
Sysmex Corporation and Its Subsidiaries

*Consolidated Financial Statements as of and
for the Year Ended March 31, 2023
and Independent Auditor's Report*

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, 2023, 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, 2023, 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 (6) 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 (Sysmex Partec GmbH and Oxford Gene Technology IP Limited)

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 11, "IMPAIRMENT OF NON-FINANCIAL ASSETS," the amount of goodwill reported in the consolidated financial statements as of March 31, 2023 was ¥16,842 million (3.2% of total assets). The amount related to the cash-generating unit to which Sysmex Partec GmbH ("Sysmex Partec") belongs was ¥4,063 million and the amount related to the cash-generating unit to which Oxford Gene Technology IP Limited ("Oxford Gene Technology") belongs was ¥3,293 million.</p> <p>These subsidiaries were acquired for the purpose of expanding the new business domains and reinforcing the technology base for personalized medicine, and the amounts of goodwill include the expected excess earning power arising from future business development and synergy effect.</p> <p>However, impairment losses of ¥470 million and ¥1,600 million were respectively recognized related to these subsidiaries for the year ended March 31, 2023 because the recoverable amounts fell below the carrying amounts caused by the increase in the discount rates due to interest rate fluctuations and revision of financial budgets.</p> <p>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.</p> <p>The financial budget used in the impairment test reflects the medium-term demand outlook for the products including those newly introduced, the demand outlook in the countries and markets the Group newly enters into, and the results of business-related initiatives that are being undertaken. Therefore, it is necessary to estimate sales volume by product and by region, and associated costs. Additionally, the growth rate should consider 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.</p>	<p>We performed the following procedures on the goodwill impairment test for the cash-generating units of Sysmex Partec and Oxford Gene Technology:</p> <ul style="list-style-type: none"> ● 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 related 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: <ol style="list-style-type: none"> 1. For the financial budget that future cash flows are based on: <ul style="list-style-type: none"> - Sysmex Partec: We made inquiries of the appropriate responsible persons and inspected the supporting documents to determine whether the projections for the timing of introduction of products to the market in relevant regions, the breakdown of sales volume, price, and each associated cost reflected the results of the market environment analysis and the activities to market the products, as well as the most recent facts available. - Oxford Gene Technology: We made inquiries of the appropriate responsible persons and inspected the supporting documents to determine whether the sales projection by region and by product category of the main products was consistent with the business-related initiatives being undertaken and the results of the market environment analysis and reflected 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.

Valuation of goodwill related to affiliated companies (Sysmex Partec GmbH and Oxford Gene Technology IP Limited)	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The selection of such assumptions is largely affected by management's judgments. Particularly, there were uncertainties of the timing of introduction of the products to the market and the market response given the past business performance of Sysmex Partec's business, and there was an increase in the discount rate due to the interest rate fluctuation in the countries the cash-generating unit to which Oxford Gene Technology's business belongs and an increase in sensitivity of the financial budget to the impairment test. Considering these factors, we determined that the estimates used in the impairment test of goodwill related to these cash-generating units require careful consideration, and therefore, we identified the valuation of goodwill related to Sysmex Partec and Oxford Gene Technology as a key audit matter.</p>	<p>3. With the assistance of our valuation specialists, we evaluated the discount rate by testing whether the calculation method, indicators, 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.</p> <p>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.</p> <p>5. We tested the reasonableness of the calculation logic used in the impairment test, including the calculation of the value in use.</p>

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

July 11, 2023

Systemx Corporation and Its Subsidiaries

Consolidated Statement of Financial Position As of March 31, 2023

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2023	2022	2023
Assets				
Current assets				
Cash and cash equivalents	6	¥ 69,460	¥ 73,752	\$ 518,358
Trade and other receivables	7, 15, 29	126,319	118,697	942,679
Inventories	8	73,310	61,944	547,090
Other short-term financial assets	18, 29	875	1,498	6,530
Income taxes receivable		600	470	4,478
Other current assets	19, 21	24,924	18,728	186,000
Total current assets		295,491	275,092	2,205,157
Non-current assets				
Property, plant and equipment	9, 11	102,106	98,525	761,985
Goodwill	10, 11	16,842	13,010	125,687
Intangible assets	10, 11	73,530	57,260	548,731
Investments accounted for using the equity method	12	92	986	687
Trade and other receivables	7, 15, 29	17,895	16,403	133,545
Other long-term financial assets	12, 18, 29	9,777	9,157	72,963
Asset for retirement benefits	17	614	841	4,582
Other non-current assets	19	3,842	3,910	28,672
Deferred tax assets	14	10,880	8,520	81,194
Total non-current assets		235,583	208,614	1,758,082
Total assets		¥ 531,074	¥ 483,707	\$ 3,963,239

See notes to consolidated financial statements.

Systemex Corporation and Its Subsidiaries

Consolidated Statement of Financial Position As of March 31, 2023

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2023	2022	2023
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 29	¥ 31,678	¥ 32,111	\$ 236,403
Lease liabilities	15, 27, 29	7,149	6,439	53,351
Other short-term financial liabilities	18, 29	3,537	1,482	26,396
Income taxes payable		14,662	12,813	109,418
Provisions	16	1,123	1,234	8,381
Contract liabilities	21	14,469	12,852	107,978
Accrued expenses		18,772	17,498	140,090
Accrued bonuses		11,360	10,985	84,776
Other current liabilities	19	8,348	6,663	62,299
Total current liabilities		111,102	102,082	829,119
Non-current liabilities				
Lease liabilities	15, 27, 29	15,442	15,840	115,239
Other long-term financial liabilities	18, 29	305	30	2,276
Liability for retirement benefits	17	1,959	1,183	14,619
Provisions	16	398	366	2,970
Other non-current liabilities	19	7,059	8,537	52,679
Deferred tax liabilities	14	6,450	6,613	48,134
Total non-current liabilities		31,615	32,571	235,933
Total liabilities		142,718	134,654	1,065,060
Equity				
Equity attributable to owners of the parent				
Capital stock	20	14,282	14,112	106,582
Capital surplus	20	20,580	20,483	153,582
Retained earnings	20	334,192	305,710	2,493,970
Treasury stock	20	(314)	(312)	(2,343)
Other components of equity	20	18,925	8,309	141,231
Total equity attributable to owners of the parent		387,665	348,303	2,893,022
Non-controlling interests		690	750	5,149
Total equity		388,356	349,053	2,898,179
Total liabilities and equity		¥ 531,074	¥ 483,707	\$ 3,963,239

See notes to consolidated financial statements.

Systemx Corporation and Its Subsidiaries

Consolidated Statement of Income For the Year Ended March 31, 2023

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2023	2022	2023
Net sales	5, 21	¥ 410,502	¥ 363,780	\$ 3,063,448
Cost of sales	22	194,419	173,195	1,450,888
Gross profit		216,082	190,585	1,612,552
Selling, general and administrative expenses	22, 30	112,371	94,235	838,590
Research and development expenses	22	31,060	26,784	231,791
Impairment losses	11	2,368		17,672
Other operating income	23, 30	4,103	1,409	30,619
Other operating expenses	23	705	3,557	5,261
Operating profit		73,679	67,416	549,843
Financial income	24	863	550	6,440
Financial expenses	24	1,566	909	11,687
Share of loss on equity method	12	(2,923)	(3,561)	(21,813)
Foreign exchange gain (loss)		(1,339)	850	(9,993)
Profit before tax		68,713	64,346	512,784
Income tax expenses	14	22,988	20,274	171,552
Profit		¥ 45,725	¥ 44,071	\$ 341,231
Profit attributable to				
Owners of the parent		¥ 45,784	¥ 44,093	\$ 341,672
Non-controlling interests		(59)	(21)	(440)
Profit		¥ 45,725	¥ 44,071	\$ 341,231
		Yen		U.S. Dollars
Earnings per share				
Basic	26	¥ 218.83	¥ 210.88	\$ 1.63
Diluted	26	218.73	210.49	1.63

See notes to consolidated financial statements.

Systemx Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income For the Year Ended March 31, 2023

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2023	2022	2023
Profit		¥ 45,725	¥ 44,071	\$ 341,231
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	484	(213)	3,612
Remeasurements of defined benefit plans	25	(774)	(66)	(5,776)
Total		(289)	(280)	(2,157)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	25	10,117	12,647	75,500
Share of other comprehensive income of investments accounted for using the equity method	12, 25	12	3	90
Total		10,130	12,650	75,597
Total other comprehensive income		9,841	12,370	73,440
Comprehensive income		¥ 55,566	¥ 56,442	\$ 414,672
Comprehensive income attributable to				
Owners of the parent		¥ 55,625	¥ 56,463	\$ 415,112
Non-controlling interests		(59)	(21)	(440)
Comprehensive income		¥ 55,566	¥ 56,442	\$ 414,672

See notes to consolidated financial statements.

Systemx Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity For the Year Ended March 31, 2023

	Millions of Yen								
	Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2021		¥ 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)
Transfer to retained earnings	20			(21)		21			
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
Profit				45,784			45,784	(59)	45,725
Other comprehensive income (loss)						9,841	9,841	(0)	9,841
Comprehensive income (loss)				45,784		9,841	55,625	(59)	55,566
Exercise of warrants	20, 28	170	97				267		267
Stock-based compensation	28								
Cash dividends	20			(16,528)			(16,528)		(16,528)
Purchase of treasury stock	20				(1)		(1)		(1)
Transfer to retained earnings	20			(774)		774			
Total transactions with the owners		170	97	(17,302)	(1)	774	(16,263)		(16,263)
As of March 31, 2023		¥ 14,282	¥ 20,580	¥334,192	¥ (314)	¥ 18,925	¥387,665	¥ 690	¥388,356

	Thousands of U.S. Dollars (Note 2)								
	Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of March 31, 2022		\$105,313	\$152,858	\$2,281,418	\$ (2,328)	\$ 62,007	\$2,599,276	\$ 5,597	\$2,604,873
Profit				341,672			341,672	(440)	341,231
Other comprehensive income (loss)						73,440	73,440	(0)	73,440
Comprehensive income (loss)				341,672		73,440	415,112	(440)	414,672
Exercise of warrants	20, 28	1,269	724				1,993		1,993
Stock-based compensation	28								
Cash dividends	20			(123,343)			(123,343)		(123,343)
Purchase of treasury stock	20				(7)		(7)		(7)
Transfer to retained earnings	20			(5,776)		5,776			
Total transactions with the owners		1,269	724	(129,119)	(7)	5,776	(121,366)		(121,366)
As of March 31, 2023		\$106,582	\$153,582	\$2,493,970	\$ (2,343)	\$ 141,231	\$2,893,022	\$ 5,149	\$2,898,179

See notes to consolidated financial statements.

Systemex Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2023

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2023	2022	2023
Operating activities				
Profit before tax		¥ 68,713	¥ 64,346	\$ 512,784
Depreciation and amortization		31,807	27,431	237,366
Impairment loss	11	2,368		17,672
Interest and dividends income		(704)	(408)	(5,254)
Interest expenses		1,133	740	8,455
Share of loss on equity method		2,923	3,561	21,813
Loss on disposal of property, plant and equipment		265	2,245	1,978
(Increase) in trade receivables		(2,980)	(10,297)	(22,239)
Decrease (increase) in advance payments	2	(983)	832	(7,336)
(Increase) in inventories		(10,558)	(12,495)	(78,791)
(Decrease) in trade payables		(13)	(5,055)	(97)
Increase (decrease) in accounts payable – other	2	(713)	1,108	(5,321)
Increase in accrued expenses		747	2,044	5,575
Decrease/increase in consumption taxes receivable/payable		766	(2,417)	5,716
Increase in contract liabilities		1,450	158	10,821
Increase in accrued bonuses		125	1,984	933
Other – net	2	(920)	70	(6,866)
Subtotal		93,425	73,850	697,201
Interest and dividend received		676	298	5,045
Interest paid		(985)	(704)	(7,351)
Income taxes paid		(24,281)	(14,705)	(181,201)
Net cash provided by operating activities		68,835	58,739	513,694
Investing activities				
Purchase of property, plant and equipment		(17,485)	(12,768)	(130,485)
Proceeds from sales of property, plant and equipment		337	545	2,515
Purchase of intangible assets		(25,020)	(19,266)	(186,716)
Increase in long-term prepaid expenses		(646)	(1,896)	(4,821)
Purchase of investments in equity instruments		(5,189)	(320)	(38,724)
Purchase of investments in debt instruments			(1,199)	
Acquisitions of subsidiaries or other businesses	30	(2,984)		(22,269)
Payments into time deposits		(711)	(640)	(5,306)
Proceeds from withdrawal of time deposits		811	755	6,052
Other – net		(863)	(260)	(6,440)
Net cash used in investing activities		(51,751)	(35,052)	(386,201)
Financing activities				
Exercise of warrants		267	1,384	1,993
Dividends paid	20	(16,528)	(15,258)	(123,343)
Repayment of lease liabilities	15, 27	(7,959)	(6,577)	(59,396)
Other – net		(13)	(90)	(97)
Net cash used in financing activities		(24,234)	(20,542)	(180,851)
Foreign currency translation adjustments on cash and cash equivalents				
		2,858	4,139	21,328
Net (decrease) increase in cash and cash equivalents		(4,291)	7,284	(32,022)
Cash and cash equivalents, beginning of year		73,752	66,467	550,388
Cash and cash equivalents, end of year		¥ 69,460	¥ 73,752	\$ 518,358

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, 2023

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 Kaoru Asano, President on June 23, 2023.

(2) Basis for measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments etc. as stated in "3. SIGNIFICANT ACCOUNTING POLICIES," and "33. HYPERINFLATIONARY ACCOUNTING ADJUSTMENTS."

(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 presentation method

<Consolidated Statement of Cash Flows>

Due to the increased financial significance of "Decrease (increase) in advance payments" and "Increase (decrease) in accounts payable – other," whose amounts had been included in "Other - net" of operating activities in the fiscal year ended March 31, 2022, these amounts were stated as independent line items from the fiscal year ended March 31, 2023. 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, ¥2,011 million (\$15,007 thousand) that was presented in "Other – net" of operating activities in the consolidated statement of cash flows for the previous fiscal year was individually reclassified to "Decrease (increase) in advance payments," "Increase (decrease) in accounts payable – other" and "Other – net" of operating activities, which resulted in ¥832 million (\$6,209 thousand), ¥1,108 million (\$8,269 thousand) and ¥70 million (\$522 thousand), respectively.

(6) 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 ¥134 to \$1, the approximate rate of exchange at March 31, 2023. 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.

However, the revenues and expenses of the Group's subsidiaries in the hyperinflationary economy are translated into Japanese yen at the exchange rates prevailing at the fiscal year end date in accordance with the hyperinflationary accounting. For more information on hyperinflation accounting, please refer to "3. SIGNIFICANT ACCOUNTING POLICIES (4) Hyperinflationary accounting adjustments."

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

(4) Hyperinflationary accounting adjustments

In accordance with IAS 29, the Group's consolidated financial statements include the financial statements of the subsidiaries in the hyperinflationary economy, which are restated in terms of the measuring unit current at the end of the reporting period.

The Group's subsidiaries in the hyperinflationary economy have restated its non-monetary items held at historical cost, such as property, plant and equipment, by applying the conversion coefficients as of the acquisition date. Monetary items and non-monetary items held at current cost are not restated as they are considered to be expressed in terms of the measuring unit current at the end of the reporting period.

(5) 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.

(6) 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.

(7) 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.

(8) 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:	15 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.

(9) 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.

(10) 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.

(11) 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.

(12) Employee benefits

1) Post-employment benefits

The Group has defined benefit plans and defined contribution 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.

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.

(13) Stock-based compensation

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

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

In accordance with the temporary exception to IAS 12 as amended, no deferred tax assets or liabilities related to Pillar Two income taxes were recognized and no related information was disclosed.

(19) Earnings per share

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

The Group's reportable segments are the business units of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Managing Board to make decisions about resources to be allocated to the segment and assess its performance. The Group is primarily engaged in the manufacture and sale of diagnostic instruments and reagents. These businesses are conducted in Japan by the Company and in the Americas, EMEA, China, and the Asia Pacific by regional headquarters established therein. These companies formulate comprehensive strategies tailored to regional characteristics and conduct business activities accordingly. Regional headquarters and other domestic and overseas subsidiaries are independent management units that handle production and sales for each region.

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

(2) Segment profit and operating results

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

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

Year ended March 31, 2023

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	¥ 63,300	¥ 100,807	¥ 113,274	¥ 96,797	¥ 36,322	¥ 410,502		¥ 410,502
Intersegment sales	145,093	853	5,058	45	17	151,068	¥ (151,068)	
Total	208,393	101,661	118,332	96,843	36,340	561,570	(151,068)	410,502
Segment profit	51,344	4,064	8,392	9,968	3,456	77,227	(3,547)	73,679
Financial income								863
Financial expenses								1,566
Share of loss on equity method								(2,923)
Foreign exchange loss								(1,339)
Profit before tax								68,713
Income tax expenses								22,988
Profit								45,725
Other information								
Depreciation and amortization (Note 3)	16,342	¥ 5,267	5,871	¥ 1,019	¥ 4,137	32,637	¥ (830)	31,807
Impairment losses	¥ 126		¥ 2,242			¥ 2,368		¥ 2,368

Notes:

1. Segment profit adjustments of negative ¥3,547 million include negative ¥3,503 million for unrealized gains on inventories, and negative ¥42 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 ¥830 million are adjustments relating to intersegment transactions.

Year ended March 31, 2022

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
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.

Year ended March 31, 2023

(Unit: Thousands of U.S. dollars)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Japan	Americas	EMEA	China	Asia Pacific	Total		
Sales								
Sales to external customers	\$ 472,388	\$ 752,291	\$ 845,328	\$ 722,366	\$ 271,060	\$ 3,063,448		\$ 3,063,448
Intersegment sales	1,082,784	6,366	37,746	336	127	1,127,373	\$(1,127,373)	
Total	1,555,172	758,664	883,075	722,709	271,194	4,190,821	(1,127,373)	3,063,448
Segment profit	383,164	30,328	62,627	74,388	25,791	576,321	(26,470)	549,843
Financial income								6,440
Financial expenses								11,687
Share of loss on equity method								(21,813)
Foreign exchange loss								(9,993)
Profit before tax								512,784
Income tax expenses								171,552
Profit								341,231
Other information								
Depreciation and amortization (Note 3)	121,955	\$ 39,306	43,813	\$ 7,604	\$ 30,873	243,560	\$ (6,194)	237,366
Impairment losses	\$ 940		\$ 16,731			\$ 17,672		\$ 17,672

Notes:

1. Segment profit adjustments of negative \$26,470 thousand include negative \$26,142 thousand for unrealized gains on inventories, and negative \$313 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 \$6,194 thousand are adjustments relating to intersegment transactions.

(3) Information about products and services

Sales of all products and services of the Group to external customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Instruments	¥ 91,796	¥ 86,795	\$ 685,045
Reagents	247,535	216,167	1,847,276
Maintenance services	54,125	46,579	403,918
Others	17,044	14,238	127,194
Total	¥ 410,502	¥ 363,780	\$ 3,063,448

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Japan	¥ 59,832	¥ 55,618	\$ 446,507
United States of America	91,184	73,225	680,478
China	96,902	93,373	723,149
Others	162,582	141,562	1,213,299
Total	¥ 410,502	¥ 363,780	\$ 3,063,448

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
	2023	2022	2023
Japan	¥ 118,970	¥ 107,037	\$ 887,836
Germany	12,184	12,316	90,925
Others	65,162	53,351	486,284
Total	¥ 196,316	¥ 172,705	\$ 1,465,045

(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
	2023	2022	2023
Cash and cash equivalents	¥ 69,460	¥ 73,752	\$ 518,358
Total	¥ 69,460	¥ 73,752	\$ 518,358

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Notes and trade receivable	¥ 118,416	¥ 112,313	\$ 883,701
Lease receivables	25,319	22,754	188,948
Accounts receivable – other	1,397	900	10,425
Loss allowance	(918)	(867)	(6,851)
Total	¥ 144,215	¥ 135,100	\$ 1,076,231

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
	2023	2022	2023
Merchandise and finished goods	¥ 55,345	¥ 45,209	\$ 413,022
Work in process	3,872	5,814	28,896
Raw materials and supplies	14,092	10,920	105,164
Total	¥ 73,310	¥ 61,944	\$ 547,090

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2023 and 2022 were ¥125,847 million (\$939,157 thousand) and ¥116,235 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2023 and 2022 were ¥380 million (\$2,836 thousand) and ¥441 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, 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
Acquisition	5,198	1,856	13,000		4,628	24,683
Acquisition by business combination	1	59	10	0		72
Depreciation	(7,448)	(2,519)	(10,615)	(33)		(20,616)
Impairment losses	(0)	(119)	(175)		(0)	(296)
Sale or disposal	(466)	(35)	(1,102)	(0)	(9)	(1,614)
Exchange differences on translation of foreign currency	1,231	346	1,181	46	151	2,956
Transfer	255	228	1,866		(3,953)	(1,604)
As of March 31, 2023	¥ 48,579	¥ 6,988	¥ 32,387	¥ 11,296	¥ 2,854	¥ 102,106

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2022	\$ 371,694	\$ 53,522	\$ 210,612	\$ 84,201	\$ 15,216	\$ 735,261
Acquisition	38,791	13,851	97,015		34,537	184,201
Acquisition by business combination	7	440	75	0		537
Depreciation	(55,582)	(18,799)	(79,216)	(246)		(153,851)
Impairment losses	(0)	(888)	(1,306)		(0)	(2,209)
Sale or disposal	(3,478)	(261)	(8,224)	(0)	(67)	(12,045)
Exchange differences on translation of foreign currency	9,187	2,582	8,813	343	1,127	22,060
Transfer	1,903	1,701	13,925		(29,500)	(11,970)
As of March 31, 2023	\$ 362,530	\$ 52,149	\$ 241,694	\$ 84,299	\$ 21,299	\$ 761,985

Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 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
As of March 31, 2023	97,856	21,289	89,017	11,554	2,854	222,573

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2023	\$ 730,269	\$ 158,873	\$ 664,306	\$ 86,224	\$ 21,299	\$ 1,660,993

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, 2021	¥ (36,182)	¥ (11,102)	¥ (44,778)	¥ (167)		¥ (92,231)
As of March 31, 2022	(42,453)	(12,448)	(51,519)	(209)		(106,631)
As of March 31, 2023	(49,276)	(14,300)	(56,630)	(258)	¥ 0	(120,466)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2023	\$ (367,731)	\$ (106,716)	\$ (422,612)	\$ (1,925)	\$ 0	\$ (899,000)

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, 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
Acquisition	11,329
Depreciation	(6,584)
Sale or disposal	(890)
Exchange differences on translation of foreign currency	965
Transfer	(170)
As of March 31, 2023	¥ 20,966

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2022	\$ 121,769
Acquisition	84,545
Depreciation	(49,134)
Sale or disposal	(6,642)
Exchange differences on translation of foreign currency	7,201
Transfer	(1,269)
As of March 31, 2023	\$ 156,463

Acquisition cost

	Millions of Yen
	Furniture and fixtures
As of April 1, 2021	¥ 40,876
As of March 31, 2022	47,844
As of March 31, 2023	55,641

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2023	\$ 415,231

Accumulated depreciation and accumulated impairment losses

	Millions of Yen
	Furniture and fixtures
As of April 1, 2021	¥ (27,714)
As of March 31, 2022	(31,527)
As of March 31, 2023	(34,674)

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2023	\$ (258,761)

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		Total
expenses			Other		
As of April 1, 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
Acquisitions		23,395	656	219	24,272
Acquisitions by business combination	5,239	0	2,412	131	2,544
Amortization		(7,433)	(2,360)	(947)	(10,741)
Impairment losses	(2,070)	(0)		(1)	(2)
Sale or disposal		(191)		(3)	(195)
Exchange differences on translation of foreign currency	662	214	28	150	392
As of March 31, 2023	¥ 16,842	¥ 57,828	¥ 9,484	¥ 6,218	¥ 73,530

	Thousands of U.S. Dollars				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of March 31, 2022	\$ 97,090	\$ 312,261	\$ 65,276	\$ 49,769	\$ 427,313
Acquisitions		174,590	4,896	1,634	181,134
Acquisitions by business combination	39,097	0	18,000	978	18,985
Amortization		(55,470)	(17,612)	(7,067)	(80,157)
Impairment losses	(15,448)	(0)		(7)	(15)
Sale or disposal		(1,425)		(22)	(1,455)
Exchange differences on translation of foreign currency	4,940	1,597	209	1,119	2,925
As of March 31, 2023	\$ 125,687	\$ 431,552	\$ 70,776	\$ 46,403	\$ 548,731

Acquisition cost

	Millions of Yen				
	Intangible assets				
	Goodwill	Software	Development		Total
expenses			Other		
As of April 1, 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
As of March 31, 2023	24,247	102,453	18,942	15,678	137,075

	Thousands of U.S. Dollars				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of March 31, 2023	\$ 180,948	\$ 764,575	\$ 141,358	\$ 117,000	\$ 1,022,948

Accumulated amortization and accumulated impairment losses

	Millions of Yen				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of April 1, 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)
As of March 31, 2023	(7,404)	(44,625)	(9,458)	(9,460)	(63,544)

	Thousands of U.S. Dollars				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of March 31, 2023	\$ (55,254)	\$ (333,022)	\$ (70,582)	\$ (70,597)	\$ (474,209)

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

Software includes internally developed software.

11. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment losses

The Group recognizes an impairment loss when the recoverable amount falls below the carrying amount. For a breakdown of impairment losses by reportable segment, please refer to "5. SEGMENT INFORMATION."

Impairment loss by assets are as follows:

	Millions of Yen		Thousands of
	2023	2022	U.S. Dollars
			2023
Property, plant and equipment	¥ 296	¥	\$ 2,209
Intangible assets	2		15
Goodwill	2,070		15,448
Total	¥ 2,368	¥	\$ 17,672

The Group recognized an impairment loss of ¥2,368 million (\$17,672 thousand) for the year ended March 31, 2023. The carrying amounts of a cash-generating unit or group of cash-generating units, including goodwill, have been reduced to the recoverable amounts calculated by the value in use. The details are as follows.

For goodwill arising from the business combination of Oxford Gene Technology in the EMEA segment, an impairment loss of ¥1,600 million (\$11,940 thousand) was recognized because the recoverable amount fell below the carrying amount caused by the increase in the discount rate due to interest rate fluctuations and revision of financial budget. The discount rate is calculated as 16.2% (year ended March 31, 2022: 12.9%) based on the before-tax weighted-average capital cost.

For goodwill arising from the business combination of Sysmex Partec in the EMEA segment, an impairment loss of ¥470 million (\$3,507 thousand) was recognized because the recoverable amount fell below the carrying amount caused by the increase in the discount rate due to interest rate fluctuations and revision of financial budget. The discount rate is calculated as 15.3% (year ended March 31, 2022: 12.4%) based on the before-tax weighted-average capital cost.

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

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

The recoverable amount used in impairment testing of goodwill and intangible assets with indefinite useful lives is measured at the 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 budgets used for impairment testing are subject to uncertainty because they include assumptions such as the timing of new product launches, demand forecasts for new countries and markets, the effects of business-related initiatives which are underway, and sales forecasts and related cost estimates for each product and region based on these assumptions. These estimates are based on historical data as well as external information, such as future market forecasts. 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, 2023: 0.0% to 3.0%; year ended March 31, 2022: 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, 2023: 8.4% to 16.3%; year ended March 31, 2022: 7.2% to 16.7%).

The recoverable amount of Sysmex Astrego exceeds its carrying amount by ¥171 million (\$1,276 thousand) as of March 31, 2023. The growth rate used for the calculation of the recoverable amount is 2.0%, and the discount rate used for the calculation of the recoverable amount is 15.6%. However, impairment loss may arise if its growth rate decreases by 0.2% or its discount rate increases by 0.2%. The recoverable amount of Riken Genesis exceeds its carrying amount by ¥4,441 million (\$33,142 thousand) as of March 31, 2023. The growth rate used for the calculation of the recoverable amount is 3.0% and the discount rate used for the calculation of the recoverable amount is 11.3%. However, impairment loss may arise if its growth rate decreases by 13.8% or its discount rate increases by 6.7%. For other cash-generating units or groups of cash-generating units, even if a reasonably possible change in a key assumption happened, it is unlikely that the recoverable amount would fall below the carrying amount of each cash-generating unit or group of cash-generating units as of March 31, 2023.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Systemex Astrego	¥ 5,438		\$ 40,582
Systemex Partec	4,063	¥ 4,253	30,321
Oxford Gene Technology	3,293	4,755	24,575
Systemex Korea	1,710	1,680	12,761
Riken Genesis	1,655	1,655	12,351
Others	679	664	5,067
Total	¥ 16,842	¥ 13,010	\$ 125,687

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
	2023	2022	2023
Oxford Gene Technology	¥ 1,011	¥ 982	\$ 7,545
Total	¥ 1,011	¥ 982	\$ 7,545

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			Relationships					
					Direct (%)	Indirect (%)	Total (%)	Concurrent officers		Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
								Officers (person)	Employees (person)				
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	3		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				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				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				Sales of in-house products		
Sysmex Suisse AG	EMEA	Zurich, Switzerland	Thousand CHF 50	Sales of in vitro diagnostic instruments and reagents		100	100				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		

67 other subsidiaries

2) Associates

Company name	Segment	Location	Capital or investments	Line of business	Holding percentage of voting rights			Relationships					
					Direct (%)	Indirect (%)	Total (%)	Concurrent officers		Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
								Officers (person)	Employees (person)				
Medicaroid Corporation	Japan	Chuo-ku, Kobe	Million JPY 5,100	Marketing, development, manufacture, sales and service of medical robots	50		50	2	2		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				Thousands of U.S. Dollars
	2023		2022		2023
	¥		¥		\$
Carrying amount				986	
	Millions of Yen				Thousands of U.S. Dollars
	2023		2022		2023
Comprehensive income					
Profit	¥	(69)	¥	(125)	\$ (515)
Other comprehensive income		(0)		(6)	(0)
Total	¥	(69)	¥	(131)	\$ (515)

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
	2023	2022	2023
Carrying amount	¥ 92	¥	\$ 687

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Comprehensive income			
Profit	¥ (2,853)	¥ (3,436)	\$ (21,291)
Other comprehensive income	12	10	90
Total	¥ (2,841)	¥ (3,425)	\$ (21,201)

(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 regarding 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
	2023	2022	2023
Other long-term financial assets	¥ 1,561	¥ 1,515	\$ 11,649

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Electronically recorded monetary obligations and note and trade payables	¥ 19,885	¥ 19,335	\$ 148,396
Accounts payable – other	11,793	12,776	88,007
Total	¥ 31,678	¥ 32,111	\$ 236,403

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
	2023	2022	2023
Deferred tax assets			
Loss allowance	¥ 502	¥ 217	\$ 3,746
Inventories	1,257	1,112	9,381
Unrealized intercompany profits	5,703	4,128	42,560
Property, plant and equipment	165	188	1,231
Intangible assets	1,683	1,645	12,560
Accrued enterprise tax	402	323	3,000
Accrued expenses	3,721	2,197	27,769
Accrued bonuses	1,724	1,605	12,866
Accrued paid leave	752	698	5,612
Liability for retirement benefits	473	181	3,530
Tax loss carryforwards	373	88	2,784
Other	2,692	3,324	20,090
Total deferred tax assets	¥ 19,452	¥ 15,712	\$ 145,164
Deferred tax liabilities			
Property, plant and equipment	734	632	5,478
Intangible assets	3,514	3,748	26,224
Financial assets measured at fair value through other comprehensive income	688	471	5,134
Assets for retirement benefits	188	257	1,403
Undistributed earnings of foreign subsidiaries	8,001	7,138	59,709
Other	1,895	1,557	14,142
Total deferred tax liabilities	¥ 15,022	¥ 13,806	\$ 112,104
Net deferred tax assets (liabilities)	¥ 4,429	¥ 1,906	\$ 33,052

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	¥ 1,906	¥ 648	\$ 14,224
Deferred tax expense	2,748	768	20,507
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	(216)	111	(1,612)
Remeasurement of defined benefit liabilities (assets)	341	29	2,545
Exchange difference on translation of foreign currency	(351)	348	(2,619)
Increase due to business combinations	1		7
Ending balance	¥ 4,429	¥ 1,906	\$ 33,052

- 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
	2023	2022	2023
Deductible temporary differences	¥ 1,311	¥ 1,183	\$ 9,784
Tax loss carryforwards	21,634	18,034	161,448

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
	2023	2022	2023
Within one year	¥ 224		\$ 1,672
Between one year and two years	758	¥ 245	5,657
Between two and three years	620	758	4,627
Between three and four years	469	615	3,500
More than four years	19,562	16,414	145,985
Total	¥ 21,634	¥ 18,034	\$ 161,448

(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
	2023	2022	2023
Current tax expense	¥ 25,736	¥ 21,043	\$ 192,060
Deferred tax expense			
Occurrence and reversal of temporary differences	(3,577)	(1,021)	(26,694)
Reassessment of recoverability of deferred tax assets	828	252	6,179
Total	¥ 22,988	¥ 20,274	\$ 171,552

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 years ended March 31, 2023 and 2022. 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:

	2023	2022
Effective tax rates	30.6%	30.6%
Expenses not deductible for income tax purposes	0.7	1.3
Tax credit for research and other	(2.3)	(3.6)
Reassessment of recoverability of deferred tax assets	1.2	0.4
Tax effect on undistributed earnings of foreign subsidiaries	1.3	2.9
Different tax rates applied to foreign subsidiaries	(1.5)	(2.5)
Share of loss on equity method	1.3	1.7
Impairment losses of goodwill	0.9	
Other	1.3	0.7
Actual tax rates	33.5%	31.5%

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
	2023	2022	2023
Not later than one year	¥ 7,825	¥ 6,656	\$ 58,396
Later than one year and not later than two years	6,180	5,506	46,119
Later than two years and not later than three years	4,484	4,333	33,463
Later than three years and not later than four years	2,988	2,883	22,299
Later than four years and not later than five years	1,724	1,613	12,866
Later than five years	1,331	1,061	9,933
Undiscounted lease payments	¥ 24,534	¥ 22,056	\$ 183,090
Unearned finance income	(1,501)	(1,275)	(11,201)
Present value of unguaranteed residual value	2,286	1,974	17,060
Net investment in the lease	¥ 25,319	¥ 22,754	\$ 188,948

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
	2023	2022	2023
Not later than one year	¥ 3,504	¥ 1,951	\$ 26,149
Later than one year and not later than two years	1,195	1,002	8,918
Later than two years and not later than three years	706	836	5,269
Later than three years and not later than four years	348	703	2,597
Later than four years and not later than five years	154	641	1,149
Later than five years	241	74	1,799
Total	¥ 6,150	¥ 5,209	\$ 45,896

Lease income from lease contracts in which the Group serves as a lessor is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finance leases			
Selling profit or loss	¥ 2,031	¥ 1,326	\$ 15,157
Finance income on the net investment in the lease	778	691	5,806
Operating leases			
Lease income	¥ 6,973	¥ 5,471	\$ 52,037

In the lease income, ¥3,921 million (\$29,261 thousand) of variable lease payments which do not depend on index or rate is included for the year ended March 31, 2023, ¥3,023 million for the year ended March 31, 2022, 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 depend 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, 2023.

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

	Millions of Yen		Thousands of
	2023	2022	U.S. Dollars
			2023
Depreciation and amortization charge for right-of-use assets			
Buildings and structures	¥ 4,637	¥ 4,072	\$ 34,604
Machinery and vehicles	1,445	1,346	10,784
Furniture and fixtures	1,220	874	9,104
Land	33	28	246
Total	¥ 7,337	¥ 6,322	\$ 54,754
Interest expense on lease liabilities	¥ 943	¥ 680	\$ 7,037
Expenses relating to short-term leases	648	775	4,836
Expenses relating to leases of low-value assets	289	246	2,157
Expenses relating to variable lease payments (Note)	26	24	194
Income from subleasing right-of-use assets	¥ 1,405	¥ 1,189	\$ 10,485

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
	2023	2022	U.S. Dollars
			2023
Right-of-use assets			
Buildings and structures	¥ 15,071	¥ 14,817	\$ 112,470
Machinery and vehicles	2,530	2,479	18,881
Furniture and fixtures	2,178	2,251	16,254
Land	225	239	1,679
Total	¥ 20,006	¥ 19,787	\$ 149,299

Right-of-use assets increased by ¥6,897 million (\$51,470 thousand) as of March 31, 2023, ¥5,950 million as of March 31, 2022, respectively.

Cash outflows for lease was ¥9,867 million (\$73,634 thousand) as of March 31, 2023, ¥8,304 million as of March 31, 2022, 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, 2021	¥ 1,002	¥ 265	¥ 1,267
Provision made	875	83	958
Increase associated with passage of time		1	1
Provision used	(728)		(728)
Effects of foreign currency exchange differences	85	16	101
As of March 31, 2022	1,234	366	1,601
Provision made	666	12	679
Increase associated with passage of time		1	1
Provision used	(805)		(805)
Effects of foreign currency exchange differences	27	17	45
As of March 31, 2023	¥ 1,123	¥ 398	¥ 1,522

	Thousands of U.S. Dollars		
	Provisions for product warranties	Asset retirement obligations	Total
As of March 31, 2022	\$ 9,209	\$ 2,731	\$ 11,948
Provision made	4,970	90	5,067
Increase associated with passage of time		7	7
Provision used	(6,007)		(6,007)
Effects of foreign currency exchange differences	201	127	336
As of March 31, 2023	\$ 8,381	\$ 2,970	\$ 11,358

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
	2023	2022	2023
Present value of defined benefit obligation	¥ 14,062	¥ 12,878	\$ 104,940
Fair value of plan assets	16,142	15,729	120,463
Total	¥ (2,080)	¥ (2,850)	\$ (15,522)
Effects of asset ceiling	3,425	3,192	25,560
Net liability arising from defined benefit plan	¥ 1,344	¥ 341	\$ 10,030
Amount in consolidated statement of financial position			
Liabilities	¥ 1,959	¥ 1,183	\$ 14,619
Assets	614	841	4,582

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
	2023	2022	2023
Defined benefit costs recognized in profit or loss			
Current service cost	¥ 811	¥ 846	\$ 6,052
Net interest expense	(5)	(4)	(37)
Subtotal	806	842	6,015
Defined benefit costs recognized in other comprehensive income			
Remeasurements			
Return on plan assets (excluding amounts included in net interest expense)	434	(244)	3,239
Actuarial gains and losses arising from changes in demographic assumptions	870	(9)	6,493
Actuarial gains and losses arising from changes in financial assumptions	(621)	(87)	(4,634)
Actuarial gains and losses arising from experience adjustments	218	84	1,627
Amount of changes in effects of asset ceiling	214	352	1,597
Subtotal	1,115	96	8,321
Total	¥ 1,921	¥ 938	\$ 14,336

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
	2023	2022	2023
Beginning balance	¥ 12,878	¥ 9,635	\$ 96,104
Current service cost	811	846	6,052
Interest expense	67	50	500
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	870	(9)	6,493
Actuarial gains and losses arising from changes in financial assumptions	(621)	(87)	(4,634)
Actuarial gains and losses arising from experience adjustments	218	84	1,627
Benefits paid	(622)	(355)	(4,642)
Effects of foreign currency exchange differences	360	233	2,687
Others	99	2,480	739
Ending balance	¥ 14,062	¥ 12,878	\$ 104,940

The weighted-average durations of defined benefit obligations as of March 31, 2023 and 2022, were 10 years and 10 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
	2023	2022	2023
Beginning balance	¥ 15,729	¥ 12,312	\$ 117,381
Interest income	91	68	679
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	(434)	244	(3,239)
Contributions from the employer	700	658	5,224
Benefits paid	(335)	(388)	(2,500)
Effects of foreign currency exchange differences	295	319	2,201
Others	95	2,514	709
Ending balance	¥ 16,142	¥ 15,729	\$ 120,463

The Company and certain of its subsidiaries expect ¥803 million (\$5,993 thousand) of the contribution to be paid to the defined benefit plan in the year ended 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
	2023	2022	2023
Beginning balance	¥ 3,192	¥ 2,825	\$ 23,821
Limit on interest income	18	13	134
Remeasurement			
Changes in effects of asset ceiling	214	352	1,597
Ending balance	¥ 3,425	¥ 3,192	\$ 25,560

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, 2023			March 31, 2022		
	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	¥ 3,937		¥ 3,937	¥ 3,694		¥ 3,694
Domestic equity	1,974		1,974	2,363		2,363
Foreign bonds	2,466		2,466	2,411		2,411
Foreign equity	2,516		2,516	2,841		2,841
Others	4,797	¥ 450	5,248	3,961	¥ 456	4,417
Total	¥ 15,692	¥ 450	¥ 16,142	¥ 15,272	¥ 456	¥ 15,729

	Thousands of U.S. Dollars		
	March 31, 2023		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	\$ 29,381		\$ 29,381
Domestic equity	14,731		14,731
Foreign bonds	18,403		18,403
Foreign equity	18,776		18,776
Others	35,799	\$ 3,358	39,164
Total	\$ 117,104	\$ 3,358	\$ 120,463

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2023	2022
Discount rate	1.2%	0.6%
Revaluation rate	1.2%	0.9%

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.

Assumption	Change in assumption	Millions of Yen		Thousands of U.S. Dollars
		2023	2022	2023
Discount rate	Rise by 0.5%	¥ (616)	¥ (558)	\$ (4,597)
	Decline by 0.5%	646	611	4,821
Revaluation rate	Rise by 0.5%	¥ 532	¥ 537	\$ 3,970
	Decline by 0.5%	(495)	(474)	(3,694)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2023 and 2022 were ¥6,151 million (\$45,903 thousand) and ¥5,287 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
	2023	2022	U.S. Dollars
Other short-term financial assets			2023
Bonds		¥ 261	
Derivative financial assets	¥ 58	20	\$ 433
Time deposits	816	872	6,090
Others	0	343	0
Total	¥ 875	¥ 1,498	\$ 6,530
Other long-term financial assets			
Stocks, etc.	¥ 8,132	¥ 7,363	\$ 60,687
Others	1,645	1,794	12,276
Total	¥ 9,777	¥ 9,157	\$ 72,963

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
	2023	2022	U.S. Dollars
Other short-term financial liabilities			2023
Deposits received	¥ 533	¥ 536	\$ 3,978
Derivative financial liabilities	96	934	716
Contingent consideration	2,088		15,582
Others	819	11	6,112
Total	¥ 3,537	¥ 1,482	\$ 26,396
Long-term financial liabilities			
Others	¥ 305	¥ 30	\$ 2,276
Total	¥ 305	¥ 30	\$ 2,276

Deposits received are classified into financial liabilities measured at amortized cost. Derivative financial liabilities and contingent consideration 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
	2023	2022	2023
Other current assets			
Consumption taxes receivable	¥ 9,001	¥ 8,377	\$ 67,172
Prepaid expenses	5,872	4,338	43,821
Advance payments	1,629	639	12,157
Accrued income	845	748	6,306
Contract assets	2,644	2,049	19,731
Others	4,930	2,575	36,791
Total	¥ 24,924	¥ 18,728	\$ 186,000
Other non-current assets			
Long-term prepaid expenses	¥ 2,037	¥ 2,274	\$ 15,201
Guarantee deposits	1,799	1,635	13,425
Others	5		37
Total	¥ 3,842	¥ 3,910	\$ 28,672
	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Other current liabilities			
Accrued short-term paid leave	¥ 3,648	¥ 3,128	\$ 27,224
Accrued directors' bonuses	491	460	3,664
Others	4,208	3,073	31,403
Total	¥ 8,348	¥ 6,663	\$ 62,299
Other non-current liabilities			
Accrued long-term paid leave	¥ 299	¥ 278	\$ 2,231
Liabilities associated with equity method	2,545	4,710	18,993
Others	4,214	3,548	31,448
Total	¥ 7,059	¥ 8,537	\$ 52,679

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			
	2023		2022	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	209,657	598,688	209,443
Increase/decrease during the period		36		214
Ending balance	598,688	209,693	598,688	209,657

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 36 thousand shares in the number of issued shares in the year ended March 31, 2023, was due to the exercise of subscription rights to shares as stock options.
3. 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.

(2) Treasury stocks

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

	Thousands of shares	
	2023	2022
Beginning balance	447	446
Increase/decrease during the period	0	0
Ending balance	447	447

Notes:

1. The increase of 0 thousand shares in the number of treasury stocks in the year ended March 31, 2023, was due to purchases of fractional shares less than one unit.
2. 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.

(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, 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
Other comprehensive income	484	(774)	10,130	9,841
Reclassification into retained earnings		¥ 774		774
As of March 31, 2023	¥ 1,528		¥ 17,396	¥ 18,925

	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, 2022	\$ 7,784		\$ 54,224	\$ 62,007
Other comprehensive income	3,612	\$ (5,776)	75,597	73,440
Reclassification into retained earnings		\$ 5,776		5,776
As of March 31, 2023	\$ 11,403		\$ 129,821	\$ 141,231

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2023

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	\$60,888	\$0.29	March 31, 2022	June 27, 2022
Board of Directors' Meeting November 9, 2022	Common stock	¥8,369	¥40.00	\$62,455	\$0.30	September 30, 2022	December 5, 2022

Year Ended March 31, 2022

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
Board of Directors' Meeting November 10, 2021	Common stock	¥7,734	¥37.00	September 30, 2021	December 6, 2021

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

Year Ended March 31, 2023

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 23, 2023	Common stock	¥8,788	¥42.00	\$65,582	\$0.31	March 31, 2023	June 26, 2023

Year Ended March 31, 2022

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 24, 2022	Common stock	¥8,159	¥39.00	March 31, 2022	June 27, 2022

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, 2023

(Unit: Millions of yen)

	Reportable segment					Total
	Japan	Americas	EMEA	China	Asia Pacific	
Goods or services						
Instruments	¥ 13,375	¥ 27,783	¥ 27,429	¥ 15,153	¥ 8,054	¥ 91,796
Reagents	38,731	46,299	67,939	69,372	25,192	247,535
Maintenance services	8,178	25,606	11,526	6,679	2,134	54,125
Others	3,014	1,117	6,378	5,592	940	17,044
Total	63,300	100,807	113,274	96,797	36,322	410,502
Revenues recognized from contracts with customers	62,996	95,337	106,378	96,745	33,689	395,146
Revenues recognized from other items (Note)	¥ 303	¥ 5,469	¥ 6,896	¥ 52	¥ 2,633	¥ 15,355

Note:

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

Year ended March 31, 2022

(Unit: Millions of yen)

	Reportable segment						Total
	Japan	Americas	EMEA	China	Asia Pacific		
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, 2023

(Unit: Thousands of U.S. Dollars)

	Reportable segment						Total
	Japan	Americas	EMEA	China	Asia Pacific		
Goods or services							
Instruments	\$ 99,813	\$ 207,336	\$ 204,694	\$ 113,082	\$ 60,104	\$ 685,045	
Reagents	289,037	345,515	507,007	517,701	188,000	1,847,276	
Maintenance services	61,030	191,090	86,015	49,843	15,925	403,918	
Others	22,493	8,336	47,597	41,731	7,015	127,194	
Total	472,388	752,291	845,328	722,366	271,060	3,063,448	
Revenues recognized from contracts with customers	470,119	711,470	793,866	721,978	251,410	2,948,851	
Revenues recognized from other items	\$ 2,261	\$ 40,813	\$ 51,463	\$ 388	\$ 19,649	\$ 114,590	

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 estimation 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, 2023

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Contract assets	¥ 2,644	¥ 2,049	\$ 19,731
Contract liabilities	14,469	12,852	107,978

As of March 31, 2022

	Millions of Yen		
	2022	2021	
Contract assets	¥ 2,049	¥ 1,718	
Contract liabilities	12,852	12,168	

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 fiscal year ended March 31, 2023, ¥11,833 million (\$88,306 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 was ¥501 million (\$3,739 thousand) in the fiscal year ended March 31, 2023.

(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
	2023	2022	2023
Within one year	¥ 13,482	¥ 11,953	\$ 100,612
Longer than one year	23,014	18,647	171,746
Total	¥ 36,497	¥ 30,601	\$ 272,366

(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, 2023. 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
	2023	2022	2023
Cost of materials	¥ 56,182	¥ 49,637	\$ 419,269
Personnel expenses	109,173	92,881	814,724
Depreciation and amortization	31,807	27,431	237,366

23. OTHER OPERATING INCOME AND EXPENSES

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

	Millions of Yen		Thousands of
	2023	2022	U.S. Dollars
			2023
Other operating income			
Grants	¥ 885	¥ 461	\$ 6,604
Gain on sales of property, plant and equipment	66	179	493
Compensation for warehouse fire	1,400		10,448
Others	1,750	768	13,060
Total	¥ 4,103	¥ 1,409	\$ 30,619
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 298	¥ 2,175	\$ 2,224
Others	406	1,382	3,030
Total	¥ 705	¥ 3,557	\$ 5,261

Note:

Grants consist of government grants received for business activities conducted in special economic areas and subsidies to encourage the development of medical devices. 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
	2023	2022	U.S. Dollars
			2023
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 546	¥ 282	\$ 4,075
Dividend income			
Financial assets measured at fair value through other comprehensive income	107	101	799
Others	208	166	1,552
Total	¥ 863	¥ 550	\$ 6,440
Financial expenses			
Interest expenses			
Lease liabilities	¥ 943	¥ 680	\$ 7,037
Financial liabilities measured at amortized cost	179	56	1,336
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	61	126	455
Others	382	45	2,851
Total	¥ 1,566	¥ 909	\$ 11,687

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, 2023

	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	¥ 701	¥	¥ 701	¥ (216)	¥ 484
Remeasurements of defined benefit plans	(1,115)		(1,115)	341	(774)
Subtotal	(414)		(414)	124	(289)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	10,117		10,117		10,117
Share of other comprehensive income of investments accounted for using the equity method	12		12		12
Subtotal	10,130		10,130		10,130
Total	¥ 9,716	¥	¥ 9,716	¥ 124	¥ 9,841

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, 2023

	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	\$ 5,231	\$	\$ 5,231	\$ (1,612)	\$ 3,612
Remeasurements of defined benefit plans	(8,321)		(8,321)	2,545	(5,776)
Subtotal	(3,090)		(3,090)	925	(2,157)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	75,500		75,500		75,500
Share of other comprehensive income of investments accounted for using the equity method	90		90		90
Subtotal	75,597		75,597		75,597
Total	\$ 72,507	\$	\$ 72,507	\$ 925	\$ 73,440

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
	2023	2022	2023
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 45,784	¥ 44,093	\$ 341,672
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	45,784	44,093	341,672
Average number of common stock shares during the period (Thousands of shares)	209,227	209,091	209,227
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	45,784	44,093	341,672
Profit adjustment			
Profit used in calculating diluted earnings per share	45,784	44,093	341,672
Average number of common stock shares during the period (Thousands of shares)	209,227	209,091	209,227
Effect of dilutive shares (Thousands of shares)	93	383	93
Average number of common stock shares after adjustment for dilution (Thousands of shares)	209,320	209,474	209,320
Summary of potential shares that were not included in the calculation of diluted earnings per share because they do not have a dilutive effect			

27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Change of liabilities in financing activities

Year Ended March 31, 2023

The change of liabilities in financing activities is as follows:

	Millions of Yen				
	April 1, 2022	Fluctuations accompanying cash flows from financing activities	New leases	Fluctuations not accompanying cash flows Others	March 31, 2023
Lease liabilities	¥ 22,280	¥ (7,959)	¥ 6,264	¥ 2,007	¥ 22,592

Note:

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

	Thousands of U.S. Dollars				
	April 1, 2022	Fluctuations accompanying cash flows from financing activities	New leases	Fluctuations not accompanying cash flows Others	March 31, 2023
Lease liabilities	\$ 166,269	\$ (59,396)	\$ 46,746	\$ 14,978	\$ 168,597

Year Ended March 31, 2022

The change of liabilities in financing activities is as follows:

	Millions of Yen				
	April 1, 2021	Fluctuations accompanying cash flows from financing activities	New leases	Fluctuations not accompanying cash flows 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.

(2) Non-cash transactions

Year Ended March 31, 2023

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥6,897 million (\$51,470 thousand).

Year Ended March 31, 2022

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥5,950 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, employees, and members of the Managing Board and employees of some of its subsidiaries.

The details are as follows:

4th Stock Option	
Grant date	September 20, 2019
Number and type of 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
Exercise price	¥7,295
Settlement method	Equity settled
Exercise conditions	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

	2023		2022		2023	
	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	720	¥ 7,295	1,039	¥ 6,758	720	\$ 54.44
Granted during period						
Forfeited during period	(18)	7,295	(104)	3,644	(18)	54.44
Exercised during period	(36)	7,295	(214)	6,466	(36)	54.44
Outstanding at end of period	665	¥ 7,295	720	¥ 7,295	665	\$ 54.44
Exercisable at end of period	665	¥ 7,295	720	¥ 7,295	665	\$ 54.44

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2023 and 2022, were ¥8,354 (\$62.34) and ¥13,487, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2023 and 2022, were ¥7,295 (\$54.44) and ¥7,295, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2023 and 2022, were 4.4 years and 5.4 years, respectively.

(3) Stock-based expenses

No stock-based expenses were recognized in the year ended March 31, 2023, ¥399 million of stock-based expenses were recognized in the year ended March 31, 2022. 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, 2023 and 2022, was 12.4% and 13.5%, respectively, and the equity ratios for the years ended March 31, 2023 and 2022, were 73.0% and 72.0%, 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 any types of financial assets, the Group considers information, in addition to information on due dates, that can be reasonably used and supported by the Group when evaluating whether or not the credit risk has increased significantly. 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, 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
Provision made				446	446
Provision used				(67)	(67)
Provision reversed				(370)	(370)
Exchange differences on translation of foreign currency				42	42
As of March 31, 2023	¥	¥	¥	918	¥ 918

	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, 2022	\$	\$	\$	6,470	\$ 6,470
Provision made				3,328	3,328
Provision used				(500)	(500)
Provision reversed				(2,761)	(2,761)
Exchange differences on translation of foreign currency				313	313
As of March 31, 2023	\$	\$	\$	6,851	\$ 6,851

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	Trade, contract assets, and lease receivables	Total
As of April 1, 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
Recognition and derecognition	108	4	4,625	4,739
Exchange differences on translation of foreign currency	38	1	4,639	4,678
As of March 31, 2023	¥ 1,384	¥ 14	¥ 146,381	¥ 147,780

	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	Trade, contract assets, and lease receivables	Total
As of March 31, 2022	\$ 9,231	\$ 52	\$ 1,023,254	\$ 1,032,552
Recognition and derecognition	806	30	34,515	35,366
Exchange differences on translation of foreign currency	284	7	34,619	34,910
As of March 31, 2023	\$ 10,328	\$ 104	\$ 1,092,396	\$ 1,102,836

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, 2023 and 2022.

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

As of March 31, 2023

	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	¥ 2,935	¥ 813	\$ 21,903	\$ 6,067
Financial assets other than the above	144,844	105	1,080,925	784
Total	¥ 147,780	¥ 918	\$ 1,102,836	\$ 6,851

As of March 31, 2022

	Millions of Yen	
	Receivable	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 2,884	¥ 750
Financial assets other than the above	135,477	116
Total	¥ 138,362	¥ 867

(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, 2023

	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	¥ 31,678	¥ 31,678	¥ 31,678					
Lease liabilities	22,592	24,401	8,093	¥ 5,944	¥ 4,381	¥ 2,549	¥ 1,222	¥ 2,210
Deposits received	533	533	533					
Others	3,213	3,213	2,907	58	60	62	64	59
Subtotal	58,017	59,827	43,213	6,002	4,441	2,612	1,286	2,269
Derivative financial liabilities								
Forward exchange contracts	96	96	96					
Subtotal	96	96	96					
Total	¥ 58,114	¥ 59,923	¥ 43,309	¥ 6,002	¥ 4,441	¥ 2,612	¥ 1,286	¥ 2,269

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, 2023

	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	\$ 236,403	\$ 236,403	\$ 236,403					
Lease liabilities	168,597	182,097	60,396	\$ 44,358	\$ 32,694	\$ 19,022	\$ 9,119	\$ 16,493
Deposits received	3,978	3,978	3,978					
Others	23,978	23,978	21,694	433	448	463	478	440
Subtotal	432,963	446,470	322,485	44,791	33,142	19,493	9,597	16,933
Derivative financial liabilities								
Forward exchange contracts	716	716	716					
Subtotal	716	716	716					
Total	\$ 433,687	\$ 447,187	\$ 323,201	\$ 44,791	\$ 33,142	\$ 19,493	\$ 9,597	\$ 16,933

Average interest rates as of March 31, 2023, were 5.2% 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.

	2023	2022
Thousands of U.S. dollars	(43,320)	(24,194)
Thousands of euros	(50,541)	(4,415)
Thousands of yuan	(1,090)	4,142

(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	
	2023		2022		2023	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ 401	¥ 401	¥ 204	¥ 204	\$ 2,993	\$ 2,993
Euro (yen appreciates by 10%)	511	511	41	41	3,813	3,813
Yuan (yen appreciates by 10%)	(1)	(1)	(6)	(6)	(7)	(7)

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, 2023 and 2022 were ¥311 million (\$2,321 thousand) and ¥272 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.

(iv) Contingent consideration

The fair values of the contingent consideration arising from business combinations are measured based on an estimated future solvency, and classified in Level 3.

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	
	2023		2022		2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Lease receivables	¥ 25,319	¥ 23,355	¥ 22,754	¥ 21,710	\$ 188,948	\$ 174,291
Total	25,319	23,355	22,754	21,710	188,948	174,291
Liabilities						
Others	1,125	1,125	30	30	8,396	8,396
Total	¥ 1,125	¥ 1,125	¥ 30	¥ 30	\$ 8,396	\$ 8,396

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, 2023

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 2,761	¥ 2,761
Financial assets measured at fair value through other comprehensive income	¥ 3,116		2,254	5,370
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 58		58
Others				
Financial assets measured at fair value through profit or loss	665		978	1,643
Total	¥ 3,781	¥ 58	¥ 5,994	¥ 9,834
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 96		¥ 96
Contingent consideration				
Financial assets measured at fair value through profit or loss			¥ 2,088	2,088
Total		¥ 96	¥ 2,088	¥ 2,184

As of March 31, 2022

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
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, 2023

	Thousands of U.S. Dollars			Total
	Level 1	Level 2	Level 3	
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			\$ 20,604	\$ 20,604
Financial assets measured at fair value through other comprehensive income	\$ 23,254		16,821	40,075
Derivative financial assets				
Financial assets measured at fair value through profit or loss		\$ 433		433
Others				
Financial assets measured at fair value through profit or loss	4,963		7,299	12,261
Total	\$ 28,216	\$ 433	\$ 44,731	\$ 73,388
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		\$ 716		\$ 716
Contingent consideration				
Financial assets measured at fair value through profit or loss			\$ 15,582	15,582
Total		\$ 716	\$ 15,582	\$ 16,299

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, 2023 and 2022.

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
	2023	2022	2023
Beginning balance	¥ 5,392	¥ 3,798	\$ 40,239
Total gains or losses recognized			
In profit or loss (Note 1)	(60)	70	(448)
In other comprehensive income (Note 2)	382	301	2,851
Purchase	279	1,417	2,082
Sales or settlement		(195)	
Ending balance	¥ 5,994	¥ 5,392	\$ 44,731

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 consolidated statement of comprehensive income.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance			
Increase by business combination	¥ 1,963		\$ 14,649
Exchange differences on translation of foreign currency	124		925
Ending balance	¥ 2,088		\$ 15,582

(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 investment

Name of major investments and their fair values are as follows:

As of March 31, 2023

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 1,202	\$ 8,970
Noritz Corporation	816	6,090
Mitsubishi UFJ Financial Group, Inc.	277	2,067
KAINOS Laboratories, Inc.	239	1,784
Falco Holdings Co., Ltd.	174	1,299

As of March 31, 2022

Investment	Millions of Yen
TOA Corporation	¥ 990
Noritz Corporation	689
Mitsubishi UFJ Financial Group, Inc.	249
KAINOS Laboratories, Inc.	231
Falco Holdings Co., Ltd.	178

2) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments held at end of period	¥ 107	¥ 101	\$ 799

30. BUSINESS COMBINATIONS

Year ended March 31, 2023

(Acquisition of shares of Astrego Diagnostics AB)

(1) Overview of acquired company

Name: Astrego Diagnostics AB

Business description: Development of drug susceptibility testing products

(2) Overview of the business combination

The Company acquired an additional stake in Astrego Diagnostics AB ("ADA"). As a result, ADA became a wholly-owned subsidiary of the Company from the fiscal year ended March 31, 2023.

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) Ratio of voting equity acquired

Ratio of voting rights held immediately prior to the acquisition: 24.99%

Ratio of voting rights additionally acquired on the acquisition date: 75.01%

Ratio of voting rights after the acquisition: 100.00%

(5) Consideration for acquisition

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 3,250	\$ 24,254
The acquisition-date fair value of the Company's previously held equity interest in ADA	1,211	9,037
Contingent considerations (Note)	1,963	14,649
Accrued considerations	616	4,597
Total	¥ 7,042	\$ 52,552

Note: Contingent considerations is an additional milestone payment at the time of obtaining regulatory approval and may be up to €20 million.

(6) Acquisition-related costs

The ¥8 million (\$60 thousand) in acquisition-related costs was included in "Selling, general and administrative expenses" in the consolidated statement of income.

(7) Gain on step acquisition

The Company recognized a gain on step acquisition of ¥255 million (\$1,903 thousand) as a result of remeasuring the fair value of the equity interest of 24.99% in ADA, which the Company held prior to the acquisition date. This gain was included in "Other operating income" in the consolidated statement of income.

(8) Cash flows associated with acquisition

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents paid due to the acquisition	¥ 3,250	\$ 24,254
Cash and cash equivalents held by the acquired company at the time of acquisition	(266)	(1,985)
Total	¥ 2,984	\$ 22,269

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

	Millions of Yen	Thousands of U.S. Dollars
Fair values of assets acquired and liabilities assumed		
Current assets	¥ 314	\$ 2,343
Cash and cash equivalents	266	1,985
Trade and other receivables (Note 2)	5	37
Others	42	313
Non-current assets	2,619	19,545
Property, plant and equipment	68	507
Intangible assets (Note 1)	2,544	18,985
Others	6	45
Current liabilities	151	1,127
Trade and other payables	71	530
Others	79	590
Non-current liabilities	979	7,306
Deferred tax liabilities (Note 1)	289	2,157
Long-term borrowings	689	5,142
Fair values of assets acquired and liabilities assumed (net)	1,803	13,455
Goodwill (Note 3)	¥ 5,239	\$ 39,097

Notes:

1. Acquisition costs have been allocated to assets acquired and liabilities assumed based on the fair values as of the acquisition date. Allocation of acquisition costs was completed as of the end of the fiscal year ended March 31, 2023. Major adjustments to the provisional amounts were as follows:

Intangible assets	Increase of ¥1,407 million (\$10,500 thousand)
Deferred tax liabilities	Increase of ¥289 million (\$2,157 thousand)

As a result, goodwill decreased by ¥1,117 million (\$8,336 thousand).

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

	Millions of Yen		Thousands of U.S. Dollars	
	Gross contractual amounts receivables	The best estimate at the acquisition date of the contractual cash flows not expected to be collected	Gross contractual amounts receivables	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Trade and other receivables	¥ 5	¥	\$ 37	\$

3. Goodwill reflects the expected excess earning power arising from future business development and synergy effect generated between the Group and the acquired company.

(10) Impact on business results

As the impact on the consolidated financial statements was deemed to be immaterial, disclosure has been omitted for the impacts of the business combination on net sales and profit included in the consolidated statement of income for the fiscal year ended March 31, 2023 and the impacts on net sales and profit assuming that the business combination had occurred at the beginning of the fiscal year ended March 31, 2023.

Year ended March 31, 2022

Not applicable.

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, 2023

Type	Name	Nature of transaction with related parties	Transaction amount		Outstanding	
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Officer	Kaoru Asano	Exercise of stock options	¥ 43	\$ 321		
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	2	15	¥ 45	\$ 336
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Underwriting of convertible bond			200	1,493
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Receiving interest	7	52	14	104

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, 2022

Type	Name	Nature of transaction with related parties	Transaction amount		Outstanding
			Millions of Yen		Millions of Yen
Officer	Kaoru Asano	Exercise of stock options	¥	43	
Officer	Kenji Tachibana	Exercise of stock options		27	
Officer	Tomokazu Yoshida	Exercise of stock options		11	
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	¥ 47
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Expenditures from commissioned business related to R&D			200

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.

(2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Short-term benefits	¥ 737	¥ 645	\$ 5,500
Stock-based compensation	27	111	201
Total	¥ 764	¥ 756	\$ 5,701

32. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Commitments to purchase of intangible assets and other assets	¥ 2,943	¥ 4,563	\$ 21,963

33. HYPERINFLATIONARY ACCOUNTING ADJUSTMENTS

In accordance with IAS 29, the Group's consolidated financial statements include the financial statements of the subsidiaries in the hyperinflationary economy, which are restated in terms of the measuring unit current at the end of the reporting period.

For the restatement of the financial statement of the subsidiary in Turkey, the Group applies the conversion coefficients derived from the Consumer Price Index of Turkey published by the Turkish Statistical Institute.

The Consumer Price Index and corresponding coefficient of Turkey as of each end of reporting period are as follows:

End of reporting period	Consumer Price Index	Conversion coefficient
March 31, 2014	237.18	535.35
March 31, 2015	255.23	497.49
March 31, 2016	274.27	462.96
March 31, 2017	305.24	415.98
March 31, 2018	336.48	377.36
March 31, 2019	402.81	315.22
March 31, 2020	450.58	281.80
March 31, 2021	523.53	242.54
March 31, 2022	843.64	150.51
March 31, 2023	1,269.75	100.00

The Group's subsidiaries in the hyperinflationary economy have restated its non-monetary items held at historical cost, such as property, plant and equipment, by applying the conversion coefficients as of the acquisition date. Monetary items and non-monetary items held at current cost are not restated as they are considered to be expressed in terms of the measuring unit current at the end of the reporting period.

For consolidation, the financial statements of the Group's subsidiaries in the hyperinflationary economy are translated using the spot exchange rate at the end of the reporting period.

34. CONTINGENT LIABILITIES

(1) Lawsuit

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 was 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.

Furthermore, 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. A decision was made in this case that the patent held by BC was invalid, and BC appealed the decision to the German Supreme Court.

While proceeding with the lawsuit, BC and the Company held discussions toward a settlement, which was recently reached. In addition, the process of withdrawing the lawsuit in the court have been completed. 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
Medicaid Corporation	¥ 4,500	\$ 33,582	Guarantee for working capital loans
Total	¥ 4,500	\$ 33,582	

35. SUBSEQUENT EVENT

Not applicable.