥ 21,710	¥ 20,872	¥ 21,016	$ 186,508	$ 177,951
Total	22,754	21,710	20,872	21,016	186,508	177,951
Liabilities						
Others	30	30	294	294	246	246
Total	¥ 30	¥ 30	¥ 294	¥ 294	$ 246	$ 246

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, 2022

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 2,715	¥ 2,715
Financial assets measured at fair value through other comprehensive income	¥ 2,727		1,920	4,647
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 20		20
Others				
Financial assets measured at fair value through profit or loss	1,044		756	1,801
Total	¥ 3,771	¥ 20	¥ 5,392	¥ 9,185
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 934		¥ 934
Total		¥ 934		¥ 934

As of March 31, 2021

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

As of March 31, 2022

	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			$ 22,254	$ 22,254
Financial assets measured at fair value through other comprehensive income	$ 22,352		15,738	38,090
Derivative financial assets				
Financial assets measured at fair value through profit or loss		$ 164		164
Others				
Financial assets measured at fair value through profit or loss	8,557		6,197	14,762
Total	$ 30,910	$ 164	$ 44,197	$ 75,287
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		$ 7,656		$ 7,656
Total		$ 7,656		$ 7,656

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, 2022 and 2021.

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
	2022	2021	2022
Beginning balance	¥ 3,798	¥ 2,805	$ 31,131
Total gains or losses recognized			
In profit or loss (Note 1)	70	117	574
In other comprehensive income (Note 2)	301	212	2,467
Purchase	1,417	662	11,615
Sales or settlement	(195)		(1,598)
Others			
Ending balance	¥ 5,392	¥ 3,798	$ 44,197

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, 2022

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 990	$ 8,115
Noritz Corporation	689	5,648
Mitsubishi UFJ Financial Group, Inc.	249	2,041
KAINOS Laboratories, Inc.	231	1,893
Falco Holdings Co., Ltd.	178	1,459

As of March 31, 2021

Investment	Millions of Yen
TOA Corporation	¥ 1,403
Noritz Corporation	829
Mitsubishi UFJ Financial Group, Inc.	210
Falco Holdings Co., Ltd.	167
BML, Inc.	153

2) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investments held at end of period	¥ 101	¥ 84	$ 828

30. BUSINESS COMBINATIONS

There were no business combinations for the years ended March 31, 2022 and 2021.

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, 2022

Type	Name	Nature of transaction with related parties	Transaction amount Millions of Yen	Transaction amount Thousands of U.S. Dollars	Outstanding Millions of Yen	Outstanding Thousands of U.S. Dollars
Officer	Kaoru Asano	Exercise of stock options	¥ 43	$ 352		
Officer	Kenji Tachibana	Exercise of stock options	27	221		
Officer	Tomokazu Yoshida	Exercise of stock options	11	90		
Companies in which officers and their close relatives have a majority of voting rights	Vision Care Inc.	Expenditures from commissioned business related to R&D	1	8	¥ 47	$ 385
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Underwriting of convertible bond			200	1,639

Notes:

1. The exercise price of stock options and other matters relating to stock options are as disclosed in "28. STOCK-BASED COMPENSATION."
2. Expenditures from commissioned business is determined in the same way as general transaction conditions.
3. The basic agreement is concluded for the underwriting of convertible bond which is determined rationally in consideration of market interest rates.

As of March 31, 2021

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

Notes:

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

(2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Short-term benefits	¥ 645	¥ 639	$ 5,287
Stock-based compensation	111	236	910
Total	¥ 756	¥ 875	$ 6,197

32. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Commitments to purchase of intangible assets and other assets	¥ 4,563	¥ 1,085	$ 37,402

33. CONTINGENT LIABILITIES

(1) Lawsuit

1. On October 16, 2017, our subsidiaries Sysmex Europe GmbH (Current Sysmex Europe SE, "SEU") 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, SEU 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, SEU and SDG filed a lawsuit against BC with the German Federal Patent Court for the invalidation of the European patent held by BC.

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

2. In April 2020, Uniface BV (Current Rocket Software B.V.,"Rocket Software") filed a lawsuit in the Brussels Business Court against the Company and its subsidiary, Sysmex America Inc. ("SAI"). Rocket Software claims that the Company and SAI are in breach of the Software License Agreement ("Agreement") and claims that Rocket Software's copyrights have been infringed upon by this breach of the Agreement. Rocket Software had requested payment of approximately €321 million in total.

On August 23, 2021, the court of first instance ruled that Rocket Software's claims were inadmissible. On November 8, 2021, Rocket Software, dissatisfied with this, filed an appeal of this proceedings against with the Brussels Court of Appeal. While proceeding with the lawsuit, Rocket Software and the Company have been in discussions toward a settlement, which has recently been reached. In addition, Rocket Software has completed the process of withdrawing the lawsuit in the court. The impact of the termination of the lawsuit based on the settlement on the consolidated financial statements is immaterial.

(2) Guarantee of obligations

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

Guarantor	Guarantee amount (Millions of Yen)	Guarantee amount (Thousands of U.S. Dollars)	Nature of Guarantee
Medicaroid Corporation	¥6,000	$49,180	Guarantee for working capital loans
Total	¥6,000	$49,180	

34. SUBSEQUENT EVENT

(1) Additional acquisition of shares of an equity-method affiliated company

The Company acquired additional shares of Astrego Diagnostics AB as an equity-method affiliated company.

1. Outline of the acquired company

Name:	Astrego Diagnostics AB
Lines of business:	Development of drug susceptibility testing products

2. Outline of the business combination

The Company acquired an additional stake in Astrego Diagnostics AB ("ADA"). As a result, ADA will become a wholly-owned subsidiary of the Company from the next fiscal year.

The purpose of the acquisition is to further strengthen the synergies with ADA for accelerate clinical implementation of drug susceptibility testing.

In addition, ADA changed its trade name to Sysmex Astrego AB due to the additional acquisition of shares.

3. Acquisition date

May 2, 2022

4. Acquisition price

Approximately €30 million

The deal includes a conditional consideration agreement, which may result in certain adjustments to the consideration for the acquisition.

5. Fair value of assets acquired and liabilities assumed as of the acquisition date

The fair values of the assets acquired and liabilities assumed as of the acquisition date are currently being calculated and have not yet been presented.

Also, the amount of goodwill to be incurred has not yet been determined because the allocation of the acquisition cost has not been completed.

(2) Underwriting capital increase of an equity-method affiliated company

The Company resolved to underwrite capital increase of Medicaroid Corporation, an equity-method affiliated company, at the Board meeting held on April 22, 2022 and completed payment as of April 28, 2022.

1. Purpose of the capital increase

The purpose is to strengthen the financial base so that Medicaroid Corporation can smoothly conduct its business.

2. Outline of the target company

Name:	Medicaroid Corporation
Business:	Marketing, development, design, manufacture, sales and service of medical robots
Holding percentage of voting rights:	Kawasaki Heavy Industries, Ltd. 50%, The Company 50%

There is no change in the holding percentage of voting rights due to this capital increase.

3. Outline of the capital increase

Amount of capital increase:	¥10,000 million ($81,967 thousand)
Underwriting amount of the company:	¥5,000 million ($40,984 thousand)
Capital after capital increase:	¥5,100 million ($41,803 thousand)
Payment date:	April 28, 2022