
Sysmex Corporation and Subsidiaries

*Consolidated Financial Statements
for the Year Ended March 31, 2025,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

<Audit of Consolidated Financial Statements>

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, 2025, 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 material accounting policy information, 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2(5) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

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, Oxford Gene Technology IP Limited, and Sysmex Astrego AB)	
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, 2025, was ¥14,205 million (2.1% of total assets). The amount related to the cash-generating unit to which Sysmex Partec GmbH ("Sysmex Partec") belongs was ¥1,368 million. The amount related to the cash-generating unit to which Oxford Gene Technology IP Limited ("Oxford Gene Technology") belongs was ¥2,477 million. The amount related to the cash-generating unit to which Sysmex Astrego AB ("Sysmex Astrego") belongs was ¥6,311 million.</p> <p>These subsidiaries were acquired for the purpose of expanding the business domains and reinforcing the technology base for personalized medicine and solving medical issues, and the amounts of goodwill include the expected excess earning power arising from future business development and synergy effect.</p> <p>However, impairment loss of ¥3,172 million was recognized related to Sysmex Partec for the year ended March 31, 2025, because the recoverable amount fell below the carrying amount due to increased uncertainty of the financial budget.</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>We performed the following procedures on the goodwill impairment test for the cash-generating units of Sysmex Partec, Oxford Gene Technology, and Sysmex Astrego:</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 that by product category of the main products were consistent with the business-related initiatives being undertaken and the results of the market environment analysis, and reflected the most recent facts available.

<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 market or 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>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 performances of Sysmex Partec's business and Oxford Gene Technology's business. Also, in Sysmex Astrego's business, the timing of introduction of the products to the market was affected by marketing approval and there was uncertainty of the market response to the products newly introduced. 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, Oxford Gene Technology, and Sysmex Astrego as a key audit matter.</p>	<p>—Sysmex Astrego: 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, which takes into account the timing of marketing approval by product and by region, the breakdown of sales volume, price, and each associated cost, were consistent with the business-related initiatives being undertaken and the results of the market environment analysis, and reflected the most recent facts available.</p> <ol style="list-style-type: none"> 2. We evaluated whether assumptions used in the financial budget fell within a reasonable range by comparing the past financial budgets to the actual financial performance. 3. With the assistance of our valuation specialists, we evaluated the discount rate by testing whether the calculation method, 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. 4. With the assistance of our valuation specialists, we evaluated the growth rate by testing whether it was within the range of what is considered reasonable based on market conditions and observable data. 5. We tested the reasonableness of the calculation logic used in the impairment test, including the calculation of the value in use.
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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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards 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 IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to Sysmex Corporation and its subsidiaries were ¥505 million and ¥81 million, respectively.

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
August 6, 2025

Sysmex Corporation and Subsidiaries

Consolidated Statement of Financial Position As of March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	2025	2024	2025
Assets				
Current assets				
Cash and cash equivalents	6	¥ 89,570	¥ 75,507	\$ 597,133
Trade and other receivables	7, 15, 29	163,007	157,067	1,086,713
Inventories	8	81,811	79,123	545,407
Other short-term financial assets	18, 29	654	1,310	4,360
Income taxes receivable		1,246	934	8,307
Other current assets	19, 21	28,531	29,515	190,207
Total current assets		364,821	343,459	2,432,140
Non-current assets				
Property, plant and equipment	9, 11	130,211	116,693	868,073
Goodwill	10, 11	14,205	17,221	94,700
Intangible assets	10, 11	92,146	86,786	614,307
Investments accounted for using the equity method	12	339	472	2,260
Trade and other receivables	7, 15, 29	26,978	21,435	179,853
Other long-term financial assets	12, 18, 29	12,034	14,034	80,227
Asset for retirement benefits	17	0	458	0
Other non-current assets	19	6,880	4,339	45,867
Deferred tax assets	14	17,651	14,018	117,673
Total non-current assets		300,447	275,461	2,002,980
Total assets		¥ 665,268	¥ 618,920	\$ 4,435,120

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Consolidated Statement of Financial Position As of March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	2025	2024	2025
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13, 29	¥ 31,865	¥ 33,602	\$ 212,433
Lease liabilities	15, 27, 29	9,250	8,659	61,667
Other short-term financial liabilities	18, 29	1,403	1,028	9,353
Income taxes payable		12,784	12,476	85,227
Provisions	16	1,164	1,159	7,760
Contract liabilities	21	18,098	16,591	120,653
Accrued expenses		22,355	21,643	149,033
Accrued bonuses		14,709	12,611	98,060
Other current liabilities	19	11,194	10,311	74,627
Total current liabilities		122,826	118,084	818,840
Non-current liabilities				
Long-term loans payable		32,359	28,600	215,727
Lease liabilities	15, 27, 29	23,126	18,080	154,173
Other long-term financial liabilities	18, 29	56	76	373
Liability for retirement benefits	17	2,127	2,239	14,180
Provisions	16	1,054	674	7,027
Other non-current liabilities	19	11,608	10,350	77,387
Deferred tax liabilities	14	7,575	7,917	50,500
Total non-current liabilities		77,908	67,938	519,387
Total liabilities		200,734	186,023	1,338,227
Equity				
Equity attributable to owners of the parent				
Capital stock	20	14,887	14,729	99,247
Capital surplus	20	20,960	20,830	139,733
Retained earnings	20	402,820	365,985	2,685,467
Treasury stock	20	(12,318)	(12,315)	(82,120)
Other components of equity	20	37,425	42,814	249,500
Total equity attributable to owners of the parent		463,776	432,045	3,091,840
Non-controlling interests		758	851	5,053
Total equity		464,534	432,897	3,096,893
Total liabilities and equity		¥ 665,268	¥ 618,920	\$ 4,435,120

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Consolidated Statement of Income For the Year Ended March 31, 2025

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2)
		2025	2024	2025
Net sales	5, 21	¥ 508,643	¥ 461,510	\$ 3,390,953
Cost of sales	22	236,665	219,013	1,577,767
Gross profit		271,977	242,497	1,813,180
Selling, general and administrative expenses	22, 28	150,848	133,798	1,005,653
Research and development expenses	22	31,455	31,402	209,700
Impairment losses	11	3,211	2,210	21,407
Other operating income	23	2,070	4,203	13,800
Other operating expenses	23	948	905	6,320
Operating profit		87,583	78,382	583,887
Financial income	24	1,078	937	7,187
Financial expenses	24	3,518	2,386	23,453
Share of loss on equity method	12	(2,071)	(2,849)	(13,807)
Foreign exchange gain (loss)		(3,850)	516	(25,667)
Profit before tax		79,221	74,600	528,140
Income tax expenses	14	25,645	24,826	170,967
Profit		¥ 53,576	¥ 49,774	\$ 357,173
Profit attributable to				
Owners of the parent		¥ 53,669	¥ 49,639	\$ 357,793
Non-controlling interests		(93)	135	(620)
Profit		¥ 53,576	¥ 49,774	\$ 357,173
Yen				U.S. Dollars
Earnings per share				
Basic	26	¥ 86.07	¥ 79.27	\$ 0.57
Diluted	26	86.05	79.24	0.57

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income For the Year Ended March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	2025	2024	2025
Profit		¥ 53,576	¥ 49,774	\$ 357,173
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Net gain (loss) on financial assets measured at fair value through other comprehensive income	25	(2,194)	250	(14,627)
Remeasurements of defined benefit plans	25	(114)	(181)	(760)
Total		(2,308)	69	(15,387)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	25	(1,830)	23,526	(12,200)
Share of other comprehensive income of investments accounted for using the equity method	12, 25	(3)	27	(20)
Total		(1,833)	23,553	(12,220)
Total other comprehensive income		(4,141)	23,623	(27,607)
Comprehensive income		¥ 49,434	¥ 73,397	\$ 329,560
Comprehensive income attributable to				
Owners of the parent		¥ 49,527	¥ 73,262	\$ 330,180
Non-controlling interests		(93)	135	(620)
Comprehensive income		¥ 49,434	¥ 73,397	\$ 329,560

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Consolidated Statement of Changes in Equity For the Year Ended March 31, 2025

	Notes	Millions of Yen							Non-controlling interests	Total equity
		Equity attributable to owners of the parent								
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total			
As of April 1, 2023		¥ 14,282	¥ 20,580	¥334,192	¥ (314)	¥ 18,925	¥387,665	¥ 690	¥388,356	
Profit				49,639			49,639	135	49,774	
Other comprehensive income (loss)						23,623	23,623	0	23,623	
Comprehensive income (loss)				49,639		23,623	73,262	135	73,397	
Exercise of warrants	20, 28	447	255				703		703	
Cash dividends	20			(17,579)			(17,579)		(17,579)	
Purchase of treasury stock	20				(12,001)		(12,001)		(12,001)	
Transfer to retained earnings	20			(266)		266				
Changes from business combination								87	87	
Changes due to acquisition of control of a subsidiary			(5)				(5)	(62)	(67)	
Changes due to loss of control of a subsidiary								(0)	(0)	
Total transactions with the owners		447	250	(17,845)	(12,001)	266	(28,882)	25	(28,857)	
As of March 31, 2024		14,729	20,830	365,985	(12,315)	42,814	432,045	851	432,897	
Profit				53,669			53,669	(93)	53,576	
Other comprehensive income (loss)						(4,141)	(4,141)		(4,141)	
Comprehensive income (loss)				53,669		(4,141)	49,527	(93)	49,434	
Exercise of warrants	20, 28	158	90				248		248	
Share-based payment transactions	28		39				39		39	
Cash dividends	20			(18,081)			(18,081)		(18,081)	
Purchase of treasury stock	20				(2)		(2)		(2)	
Disposal of treasury stock	20		0		0		0		0	
Transfer to retained earnings	20			1,247		(1,247)				
Total transactions with the owners		158	129	(16,834)	(2)	(1,247)	(17,796)		(17,796)	
As of March 31, 2025		¥ 14,887	¥ 20,960	¥402,820	¥ (12,318)	¥ 37,425	¥463,776	¥ 758	¥464,534	

Thousands of U.S. Dollars (Note 2)									
Equity attributable to owners of the parent									
		Capital	Capital	Retained	Treasury	Other		Non-	Total
	Notes	stock	surplus	earnings	stock	components	Total	controlling	equity
As of March 31, 2024		\$ 98,193	\$138,867	\$2,439,900	\$ (82,100)	\$ 285,427	\$2,880,300	\$ 5,673	\$2,885,980
Profit				357,793			357,793	(620)	357,173
Other comprehensive income (loss)						(27,607)	(27,607)		(27,607)
Comprehensive income (loss)				357,793		(27,607)	330,186	(620)	329,560
Exercise of warrants	20, 28	1,053	600				1,653		1,653
Share-based payment transactions	28		260				260		260
Cash dividends	20			(120,540)			(120,540)		(120,540)
Purchase of treasury stock	20				(13)		(13)		(13)
Disposal of treasury stock	20		0		0		0		0
Transfer to retained earnings	20			8,313		(8,313)			
Total transactions with the owners		1,053	860	(112,227)	(13)	(8,313)	(118,640)		(118,640)
As of March 31, 2025		\$ 99,247	\$139,733	\$2,685,467	\$ (82,120)	\$ 249,500	\$3,091,840	\$ 5,053	\$3,096,893

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	2025	2024	2025
Operating activities				
Profit before tax		¥ 79,221	¥ 74,600	\$ 528,140
Depreciation and amortization		39,033	35,888	260,220
Impairment loss	11	3,211	2,210	21,407
Interest and dividends income		(899)	(863)	(5,993)
Interest expenses		1,949	1,571	12,993
Share of loss on equity method		2,071	2,849	13,807
Loss on disposal of property, plant and equipment		383	381	2,553
Increase in trade receivables		(7,150)	(21,987)	(47,667)
Decrease in advance payments		706	474	4,707
Increase in inventories		(6,320)	(1,676)	(42,133)
Increase in trade payables		162	1,274	1,080
Increase (decrease) in accounts payable – other		(520)	118	(3,467)
Increase in contract liabilities		1,720	201	11,467
Increase in accrued expenses		1,113	1,483	7,420
Decrease/increase in consumption taxes receivable/payable		(1,374)	1,157	(9,160)
Increase in accrued bonuses		2,118	749	14,120
Other – net		1,743	(4,769)	11,620
Subtotal		117,168	93,665	781,120
Interest and dividend received		654	598	4,360
Interest paid		(1,853)	(1,383)	(12,353)
Income taxes paid		(27,723)	(28,974)	(184,820)
Net cash provided by operating activities		88,246	63,905	588,307
Investing activities				
Purchase of property, plant and equipment		(29,226)	(25,610)	(194,840)
Proceeds from sales of property, plant and equipment		702	527	4,680
Purchase of intangible assets		(20,733)	(24,581)	(138,220)
Increase in long-term prepaid expenses		(1,001)	(841)	(6,673)
Purchase of investments in equity instruments		(3,821)	(4,026)	(25,473)
Proceeds from the sale of equity instruments		1,853		12,353
Acquisitions of subsidiaries or other businesses			(574)	
Payments into time deposits		(1,544)	(1,460)	(10,293)
Proceeds from withdrawal of time deposits		1,777	1,260	11,847
Other – net		(495)	337	(3,300)
Net cash used in investing activities		(52,488)	(54,970)	(349,920)
Financing activities				
Proceeds from long-term loans payable		4,700	29,000	31,333
Repayments of long-term loans payable		(626)		(4,173)
Exercise of warrants		248	703	1,653
Purchase of treasury shares		(2)	(12,001)	(13)
Dividends paid	20	(18,081)	(17,579)	(120,540)
Repayment of lease liabilities	15, 27	(10,561)	(9,068)	(70,407)
Other – net		2	(67)	13
Net cash used in financing activities		(24,322)	(9,013)	(162,147)
Foreign currency translation adjustments on cash and cash equivalents		2,627	6,125	17,513
Net increase in cash and cash equivalents		14,062	6,047	93,747
Cash and cash equivalents, beginning of year		75,507	69,460	503,380
Cash and cash equivalents, end of year		¥ 89,570	¥ 75,507	\$ 597,133

See notes to consolidated financial statements.

Sysmex Corporation and Subsidiaries

Notes to Consolidated Financial Statements As of and for the Year Ended March 31, 2025

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, 2025, 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 IFRS Accounting Standards.

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 Accounting Standards pursuant to the provisions of Article 312 of the ordinance.

The consolidated financial statements of the Company were approved by Kaoru Asano, President on June 26, 2025.

(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. MATERIAL ACCOUNTING POLICY INFORMATION" and "32. 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 Accounting Standards, 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")

(5) U.S. dollar amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150 to \$1, the approximate rate of exchange at March 31, 2025. 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. MATERIAL ACCOUNTING POLICY INFORMATION

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 on 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. MATERIAL ACCOUNTING POLICY INFORMATION (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:	10 to 50 years
Machinery and vehicles:	5 to 12 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.
- (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 21 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: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and 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

1) Stock option

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.

2) Stock Grant ESOP Trust

The Company has implemented an incentive plan called the "Stock Grant ESOP Trust" for the Group's employees, aiming to enhance the corporate value over the medium to long-term. This plan involves granting company shares to employees.

The Stock Grant ESOP Trust is estimated at fair value on the grant date and recognized as an expense over the period until the rights vest. The same amount is recognized as an increase in equity. The fair value of the granted points is calculated using the stock price on the grant date. Additionally, the conditions are regularly reviewed, and the estimated number of vested rights is adjusted as necessary.

(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.
- 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

The new or revised standard and interpretation that was newly issued or amended by the date of the approval of the consolidated financial statements and to which the Group has not early adopted is as follows. The effect of the adoption on the Group's consolidated financial statements is under review.

Standard	Title	Effective date	Scheduled date of adoption by our group	Summary of new or revised
IFRS 18	Presentation and Disclosures in Financial Statements	January 1, 2027	Year ending March 31, 2028	IFRS 18 will replace IAS 1 "Presentation of Financial Statements," whilst retaining many of the principles from IAS 1 with limited changes.

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 and East Asia by the Company and in the Americas, EMEA, China, and the Asia Pacific by regional headquarters (the "RHQ") established therein. These companies formulate comprehensive strategies tailored to regional characteristics and conduct business activities accordingly. Some of overseas subsidiaries are managed by the Company depending on the nature of their business.

Previously, the Group organized reportable segments geographically. However, from the year ended March 31, 2025, we integrated our performance management system to focus on the segments based on the regional headquarters for more efficient performance management. The Group changed the reportable segments in accordance with this management approach. The reportable segments based on the regional headquarters are "Headquarters," "Americas RHQ," "EMEA RHQ," "China RHQ," and "AP RHQ."

Note:

1. EMEA: Europe, the Middle East, and Africa

2. AP: Asia Pacific

The companies included in these reportable segments are outlined below:

Reportable segments	Companies included in the reportable segments
Headquarters	Sysmex Corporation, Sysmex RA Co., Ltd., 12 other domestic subsidiaries, Oxford Gene Technology IP Limited, Sysmex Partec GmbH, Sysmex Korea Co., Ltd., 12 other overseas subsidiaries
Americas RHQ	Sysmex America, Inc., Sysmex Reagents America, Inc., Sysmex do Brasil Industria e Comercio Ltda., five other subsidiaries in the Americas
EMEA RHQ	Sysmex Europe SE, Sysmex Deutschland GmbH, Sysmex UK Limited, Sysmex France S.A.S., 25 other subsidiaries in the EMEA region
China RHQ	Sysmex Shanghai Ltd., Jinan Sysmex Medical Electronics Co., Ltd., two other subsidiaries in China
AP RHQ	Sysmex Asia Pacific Pte Ltd., Sysmex India Pvt. Ltd., nine other subsidiaries in the Asia Pacific region

(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. MATERIAL ACCOUNTING POLICY INFORMATION."

The segment information for the year ended March 31, 2024, is also based on the new reportable segments.

Year ended March 31, 2025

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ	Total		
Sales								
Sales to external customers	¥ 93,988	¥ 122,916	¥ 135,671	¥ 117,828	¥ 38,239	¥ 508,643		¥ 508,643
Intersegment sales	161,269	30	604	489	50	162,444	¥ (162,444)	
Total	¥ 255,258	¥ 122,946	¥ 136,276	¥ 118,317	¥ 38,289	¥ 671,088	¥ (162,444)	¥ 508,643
Segment profit	¥ 59,104	¥ 6,743	¥ 10,583	¥ 10,646	¥ 3,579	¥ 90,657	¥ (3,073)	¥ 87,583
Financial income								1,078
Financial expenses								3,518
Share of loss on equity method								(2,071)
Foreign exchange gain (loss)								(3,850)
Profit before tax								79,221
Income tax expenses								25,645
Profit								53,576
Other information								
Depreciation and amortization (Note 3)	22,120	6,024	6,305	1,142	4,388	39,981	(948)	39,033
Impairment losses	3,207				3	3,211		3,211

Notes:

1. Segment profit adjustments of negative ¥3,073 million include negative ¥2,409 million for unrealized gains on inventories, and negative ¥663 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 ¥948 million are adjustments relating to intersegment transactions.

Year ended March 31, 2024

(Unit: Millions of yen)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ	Total		
Sales								
Sales to external customers	¥ 85,642	¥ 111,997	¥121,568	¥109,797	¥ 32,503	¥ 461,510		¥ 461,510
Intersegment sales	¥ 152,958	¥ 35	¥ 992	¥ 478	¥ 52	¥ 154,517	¥ (154,517)	
Total	¥ 238,601	¥112,033	¥122,560	¥110,276	¥ 32,555	¥ 616,027	¥ (154,517)	¥ 461,510
Segment profit	54,309	7,399	10,327	7,852	2,376	82,265	(3,882)	78,382
Financial income								937
Financial expenses								2,386
Share of loss on equity method								(2,849)
Foreign exchange gain (loss)								516
Profit before tax								74,600
Income tax expenses								24,826
Profit								49,774
Other information								
Depreciation and amortization (Note 3)	21,392	5,354	5,027	1,146	3,790	36,711	(822)	35,888
Impairment losses	1,859	285			65	2,210		2,210

Notes:

1. Segment profit adjustments of negative ¥3,882 million include negative ¥3,294 million for unrealized gains on inventories, and negative ¥587 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 ¥822 million are adjustments relating to intersegment transactions.

Year ended March 31, 2025

(Unit: Thousands of U.S. dollars)

	Reportable segment						Adjustments (Note 1)	Consolidated (Note 2)
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ	Total		
Sales								
Sales to external customers	\$ 626,587	\$ 819,440	\$ 904,473	\$ 785,520	\$ 254,927	\$ 3,390,953		\$ 3,390,953
Intersegment sales	1,075,127	200	4,027	3,260	333	1,082,960	\$ (1,082,960)	
Total	\$ 1,701,720	\$ 819,640	\$ 908,507	\$ 788,780	\$ 255,260	\$ 4,473,920	\$ (1,082,960)	\$ 3,390,953
Segment profit	\$ 394,027	\$ 44,953	\$ 70,553	\$ 70,973	\$ 23,860	\$ 604,380	\$ (20,487)	\$ 583,887
Financial income								7,187
Financial expenses								23,453
Share of loss on equity method								(13,807)
Foreign exchange gain (loss)								(25,667)
Profit before tax								528,140
Income tax expenses								170,967
Profit								357,173
Other information								
Depreciation and amortization (Note 3)	147,467	40,160	42,033	7,613	29,253	266,540	(6,327)	260,220
Impairment losses	21,380				20	21,407		21,407

Notes:

1. Segment profit adjustments of negative \$20,487 thousand include negative \$16,060 thousand for unrealized gains on inventories, and negative \$4,420 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 \$6,327 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
	2025	2024	2025
Instruments	¥ 104,259	¥ 100,959	\$ 695,060
Reagents	313,818	280,843	2,092,120
Maintenance services	68,414	61,446	456,093
Others	22,150	18,261	147,667
Total	¥ 508,643	¥ 461,510	\$ 3,390,953

(4) Information about geographical areas

Information about geographical areas is as follows:

Sales to external customers

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Japan	¥ 67,786	¥ 62,184	\$ 451,907
United States of America	109,401	101,317	729,340
China	117,970	109,952	786,467
Others	213,485	188,056	1,423,233
Total	¥ 508,643	¥ 461,510	\$ 3,390,953

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
	2025	2024	2025
Japan	¥ 154,794	¥ 133,520	\$ 1,031,960
Others	88,648	91,521	590,987
Total	¥ 243,443	¥ 225,041	\$ 1,622,953

(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
	2025	2024	2025
Cash and cash equivalents	¥ 89,570	¥ 75,507	\$ 597,133
Total	¥ 89,570	¥ 75,507	\$ 597,133

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Notes and trade receivable	¥ 153,782	¥ 148,386	\$ 1,025,213
Lease receivables	36,730	30,413	244,867
Accounts receivable – other	788	776	5,253
Loss allowance	(1,315)	(1,073)	(8,767)
Total	¥ 189,986	¥ 178,502	\$ 1,266,573

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
	2025	2024	2025
Merchandise and finished goods	¥ 64,285	¥ 61,882	\$ 428,567
Work in process	4,053	3,634	27,020
Raw materials and supplies	13,471	13,606	89,807
Total	¥ 81,811	¥ 79,123	\$ 545,407

The costs of inventories recognized as an expense under "Cost of sales" for the years ended March 31, 2025 and 2024 were ¥147,595 million (\$983,967 thousand) and ¥140,150 million, respectively.

Write-downs of inventories recognized as an expense for the years ended March 31, 2025 and 2024 were ¥862 million (\$5,747 thousand) and ¥625 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, 2023	¥ 48,579	¥ 6,988	¥ 32,387	¥ 11,296	¥ 2,854	¥ 102,106
Acquisition	7,503	3,440	16,180	639	8,385	36,149
Acquisition by business combination	23	0				23
Depreciation	(7,913)	(2,750)	(11,750)	(36)		(22,451)
Impairment losses	(201)	(169)	(74)		(285)	(729)
Sale or disposal	(318)	(258)	(816)	(28)	(95)	(1,517)
Exchange differences on translation of foreign currency	2,036	617	2,425	106	317	5,504
Transfer	324	653	1,163	153	(4,686)	(2,390)
As of March 31, 2024	50,033	8,521	39,517	12,130	6,490	116,693
Acquisition	15,401	3,737	18,868	1	8,101	46,109
Acquisition by business combination						
Depreciation	(8,620)	(3,114)	(13,151)	(36)		(24,923)
Impairment losses	(1)	(7)	(5)			(14)
Sale or disposal	(851)	(282)	(2,093)		(77)	(3,304)
Exchange differences on translation of foreign currency	(437)	(71)	(1,304)	(46)	(128)	(1,987)
Transfer	4,081	1,033	1,292	719	(9,489)	(2,361)
As of March 31, 2025	¥ 59,604	¥ 9,817	¥ 43,122	¥ 12,769	¥ 4,897	¥ 130,211

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2024	\$ 333,553	\$ 56,807	\$ 263,447	\$ 80,867	\$ 43,267	\$ 777,953
Acquisition	102,673	24,913	125,787	7	54,007	307,393
Acquisition by business combination						
Depreciation	(57,467)	(20,760)	(87,673)	(240)		(166,153)
Impairment losses	(7)	(47)	(33)			(93)
Sale or disposal	(5,673)	(1,880)	(13,953)		(513)	(22,027)
Exchange differences on translation of foreign currency	(2,913)	(473)	(8,693)	(307)	(853)	(13,247)
Transfer	27,207	6,887	8,613	4,793	(63,260)	(15,740)
As of March 31, 2025	\$ 397,360	\$ 65,447	\$ 287,480	\$ 85,127	\$ 32,647	\$ 868,073

Acquisition cost

	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2023	¥ 97,856	¥ 21,289	¥ 89,017	¥ 11,554	¥ 2,854	¥ 222,573
As of March 31, 2024	107,662	25,769	106,935	12,320	6,491	259,179
As of March 31, 2025	121,890	28,407	112,641	12,993	4,897	280,831

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2025	\$ 812,600	\$ 189,380	\$ 750,940	\$ 86,620	\$ 32,647	\$ 1,872,207

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, 2023	¥ (49,276)	¥ (14,300)	¥ (56,630)	¥ (258)	¥ (0)	¥ (120,466)
As of March 31, 2024	(57,628)	(17,247)	(67,418)	(189)	(0)	(142,485)
As of March 31, 2025	(62,286)	(18,590)	(69,519)	(224)	(0)	(150,619)

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2025	\$ (415,240)	\$ (123,933)	\$ (463,460)	\$ (1,493)	\$ (0)	\$ (1,004,127)

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, 2023	¥ 20,966
Acquisition	15,804
Depreciation	(7,829)
Sale or disposal	(760)
Exchange differences on translation of foreign currency	1,916
Transfer	(1,664)
As of March 31, 2024	28,433
Acquisition	15,524
Depreciation	(9,230)
Sale or disposal	(1,531)
Exchange differences on translation of foreign currency	(1,164)
Transfer	(1,922)
As of March 31, 2025	¥ 30,108

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2024	\$ 189,553
Acquisition	103,493
Depreciation	(61,533)
Sale or disposal	(10,207)
Exchange differences on translation of foreign currency	(7,760)
Transfer	(12,813)
As of March 31, 2025	\$ 200,720

Acquisition cost

	Millions of Yen
	Furniture and fixtures
As of April 1, 2023	¥ 55,641
As of March 31, 2024	70,966
As of March 31, 2025	74,540

	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2025	\$ 496,933

Accumulated depreciation and accumulated impairment losses

	Millions of Yen
	Furniture and fixtures
As of April 1, 2023	¥ (34,674)
As of March 31, 2024	(42,532)
As of March 31, 2025	(44,431)
	Thousands of U.S. Dollars
	Furniture and fixtures
As of March 31, 2025	\$ (296,207)

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				
	Development				
	Goodwill	Software	expenses	Other	Total
As of April 1, 2023	¥ 16,842	¥ 57,828	¥ 9,484	¥ 6,218	¥ 73,530
Acquisitions		22,540	1,445	1,311	25,297
Acquisitions by business combination				0	0
Amortization		(9,789)	(2,279)	(917)	(12,987)
Impairment losses	(1,360)	(107)		(13)	(120)
Sale or disposal		(1)	(149)	(17)	(169)
Exchange differences on translation of foreign currency	1,739	486	231	596	1,314
Transfer		(234)	123	33	(77)
As of March 31, 2024	17,221	70,720	8,854	7,212	86,786
Acquisitions		15,564	3,664	85	19,314
Acquisitions by business combination					
Amortization		(11,639)	(1,294)	(806)	(13,740)
Impairment losses	(3,172)	(24)		(0)	(24)
Sale or disposal		(94)	(42)	(13)	(150)
Exchange differences on translation of foreign currency	155	(71)	135	16	79
Transfer		(128)		8	(119)
As of March 31, 2025	¥ 14,205	¥ 74,326	¥ 11,317	¥ 6,502	¥ 92,146
	Thousands of U.S. Dollars				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of March 31, 2024	\$ 114,807	\$ 471,467	\$ 59,027	\$ 48,080	\$ 578,573
Acquisitions		103,760	24,427	567	128,760
Acquisitions by business combination					
Amortization		(77,593)	(8,627)	(5,373)	(91,600)
Impairment losses	(21,147)	(160)		(0)	(160)
Sale or disposal		(627)	(280)	(87)	(1,000)
Exchange differences on translation of foreign currency	1,033	(473)	900	107	527
Transfer		(853)		53	(793)
As of March 31, 2025	\$ 94,700	\$ 495,507	\$ 75,447	\$ 43,347	\$ 614,307

Acquisition cost

	Millions of Yen				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of April 1, 2023	¥ 24,247	¥ 102,453	¥ 18,942	¥ 15,678	¥ 137,075
As of March 31, 2024	26,935	124,742	16,535	18,333	159,610
As of March 31, 2025	27,088	137,120	16,571	17,897	171,588

	Thousands of U.S. Dollars				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of March 31, 2025	\$ 180,587	\$ 914,133	\$ 110,473	\$ 119,313	\$ 1,143,920

Accumulated amortization and accumulated impairment losses

	Millions of Yen				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of April 1, 2023	¥ (7,404)	¥ (44,625)	¥ (9,458)	¥ (9,460)	¥ (63,544)
As of March 31, 2024	(9,713)	(54,022)	(7,680)	(11,120)	(72,823)
As of March 31, 2025	(12,882)	(62,793)	(5,253)	(11,394)	(79,442)

	Thousands of U.S. Dollars				
	Intangible assets				
	Development				
	Goodwill	Software	expenses	Other	Total
As of March 31, 2025	\$ (85,880)	\$ (418,620)	\$ (35,020)	\$ (75,960)	\$ (529,613)

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 U.S. Dollars
	2025	2024	2025
Property, plant and equipment	¥ 14	¥ 729	\$ 93
Intangible assets	24	120	160
Goodwill	3,172	1,360	21,147
Total	¥ 3,211	¥ 2,210	\$ 21,407

The Group recognized an impairment loss of ¥2,210 million for the year ended March 31, 2024. 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 Headquarters segment, an impairment loss of ¥1,360 million was recognized because the recoverable amount fell below the carrying amount due to increased financial budget uncertainty. The discount rate is calculated as 17.3% based on the before-tax weighted-average capital cost.

The Group recognized an impairment loss of ¥3,211 million (\$21,407 thousand) for the year ended March 31, 2025. 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 Sysmex Partec in the Headquarters segment, an impairment loss of ¥3,172 million (\$21,147 thousand) was recognized because the recoverable amount fell below the carrying amount due to increased financial budget uncertainty. The discount rate is calculated as 14.8% based on the before-tax weighted-average capital cost.

Note: From the year ended March 31, 2025, the Group changed the reportable segments. The segment information for the year ended March 31, 2024, is based on the new reportable segments.

(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 regulatory approval and 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, 2025: 0.0% to 3.0%; year ended March 31, 2024: 0.0% to 3.0%). The discount rates are 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, 2025: 9.7% to 17.0%; year ended March 31, 2024: 10.9% to 18.6%).

The recoverable amount of Oxford Gene Technology exceeds its carrying amount by ¥181 million (\$1,207 thousand) as of March 31, 2025. 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 16.5%. However, impairment loss may arise if its growth rate decreases by 0.4% or its discount rate increases by 0.2%. The recoverable amount of Sysmex Astrego exceeds its carrying amount by ¥2,852 million (\$19,013 thousand) as of March 31, 2025. 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 12.2%. However, impairment loss may arise if its growth rate decreases by 2.4% or its discount rate increases by 1.6%. 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, 2025.

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Sysmex Astrego	¥ 6,311	¥ 5,965	\$ 42,073
Sysmex Partec	1,368	4,570	9,120
Oxford Gene Technology	2,477	2,444	16,513
Sysmex Korea	1,687	1,866	11,247
Riken Genesis	1,655	1,655	11,033
Others	704	718	4,693
Total	¥ 14,205	¥ 17,221	\$ 94,700

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
	2025	2024	2025
Oxford Gene Technology	¥ 1,184	¥ 1,168	\$ 7,893
Total	¥ 1,184	¥ 1,168	\$ 7,893

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			Concurrent officers		Relationships			
					Direct (%)	Indirect (%)	Total (%)	Officers (person)	Employees (person)	Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
Sysmex America, Inc.	Americas RHQ	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 Reagents America, Inc.	Americas RHQ	Illinois, USA	Thousand USD 1,500	Manufacture and sales of in vitro diagnostic reagents		100	100				Manufacture of in-house reagents		
Sysmex do Brasil Industria e Comercio Ltda.	Americas RHQ	Parana, Brasil	Thousand BRL 200,878	Manufacture and sales of in vitro diagnostic reagents	0.9	99.1	100				Sales and manufacture of in-house reagents		
Sysmex Europe SE	EMEA RHQ	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		
Sysmex Deutschland GmbH	EMEA RHQ	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 RHQ	Milton Keynes, UK	Thousand GBP 400	Sales of in vitro diagnostic instruments and reagents	100		100				Sales of in-house products		
Sysmex France S.A.S.	EMEA RHQ	Villepinte, France	Thousand EUR 2,457	Sales of in vitro diagnostic instruments, reagents	18.6	81.4	100				Sales of in-house products		
Sysmex Shanghai Ltd.	China RHQ	Shanghai, China	Thousand USD 1,000	Sales of in vitro diagnostic instruments and reagents	100		100	1	4		Sales of in-house products, etc.		
Jinan Sysmex Medical Electronics Co., Ltd.	China RHQ	Jinan, China	Thousand CNY 18,229	Manufacture and sales of in vitro diagnostic instruments and reagents	100		100		4		Sales and manufacture of in-house reagents		
Sysmex Asia Pacific Pte Ltd.	AP RHQ	Singapore	Thousand SGD 11,500	Sales of in vitro diagnostic instruments and sales and manufacture of in vitro diagnostic reagents	100		100	1	2	Working capital loan	Manufacture of in-house reagents and sales of in-house products, etc.		
Sysmex India Pvt. Ltd.	AP RHQ	Mumbai, India	Thousand INR 464,942	Sales of in vitro diagnostic instruments; manufacture and sales of in vitro diagnostic reagents	4.3	95.7	100		1		Sales and manufacture of in-house products		
Sysmex RA Co., Ltd.	Headquarters	Nagano, Japan	Million JPY 70	Development and manufacture of in vitro diagnostic instruments and peripheral devices	100		100		4	Working capital loan	Manufacture of in-house products, etc.		
Sysmex Partec GmbH	Headquarters	Goerlitz, Germany	Thousand EUR 30	Development, manufacture and sale of diagnostic instruments and reagents	100		100		3	Working capital loan	Product Supply		
Oxford Gene Technology IP Limited	Headquarters	Oxfordshire, UK	GBP 453	Development, production, sales, and related service of diagnostic and research reagents used in cytogenetic testing and NGSS	100		100	1	1				
Sysmex Korea Co., Ltd.	Headquarters	Seoul, Korea	Thousand KRW 190,000	Sales and support services for in vitro diagnostic instruments and reagents	100		100		4		Sales of in-house products		
65 other subsidiaries													

2) Associates

Company name	Segment	Location	Capital or investments	Line of business	Holding percentage of voting rights			Concurrent officers		Relationships			
					Direct (%)	Indirect (%)	Total (%)	Officers (person)	Employees (person)	Financial aid	Transactions in operations	Lease of facilities	Business partnership, etc.
Medicaroid Corporation		Hyogo, Japan	Million JPY 100	Marketing, development, manufacture, sales and service of medical robots	50		50	1	3		Purchase of the company's products, etc.	Lease of buildings and facilities	
1 other associate													

(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.

There are no investments in associates that are immaterial individually.

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
	2025	2024	2025
Carrying amount	¥ 339	¥ 472	\$ 2,260
<hr/>			
	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Comprehensive income			
Profit	¥ (2,071)	¥ (2,851)	\$ (13,807)
Other comprehensive income	(3)	27	(20)
Total	¥ (2,074)	¥ (2,823)	\$ (13,827)

(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
	2025	2024	2025
Other long-term financial assets	¥ 1,570	¥ 1,630	\$ 10,467

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Electronically recorded monetary obligations and note and trade payables	¥ 22,248	¥ 22,109	\$ 148,320
Accounts payable – other	9,617	11,493	64,113
Total	¥ 31,865	¥ 33,602	\$ 212,433

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
	2025	2024	2025
Deferred tax assets			
Loss allowance	¥ 344	¥ 309	\$ 2,293
Inventories	1,462	1,244	9,747
Unrealized intercompany profits	8,042	7,041	53,613
Property, plant and equipment	370	280	2,467
Intangible assets	2,079	1,766	13,860
Financial assets measured at fair value through other comprehensive income	844		5,627
Accrued enterprise tax	384	388	2,560
Accrued expenses	5,521	4,863	36,807
Accrued bonuses	1,928	1,959	12,853
Accrued paid leave	966	870	6,440
Liability for retirement benefits	435	519	2,900
Tax loss carryforwards	848	568	5,653
Lease liabilities	6,620	4,723	44,133
Other	5,835	3,932	38,900
Total deferred tax assets	35,684	28,466	237,893
Deferred tax liabilities			
Property, plant and equipment	1,007	888	6,713
Intangible assets	4,231	3,309	28,207
Financial assets measured at fair value through other comprehensive income		850	
Assets for retirement benefits		140	
Undistributed earnings of foreign subsidiaries	10,074	9,107	67,160
Right-of-use assets	6,456	4,414	43,040
Other	3,836	3,655	25,573
Total deferred tax liabilities	25,607	22,366	170,713
Net deferred tax assets (liabilities)	¥ 10,076	¥ 6,100	\$ 67,173

Note:

Deferred tax assets for the years ended March 31, 2025 and 2024 that are attributable to taxable entities that recorded losses are ¥2,914 million (\$19,427 thousand) and ¥1,372 million, respectively. The Group recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available.

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Beginning balance	¥ 6,100	¥ 4,429	\$ 40,667
Deferred tax expense	2,384	1,456	15,893
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	1,695	(162)	11,300
Remeasurement of defined benefit liabilities (assets)	46	59	307
Foreign exchange gain or loss	(150)	316	(1,000)
Ending balance	¥ 10,076	¥ 6,100	\$ 67,173

- 2) Deductible temporary differences and tax loss carryforwards for which no deferred tax assets have been recognized

Deductible temporary differences and tax loss carryforwards for which no deferred tax assets have been recognized are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deductible temporary differences	¥ 1,686	¥ 1,323	\$ 11,240
Tax loss carryforwards	38,684	33,803	257,893

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
	2025	2024	2025
Within one year	¥ 1,208	¥ 1,427	\$ 8,053
Between one year and two years	2,010	1,620	13,400
Between two and three years	438	2,030	2,920
Between three and four years	2,091	460	13,940
More than four years	32,934	28,264	219,560
Total	¥ 38,684	¥ 33,803	\$ 257,893

(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
	2025	2024	2025
Current tax expense	¥ 28,029	¥ 26,283	\$ 186,860
Deferred tax expense			
Occurrence and reversal of temporary differences	(3,995)	(2,322)	(26,633)
Adjustment due to enacted tax rate change	(102)		(680)
Reassessment of recoverability of deferred tax assets	1,713	865	11,420
Total	¥ 25,645	¥ 24,826	\$ 170,967

2) Reconciliation of effective 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, 2025 and 2024. However, foreign subsidiaries are subject to income taxes applicable to the jurisdictions in which they are located.

On March 31, 2025, "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was enacted in Japan which introduced the "Special Defense Corporation Tax," effective for years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences that are expected to reverse in the years beginning on or after April 1, 2026, were calculated by changing the effective statutory tax rate from 30.6% to 31.5%.

The factors causing the difference between the effective statutory tax rate and the actual tax rate are as follows:

	2025	2024
Effective statutory tax rates	30.6 %	30.6 %
Expenses not deductible for income tax purposes	1.0	1.7
Tax credit for research and other	(2.6)	(3.1)
Reassessment of recoverability of deferred tax assets	2.2	1.2
Tax effect on retained earnings of foreign subsidiaries	1.2	1.5
Different tax rates applied to foreign subsidiaries	(1.5)	(1.6)
Share of profit or loss of investments	0.7	1.2
Impairment losses of goodwill	1.2	0.6
Adjustment due to enacted tax rate change	(0.1)	
Other	(0.3)	1.2
Actual tax rates	32.4 %	33.3 %

(3) Potential impact of Pillar Two income tax

In Japan, where the Company is located, the Income Inclusion Rule (IIR) under the BEPS Global Minimum Tax Rules was introduced under 2023 Tax Reform. Consequently, from the year ended March 31, 2025, an additional top-up tax is imposed on the Company until the tax burdens of its subsidiaries and other affiliated entities reach the minimum tax rate (15%).

Based on the most recent country-by-country reports, tax filings and financial statements of the eligible companies, the Group assessed the potential impact of the adoption of the Global Minimum Tax Rules. As a result, the Group determined that most of the jurisdictions in which the Group operates have transitional safe harbor relief. In the jurisdictions where the relief is not applied, the impact is expected to be immaterial although the Company may be subject to the top-up tax up to the minimum tax rate (15%).

Furthermore, the Group has applied the exception provided by IAS 12 "Income Taxes" and, therefore, has not recognized or disclosed deferred tax assets and deferred tax liabilities associated with Pillar Two income tax.

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
	2025	2024	2025
Not later than one year	¥ 9,910	¥ 9,249	\$ 66,067
Later than one year and not later than two years	8,305	7,082	55,367
Later than two years and not later than three years	6,483	5,183	43,220
Later than three years and not later than four years	4,788	3,475	31,920
Later than four years and not later than five years	2,891	2,117	19,273
Later than five years	2,372	2,194	15,813
Undiscounted lease payments	¥ 34,753	¥ 29,303	\$ 231,687
Unearned finance income	(1,826)	(1,747)	(12,173)
Present value of unguaranteed residual value	3,803	2,857	25,353
Net investment in the lease	¥ 36,730	¥ 30,413	\$ 244,867

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
	2025	2024	2025
Not later than one year	¥ 4,069	¥ 3,450	\$ 27,127
Later than one year and not later than two years	2,532	1,534	16,880
Later than two years and not later than three years	1,708	875	11,387
Later than three years and not later than four years	995	644	6,633
Later than four years and not later than five years	637	510	4,247
Later than five years	426	569	2,840
Total	¥ 10,370	¥ 7,584	\$ 69,133

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Finance leases			
Selling profit or loss	¥ 5,537	¥ 2,663	\$ 36,913
Finance income on the net investment in the lease	1,250	966	8,333
Operating leases			
Lease income	¥ 11,498	¥ 9,636	\$ 76,653

In the lease income, ¥6,314 million (\$42,093 thousand) of variable lease payments which do not depend on index or rate is included for the year ended March 31, 2025, ¥5,176 million for the year ended March 31, 2024, 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, 2025.

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Depreciation and amortization charge for right-of-use assets			
Buildings and structures	¥ 5,851	¥ 5,169	\$ 39,007
Machinery and vehicles	1,985	1,690	13,233
Furniture and fixtures	1,426	1,206	9,507
Land	36	36	240
Total	¥ 9,299	¥ 8,102	\$ 61,993
Interest expense on lease liabilities	¥ 1,504	¥ 1,179	\$ 10,027
Expenses relating to short-term leases	685	827	4,567
Expenses relating to leases of low-value assets	306	347	2,040
Expenses relating to variable lease payments (Note)	49	44	327
Income from subleasing right-of-use assets	¥ 1,705	¥ 1,459	\$ 11,367

Note:

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Right-of-use assets			
Buildings and structures	¥ 21,764	¥ 16,445	\$ 145,093
Machinery and vehicles	4,187	3,729	27,913
Furniture and fixtures	3,360	3,245	22,400
Land	122	160	813
Total	¥ 29,435	¥ 23,581	\$ 196,233

Right-of-use assets increased by ¥16,750 million (\$111,667 thousand) as of March 31, 2025, ¥10,578 million as of March 31, 2024, respectively.

Cash outflows for lease was ¥13,107 million (\$87,380 thousand) as of March 31, 2025, ¥11,467 million as of March 31, 2024, 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, 2023	¥ 1,123	¥ 398	¥ 1,522
Provision made	746	240	987
Increase associated with passage of time		4	4
Provision used	(790)		(790)
Provision reversed		(0)	(0)
Effects of foreign currency exchange differences	79	31	111
As of March 31, 2024	1,159	674	1,834
Provision made	870	430	1,301
Increase associated with passage of time	9	7	16
Provision used	(860)		(860)
Provision reversed		(52)	(52)
Effects of foreign currency exchange differences	(14)	(6)	(20)
As of March 31, 2025	¥ 1,164	¥ 1,054	¥ 2,218

	Thousands of U.S. Dollars		
	Provisions for product warranties	Asset retirement obligations	Total
As of March 31, 2024	\$ 7,727	\$ 4,493	\$ 12,227
Provision made	5,800	2,867	8,673
Increase associated with passage of time	60	47	107
Provision used	(5,733)		(5,733)
Provision reversed		(347)	(347)
Effects of foreign currency exchange differences	(93)	(40)	(133)
As of March 31, 2025	\$ 7,760	\$ 7,027	\$ 14,787

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
	2025	2024	2025
Present value of defined benefit obligation	¥ 15,287	¥ 15,039	\$ 101,913
Fair value of plan assets	18,916	18,325	126,107
Total	¥ (3,628)	¥ (3,286)	\$ (24,187)
Effects of asset ceiling	5,755	5,067	38,367
Net liability arising from defined benefit plan	¥ 2,126	¥ 1,780	\$ 14,173
Amount in consolidated statement of financial position			
Liabilities	¥ 2,127	¥ 2,239	\$ 14,180
Assets	0	458	0

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
	2025	2024	2025
Defined benefit costs recognized in profit or loss			
Current service cost	¥ 1,129	¥ 1,021	\$ 7,527
Net interest expense	11	6	73
Subtotal	1,141	1,027	7,607
Defined benefit costs recognized in other comprehensive income			
Remeasurements			
Return on plan assets (excluding amounts included in net interest expense)	227	(1,289)	1,513
Actuarial gains and losses arising from changes in demographic assumptions	(334)	(0)	(2,227)
Actuarial gains and losses arising from changes in financial assumptions	(454)	(93)	(3,027)
Actuarial gains and losses arising from experience adjustments	95	15	633
Amount of changes in effects of asset ceiling	626	1,609	4,173
Subtotal	160	241	1,067
Total	¥ 1,302	¥ 1,268	\$ 8,680

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
	2025	2024	2025
Beginning balance	¥ 15,039	¥ 14,062	\$ 100,260
Current service cost	1,129	1,021	7,527
Interest expense	182	170	1,213
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(334)	(0)	(2,227)
Actuarial gains and losses arising from changes in financial assumptions	(454)	(93)	(3,027)
Actuarial gains and losses arising from experience adjustments	95	15	633
Benefits paid	(503)	(789)	(3,353)
Effects of foreign currency exchange differences	13	584	87
Others	118	69	787
Ending balance	¥ 15,287	¥ 15,039	\$ 101,913

The weighted-average durations of defined benefit obligations as of March 31, 2025 and 2024, 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
	2025	2024	2025
Beginning balance	¥ 18,325	¥ 16,142	\$ 122,167
Interest income	232	196	1,547
Remeasurement			
Return on plan assets (excluding amounts included in interest income)	(227)	1,289	(1,513)
Contributions from the employer	743	722	4,953
Benefits paid	(322)	(590)	(2,147)
Effects of foreign currency exchange differences	41	476	273
Others	123	87	820
Ending balance	¥ 18,916	¥ 18,325	\$ 126,107

The Company and certain of its subsidiaries expect ¥866 million (\$5,773 thousand) of the contribution to be paid to the defined benefit plan in the year ended March 31, 2025.

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
	2025	2024	2025
Beginning balance	¥ 5,067	¥ 3,425	\$ 33,780
Limit on interest income	61	32	407
Remeasurement			
Changes in effects of asset ceiling	626	1,609	4,173
Ending balance	¥ 5,755	¥ 5,067	\$ 38,367

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, 2025			March 31, 2024		
	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	¥ 4,778		¥ 4,778	¥ 4,790		¥ 4,790
Domestic equity	1,830		1,830	2,396		2,396
Foreign bonds	3,259		3,259	3,069		3,069
Foreign equity	3,203		3,203	3,097		3,097
Others	5,661	¥ 183	5,844	4,653	¥ 316	4,970
Total	¥ 18,732	¥ 183	¥ 18,916	¥ 18,008	¥ 316	¥ 18,325

	Thousands of U.S. Dollars		
	March 31, 2025		
	Assets with quoted market price in an active market	Assets without quoted market price in an active market	Total
Domestic bonds	\$ 31,853		\$ 31,853
Domestic equity	12,200		12,200
Foreign bonds	21,727		21,727
Foreign equity	21,353		21,353
Others	37,740	\$ 1,220	38,960
Total	\$ 124,880	\$ 1,220	\$ 126,107

5) Actuarial assumptions

Principal actuarial assumptions are as follows:

	2025	2024
Discount rate	1.7 %	1.3 %
Revaluation rate	1.1 %	1.1 %

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
		2025	2024	2025
Discount rate	Rise by 0.5%	¥ (650)	¥ (162)	\$ (4,333)
	Decline by 0.5%	710	216	4,733
Revaluation rate	Rise by 0.5%	¥ 489	¥ 550	\$ 3,260
	Decline by 0.5%	(456)	(515)	(3,040)

(2) Defined contribution plan

Expenses recognized with respect to the defined contribution plan as of March 31, 2025 and 2024 were ¥8,014 million (\$53,427 thousand) and ¥7,095 million, respectively.

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

18. OTHER FINANCIAL ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other short-term financial assets			
Derivative financial assets	¥ 116	¥ 210	\$ 773
Time deposits	538	1,100	3,587
Others	0	0	0
Total	¥ 654	¥ 1,310	\$ 4,360
Other long-term financial assets			
Stocks, etc.	¥ 9,930	¥ 12,031	\$ 66,200
Others	2,103	2,002	14,020
Total	¥ 12,034	¥ 14,034	\$ 80,227

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, at fair value through other comprehensive income, or at amortized cost.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other short-term financial liabilities			
Deposits received	¥ 522	¥ 539	\$ 3,480
Derivative financial liabilities	147	69	980
Others	733	419	4,887
Total	¥ 1,403	¥ 1,028	\$ 9,353
Long-term financial liabilities			
Others	¥ 56	¥ 76	\$ 373
Total	¥ 56	¥ 76	\$ 373

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

19. OTHER ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other current assets			
Consumption taxes receivable	¥ 9,062	¥ 8,811	\$ 60,413
Prepaid expenses	6,634	6,039	44,227
Advance payments	590	1,301	3,933
Accrued income	1,331	1,702	8,873
Contract assets	7,457	6,022	49,713
Others	3,454	5,636	23,027
Total	¥ 28,531	¥ 29,515	\$ 190,207
Other non-current assets			
Long-term prepaid expenses	¥ 2,701	¥ 2,220	\$ 18,007
Guarantee deposits	2,294	2,115	15,293
Others	1,883	3	12,553
Total	¥ 6,880	¥ 4,339	\$ 45,867
	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other current liabilities			
Accrued short-term paid leave	¥ 4,686	¥ 4,223	\$ 31,240
Accrued directors' bonuses	680	642	4,533
Others	5,827	5,445	38,847
Total	¥ 11,194	¥ 10,311	\$ 74,627
Other non-current liabilities			
Accrued long-term paid leave	¥ 357	¥ 328	\$ 2,380
Liabilities associated with equity method	6,773	5,149	45,153
Others	4,477	4,872	29,847
Total	¥ 11,608	¥ 10,350	\$ 77,387

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			
	2025		2024	
	Number of authorized shares	Number of issued shares	Number of authorized shares	Number of issued shares
Beginning balance	598,688	209,790	598,688	209,693
Increase/decrease during the period	1,197,376	419,682		96
Ending balance	1,796,064	629,473	598,688	209,790

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 96 thousand shares in the number of issued shares in the year ended March 31, 2024, was due to the exercise of subscription rights to shares as stock options.
3. The Company conducted a three-for-one stock split on common stock with an effective date of April 1, 2024. As a result, the number of authorized shares increased by 1,197,376 thousands of shares.
4. The increase of 419,580 thousand shares in the number of issued shares in the year ended March 31, 2025, was due to the three-for-one stock split conducted on April 1, 2024, and an increase of 102 thousand shares due to the exercise of 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	
	2025	2024
Beginning balance	1,957	447
Increase/decrease during the period	3,915	1,509
Ending balance	5,873	1,957

Notes:

1. The increase of 0 thousand shares in the number of treasury stocks in the year ended March 31, 2024, was due to purchases of fractional shares less than one unit.
2. The changes in the number of treasury stocks for the year ended March 31, 2025 include the increase of 3,914 thousand shares due to a three-for-one stock split conducted on April 1, 2024, the increase of 1 thousand shares due to purchases of fractional shares less than one unit, and the decrease of 0 thousand shares due to sales.
3. The number of shares on March 31, 2025 includes the Company's shares held by the Stock-Granting Employee Stock Ownership Plan ("ESOP") Trust.
4. The number of shares on March 31, 2024 includes the Company's shares held by the Stock-Granting ESOP Trust.

(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.

4) Share of other comprehensive income of investments accounted for using equity method

Amounts consist of exchange differences on translation of foreign operations of investments accounted for using equity method.

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	Share of other comprehensive income of investments accounted for using equity method	Total	
As of April 1, 2023	¥ 1,528		¥ 17,377	¥ 19	¥ 18,925	
Other comprehensive income	250	¥ (181)	23,526	27	23,623	
Reclassification into retained earnings	85	181			266	
As of March 31, 2024	1,864		40,903	47	42,814	
Other comprehensive income	(2,194)	(114)	(1,830)	(3)	(4,141)	
Reclassification into retained earnings	(1,361)	¥ 114			(1,247)	
As of March 31, 2025	¥ (1,691)		¥ 39,073	¥ 43	¥ 37,425	

	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	Share of other comprehensive income of investments accounted for using equity method	Total	
As of March 31, 2024	\$ 12,427		\$ 272,687	\$ 313	\$ 285,427	
Other comprehensive income	(14,627)	\$ (760)	(12,200)	(20)	(27,607)	
Reclassification into retained earnings	(9,073)	\$ 760			(8,313)	
As of March 31, 2025	\$ (11,273)		\$ 260,487	\$ 287	\$ 249,500	

(5) Dividends

Dividends paid are as follows:

Year Ended March 31, 2025

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 21, 2024	Common stock	¥8,792	¥42.00	\$58,613	\$0.28	March 31, 2024	June 24, 2024
Board of Directors' Meeting November 6, 2024	Common stock	¥9,420	¥15.00	\$62,800	\$0.10	September 30, 2024	December 3, 2024

Year Ended March 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 23, 2023	Common stock	¥8,788	¥42.00	March 31, 2023	June 26, 2023
Board of Directors' Meeting November 8, 2023	Common stock	¥8,790	¥42.00	September 30, 2023	December 4, 2023

Notes:

1. The total dividends as a result of the resolution of the Ordinary General Meeting of Shareholders on June 21, 2024 include dividends of ¥63 million on the Company's shares held by the ESOP trust.
2. The Company conducted a three-for-one stock split on common stock with an effective date of April 1, 2024, and the above shows the actual amount of dividends before the stock split.
3. The total dividends as a result of the resolution of the Ordinary General Meeting of Shareholders on November 6, 2024 include dividends of ¥67 million on the Company's shares held by the ESOP trust.

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

Year Ended March 31, 2025

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 27, 2025	Common stock	¥10,678	¥17.00	\$71,187	\$0.11	March 31, 2025	June 30, 2025

Note:

The total dividends as a result of the resolution of the Ordinary General Meeting of Shareholders on June 27, 2025 include dividends of ¥76 million (\$507 thousand) on the Company's shares held by the ESOP trust.

Year Ended March 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividend record date	Effective date
Ordinary General Meeting of Shareholders June 21, 2024	Common stock	¥8,792	¥42.00	March 31, 2024	June 24, 2024

Notes:

1. The total dividends as a result of the resolution of the Ordinary General Meeting of Shareholders on June 21, 2024 include dividends of ¥63 million on the Company's shares held by the ESOP trust.
2. The Company conducted a three-for-one stock split on common stock with an effective date of April 1, 2024, and the above shows the actual amount of dividends before the stock split.

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. As stated in "5. SEGMENT INFORMATION," revenues in five managing company specific segments, "Headquarters," "Americas RHQ," "EMEA RHQ," "China RHQ," and "AP RHQ," 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, 2025

(Unit: Millions of yen)

	Reportable segment						Total
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ		
Goods or services							
Instruments	¥ 21,736	¥ 27,384	¥ 30,720	¥ 15,512	¥ 8,905	¥	104,259
Reagents	56,572	61,467	83,630	87,212	24,935		313,818
Maintenance services	10,633	31,875	14,974	7,924	3,005		68,414
Others	5,046	2,187	6,346	7,178	1,392		22,150
Total	¥ 93,988	¥ 122,916	¥ 135,671	¥ 117,828	¥ 38,239	¥	508,643
Revenues recognized from contracts with customers	92,521	113,026	122,723	117,697	35,572		481,541
Revenues recognized from other items (Note)	1,467	9,890	12,947	130	2,666		27,101

Note:

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

Year ended March 31, 2024

(Unit: Millions of yen)

	Reportable segment						Total
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ		
Goods or services							
Instruments	¥ 20,040	¥ 29,154	¥ 29,108	¥ 15,030	¥ 7,625	¥	100,959
Reagents	52,250	53,138	73,232	81,657	20,563		280,843
Maintenance services	9,763	28,051	13,382	7,296	2,952		61,446
Others	3,587	1,653	5,844	5,813	1,362		18,261
Total	¥ 85,642	¥ 111,997	¥ 121,568	¥ 109,797	¥ 32,503	¥	461,510
Revenues recognized from contracts with customers	84,295	104,937	111,107	109,704	29,786		439,832
Revenues recognized from other items (Note)	1,346	7,060	10,461	93	2,716		21,678

Notes:

1. Lease revenues based on IFRS 16 are included in revenues recognized from other items.
2. From the year ended March 31, 2025, the Group changed the reportable segments. The segment information for the year ended March 31, 2024, is based on the new reportable segments.

Year ended March 31, 2025

(Unit: Thousands of U.S. Dollars)

	Reportable segment					
	Head- quarters	Americas RHQ	EMEA RHQ	China RHQ	AP RHQ	Total
Goods or services						
Instruments	\$ 144,907	\$ 182,560	\$ 204,800	\$ 103,413	\$ 59,367	\$ 695,060
Reagents	377,147	409,780	557,533	581,413	166,233	2,092,120
Maintenance services	70,887	212,500	99,827	52,827	20,033	456,093
Others	33,640	14,580	42,307	47,853	9,280	147,667
Total	\$ 626,587	\$ 819,440	\$ 904,473	\$ 785,520	\$ 254,927	\$ 3,390,953
Revenues recognized from contracts with customers	616,807	753,507	818,153	784,647	237,147	3,210,273
Revenues recognized from other items	9,780	65,933	86,313	867	17,773	180,673

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. 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, 2025

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Contract assets	¥ 7,457	¥ 6,022	\$ 49,713
Contract liabilities	18,098	16,591	120,653

As of March 31, 2024

	Millions of Yen	
	2024	2023
Contract assets	¥ 6,022	¥ 2,644
Contract liabilities	16,591	14,469

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 year ended March 31, 2025, ¥16,018 million (\$106,787 thousand) of contract liabilities was included in the beginning of the fiscal year.

(3) Transaction price allocated to remaining performance obligation

The aggregated amount of transaction price allocated to remaining performance obligations unsatisfied as of March 31, 2025, 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
	2025	2024	2025
Within one year	¥ 19,327	¥ 18,119	\$ 128,847
Longer than one year	29,708	32,850	198,053
Total	¥ 49,036	¥ 50,969	\$ 326,907

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

Assets recognized from the costs to obtain or fulfill a contract with a customer had no significance as of March 31, 2025. 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
	2025	2024	2025
Cost of materials	¥ 59,612	¥ 56,699	\$ 397,413
Personnel expenses	142,458	128,481	949,720
Depreciation and amortization	39,033	35,888	260,220

23. OTHER OPERATING INCOME AND EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other operating income			
Grants	¥ 621	¥ 606	\$ 4,140
Gain on sales of property, plant and equipment	233	297	1,553
Change in fair value of contingent considerations		2,390	
Compensation for warehouse fire		20	
Others	1,215	887	8,100
Total	¥ 2,070	¥ 4,203	\$ 13,800
Other operating expenses			
Loss on sales and retirement of property, plant and equipment	¥ 410	¥ 386	\$ 2,733
Others	538	518	3,587
Total	¥ 948	¥ 905	\$ 6,320

Notes:

1. 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.
2. Change in fair value of contingent considerations relate to milestones for Astrego Diagnostics AB to be paid in addition upon obtaining regulatory approval.

24. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Financial income			
Interest income			
Financial assets measured at amortized cost	¥ 700	¥ 672	\$ 4,667
Dividend income			
Financial assets measured at fair value through other comprehensive income	150	127	1,000
Others	227	136	1,513
Total	¥ 1,078	¥ 937	\$ 7,187
Financial expenses			
Interest expenses			
Lease liabilities	¥ 1,504	¥ 1,179	\$ 10,027
Financial liabilities measured at amortized cost	428	355	2,853
Loss related to stock, etc.			
Financial assets measured at fair value through profit or loss	521	52	3,473
Others	1,063	798	7,087
Total	¥ 3,518	¥ 2,386	\$ 23,453

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, 2025

	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	¥ (3,889)		¥ (3,889)	¥ 1,695	¥ (2,194)
Remeasurements of defined benefit plans	(160)		(160)	46	(114)
Subtotal	(4,050)		(4,050)	1,742	(2,308)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(1,830)		(1,830)		(1,830)
Share of other comprehensive income of investments accounted for using the equity method	(3)		(3)		(3)
Subtotal	(1,833)		(1,833)		(1,833)
Total	¥ (5,884)		¥ (5,884)	¥ 1,742	¥ (4,141)

Year Ended March 31, 2024

	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	¥ 413		¥ 413	¥ (162)	¥ 250
Remeasurements of defined benefit plans	(241)		(241)	59	(181)
Subtotal	172		172	(102)	69
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	23,526		23,526		23,526
Share of other comprehensive income of investments accounted for using the equity method	27		27		27
Subtotal	23,553		23,553		23,553
Total	¥ 23,725		¥ 23,725	¥ (102)	¥ 23,623

Year Ended March 31, 2025

	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	\$ (25,927)		\$ (25,927)	\$ 11,300	\$ (14,627)
Remeasurements of defined benefit plans	(1,067)		(1,067)	307	(760)
Subtotal	(27,000)		(27,000)	11,613	(15,387)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(12,200)		(12,200)		(12,200)
Share of other comprehensive income of investments accounted for using the equity method	(20)		(20)		(20)
Subtotal	(12,220)		(12,220)		(12,220)
Total	\$ (39,227)		\$ (39,227)	\$ 11,613	\$ (27,607)

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
	2025	2024	2025
Basis for calculating basic earnings per share			
Profit attributable to owners of the parent	¥ 53,669	¥ 49,639	\$ 357,793
Profit not attributable to common stock shareholders of the parent			
Profit used in calculating basic earnings per share	53,669	49,639	357,793
Average number of common stock shares during the period (Thousands of shares)	623,531	626,187	623,531
Basis for calculating diluted earnings per share			
Profit used in calculating basic earnings per share	53,669	49,639	357,793
Profit adjustment			
Profit used in calculating diluted earnings per share	53,669	49,639	357,793
Average number of common stock shares during the period (Thousands of shares)	623,531	626,187	623,531
Effect of dilutive shares (Thousands of shares)	194	238	194
Average number of common stock shares after adjustment for dilution (Thousands of shares)	623,726	626,425	623,726
Summary of potential shares that were not included in the calculation of diluted earnings per share because they do not have a dilutive effect			

Notes:

1. The Company has introduced the ESOP trust, and in calculating basic earnings per share and diluted earnings per share, the Company treats the Company's shares held by the trust as treasury stock. Therefore, the number of shares is deducted from the average number of common stock shares during the period.
2. The Company conducted a three-for-one stock split on common stock with an effective date of April 1, 2024. Basic earnings per share and diluted earnings per share are calculated assuming the stock split took place on April 1, 2023.

27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Change of liabilities in financing activities

Year Ended March 31, 2025

The change of liabilities in financing activities is as follows:

	Millions of Yen				
	April 1, 2024	Fluctuations accompanying cash flows from financing activities	Fluctuations not accompanying cash flows		March 31, 2025
			New leases	Others	
Lease liabilities	¥ 26,739	¥ (10,561)	¥ 14,545	¥ 1,653	¥ 32,376
Long-term loans payable	29,000	4,073			33,073

Notes:

1. There is no change in liabilities in financing activities other than lease liabilities and long-term loans payable.
2. Long-term loans payable include current portion of long-term loans payable which is included in other short-term financial liabilities in the consolidated statement of financial position.

	Thousands of U.S. Dollars				
	April 1, 2024	Fluctuations accompanying cash flows from financing activities	Fluctuations not accompanying cash flows		March 31, 2025
			New leases	Others	
Lease liabilities	\$ 178,260	\$ (70,407)	\$ 96,967	\$ 11,020	\$ 215,840
Long-term loans payable	193,333	27,153			220,487

Year Ended March 31, 2024

The change of liabilities in financing activities is as follows:

	Millions of Yen				
	April 1, 2023	Fluctuations accompanying cash flows from financing activities	Fluctuations not accompanying cash flows		March 31, 2024
			New leases	Others	
Lease liabilities	¥ 22,592	¥ (9,068)	¥ 10,670	¥ 2,546	¥ 26,739
Long-term loans payable		29,000			29,000

Notes:

1. There is no change in liabilities in financing activities other than lease liabilities and long-term loans payable.
2. Long-term loans payable include current portion of long-term loans payable which is included in other short-term financial liabilities in the consolidated statement of financial position.

(2) Non-cash transactions

Year Ended March 31, 2025

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥16,750 million (\$111,667 thousand).

Year Ended March 31, 2024

Non-cash transactions consists of increase in right-of-use assets through the lease agreements in the amount of ¥10,578 million.

28. STOCK-BASED COMPENSATION

(1) Details of stock-option plan

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 2,806 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	¥2,432
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)

Note:

The Company conducted a three-for-one stock split on common stock with an effective date of April 1, 2024. The above reflects the impact of the stock split.

The number of stock options and the weighted-average exercise prices are as follows:

	2025		2024		2025	
	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (Yen)	Number of shares (Thousand shares)	Weighted-average exercise price (U.S. Dollars)
Outstanding at beginning of period	1,682	¥ 2,432	1,994	¥ 2,432	1,682	\$ 16.21
Granted during period						
Forfeited during period	(10)	¥ 2,432	(23)	¥ 2,432	(10)	\$ 16.21
Exercised during period	(102)	¥ 2,432	(289)	¥ 2,432	(102)	\$ 16.21
Outstanding at end of period	1,570	¥ 2,432	1,682	¥ 2,432	1,570	\$ 16.21
Exercisable at end of period	1,570	¥ 2,432	1,682	¥ 2,432	1,570	\$ 16.21

Notes:

1. The weighted-average share price on the exercise date for the years ended March 31, 2025 and 2024, were ¥2,978 (\$19.85) and ¥2,952, respectively.
2. The exercise price of outstanding stock options for the years ended March 31, 2025 and 2024, were ¥2,432 (\$16.21) and ¥2,432, respectively.
3. The weighted-average remaining contractual life for the years ended March 31, 2025 and 2024, were 2.4 years and 3.4 years, respectively.

(2) Details of the ESOP stock-granting compensation plan

The Company and some of its subsidiaries implemented an ESOP stock-granting compensation plan aiming to enhance the corporate value over the medium to long-term by granting shares to employees who hold key positions within the Group (hereinafter, "Eligible Employees"). This plan is accounted for as an equity-settled share-based payment transaction.

This plan adopts a trust-based scheme modeled after the U.S. ESOP. Under this scheme, Eligible Employees are granted a certain number of points (where one point equals one share), provided they meet the specified beneficiary requirements, such as being an Eligible Employee during the designated period. Subsequently, Eligible Employees who satisfy the beneficiary requirements can receive shares of the Company corresponding to the number of points granted, upon completing the prescribed beneficiary confirmation procedures.

1) The number of points granted during the reporting period

The fair value on the grant date is measured based on observable market prices. The number of points granted during the reporting period and the weighted-average fair value of the points are as follows:

The number of points granted during the reporting period

	2025	2024
Points granted during period (Points)	39,437	
Weighted-average fair value of points (Yen)	¥ 2,526.5	

The number of points granted during the reporting period

	2025
Points granted during period (Points)	39,437
Weighted-average fair value of points (U.S. Dollars)	\$ 16.84

(3) Share-based payment expense

Share-based payment expense is included in "Selling, general and administrative expenses" in the consolidated statement of income. The amounts are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
ESOP stock-granting compensation plan	¥ 39		\$ 260
Total	¥ 39		\$ 260

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, 2025 and 2024, was 12.0% and 12.1%, respectively, and the equity ratios for the years ended March 31, 2025 and 2024, were 69.7% and 69.8%, 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 major 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 other 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, 2023			¥ 918
Provision made			648
Provision used			(248)
Provision reversed			(343)
Exchange differences on translation of foreign currency			97
As of March 31, 2024			1,073
Provision made			1,379
Provision used			(337)
Provision reversed			(766)
Exchange differences on translation of foreign currency			(34)
As of March 31, 2025			¥ 1,315

	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, 2024			\$ 7,153
Provision made			9,193
Provision used			(2,247)
Provision reversed			(5,107)
Exchange differences on translation of foreign currency			(227)
As of March 31, 2025			\$ 8,767

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, 2023	¥ 1,384	¥ 14	¥ 146,381	¥ 147,780
Recognition and derecognition	(528)	¥ (14)	26,258	25,716
Exchange differences on translation of foreign currency	71		12,182	12,253
As of March 31, 2024	926		184,822	185,749
Recognition and derecognition	12		15,624	15,637
Exchange differences on translation of foreign currency	(0)		(2,476)	(2,476)
As of March 31, 2025	¥ 939		¥ 197,970	¥ 198,909

	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, 2024	\$ 6,173		\$ 1,232,147	\$ 1,238,327
Recognition and derecognition	80		104,160	104,247
Exchange differences on translation of foreign currency	(0)		(16,507)	(16,507)
As of March 31, 2025	\$ 6,260		\$ 1,319,800	\$ 1,326,060

No financial assets for which loss allowance was recorded at initial recognition were recognized for the years ended March 31, 2025 and 2024.

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

As of March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars	
	Financial assets	Loss allowance	Financial assets	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 2,177	¥ 1,015	\$ 14,513	\$ 6,767
Financial assets other than the above	196,732	299	1,311,547	1,993
Total	¥ 198,909	¥ 1,315	\$ 1,326,060	\$ 8,767

As of March 31, 2024

	Millions of Yen	
	Financial assets	Loss allowance
Financial assets with significantly increased credit risk or credit-impaired financial assets	¥ 3,020	¥ 884
Financial assets other than the above	182,729	188
Total	¥ 185,749	¥ 1,073

(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, 2025

	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	¥ 31,865	¥ 31,865	¥ 31,865					
Long-term loans payable	33,073	34,337	984	¥ 976	¥ 969	¥ 25,867	¥ 775	¥ 4,764
Lease liabilities	32,376	36,206	11,189	6,787	4,917	3,251	2,145	7,914
Deposits received	522	522	522					
Others	76	76	19	20	21	14		
Subtotal	97,913	103,008	44,581	7,784	5,908	29,134	2,920	12,678
Derivative financial liabilities								
Forward exchange contracts	147	147	147					
Subtotal	147	147	147					
Total	¥ 98,061	¥ 103,155	¥ 44,729	¥ 7,784	¥ 5,908	¥ 29,134	¥ 2,920	¥ 12,678

As of March 31, 2024

	Millions of Yen							
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	¥ 33,602	¥ 33,602	¥ 33,602					
Long-term loans payable	29,000	30,010	613	¥ 608	¥ 604	¥ 601	¥ 25,534	¥ 2,048
Lease liabilities	26,739	29,617	10,399	7,693	5,000	2,648	1,333	2,541
Deposits received	539	539	539					
Others	95	95	19	19	20	21	14	
Subtotal	89,977	93,866	45,174	8,321	5,625	3,270	26,883	4,590
Derivative financial liabilities								
Forward exchange contracts	69	69	69					
Subtotal	69	69	69					
Total	¥ 90,047	¥ 93,935	¥ 45,244	¥ 8,321	¥ 5,625	¥ 3,270	¥ 26,883	¥ 4,590

As of March 31, 2025

	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	\$ 212,433	\$ 212,433	\$ 212,433					
Long-term loans payable	220,487	228,913	6,560	\$ 6,507	\$ 6,460	\$ 172,447	\$ 5,167	\$ 31,760
Lease liabilities	215,840	241,373	74,593	45,247	32,780	21,673	14,300	52,760
Deposits received	3,480	3,480	3,480					
Others	507	507	127	133	140	93		
Subtotal	652,753	686,720	297,207	51,893	39,387	194,227	19,467	84,520
Derivative financial liabilities								
Forward exchange contracts	980	980	980					
Subtotal	980	980	980					
Total	\$ 653,740	\$ 687,700	\$ 298,193	\$ 51,893	\$ 39,387	\$ 194,227	\$ 19,467	\$ 84,520

Average interest rates as of March 31, 2025, were 0.9% for long-term loans payable, 4.9% for lease liabilities and 0.0% for deposits received.

(5) Market risk management
1) Management of foreign currency exchange rate risk

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

(i) Exposure to foreign currency exchange rate risk

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

	2025	2024
Thousands of U.S. dollars	51,044	(39,162)
Thousands of euros	15,301	(38,795)
Thousands of yuan	8,437	(82)

(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	
	2025		2024		2025	
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
U.S. dollar (yen appreciates by 10%)	¥ (529)	¥ (529)	¥ 411	¥ 411	\$ (3,527)	\$ (3,527)
Euro (yen appreciates by 10%)	(174)	(174)	439	439	(1,160)	(1,160)
Yuan (yen appreciates by 10%)	(14)	(14)	(3)	(3)	(93)	(93)

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, 2025 and 2024 were ¥395 million (\$2,633 thousand) and ¥410 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 and investments 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.

(v) Bonds and long-term loans payable

The fair values of bonds and long-term loans payable are measured at the present value discounted at the interest rate assumed for transactions with the same terms for the same remaining period, and classified in Level 2.

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

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	
	2025		2024		2025	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Lease receivables	¥ 36,730	¥ 36,310	¥ 30,413	¥ 29,701	\$ 244,867	\$ 242,067
Bonds	150	147	150	150	1,000	980
Total	¥ 36,880	¥ 36,458	¥ 30,563	¥ 29,852	\$ 245,867	\$ 243,053
Liabilities						
Long-term loans payable	¥ 33,073	¥ 32,286	¥ 29,000	¥ 29,001	\$ 220,487	\$ 215,240
Others	76	75	95	95	507	500
Total	¥ 33,149	¥ 32,362	¥ 29,095	¥ 29,097	\$ 220,993	\$ 215,747

Note:

Long-term loans payable include current portion of long-term loans payable which are included in "Other short-term financial liabilities" in the consolidated statement of financial position.

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, 2025

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 2,953	¥ 2,953
Financial assets measured at fair value through other comprehensive income	¥ 3,956		2,921	6,877
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 116		116
Others				
Financial assets measured at fair value through profit or loss	195		1,730	1,925
Total	¥ 4,152	¥ 116	¥ 7,605	¥ 11,873
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 147		¥ 147
Total		¥ 147		¥ 147

As of March 31, 2024

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			¥ 2,882	¥ 2,882
Financial assets measured at fair value through other comprehensive income	¥ 4,100		4,950	9,051
Derivative financial assets				
Financial assets measured at fair value through profit or loss		¥ 210		210
Others				
Financial assets measured at fair value through profit or loss	539		1,409	1,948
Total	¥ 4,640	¥ 210	¥ 9,241	¥ 14,092
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		¥ 69		¥ 69
Total		¥ 69		¥ 69

As of March 31, 2025

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Stocks, etc.				
Financial assets measured at fair value through profit or loss			\$ 19,687	\$ 19,687
Financial assets measured at fair value through other comprehensive income	\$ 26,373		19,473	45,847
Derivative financial assets				
Financial assets measured at fair value through profit or loss		\$ 773		773
Others				
Financial assets measured at fair value through profit or loss	1,300		11,533	12,833
Total	\$ 27,680	\$ 773	\$ 50,700	\$ 79,153
Liabilities				
Derivative financial liabilities				
Financial liabilities measured at fair value through profit or loss		\$ 980		\$ 980
Total		\$ 980		\$ 980

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, 2025 and 2024.

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
	2025	2024	2025
Beginning balance	¥ 9,241	¥ 5,994	\$ 61,607
Total gains or losses recognized			
In profit or loss (Note 1)	(314)	(45)	(2,093)
In other comprehensive income (Note 2)	(3,834)	(323)	(25,560)
Purchase or contribution	4,521	3,654	30,140
Sell-off or settlement	(1,801)		(12,007)
Others	(207)	(37)	(1,380)
Ending balance	¥ 7,605	¥ 9,241	\$ 50,700

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" or "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.

(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, 2025

Investment	Millions of Yen	Thousands of U.S. Dollars
TOA Corporation	¥ 1,347	\$ 8,980
Noritz Corporation	828	5,520
Mitsubishi UFJ Financial Group, Inc.	659	4,393
KAINOS Laboratories, Inc.	288	1,920
Falco Holdings Co., Ltd.	206	1,373

As of March 31, 2024

Investment	Millions of Yen
TOA Corporation	¥ 1,709
Noritz Corporation	819
Mitsubishi UFJ Financial Group, Inc.	510
KAINOS Laboratories, Inc.	275
Falco Holdings Co., Ltd.	208

- 2) Discontinuation of recognition of financial assets measured at fair value through other comprehensive income

The Company, taking into account prevailing market conditions such as market prices and its business requirements, has disposed of a portion of the financial assets measured at fair value through other comprehensive income through sale and other means, thereby discontinuing their recognition.

The fair value at the time of disposal and the cumulative gain or loss are as follows:

As of March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars	
	Fair value	Cumulative gains and losses	Fair value	Cumulative gains and losses
Total	¥ 1,801	¥ 1,361	\$ 12,007	\$ 9,073

As of March 31, 2024

	Millions of Yen	
	Fair value	Cumulative gains and losses
Total	¥	¥

- 3) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments held at end of period	¥ 150	¥ 127	\$ 1,000

- 4) Amount transferred to retained earnings

The consolidated entity reclassifies cumulative gains or losses from changes in fair value of financial assets measured through other comprehensive income to retained earnings when investments are disposed of or otherwise.

The cumulative gain (loss) in other comprehensive income, net of tax, transferred to retained earnings for the years ended March 31, 2025 and 2024 amounted to ¥1,361 million (\$9,073) and ¥85 million.

30. RELATED PARTIES

(1) Related party transactions

The Group engages in transactions with the following related parties:

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

As of March 31, 2025

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	Kenji Tachibana	Exercise of stock options (Note 1)	¥ 14	\$ 93		
Officer	Tomokazu Yoshida	Exercise of stock options (Note 1)	11	73		
Officer of Significant subsidiaries	Peng Zuo Hui	Exercise of stock options (Note 1)	25	167		
Companies in which officers and their close relatives have a majority of voting rights	Vision Care Inc. (Note 3)	Expenditures from commissioned business related to R&D (Note 2)			¥ 42	\$ 280
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc. (Note 4)	Underwriting of convertible bonds with stock acquisition rights (Note 5)			200	1,333
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc. (Note 4)	Receiving interest (Note 5)	2	13	25	167

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. Former officer Masayo Takahashi directly holds 100% of the company's voting rights. However, as of June 21, 2024, she stepped down from her position as an officer, and therefore, the company is no longer considered a related party. The transaction amounts and the outstanding balances for the year ended March 31, 2025 are reported as of June 30, 2024, the month of her resignation.
4. Former officer Masayo Takahashi directly holds 100% of the voting rights in Vision Care Inc., which in turn directly owns 90.9% of the voting rights in VCCT Inc. However, as of June 21, 2024, she resigned from her position as an officer, and therefore, the company is no longer considered a related party. The transaction amounts and the outstanding balances for the years ended March 31, 2025 are reported as of June 30, 2024, the month of her resignation.
5. The basic agreement is concluded for the underwriting of convertible bond with stock acquisition rights which is determined rationally in consideration of market interest rates.

As of March 31, 2024

Type	Name	Nature of transaction with related parties	Transaction amount		Outstanding
			Millions of Yen		Millions of Yen
Officer	Kenji Tachibana	Exercise of stock options (Note 1)	¥	50	
Officer	Tomokazu Yoshida	Exercise of stock options (Note 1)		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 (Note 2)			¥ 45
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Underwriting of a capital increase (Note 3)		199	
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Underwriting of convertible bonds with stock acquisition rights (Note 4)			200
Companies in which officers and their close relatives have a majority of voting rights	VCCT Inc.	Receiving interest (Note 4)		8	22

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 underwriting of the capital increase is done by VCCT Inc, which has undertaken the third-party allotment of new shares. The underwriting of the capital increase is determined based on the valuation amount calculated by the third party.
4. 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
	2025		2024		2025
Short-term benefits	¥	833	¥	834	\$ 5,533
Stock-based compensation		29		28	193
Total	¥	862	¥	863	\$ 5,747

31. COMMITMENTS FOR EXPENDITURES

Commitments for expenditures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Commitments to purchase of property, plant and equipment	¥ 71	¥ 2,756	\$ 473
Commitments to purchase of intangible assets and other assets	5,027	3,610	33,513

32. 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	1,245.76
March 31, 2015	255.23	1,157.66
March 31, 2016	274.27	1,077.29
March 31, 2017	305.24	967.99
March 31, 2018	336.48	878.12
March 31, 2019	402.81	733.52
March 31, 2020	450.58	655.75
March 31, 2021	523.53	564.38
March 31, 2022	843.64	350.23
March 31, 2023	1,269.75	232.70
March 31, 2024	2,139.47	138.10
March 31, 2025	2,954.69	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.

33. CONTINGENT LIABILITIES

Guarantee of obligations

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

Guarantor	Guarantee amount (Millions of Yen)	Guarantee amount (Thousands of U.S. Dollars)	Nature of Guarantee
Medicaroid Corporation	¥ 7,200	\$ 48,000	Guarantee for working capital loans
Total	¥ 7,200	\$ 48,000	

Note:

The Group recognized liabilities associated with equity method of ¥6,773 million (\$45,153 thousand) for the year ended March 31, 2025.

34. SUBSEQUENT EVENT

Introduction of a performance-linked stock compensation plan for members of the Managing Board

At the meeting of the Managing Board held on May 14, 2025, the Company resolved to introduce a new performance-linked stock compensation plan (hereinafter, the “Plan”) and it was approved at the 58th Ordinary General Meeting of Shareholders held on June 27, 2025.

(1) Objective of introducing the Plan

The Company has decided to revise its executive compensation and newly introduce a stock-based compensation plan to clarify the linkage between the compensation for members of the Managing Board (excluding outside members of the Managing Board, members of the Managing Board who are Audit and Supervisory Committee members, and non-residents of Japan) and Executive Officers (excluding non-residents of Japan; hereinafter collectively referred to as the “Eligible Executives”), and the Company's business performance and stock value. The aim is to heighten the Eligible Executives' awareness of contributing to the enhancement of medium to long-term performance and corporate value.

(2) Overview of the Plan

- 1) The Plan will adopt a system known as an executive compensation BIP (Board Incentive Plan) trust. Under the Plan, the Company grants Eligible Executives shares of the Company and cash equivalent to the conversion value of such shares based on factors such as the position and the level of achievement of target performance.
- 2) Upon expiration of the trust period of the executive compensation BIP trust (hereinafter, the “Trust”) established to implement the Plan, the Company intends to either establish a new Trust or amend and provide additional trust funds to the existing Trust in order to continue the Plan.

Details of the Trust Agreement

1 Type of trust	Monetary trust other than a specified, individually managed monetary trust (benefit trust)
2 Purpose of trust	To provide incentives to Eligible Executives
3 Trustor	The Company
4 Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd. (planned))
5 Beneficiaries	Eligible Executives who meet the requirements for beneficiaries
6 Trust administrator	A third party independent from the Company (Certified Public Accountant)
7 Date of trust agreement	August 2025 (planned)
8 Trust period	August 2025 to August 2029 (planned)
9 Plan commencement date	August 2025 (planned)
10 Exercise of voting rights	Not to be exercised
11 Type of shares to be acquired	Common shares of the Company
12 Trust fund amount	¥880 million (\$5,867 thousand) (planned) (including trust fees and expenses)
13 Share acquisition period	August 7, 2025, to August 28, 2025 (planned)
14 Method of share acquisition	Purchase from the stock market
15 Rights holder	The Company
16 Residual assets	Any residual assets the Company, as rights holder, may receive will be limited to the trust reserve, calculated by subtracting the funds used to acquire shares from the trust fund.