HOYA Corporation and its Subsidiaries
Consolidated Financial Statements under IFRSs
and Independent Auditor's Report

For the year ended 31 March 2018

HOYA Corporation

Contents

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HOYA CORPORATION:

We have audited the accompanying consolidated statement of financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2018, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

8 June 2018

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Statement of Financial Position

HOYA Corporation and its Subsidiaries

As at 31 March 2018

	Notes	(Millions of Yen) As at 31 March 2017	(Millions of Yen) As at 31 March 2018	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2018
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6,8,33	103,729	105,493	992,969
Goodwill	7,8	14,590	31,892	300,193
Intangible assets	7,33	26,412	36,863	346,979
Investments in associates	9	196	1,476	13,890
Long-term financial assets	11,22	7,357	15,595	146,791
Other non-current assets	12,18	2,578	2,302	21,668
Deferred tax assets	10	9,399	10,834	101,974
Total non-current assets		164,263	204,455	1,924,464
CURRENT ASSETS:				
Inventories	13	65,501	71,341	671,508
Trade and other receivables	14,22	98,315	107,632	1,013,101
Other short-term financial assets	11,22	17,788	4,955	46,639
Income taxes receivable		389	1,228	11,559
Other current assets	12	16,477	15,198	143,057
Cash and cash equivalents	22	296,851	245,835	2,313,962
Total current assets		495,321	446,190	4,199,826
Total assets		659,583	650,645	6,124,290

	Notes	(Millions of Yen) As at 31 March 2017	(Millions of Yen) As at 31 March 2018	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2018
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21(1)	6,264	6,264	58,963
Capital reserves	21(1)	15,899	15,899	149,648
Treasury shares	21(2)	(6,816)	(10,886)	(102,465)
Other capital reserves	21(2),23	(5,345)	(6,660)	(62,689)
Retained earnings	21(3),34	506,367	529,818	4,986,995
Accumulated other comprehensive income/(loss)		(5,482)	(8,242)	(77,580)
Equity attributable to owners of the Company		510,887	526,193	4,952,873
Non-controlling interests	21(4)	4,518	4,484	42,208
Total equity		515,405	530,677	4,995,081
LIABILITIES				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	15,16,22	504	451	4,246
Other long-term financial liabilities	11,22	4,843	6,983	65,731
Retirement benefit liabilities	18	2,001	2,127	20,022
Provisions	19	2,419	2,398	22,576
Other non-current liabilities	12	813	956	9,000
Deferred tax liabilities	10	2,857	2,774	26,114
Total non-current liabilities		13,438	15,690	147,688
CURRENT LIABILITIES:				
Interest-bearing short-term debt	15,16,22	36,913	1,901	17,898
Trade and other payables	20,22	41,371	46,555	438,205
Other short-term financial liabilities	11,22	652	643	6,050
Income tax payables		11,649	12,355	116,294
Provisions	19	1,333	1,280	12,051
Other current liabilities	12	38,822	41,542	391,023
Total current liabilities		130,740	104,277	981,521
Total liabilities		144,178	119,967	1,129,209
Total equity and liabilities		659,583	650,645	6,124,290

Consolidated Statement of Comprehensive Income

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2018

	Notes	(Millions of Yen) For the year ended 31 March 2017	(Millions of Yen) For the year ended 31 March 2018	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2018
Continuing operations				
Revenue:				
Sales	24	478,927	535,612	5,041,531
Finance income	25	8,022	1,562	14,700
Share of profit of associates	9	16	—	—
Other income	24	2,764	3,999	37,639
Total revenue		489,729	541,173	5,093,871
Expenses:				
Changes in inventories of goods, products and work in progress		3,132	534	5,030
Raw materials and consumables used		74,304	83,924	789,952
Employee benefits expense	18,23,24	114,504	127,820	1,203,127
Depreciation and amortisation	6,7,24	29,777	28,711	270,251
Subcontracting cost		4,783	4,919	46,302
Advertising and promotion expense		12,912	13,085	123,166
Commissions expense	24	28,523	32,506	305,966
Impairment losses	8	334	5,798	54,576
Finance costs	18,25	1,130	771	7,261
Share of loss of associates	9	—	44	418
Foreign exchange (gain)/loss	24	2,389	268	2,518
Other expenses	6,7,17,24	107,147	118,543	1,115,800
Total expenses		378,935	416,925	3,924,367
Profit before tax		110,795	124,248	1,169,503
Income tax expense	10	23,943	25,026	235,562
Profit for the year from continuing operations		86,852	99,222	933,942
Profit for the year		86,852	99,222	933,942
Other comprehensive income/(loss):	26			
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the net defined benefit liability (asset)		(281)	88	833
Income tax relating to components of other comprehensive income/ (loss)	10	(4)	10	94
Subtotal		(285)	98	927
Items that may be reclassified subsequently to profit or loss:				
Net gain/(loss) on revaluation of available-for-sale financial assets		180	423	3,981
Exchange differences on translation of foreign operations		(5,808)	(2,712)	(25,532)
Share of other comprehensive income of associates		(1)	(9)	(86)
Income tax relating to components of other comprehensive income	10	(58)	(112)	(1,052)
Subtotal		(5,687)	(2,410)	(22,688)
Total other comprehensive income/(loss)		(5,972)	(2,312)	(21,761)
Total comprehensive income for the year		80,879	96,910	912,180

	Notes	(Millions of Yen) For the year ended 31 March 2017	(Millions of Yen) For the year ended 31 March 2018	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2018
Profit attributable to:				
Owners of the Company		86,740	99,494	936,503
Non-controlling interests		112	(272)	(2,561)
Total		86,852	99,222	933,942
Total comprehensive income/(loss) attributable to:				
Owners of the Company		81,069	96,833	911,452
Non-controlling interests		(189)	77	728
Total		80,879	96,910	912,180

	Notes	(Yen) For the year ended 31 March 2017	(Yen) For the year ended 31 March 2018	(U.S. Dollars (Note 2)) For the year ended 31 March 2018
Basic earnings per share	27			
Continuing operations		221.93	258.46	2.43
Discontinued operations		—	—	—
Basic earnings per share		221.93	258.46	2.43
Diluted earnings per share	27			
Continuing operations		221.49	257.88	2.43
Discontinued operations		—	—	—
Diluted earnings per share		221.49	257.88	2.43

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2018

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 2016		**6,264**	**15,899**	**(34,633)**	**(4,956)**	**510,787**
Total comprehensive income/(loss) for the year						
Profit for the year						86,740
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						86,740
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(34,987)	(20)	
Disposal of treasury shares	21(2)			1,412	(662)	
Cancellation of treasury shares	21(2)			61,392		(61,392)
Dividends, 75 yen per share	21(3)					(29,482)
Change in non-controlling interests	21(4)				(115)	
Share-based payments (stock options)	23				408	
Transfer to retained earnings						(285)
Total contributions by and distributions to owners		–	–	27,817	(389)	(91,160)
Total transactions with owners		–	–	27,817	(389)	(91,160)
Balance at 31 March 2017		**6,264**	**15,899**	**(6,816)**	**(5,345)**	**506,367**
Total comprehensive income/(loss) for the year						
Profit for the year						99,494
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						99,494
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(55,007)	(27)	
Disposal of treasury shares	21(2)			3,819	(1,579)	
Cancellation of treasury shares	21(2)			47,118		(47,118)
Dividends, 75 yen per share	21(3)					(29,024)
Change in non-controlling interests	21(4)				(26)	
Share-based payments (stock options)	23				317	
Transfer to retained earnings						98
Total contributions by and distributions to owners		–	–	(4,070)	(1,315)	(76,043)
Total transactions with owners		–	–	(4,070)	(1,315)	(76,043)
Balance at 31 March 2018		**6,264**	**15,899**	**(10,886)**	**(6,660)**	**529,818**

(Millions of Yen)

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 1 April 2016		**(20)**	**1,882**	**—**	**(1,958)**	**(96)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	126	(5,511)	(285)	(1)	(5,671)
Total comprehensive income/(loss) for the year		126	(5,511)	(285)	(1)	(5,671)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Change in non-controlling interests	21(4)					
Share-based payments (stock options)	23					
Transfer to retained earnings				285		285
Total contributions by and distributions to owners		—	—	285	—	285
Total transactions with owners		—	—	285	—	285
Balance at 31 March 2017		**106**	**(3,629)**	**—**	**(1,960)**	**(5,482)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	272	(3,023)	98	(9)	(2,661)
Total comprehensive income/(loss) for the year		272	(3,023)	98	(9)	(2,661)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Change in non-controlling interests	21(4)					
Share-based payments (stock options)	23					
Transfer to retained earnings				(98)		(98)
Total contributions by and distributions to owners		—	—	(98)	—	(98)
Total transactions with owners		—	—	(98)	—	(98)
Balance at 31 March 2018		**378**	**(6,652)**	**—**	**(1,969)**	**(8,242)**

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 2016		**493,265**	**4,909**	**498,174**
Total comprehensive income/(loss) for the year				
Profit for the year		86,740	112	86,852
Other comprehensive income/(loss)	26	(5,671)	(301)	(5,972)
Total comprehensive income/(loss) for the year		81,069	(189)	80,879
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(35,007)		(35,007)
Disposal of treasury shares	21(2)	749		749
Cancellation of treasury shares	21(2)	－		－
Dividends, 75 yen per share	21(3)	(29,482)	－	(29,482)
Change in non-controlling interests	21(4)	(115)	(202)	(316)
Share-based payments (stock options)	23	408		408
Transfer to retained earnings		－		－
Total contributions by and distributions to owners		(63,446)	(202)	(63,648)
Total transactions with owners		(63,446)	(202)	(63,648)
Balance at 31 March 2017		**510,887**	**4,518**	**515,405**
Total comprehensive income/(loss) for the year				
Profit for the year		99,494	(272)	99,222
Other comprehensive income/(loss)	26	(2,661)	349	(2,312)
Total comprehensive income/(loss) for the year		96,833	77	96,910
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(55,034)		(55,034)
Disposal of treasury shares	21(2)	2,240		2,240
Cancellation of treasury shares	21(2)	－		－
Dividends, 75 yen per share	21(3)	(29,024)	(34)	(29,058)
Change in non-controlling interests	21(4)	(26)	(77)	(103)
Share-based payments (stock options)	23	317		317
Transfer to retained earnings		－		－
Total contributions by and distributions to owners		(81,526)	(111)	(81,638)
Total transactions with owners		(81,526)	(111)	(81,638)
Balance at 31 March 2018		**526,193**	**4,484**	**530,677**

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2018-Continued

(Thousands of U.S. Dollars (Note 2))

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2017		**58,963**	**149,648**	**(64,157)**	**(50,312)**	**4,766,259**
Total comprehensive income/(loss) for the year						
Profit for the year						936,503
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						936,503
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(517,758)	(259)	
Disposal of treasury shares	21(2)			35,946	(14,859)	
Cancellation of treasury shares	21(2)			443,504		(443,504)
Dividends, 75 yen per share	21(3)					(273,190)
Change in non-controlling interests	21(4)				(241)	
Share-based payments (stock options)	23				2,982	
Transfer to retained earnings						927
Total contributions by and distributions to owners		—	—	(38,308)	(12,377)	(715,767)
Total transactions with owners		—	—	(38,308)	(12,377)	(715,767)
Balance at 31 March 2018		**58,963**	**149,648**	**(102,465)**	**(62,689)**	**4,986,995**

(Thousands of U.S. Dollars (Note 2))

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 31 March 2017		**1,002**	**(34,159)**	**—**	**(18,445)**	**(51,602)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	2,561	(28,452)	927	(86)	(25,050)
Total comprehensive income/(loss) for the year		2,561	(28,452)	927	(86)	(25,050)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Change in non-controlling interest	21(4)					
Share-based payments (stock options)	23					
Transfer to retained earnings				(927)		(927)
Total contributions by and distributions to owners		—	—	(927)	—	(927)
Total transactions with owners		—	—	(927)	—	(927)
Balance at 31 March 2018		**3,563**	**(62,611)**	**—**	**(18,532)**	**(77,580)**

(Thousands of U.S. Dollars (Note 2))

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2017		**4,808,799**	**42,529**	**4,851,328**
Total comprehensive income/(loss) for the year				
Profit for the year		936,503	(2,561)	933,942
Other comprehensive income/(loss)	26	(25,050)	3,289	(21,761)
Total comprehensive income/(loss) for the year		911,452	728	912,180
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(518,017)		(518,017)
Disposal of treasury shares	21(2)	21,087		21,087
Cancellation of treasury shares	21(2)	—		—
Dividends, 75 yen per share	21(3)	(273,190)	(320)	(273,510)
Change in non-controlling interest	21(4)	(241)	(729)	(970)
Share-based payments (stock options)	23	2,982		2,982
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(767,378)	(1,049)	(768,427)
Total transactions with owners		(767,378)	(1,049)	(768,427)
Balance at 31 March 2018		**4,952,873**	**42,208**	**4,995,081**

Consolidated Statement of Cash Flows

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2018

	Notes	(Millions of Yen) For the year ended 31 March 2017	(Millions of Yen) For the year ended 31 March 2018	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2018
Cash flows from operating activities				
Profit before tax		110,795	124,248	1,169,503
Depreciation and amortisation		29,777	28,711	270,251
Impairment losses		334	5,798	54,576
Finance income		(8,022)	(1,562)	(14,700)
Finance costs		1,130	771	7,261
Share of (profits)/loss of associates		(16)	44	418
(Gain)/loss on sales of property, plant and equipment		(720)	(438)	(4,127)
Loss on disposal of property, plant and equipment		226	432	4,064
Foreign exchange (gain)/loss		1,269	(1,447)	(13,618)
Others		3,589	4,631	43,592
Cash generated from operations (before movements in working capital)		138,360	161,189	1,517,220
Movements in working capital				
Decrease/(increase) in inventories		729	1,763	16,598
Decrease/(increase) in trade and other receivables		(5,528)	(6,562)	(61,769)
Increase/(decrease) in trade and other payables		(859)	4,052	38,144
Increase/(decrease) in retirement benefit liabilities and provisions		16	(234)	(2,201)
Subtotal		132,718	160,209	1,507,993
Interests received		1,813	1,499	14,109
Dividends received		50	8	76
Interest paid		(858)	(456)	(4,296)
Income taxes paid		(26,614)	(26,425)	(248,732)
Income taxes refunded		553	664	6,253
Net cash generated from operating activities		107,662	135,499	1,275,402
Cash flows from investing activities				
Withdrawals of time deposits		10,149	11,025	103,771
Payments for time deposits		(8,898)	(6,186)	(58,226)
Proceeds from sales of property, plant and equipment		1,060	559	5,258
Payments for acquisition of property, plant and equipment		(21,528)	(17,974)	(169,179)
Proceeds from sales of investment		5,818	959	9,030
Payments for acquisition of investment		—	(1,333)	(12,547)
Proceeds from sales of subsidiaries		—	5	46
Payments for acquisition of subsidiaries		(6,360)	(54,018)	(508,453)
Payments to non-controlling interests upon merger		(19)	(2)	(19)
Payments for business transfer		(6,193)	(251)	(2,362)
Other proceeds		597	759	7,142
Other payments		(2,134)	(2,076)	(19,542)
Net cash used in investing activities		(27,507)	(68,533)	(645,078)

Consolidated Statement of Cash Flows
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2018-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2017	(Millions of Yen) For the year ended 31 March 2018	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2018
Cash flows from financing activities				
Dividends paid to owners of the Company		(29,447)	(29,042)	(273,359)
Dividends paid to non-controlling interests		―	(34)	(320)
Increase/(decrease) in short-term debt		(4)	―	―
Repayments of long-term borrowings		(258)	(339)	(3,193)
Payments for redemption of bonds	15	(21)	(35,021)	(329,640)
Proceeds from disposal of treasury shares	21(2)	0	―	―
Payments for purchase of treasury shares	21(2)	(35,007)	(55,034)	(518,017)
Proceeds from exercise of stock options		749	2,240	21,087
Proceeds from share issuance to non-controlling shareholders	21(4)	―	45	425
Payments for acquisition of non-controlling interests	21(4)	(301)	(148)	(1,395)
Net cash used in financing activities		(64,289)	(117,333)	(1,104,412)
Net increase/(decrease) in cash and cash equivalents		15,866	(50,367)	(474,087)
Cash and cash equivalents at the beginning of the year		286,292	296,851	2,794,154
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(5,307)	(649)	(6,104)
Cash and cash equivalents at the end of the year		296,851	245,835	2,313,962

Note:
Non-cash transactions are stated in Note 28 “Non-cash transactions”.
There are no short-term investments within three months as at 31 March 2018.

Notes to the Consolidated Financial Statements
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2018

1. General information

HOYA Corporation (the "Company") is a limited company incorporated in Japan. The addresses of its registered office and principal place of business are disclosed on the Company's website (URL http://www.hoya.com). The principal activities of the Company, its subsidiaries and its associates (the "Group") are described in Note 5 "Operating segment information".

2. Basis of consolidated financial statements

(1) Basis of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The accompanying consolidated financial statements are stated in Japanese yen.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥106.24 to $1, the foreign exchange rate at 31 March 2018. 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. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

The Company and its domestic subsidiaries maintain their books and prepare their financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”) while its foreign subsidiaries maintain their books and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to IFRSs. These adjustments were not recorded in their statutory books and ledgers.

(2) Effects of applying new accounting standards

The Group adopted the following IFRSs for the year ended 31 March 2018:

IFRSs		Subject of new standards/amendments and transition provisions
IAS 7 (Revised)	Statement of Cash Flows	Requiring disclosure of changes in liabilities arising from financial activities
IAS 12 (Revised)	Income Taxes	Clarifying recognition of deferred tax assets for unrealised losses

These standards and interpretations were applied in accordance with their respective transition provisions and had no significant impact on the consolidated financial statements of the Group.

(3) Standards and interpretations in issue but not yet adopted by the Group

At the date of approval of the consolidated financial statements, the main standards and interpretations that were issued but not yet effective for mandatory adoption are as follows. There are no standards and interpretations that were early adopted by the Group. The implications from adoption of IFRS 16 have not yet been fully assessed by the Group. The impact of the adoption of other standards and interpretations on the consolidated financial statements of the Group is immaterial.

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 9	Financial Instruments	1 January 2018	31 March 2019	Amendment to the accounting treatment for financial instruments
IFRS 15	Revenue from Contracts with Customers	1 January 2018	31 March 2019	Amendment to the accounting treatment for revenue recognition
IFRS 16	Leases	1 January 2019	31 March 2020	Amendment to the accounting treatment for lease arrangements
IFRS 10 (Revised) IAS 28 (Revised)	Consolidated Financial Statements Investments in Associates and Joint Ventures	Not determined	Not determined	Amendments to the accounting treatment for sale or contribution of assets to a joint venture or associate

3. Significant accounting policies

(1) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments measured at revalued amounts or fair value. The principal accounting policies are set out below.

(2) Basis of consolidation

① Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as at 31 March of each year. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to elements of control.

The operating results of the subsidiaries are included in the consolidated statement of comprehensive income from the effective date the Group obtained control of the subsidiaries to the effective date the Group lost control, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full in preparing the consolidated financial statements.

Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective percentage of interests in the subsidiary. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognised directly in equity and attributed to the owners of the parent.

If loss in control of a subsidiary occurs, the Group recognises in profit or loss any resulting difference of the following:
1. sum of the fair value of any consideration received and any investment retained in the former subsidiary at its fair value; and
2. previous carrying amounts of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

② Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The results of and the investments in associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as an asset held for sale, in which case it is accounted for in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and then adjusted for post-acquisition changes in the Group’s share of the net assets of the associates, less any impairment in the value of the investments.

Losses of an associate in excess of the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and the excess of those losses is no longer recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is tested for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss. When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

③ Joint arrangements

The Group classifies joint arrangements as either joint operations (having rights to assets and obligations for liabilities accounted for accordingly) or joint ventures (having rights to net assets and equity accounted). The classification depends upon the rights and obligations of the parties to the arrangement.

Joint operators shall account for the assets, liabilities, revenues and expenses relating to their interests in joint operations. Joint ventures shall apply the equity method. The Group has neither joint operations nor joint ventures.

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognised in profit or loss as incurred. The acquiree's identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date, except for the following:

・a deferred tax asset or liability arising from the assets acquired and liabilities assumed, and a liability (or asset, if any) related to the acquiree's employee benefit arrangements;

・a liability or an equity instrument related to the replacement of an acquiree's share-based payment awards with share-based payment awards of the acquirer; and

・an asset or disposal group that is classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Changes in the fair value of the contingent consideration resulting from events after the acquisition date are accounted for as follows:
(a) Contingent consideration classified as equity is not remeasured and any subsequent settlement is accounted for in equity; or
(b) Contingent consideration classified as an asset or a liability is accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 39 "Financial Instruments: Recognition and Measurement" or other IFRSs as appropriate.

Goodwill is measured on the basis of the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets acquired, net of liabilities assumed at acquisition date. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in subsidiaries are reported in equity separately from the equity attributable to owners of the Company. Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to the fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that were previously recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill arising from business combinations before the IFRSs transition date is measured at carrying amount in accordance with the previous GAAP (i.e., Japanese GAAP) after performing an impairment test.

(4) Foreign currencies

① Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e., its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position and cash flows of each Group entity are presented in Japanese yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss during the period.

② Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen at the foreign exchange rates prevailing at the end of the reporting period. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognised as exchange differences on translation of foreign operations in other comprehensive income and accumulated in "accumulated other comprehensive income", which are reclassified from equity to profit or loss on disposal of the net investment and included in "other expenses" in the consolidated statement of comprehensive income.

(5) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.
Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Cost includes the expenses directly attributable to the assets; the initial estimated costs relating to scrap, removal and retirement; and, for qualifying assets, the borrowing cost for long-term projects. Depreciation of these assets commences when the assets are available for their intended use.

When significant components of property, plant and equipment are required to be replaced periodically, the Group recognises such components as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Buildings and structures: 3-50 years
Machinery and carriers: 2-10 years
Tools, equipment and fixtures: 2-10 years

Leased assets are depreciated over their estimated useful lives where the transfer of the title of the assets is certain by the end of the lease term. Leased assets where the transfer of the title of the assets is not certain by the end of the lease term are depreciated over the shorter of their estimated useful lives or their lease terms.

(6) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As a lessee, assets held by the Group under finance leases; such as machinery and carriers, furniture and fixtures, tools, equipment and fixtures; are initially recognised as assets of the Group at their fair value at the inception of the lease or the present value of the minimum lease payments, whichever is lower. The corresponding liability to the lessor is included in the consolidated statement of financial position as ‘Interest-bearing short-term debt’ or ‘Interest-bearing long-term debt’. Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the declining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Contingent rent is recognised as an expense in the period in which it is incurred.

(7) Intangible assets

The Group uses the cost model for measuring intangible assets. Intangible assets are carried at cost less accumulated amortisation and impairment losses.

① Intangible assets acquired separately and/or acquired in a business combination

Intangible assets acquired separately are carried at cost at initial recognition. Intangible assets acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date, when they are satisfied with the definition of intangible assets, identifiable, and their fair value is reasonably measured.

② Internally-generated intangible assets—research and development ("R&D") costs

Expenditures on research activities are recognised as expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortised over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual carrying amount is expensed.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and impairment losses. Where no internally-generated intangible asset can be recognised, development costs are recognised as an expense in the period in which they are incurred.

③ Amortisation of intangible assets

Amortisation is recognised on a straight-line basis over the estimated useful lives below. The Group does not have any intangible assets with indefinite useful lives.

Technology: 5-20 years
Customer related assets: 5-16 years
Software: 3-5 years

④ Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

(8) Goodwill

Goodwill arising from the acquisition of a business is recognised as an asset at the date that control is acquired (i.e., the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually. Goodwill is recorded at cost less accumulated impairment losses on the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in subsequent periods. Upon disposal of a cash-generating unit, goodwill attributed to the unit is included in the determination of the profit or loss upon disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate is described at "(2) Basis of consolidation – ② Investments in associates" above.

(9) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (i.e., assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units) are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment losses is recognised immediately in profit or loss.

(10) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group uses forward exchange contracts to manage the foreign exchange exposure of recognised financial assets or liabilities, or future forecast transactions. Hedge accounting does not apply to these derivative transactions. Accordingly, derivative financial instruments are classified as fair value through profit and loss (“FVTPL”).

Details of derivative transactions are set out in Note 22 “Financial instruments”.

(11) Financial assets other than derivative financial instruments

① Initial recognition and measurement

All regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on the trade date, and are initially measured at fair value plus transaction costs.

Financial assets are classified into the following specified categories:
· financial assets at FVTPL;
· held-to-maturity investments;
· loans and receivables; and
· available-for-sale financial assets.
The classification depends on the nature and holding purpose of the financial assets and is determined at the time of initial recognition.

② Financial assets classified as FVTPL

Financial assets are classified as FVTPL when the financial assets are either held for trading or are designated as at FVTPL.

A financial asset is classified as held for trading if:
(a) it has been acquired principally for the purpose of selling it in the near term; or
(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:
(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e., accounting mismatch) that would otherwise arise; or
(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets classified as FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends or interests earned on the financial asset and is included in the consolidated statement of comprehensive income.

As at 31 March 2017 and 2018, the Group did not have financial assets classified as FVTPL other than derivative financial instruments designated as FVTPL.

③ Held-to-maturity investments

Financial assets other than derivatives for which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with income recognised on an effective yield basis. As at 31 March 2017 and 2018, the Group did not have held-to-maturity investments.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts, of which the calculation reflects effective interest method including premium or discount between counterparties through the expected life of the financial assets, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

④ Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Principally, interest income is recognised by applying the effective interest rate.

⑤ Available-for-sale financial assets

Financial assets other than derivatives, either designated as available-for-sale financial assets or not classified as FVTPL, held-to-maturity investments or loans and receivables, are classified as available-for-sale financial assets.

Available-for-sale equity investments that are listed and traded in an active market are classified as available-for-sale financial assets and stated at fair value. The Group also has investments in unlisted equity investments that are not traded in an active market but also classified as available-for-sale financial assets, which are stated at fair value using valuation techniques. Fair value is determined in the manner described in Note 22 "Financial instruments". Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses and foreign exchange gains and losses on monetary assets being recognised in profit or loss.

Where the financial asset is derecognised or is determined to be impaired, the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale financial assets (equity instruments) are recognised in profit or loss when the Group's right to receive the dividends is established. The fair value of available-for-sale financial assets (monetary assets) denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that were recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

⑥ **Impairment of financial assets**

Financial assets other than FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.
For all other financial assets, including redeemable notes classified as available-for-sale financial assets and finance lease receivables, objective evidence of impairment could include:
(a) significant financial difficulties of the debtor;
(b) default or delinquency in interest or principal payments; or
(c) a high probability that the borrower will go into bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable, including past-due receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale financial assets (equity instruments), if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount the amortised cost would have been had the impairment not been recognised.

In respect of equity instruments classified as available-for-sale financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognised in other comprehensive income, unless additional impairment is recognised.

⑦ **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and a collateralised borrowing for the proceeds received.

(12) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs, including purchase costs, process costs, storage costs and all other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories mainly by the weighted-average method. The production costs include an appropriate portion of fixed and variable overhead expenses.

(13) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and bank deposits including short-term investments. The short-term investments with original maturities of three months or less are deemed as cash equivalents since they are readily convertible to cash without restriction and with low risk of fluctuation of values.

(14) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised after their classification.

(15) Treasury shares

The Group's own equity instruments, which are reacquired (i.e., treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised on the purchase, disposal or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration given is recognised in other capital reserves.

(16) Share-based payments

Equity-settled share-based payments (i.e., stock options), which are incentive plans to the Group's directors, officers and certain employees, are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23 "Share-based payments".

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period while the corresponding amount to other capital reserves is recognised, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other capital reserves.

Accounting policies described above are applied to share-based payments which were granted after 7 November 2002 and vested on or after 1 April 2008.

(17) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's board of directors.

(18) Equity instruments and financial liabilities issued by the Group excluding derivative instruments

① Equity instruments (shares)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

② Financial liabilities

Financial liabilities are classified as either financial liabilities classified as FVTPL or other financial liabilities.

③ Financial liabilities classified as FVTPL

Financial liabilities classified as FVTPL are either held for trading or designated as at FVTPL.

A financial liability is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling or redeeming it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not a financial guarantee contract and is not designated as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities designated as FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in finance costs in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 22 "Financial instruments".

As at 31 March 2017 and 2018, the Group did not have financial liabilities as FVTPL other than derivative financial instruments designated as FVTPL.

④ Other financial liabilities

Other financial liabilities, including bank loans, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

⑤ Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

⑥ Financial guarantee contracts

Financial guarantee contracts are initially measured at their fair values and subsequently measured at the higher of:

· the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

· the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 "Revenue".

(19) Retirement benefit costs

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (other than interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains or losses on curtailments and settlements);
- Net interest expense or income; or
- Remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss as “Employee benefits expense” or “Finance cost”.

The retirement benefit liabilities recognised in the consolidated statement of financial position represent the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service to the Group.

(20) Provisions and contingent liabilities assumed in a business combination

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation by outflow of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (i.e., future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

Where time value of money is material, a provision is measured at the present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Interest cost associated with the passage of time is recognised as finance cost.

The types of provisions are as follows:

① **Asset retirement obligation**

The Group recognises provisions for an asset retirement obligation for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and each asset is considered individually. The discount rate depends on the useful life of the corresponding assets and the country in which such assets are located. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

② **Warranties provision**

Warranties provision is estimated and recognised based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. Expected outflow of economic benefits in the future is within one year from each reporting period.

③ **Contingent liabilities assumed in a business combination**

Contingent liabilities resulting from a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are remeasured considering expected future payments, possible occurrence and timing of payments at each reporting period.

(21) Revenue

Revenue is recognised at fair value of the consideration received or receivable less discount, rebate and consumption taxes.

As for customers earning points upon their purchase under customer loyalty programmes, the fair value of the points granted is estimated and accounted for as a reduction in revenue.

① Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue is recognised when the risks and rewards of ownership of the goods transfer from the Group to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale.

② Rendering of services

Services provided by the Group are mainly related to the products sold by the Group, including repairs and short-term maintenance. Generally, revenue from rendering of services is recognised when the services have been provided to the customer.

③ Dividend and interest income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established. Interest income is recognised based on principal and the effective interest rate on an accrual basis.

(22) Government grants

Government grants are measured and recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants associated with an expense are recognised as revenue in the same accounting period when the expense is incurred. Government grants for purchase of assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(23) Income taxes

Income tax expense represents the sum of the current tax and deferred tax. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or equity, or where they arise from the initial accounting for a business combination.

The current tax is calculated based on estimated refund or payment from/to taxation authorities. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group's operating activity in each country.
Deferred tax is provided using the liability method on temporary differences, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets or liabilities are not recognised for:

· Temporary differences arising from the initial recognition of goodwill
· Temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect either accounting profit or taxable profit (excluding business combinations)
· Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on 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 the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same tax authority.

In the case of a business combination, the tax effect is included in the accounting for the business combination when measuring the amount of goodwill or determining negative goodwill.

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by adjusting profit or loss attributable to ordinary equity holders of the parent and the weighted-average number of ordinary shares outstanding, for the effect of all potential dilutive ordinary shares.

(25) Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

4. Critical accounting judgements and key sources of estimation uncertainty

(1) Application of estimates and assumptions

Preparation of consolidated financial statements requires management to make estimates and assumptions in order to determine the reported amounts of certain assets, liabilities, income and expense items, as well as certain amounts disclosed in the notes to the consolidated financial statements relating to contingent liabilities.

The following are items that require estimates and assumptions and are considered significant:

· Determination of net realisable value of obsolete inventory (Note 13 "Inventories")
· Expected cash flow from overdue trade and other receivables (Note 22 "Financial instruments")
· Useful lives of property, plant and equipment, including assets under finance lease (Note 3 "Significant accounting policies", Note 3 (5) "Property, plant and equipment" and Note 3 (7) "Intangible assets")
· Assumptions used to estimate future cash flows of cash-generating units to assess the recoverability of property, plant and equipment and intangible assets, including goodwill (Note 8 "Impairment losses")
· Valuation techniques used to value available-for-sale financial assets without an active market (Note 22 "Financial instruments")
· Recoverability of deferred tax assets (Note 10 "Deferred taxes and income taxes")
· Assumptions used for treatment of retained earnings of overseas subsidiaries and associates for tax purposes (Note 10 "Deferred taxes and income taxes")
· Discrepancy in opinion with a tax authority relating to tax calculations (Note 10 "Deferred taxes and income taxes")
· Assumptions used to calculate retirement benefit obligations (Note 18 "Retirement benefit plans")
· Asset retirement obligations arising from legal obligations and constructive obligations (Note 19 "Provisions")
· Fair value of stock options (Note 23 "Share-based payments")
· Possibility of outflow of resources embodying economic benefits on contingent liabilities (Note 32 "Contingent liabilities")

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions of accounting estimates will affect current and/or future periods.

(2) Key sources of risk and estimation uncertainty

The Group's financial position, financial performance and cash flows are exposed to the following risks and uncertainties:

· Tough competition and excess-supply of inventory in markets in which the Group operates
· Development of new products and timing of development
· Changes in the political, economic and regulatory environment, shortage of labour, labour strikes, natural disasters, and impacts of unexpected international affairs in the countries in which the Group is located and operates
· The effect of deferred taxes and income taxes on transactions between locations in different tax jurisdictions with different tax rates, or transactions between taxable and tax-exempt businesses (including discrepancies in opinion between the Company and the tax authority)
· Fluctuations of currency exchange rates
· The trend of environmental and governmental regulations

Global economic stagnation and the occurrence of natural disasters may have a significant impact on future profitability of the Group. Future profitability of the Group may affect the estimates for the following:

· Impairment of property, plant and equipment and intangible assets including goodwill (Note 8 "Impairment losses")
· Recoverability of deferred tax assets (Note 10 "Deferred taxes and income taxes")

5. Operating segment information

(1) Overview of major products and services of reportable segments

Reportable segments are components of the Group for which separate financial information is obtained and examined on a regular basis by the board of directors and the chief operating decision maker to determine the allocation of management resources and evaluate the business performance.

In accordance with its management philosophy, the Group has categorised “life and culture” and “information technology” as its business domains. To achieve sustainable growth in corporate value in these business domains, the Group has been making decisions on the allocation of management resources and monitoring the operating results.

As a result, the Group consists of three reportable business segments: the Life Care business, the Information Technology business and Other business, which are consistent with the above business domains.

In the Life Care business, the Group produces and sells health care related products that are used in the health care and medical sectors and medical related products, including medical equipment and medical materials that are used in medical treatments. In operating this business, it is typically a requirement to obtain approvals and permissions in accordance with the Pharmaceutical Affairs Act of Japan and other regulations, and sophisticated technologies and highly reliable quality control systems represent critical elements for operating this business.

In the Information Technology business, the Group has developed an extensive range of products following the digitalisation of information and the emergence of the Internet. The Group produces and sells a broad array of I/O (Input/Output Device) related products in the information and communication sector, including electronics related products that are essential for the modern digital information and communication technologies, and imaging related products that are necessary to import pictures and video images as digital information based on optical technologies.

Other business mainly includes the business that provides information system services and new businesses.

The main products and services for each reportable segment described above are as follows:

Reportable Segment		Major Products and Services
Life Care	Health Care related products	Eyeglass lenses and Contact lenses
	Medical related products	Endoscopes, Medical accessories, Intraocular lenses, Artificial bone, Metallic implants for orthopedics
Information Technology	Electronics related products	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs) Glass disks for hard disk drives (HDDs)
	Imaging related products	Optical lenses, Optical glasses, Lens modules, Laser equipment
Other		Design of information systems and other services

(2) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 "Significant accounting policies".

(Millions of Yen)

For the year ended 31 March 2017	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	314,442	160,617	3,866	478,925	3	478,927
Inter-segment sales	0	609	1,860	2,469	(2,469)	―
Total	314,442	161,226	5,726	481,394	(2,466)	478,927
Interest income	372	294	2	668	1,090	1,758
Interest expense	(589)	(221)	(0)	(811)	(312)	(1,123)
Depreciation and amortisation	(16,362)	(12,792)	(74)	(29,228)	(549)	(29,777)
Share of profit (loss) of associates	13	2	―	16	―	16
Impairment losses	(90)	(244)	―	(334)	―	(334)
Others	(243,067)	(93,758)	(4,752)	(341,577)	2,905	(338,672)
Segment profit before tax	54,718	54,507	902	110,128	667	110,795
Other disclosure						
Capital expenditure	12,512	10,202	99	22,814	49	22,863

(Millions of Yen)

For the year ended 31 March 2018	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	352,872	178,480	4,260	535,612	―	535,612
Inter-segment sales	3	256	1,679	1,938	(1,938)	―
Total	352,876	178,736	5,939	537,550	(1,938)	535,612
Interest income	273	360	2	635	918	1,554
Interest expense	(849)	(270)	(0)	(1,120)	421	(699)
Depreciation and amortisation	(18,041)	(10,080)	(303)	(28,424)	(287)	(28,711)
Share of profit (loss) of associates	22	(2)	―	20	(64)	(44)
Impairment losses	(5,638)	(160)	―	(5,798)	―	(5,798)
Others	(272,194)	(98,601)	(4,774)	(375,570)	(2,096)	(377,665)
Segment profit before tax	56,448	69,982	864	127,294	(3,046)	124,248
Other disclosure						
Capital expenditure	10,727	8,413	112	19,253	36	19,289

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2018	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	3,321,464	1,679,967	40,100	5,041,531	—	5,041,531
Inter-segment sales	30	2,409	15,803	18,242	(18,242)	—
Total	3,321,494	1,682,376	55,903	5,059,773	(18,242)	5,041,531
Interest income	2,570	3,389	20	5,979	8,645	14,624
Interest expense	(7,989)	(2,544)	(4)	(10,537)	3,962	(6,576)
Depreciation and amortisation	(169,812)	(94,880)	(2,853)	(267,545)	(2,706)	(270,251)
Share of profit (loss) of associates	203	(15)	—	188	(606)	(418)
Impairment losses	(53,068)	(1,509)	—	(54,576)	—	(54,576)
Others	(2,562,069)	(928,100)	(44,937)	(3,535,105)	(19,726)	(3,554,831)
Segment profit before tax	531,328	658,718	8,129	1,198,176	(28,672)	1,169,503
Other disclosure						
Capital expenditure	100,972	79,191	1,058	181,221	340	181,561

Note:

(i) Adjustments to revenue from external customers of 3 million yen for the year ended 31 March 2017 represent revenue generated by the R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of 667 million yen for the year ended 31 March 2017 consist of the elimination of an inter-segment transaction of 5 million yen, and profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from group companies) of 662 million yen. Adjustments to segment profit before tax of (3,046) million yen ((28,672) thousand U.S. dollars) for the year ended 31 March 2018 consist of elimination of inter-segment transactions of 3 million yen (24 thousand U.S. dollars), and profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from Group companies) of (3,049) million yen ((28,697) thousand U.S. dollars).

(3) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services for the years ended 31 March 2017 and 2018:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Life Care			
Health Care related products	234,622	265,645	2,500,421
Medical related products	79,819	87,228	821,043
Life Care total	314,442	352,872	3,321,464
Information Technology			
Electronics related products	124,247	134,878	1,269,559
Imaging related products	36,370	43,602	410,408
Information Technology total	160,617	178,480	1,679,967
Other	3,866	4,260	40,100
Corporate (R&D)	3	-	-
Total revenue from external customers	478,927	535,612	5,041,531

(4) Information about geographical areas

Revenue from external customers

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Japan	151,316	156,164	1,469,916
U.S.A.	63,247	75,365	709,383
China	51,214	49,413	465,109
Others	213,150	254,670	2,397,124
Total	478,927	535,612	5,041,531

Note:

Geographical areas are based on the location of the customers.

Non-current assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
U.S.A.	25,215	49,664	467,470
Japan	31,918	29,916	281,592
China	14,768	16,609	156,339
Thailand	15,863	15,950	150,134
Vietnam	9,587	7,999	75,291
Others	47,381	54,110	509,315
Total	144,732	174,249	1,640,140

Note:

(i) Geographical areas are based on the physical location of non-current assets.

(ii) Financial instruments, deferred tax assets, and pension plan assets are not included.

Revenue from external customers in Thailand and Vietnam is insignificant; therefore, the amount is included in Others.

(5) Information about major customers

The Group has no revenue from transactions with a single external customer that amounts to 10% or more of revenue of the Group.

6. Property, plant and equipment

The following are the cost, accumulated depreciation and impairment losses of property, plant and equipment:

(Millions of Yen)

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2016	98,057	282,870	52,501	9,251	7,228	449,908
Additions	1,229	2,461	2,489	―	15,207	21,386
Acquisitions through business combinations	5	272	33	―	―	309
Disposals (i)	(2,949)	(13,262)	(3,415)	(39)	(256)	(19,920)
Transfer from construction in progress	1,192	11,741	913	―	(13,846)	―
Effect of foreign currency exchange differences	(539)	(1,581)	(338)	(33)	217	(2,274)
Others	80	(1,825)	492	―	(100)	(1,353)
Balance at 31 March 2017	97,074	280,677	52,674	9,179	8,451	448,055
Additions	681	1,605	2,294	―	13,077	17,657
Acquisitions through business combinations	2,267	4,135	595	538	508	8,042
Disposals (i)	(1,550)	(5,604)	(2,464)	(282)	(182)	(10,082)
Transfer from construction in progress	2,309	12,820	734	2	(15,865)	―
Effect of foreign currency exchange differences	253	276	671	127	44	1,370
Others	414	(1,658)	1,013	13	(78)	(295)
Balance at 31 March 2018	101,448	292,251	55,518	9,576	5,955	464,749

（Millions of Yen）

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2016	(60,751)	(242,367)	(36,749)	(1,116)	(175)	(341,157)
Depreciation expense	(4,390)	(17,297)	(3,734)	－	－	(25,421)
Impairment losses (ii)	(226)	(30)	(6)	－	－	(262)
Disposals (i)	2,660	12,990	3,230	2	127	19,009
Effect of foreign currency exchange differences	196	566	201	－	(0)	963
Others	37	1,808	697	－	－	2,542
Balance at 31 March 2017	(62,472)	(244,331)	(36,360)	(1,114)	(48)	(344,326)
Depreciation expense	(4,315)	(15,005)	(4,101)	－	－	(23,420)
Impairment losses (ii)	(356)	(8)	－	－	－	(364)
Disposals (i)	1,363	5,162	1,920	162	－	8,607
Effect of foreign currency exchange differences	(529)	(253)	(584)	－	(2)	(1,368)
Others	(428)	1,580	488	(26)	2	1,616
Balance at 31 March 2018	(66,738)	(252,855)	(38,636)	(978)	(49)	(359,256)

（Millions of Yen）

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2016	37,306	40,503	15,753	8,135	7,054	108,751
Balance at 31 March 2017	34,602	36,346	16,314	8,064	8,403	103,729
Balance at 31 March 2018	34,710	39,396	16,882	8,598	5,907	105,493

(Thousands of U.S. Dollars (Note 2))

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2017	913,727	2,641,914	495,805	86,397	79,546	4,217,388
Additions	6,409	15,108	21,595	−	123,089	166,202
Acquisitions through business combinations	21,338	38,922	5,600	5,062	4,777	75,699
Disposals (i)	(14,594)	(52,750)	(23,191)	(2,656)	(1,709)	(94,900)
Transfer from construction in progress	21,737	120,667	6,908	22	(149,335)	−
Effect of foreign currency exchange differences	2,380	2,597	6,313	1,194	415	12,900
Others	3,900	(15,604)	9,540	121	(730)	(2,773)
Balance at 31 March 2018	954,898	2,750,854	522,571	90,140	56,053	4,374,516

(Thousands of U.S. Dollars (Note 2))

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2017	(588,031)	(2,299,802)	(342,246)	(10,489)	(454)	(3,241,023)
Depreciation expense	(40,618)	(141,234)	(38,597)	−	−	(220,449)
Impairment losses (ii)	(3,351)	(73)	−	−	−	(3,424)
Disposals (i)	12,829	48,584	18,075	1,527	−	81,016
Effect of foreign currency exchange differences	(4,982)	(2,380)	(5,493)	−	(19)	(12,874)
Others	(4,027)	14,867	4,594	(244)	16	15,208
Balance at 31 March 2018	(628,180)	(2,380,037)	(363,666)	(9,206)	(457)	(3,381,547)

(Thousands of U.S. Dollars (Note 2))

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2018	326,717	370,816	158,905	80,934	55,596	992,969

Note:

(i) Gain and loss arising from the sale or disposal of property, plant and equipment for the years ended 31 March 2017 and 2018, are set out in Note 24 “Revenue and expenses (excluding finance income and costs)”. Gain and loss on sale of assets held for sale are included in ‘gain on sale of property, plant and equipment’ and ‘loss on sale of property, plant and equipment’ in Note 24.

(ii) Details of impairment losses are set out in Note 8 “Impairment losses”.

(iii) Property, plant and equipment under construction are included in ‘construction in progress’ in the table above.

Details of commitments for the acquisition of property, plant and equipment are set out in Note 33 “Commitments for expenditure”. There is no borrowing cost capitalised and included in the cost of acquisition of property, plant and equipment.

The following are carrying amounts for property, plant and equipment under finance leases as at 31 March 2017 and 2018, which are included in each corresponding amount in the preceding table:

(Millions of Yen)

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2017	30	29	287	346
Balance at 31 March 2018	33	30	317	380

(Thousands of U.S. Dollars (Note 2))

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2018	309	287	2,981	3,577

The obligation under finance lease (Note 16 “Finance lease obligations”) is secured by the leased assets on which the lessor has ownership.

7. Goodwill and intangible assets

The following are the cost, accumulated amortisation and impairment losses of goodwill and intangible assets:

(Millions of Yen)

Cost	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 1 April 2016	12,936	17,187	12,919	12,335	7,357	49,798
Additions	0	1,394	3	−	80	1,477
Acquisitions through business combinations	4,970	1	8,970	3,891	245	13,106
Disposals (ii)	(21)	(250)	(2)	(9)	(156)	(418)
Effect of foreign currency exchange differences	154	240	(421)	126	(414)	(469)
Others	−	367	(32)	361	(333)	363
Balance at 31 March 2017	18,039	18,940	21,436	16,704	6,778	63,857
Additions	−	1,561	−	−	71	1,632
Acquisitions through business combinations	24,489	166	2,495	10,700	1,405	14,765
Disposals (ii)	−	(196)	(8,235)	−	(192)	(8,622)
Effect of foreign currency exchange differences	(1,915)	239	(569)	(733)	(106)	(1,169)
Others	(15)	1,208	189	1,094	(1,109)	1,383
Balance at 31 March 2018	40,596	21,918	15,316	27,765	6,847	71,846

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2016	(3,434)	(14,232)	(10,759)	(4,174)	(4,316)	(33,481)
Amortisation expense (iii)	−	(1,156)	(815)	(1,568)	(817)	(4,356)
Impairment loss (iv)	(72)	−	−	−	−	−
Disposals (ii)	−	197	1	2	149	349
Effect of foreign currency exchange differences	57	(191)	34	(81)	275	36
Others	−	(37)	(0)	(401)	445	7
Balance at 31 March 2017	(3,449)	(15,419)	(11,539)	(6,222)	(4,264)	(37,445)
Amortisation expense (iii)	−	(1,305)	(1,282)	(2,264)	(440)	(5,291)
Impairment loss (iv)	(5,434)	−	−	−	−	−
Disposals (ii)	−	179	8,235	−	191	8,605
Effect of foreign currency exchange differences	186	(190)	200	188	128	326
Others	(7)	(913)	(3)	(492)	230	(1,178)
Balance at 31 March 2018	(8,704)	(17,647)	(4,390)	(8,791)	(4,155)	(34,983)

(Millions of Yen)

Carrying amount	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2016	9,502	2,955	2,160	8,161	3,041	16,317
Balance at 31 March 2017	14,590	3,521	9,897	10,482	2,513	26,412
Balance at 31 March 2018	31,892	4,270	10,926	18,974	2,693	36,863

(Thousands of U.S. Dollars (Note 2))

Cost	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 31 March 2017	169,793	178,271	201,769	157,230	63,797	601,067
Additions	–	14,689	–	–	670	15,359
Acquisitions through business combinations	230,502	1,562	23,483	100,712	13,222	138,979
Disposals (ii)	–	(1,844)	(77,511)	–	(1,805)	(81,160)
Effect of foreign currency exchange differences	(18,029)	2,250	(5,357)	(6,898)	(998)	(11,003)
Others	(145)	11,375	1,781	10,296	(10,436)	13,017
Balance at 31 March 2018	382,120	206,303	144,165	261,340	64,450	676,259

(Thousands of U.S. Dollars (Note 2))

Accumulated amortisation and impairment losses	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2017	(32,462)	(145,134)	(108,614)	(58,570)	(40,139)	(352,457)
Amortisation expense (iii)	–	(12,287)	(12,063)	(21,310)	(4,142)	(49,802)
Impairment loss (iv)	(51,152)	–	–	–	–	–
Disposals (ii)	–	1,688	77,511	–	1,799	80,998
Effect of foreign currency exchange differences	1,753	(1,788)	1,879	1,767	1,208	3,067
Others	(67)	(8,590)	(32)	(4,632)	2,168	(11,086)
Balance at 31 March 2018	(81,928)	(166,110)	(41,320)	(82,745)	(39,106)	(329,281)

(Thousands of U.S. Dollars (Note 2))

Carrying amount	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2018	300,193	40,194	102,846	178,595	25,344	346,979

Note:

(i) There were no significant internally generated intangible assets for the years ended 31 March 2017 and 2018.

(ii) Loss on disposal of intangible assets is set out in Note 24 "Revenue and expenses (excluding finance income and costs)".

(iii) Amortisation expense is included in the line item 'Depreciation and amortisation' in the consolidated statement of comprehensive income.

(iv) Refer to Note 8 "Impairment losses" for details of impairment losses.

No intangible assets have been pledged as collateral to secure the debt. There is no restriction on legal title of these assets. Details of commitments for the acquisition of intangible assets are set out in Note 33 "Commitments for expenditure".

Details of intangible assets in the consolidated statement of financial position are as follows:

		As at 31 March 2017		As at 31 March 2018		
		Carrying amount (Millions of Yen)	Remaining useful lives (Years)	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars (Note 2))	Remaining useful lives (Years)
Technology	Health Care related products	—	—	2,197	20,679	10
	Medical related products	9,897	12	8,492	79,934	12
Customer related assets	Health Care related products	8,347	9	15,354	144,518	12
	Medical related products	1,585	9	1,462	13,758	8

8. Impairment losses

The following are the details of impairment losses recognised.

Impairment losses have been included in the line item 'Impairment losses' in the consolidated statement of comprehensive income.

	(Millions of Yen) For the year ended 31 March 2017	(Millions of Yen) For the year ended 31 March 2018	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2018
Buildings and structures	226	356	3,351
Machinery and equipment	30	8	73
Tools, equipment and fixtures	6	—	—
Total impairment losses on property, plant and equipment	262	364	3,424
Goodwill	72	5,434	51,152
Total impairment losses	334	5,798	54,576

(1) Cash-generating units

The Group identifies each strategic business unit ("SBU") as a cash-generating unit for impairment testing purposes. Each business unit has been set based on the production and sale of product lines. For any asset expected to be sold or disposed, or any idle asset, the asset is individually tested for impairment.

(2) Impairment losses on assets in business units

For the year ended 31 March 2017

The Group performed an impairment test for the goodwill in Life Care during the year ended 31 March 2017 based on the latest business plan, and the following impairment losses were recognised.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for the following four or five fiscal years (average remaining useful lives) approved by the Group's management, and a discount rate of 16% per annum, which is the SBU's pre-tax weighted-average capital cost ("WACC").

	(Millions of Yen)
	Impairment losses
Life Care	
Health Care related products (Eyeglass lenses)	
Goodwill	72
Total	72

For the year ended 31 March 2018

The Group performed an impairment test for the goodwill in Life Care during the year ended 31 March 2018 based on the latest business plan. As a result, the following impairment losses, mainly for a subsidiary in Brazil, were recognised, as the profitability in the initial plan is no longer achievable due to a hike in purchase costs along with devaluation of Brazil real.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for a maximum of five years approved by the Group's management, and a discount rate of 19.8% to 20.9% per annum, which is the SBU's pre-tax WACC.

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Life Care		
Health Care related products (Eyeglass lenses)		
Goodwill	5,434	51,152
Total	5,434	51,152

(3) Impairment losses on idle assets

For the year ended 31 March 2017, the carrying amount of the related assets, which were not expected to be used in the future due to business restructuring, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised.

Impairment losses were recognised as follows for the year ended 31 March 2017:

	(Millions of Yen)
	Impairment losses
Life Care	
Machinery and carriers	18
Total Life Care	18
Information Technology	
Buildings and structures	226
Machinery and carriers	12
Tools, equipment and fixtures	6
Total Information Technology	244
Total	262

For the year ended 31 March 2018, the carrying amount of the related assets, which were not expected to be used in the future due to business restructuring, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised.

Impairment losses were recognised as follows for the year ended 31 March 2018:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Life Care		
Buildings and structures	203	1,912
Machinery and carriers	0	4
Total Life Care	204	1,916
Information Technology		
Buildings and structures	153	1,439
Machinery and carriers	7	69
Total Information Technology	160	1,509
Total	364	3,424

(4) Goodwill allocated to cash-generating units

When the recoverable amount of the goodwill specifically associated with a cash-generating unit is lower than the carrying amount of such goodwill, an impairment loss is recognised and the goodwill is written down to the recoverable amount. The recoverable amount of goodwill allocated to cash-generating units was measured at the value in use and it was determined using cash flow projections based on the financial budgets that had been approved by the Group's management and applying a discount rate of 4% to 21% per annum which is the cash-generating units' pre-tax WACC. Cash flow projections during the budgeted period are based on the expected gross margins and taking into account inflation. The cash flows beyond the budget period have been extrapolated using a steady annum growth rate which is the projected long-term average growth rate for the main products market. Management believes that any reasonably possible change in the key assumptions (e.g., profit ratio, inflation, the projected long-term average growth rate and the before tax, WACC) on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The carrying amount of goodwill was allocated to the cash-generating units as follows:

(Millions of Yen)

As at 31 March 2017				
	Life Care		Other	
	Health Care related products	Medical related products	Other	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	−	1,524
Americas	7,080	3,237	−	10,317
Europe	594	770	−	1,364
Asia	1,384	−	−	1,384
Total	9,850	4,740	−	14,590

(Millions of Yen)

As at 31 March 2018				
	Life Care		Other	
	Health Care related products	Medical related products	Other	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	−	1,524
Americas	24,989	3,065	−	28,054
Europe	680	839	551	2,070
Asia	245	−	−	245
Total	26,705	4,637	551	31,892

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2018				
	Life Care		Other	
	Health Care related products	Medical related products	Other	Total
	Eyeglass lenses	Medical accessories		
Japan	7,448	6,897	−	14,345
Americas	235,213	28,852	−	264,065
Europe	6,401	7,898	5,182	19,480
Asia	2,302	−	−	2,302
Total	251,365	43,646	5,182	300,193

9. Investments in associates

A summary of the Group’s associates, which are not individually significant, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2017	As at / for the year ended 31 March 2018	As at / for the year ended 31 March 2018
The Group’s share of net income (loss)	16	(44)	(418)
The Group’s share of other comprehensive income (loss)	(1)	(9)	(86)
The Group’s share of comprehensive income (loss)	14	(54)	(504)
The Group’s share of net assets	196	1,476	13,890

Details of the Group’s associates, which are not individually significant, are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Segment	Ownership interest (%)	
				As at 31 March 2017	As at 31 March 2018
AVANSTRATE, INC.	Production and sale of glass substrate for thin film transistor (TFT) liquid crystal	JAPAN	Corporate	46.6	46.6
EYE-Q VISION PRIVATE LIMITED	Medical services related to ophthalmology	INDIA	Corporate	−	24.3
HTK LENTES OFTALMICAS LTDA	Sale of optical lens	BRAZIL	Life Care	38.9	38.3
JIASHAN CANDEO OPTICAL GLASS CO., LTD.	Production and sale of special glass, such as coloured glass	CHINA	Information Technology	49.0	49.0

The Group’s unrecognised share of loss on associates is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2017	As at / for the year ended 31 March 2018	As at / for the year ended 31 March 2018
The Group’s unrecognised share of net loss (income)	(1,132)	4,420	41,604
The Group’s unrecognised share of accumulated net loss	2,973	7,394	69,592

10. Deferred taxes and income taxes

(1) Deferred taxes

Details of deferred tax assets and liabilities are as follows:

(Millions of Yen)

	As at 1 April 2016	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2017
Temporary differences					
Enterprise tax payable	590	(48)	–	–	543
Write-down of inventories	1,183	41	–	–	1,223
Allowance for doubtful accounts	524	11	–	–	535
Provisions	898	53	–	–	950
Accrued expenses	3,590	(44)	–	–	3,546
Unrealised profit on inventories	3,066	(81)	–	–	2,985
Depreciation and amortisation	1,958	(27)	–	–	1,931
Impairment losses	520	50	–	–	570
Exchange differences on translating foreign operations	–	–	–	–	–
Others	3,428	(491)	(4)	–	2,932
Subtotal	15,756	(536)	(4)	–	15,216
Undistributed retained earnings of subsidiaries	(2,723)	(14)	–	–	(2,737)
Depreciation and amortisation	(4,492)	90	–	(3,446)	(7,849)
Net gain/(loss) on revaluation of available-for-sale financial assets	8	–	(58)	–	(50)
Others	(545)	88	–	–	(457)
Subtotal	(7,752)	164	(58)	(3,446)	(11,092)
Tax loss carryforwards and tax credits					
Tax loss carryforwards	1,322	39	–	1,040	2,402
Tax credits	2	15	–	–	17
Subtotal	1,324	54	–	1,040	2,418
Total	9,328	(318)	(62)	(2,406)	6,542

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 10 “Deferred tax and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2017	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2018
Temporary differences					
Enterprise tax payable	543	30	—	—	573
Write-down of inventories	1,223	(190)	—	—	1,033
Allowance for doubtful accounts	535	51	—	2	588
Provisions	950	(145)	—	—	805
Accrued expenses	3,546	119	—	—	3,665
Unrealised profit on inventories	2,985	(464)	—	—	2,521
Depreciation and amortisation	1,931	(686)	—	104	1,349
Impairment losses	570	(24)	—	—	546
Exchange differences on translating foreign operations	—	—	3	—	3
Others	2,932	242	10	—	3,184
Subtotal	15,216	(1,067)	13	106	14,267
Undistributed retained earnings of subsidiaries	(2,737)	545	—	—	(2,192)
Depreciation and amortisation	(7,849)	3,462	—	(1,768)	(6,154)
Net gain/(loss) on revaluation of available-for-sale financial assets	(50)	—	(115)	—	(164)
Others	(457)	35	—	—	(421)
Subtotal	(11,092)	4,043	(115)	(1,768)	(8,932)
Tax loss carryforwards and tax credits					
Tax loss carryforwards	2,402	(104)	—	419	2,716
Tax credits	17	(9)	—	—	8
Subtotal	2,418	(113)	—	419	2,724
Total	6,542	2,862	(102)	(1,243)	8,059

Note:
The difference between the total amount of "Recognised in profit or loss" as above and "Deferred tax expenses" in Note 10 "Deferred taxes and income taxes" (2) Income taxes is due to foreign exchange fluctuations.

(Thousands of U.S. Dollars (Note 2))

	As at 1 April 2017	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2018
Temporary differences					
Enterprise tax payable	5,110	285	−	−	5,395
Write-down of inventories	11,515	(1,790)	−	−	9,726
Allowance for doubtful accounts	5,033	482	−	17	5,532
Provisions	8,945	(1,368)	−	−	7,578
Accrued expenses	33,380	1,116	−	−	34,496
Unrealised profit on inventories	28,093	(4,365)	−	−	23,728
Depreciation and amortisation	18,175	(6,458)	−	978	12,694
Impairment losses	5,367	(225)	−	−	5,142
Exchange differences on translating foreign operations	−	−	29	−	29
Others	27,602	2,277	94	−	29,973
Subtotal	143,221	(10,046)	123	995	134,293
Undistributed retained earnings of subsidiaries	(25,762)	5,130	−	−	(20,633)
Depreciation and amortisation	(73,879)	32,591	−	(16,638)	(57,927)
Net gain/(loss) on revaluation of available-for-sale financial assets	(467)	−	(1,080)	−	(1,547)
Others	(4,299)	333	−	−	(3,966)
Subtotal	(104,408)	38,054	(1,080)	(16,638)	(84,073)
Tax loss carryforwards and tax credits					
Tax loss carryforwards	22,608	(983)	−	3,942	25,567
Tax credits	156	(83)	−	−	73
Subtotal	22,764	(1,066)	−	3,942	25,640
Total	61,577	26,942	(958)	(11,702)	75,860

Note:
The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 10 “Deferred taxes and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Tax loss carryforwards	12,285	12,972	122,105
Deductible temporary differences	4,083	4,494	42,300
Total	16,368	17,466	164,405

The expiration date and amounts of tax loss carryforwards for which deferred tax assets are not recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Year 1	931	680	6,400
Year 2	1,736	1,819	17,117
Year 3	2,340	2,162	20,348
Year 4	988	1,004	9,453
Year 5 or later	6,290	7,308	68,787
Total	12,285	12,972	122,105

The aggregate amounts of temporary differences associated with undistributed retained earnings of the subsidiaries for which deferred tax liabilities have not been recognised at 31 March 2017 and 2018, were 273,333 million yen and 290,558 million yen (2,734,924 thousand U.S. dollars), respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Company recognised no deferred tax assets on the tax losses as at 31 March 2017 and 2018.

(2) Income taxes

In Japan, the normal effective statutory tax rates are 30.5% for each of the years ended 31 March 2017 and 2018.

Current or deferred taxes in other tax jurisdictions are calculated by the tax rates generally applied to those tax jurisdictions.
Details of current tax expense and deferred tax expense are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Current tax expense: (i)			
Current year	22,094	27,340	257,346
Prior years	1,523	42	396
Total current tax expense	23,617	27,382	257,742
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	326	(1,819)	(17,124)
Changes in tax rates	—	(537)	(5,056)
Total deferred tax expense	326	(2,356)	(22,180)
Total income tax expense	23,943	25,026	235,562
Continuing operations	23,943	25,026	235,562
Discontinued operations	—	—	—

Note:

(i) 'Current tax expense' includes previously unrecognised tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. These benefits were 147 million yen and 77 million yen (727 thousand U.S. dollars) for the years ended 31 March 2017 and 2018, respectively.

(ii) 'Deferred tax expense' includes previously unrecognised tax benefits from tax loss carryforwards, tax credits, deductible temporary differences, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. These effects increased the deferred tax expense by 282 million yen and 357 million yen (3,363 thousand U.S. dollars) for the years ended 31 March 2017 and 2018, respectively.

(iii) On 26 June 2013, the Company received a reassessment notice from the Tokyo Regional Taxation Bureau ("TRTB") for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics related products, for the five financial years ended from 31 March 2007 to 2011. The additional tax assessment was 8,419 million yen. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On 29 March 2018, the Company received a written verdict from the National Tax Tribunal (the "Tribunal"), which partially cancels the reassessments. It is expected that 503 million yen (4,730 thousand U.S. dollars) will be refunded to the Company as corporate tax, local taxes, and others. The Company disagrees with the remaining findings of the Tribunal's verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities.
Consequently, 503 million yen (4,730 thousand U.S. dollars) to be refunded is included in "Income taxes receivable" and the remaining amount of 7,916 million yen (74,513 thousand U.S. dollars) is included in "Other current assets" as a suspense payment.

A reconciliation of the normal effective statutory tax rate with the actual tax rate is as follows. The actual tax rate represents the ratio of income tax expense and profit before tax from continuing operations.

	For the year ended 31 March 2017	For the year ended 31 March 2018
Effective statutory tax rate	30.5%	30.5%
Expenses not deductible for tax purposes	0.8%	2.0%
Income not taxable for tax purposes	(0.0)%	(0.0)%
Effect of unrecognised deferred tax assets	0.4%	0.2%
Impact of different tax rates applied to overseas subsidiaries	(13.8)%	(15.8)%
Profits and losses on investments in associates	(0.0)%	―
Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate	―	(0.4)%
Tax rate difference due to the elimination of unrealised profit on inventories	(0.0)%	(0.0)%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.0%	(0.4)%
Prior year income taxes	1.4%	(0.0)%
Foreign withholding tax arising from dividends from subsidiaries	1.9%	3.9%
Others	0.4%	0.1%
Actual tax rate	21.6%	20.1%

There was no effect on income tax resulting from dividends paid to shareholders.

11. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Other financial assets			
Available-for-sale financial assets	1,345	1,689	15,902
Loans and receivables			
Loans and receivables	24,359	19,434	182,929
Allowance for doubtful accounts	(559)	(574)	(5,402)
Loans and receivables–net	23,800	18,861	177,527
Total	25,145	20,550	193,430
Total non-current assets (long-term financial assets)	7,357	15,595	146,791
Total current assets (other short-term financial assets)	17,788	4,955	46,639

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Other financial liabilities			
FVTPL financial liabilities (derivative instruments)	492	―	―
Other financial liabilities measured at amortised cost	5,003	7,626	71,781
Total	5,495	7,626	71,781
Total non-current liabilities (other long-term financial liabilities)	4,843	6,983	65,731
Total current liabilities (other short-term financial liabilities)	652	643	6,050

12. Other assets and liabilities

Details of other assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Non-current: Other assets			
Long-term prepaid expenses	2,557	2,246	21,137
Others	21	56	532
Total	2,578	2,302	21,668
Current: Other assets			
Suspense payment (Note)	8,419	7,916	74,513
Prepaid expenses	2,679	2,984	28,092
Refundable consumption taxes	2,381	2,024	19,049
Others	2,998	2,274	21,403
Total	16,477	15,198	143,057

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Non-current: Other liabilities			
Deposit received and long-term advance revenue, etc.	813	956	9,000
Total	813	956	9,000
Current: Other liabilities			
Accrued salary/bonus/vacation pay	14,278	15,328	144,281
Other accrued expenses	17,613	17,088	160,844
Advance received/deferred revenue	3,165	4,437	41,765
Accrued consumption taxes	1,478	1,804	16,985
Others	2,289	2,884	27,148
Total	38,822	41,542	391,023

Note:

On 26 June 2013, the Company received a reassessment notice from the TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the five financial years ended 31 March 2007 to 2011. The additional tax assessment was 8,419 million yen. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On 29 March 2018, the Company received a written verdict from the Tribunal, which partially cancels the reassessments. It is expected that 503 million yen will be refunded to the Company as corporate tax, local taxes, and others. The Company disagrees with the remaining findings of the Tribunal's verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities.
Consequently, 503 million yen to be refunded is included in "Income taxes receivable" and the remaining amount of 7,916 million yen is included in "Other current assets" as a suspense payment.

13. Inventories

Details of inventories are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Goods and products	31,498	36,835	346,719
Work in progress	7,015	7,521	70,794
Raw materials	16,081	15,976	150,373
Supplies	10,907	11,009	103,621
Total	65,501	71,341	671,508
Inventories expected to be sold after more than 12 months	5	6	53

The cost of inventories recognised as an expense during the years ended 31 March 2017 and 2018, was 220,712 million yen and 244,443 million yen (2,300,855 thousand U.S. dollars), respectively.

The cost of inventories recognised as an expense in respect of write-down and the reversal of such write-down is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Amount of write-down	1,351	1,421	13,372
Amount of reversal of write-down	(55)	(31)	(291)

The reversal of write-down was due to an increase in net realisable value, as a result of an increase in new orders with positive sales activities.

14. Trade and other receivables

Details of trade and other receivables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Accounts receivable	91,177	101,145	952,039
Notes receivable and electronically recorded monetary claims-operating	6,472	6,782	63,834
Other receivables	3,164	2,675	25,182
Allowance for doubtful accounts	(2,499)	(2,970)	(27,953)
Total	98,315	107,632	1,013,101

The credit terms for customers are set between 90 days and 120 days on average.
Refer to Note 22 “Financial instruments” for credit risk management and fair value of trade and other receivables.

15. Interest-bearing debt

Details of interest-bearing debt are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Average interest rate (%) (i)	Due
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018		
Long-term bank loans (excluding current portion)	8	1	13	—	2019
Current portion of long-term bank loans	7	7	68	—	—
Short-term bank loans	1,640	1,658	15,610	1.12%	—
Bonds (ii)	14	—	—	—	—
Current portion of bonds (ii)	35,015	14	127	—	—
Long-term finance lease obligations (Note 16)	483	450	4,233	—	2019-2023
Short-term finance lease obligations (Note 16)	252	222	2,092	—	—
Total interest-bearing debt	37,418	2,353	22,143		
Total non-current debt	504	451	4,246		
Total current debt	36,913	1,901	17,898		

Note:

(i) Interest rates are based on the weighted-average rates that applied to the balances at the end of each fiscal year.

(ii) The summary of issuance conditions for bonds is as follows:

Company	Item	Issue Date	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Interest rate (%)	Collateral (Millions of Yen)	Due
			As at 31 March 2017	As at 31 March 2018	As at 31 March 2018			
HOYA CORPORATION	Unsecured bond (No. 3)	11 September 2007	34,994	—	—	1.93	—	20 September 2017
HOYA Technosurgical, Inc.	1 Private Note	5 November 2011	35	14	127	1.51	—	4 April 2018
Total	—	—	35,028	14	127	—	—	—

The obligations under finance leases are secured by the leased assets for which the lessor has ownership. Refer to Note 16 “Finance lease obligations”. There is no debt with covenants as at 31 March 2018.

Details of the remaining contractual maturity for long-term borrowings and bonds and fair values are set out in Note 22 “Financial instruments”.

The changes in liabilities arising from financial activities are as follows:

(Millions of Yen)

	As at 31 March 2017	Cash flow	Non-cash changes		As at 31 March 2018
			Exchange differences on translation of foreign operations	Others	
Short-term bank loans	1,640	－	19	－	1,658
Long-term bank loans	15	(7)	1	－	9
Bond	35,028	(35,021)	－	6	14
Finance lease obligations	735	(332)	57	212	672
Total	37,418	(35,360)	77	218	2,353

(Thousands of U.S. Dollars (Note 2))

	As at 31 March 2017	Cash flow	Non-cash changes		As at 31 March 2018
			Exchange differences on translation of foreign operations	Others	
Short-term bank loans	15,433	－	177	－	15,610
Long-term bank loans	137	(68)	12	－	81
Bond	329,706	(329,640)	－	61	127
Finance lease obligations	6,923	(3,125)	536	1,992	6,325
Total	352,200	(332,834)	724	2,053	22,143

16. Finance lease obligations

Details of finance lease obligations are as follows:

	Minimum lease payments			Present value of minimum lease payments		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Amounts payable under finance leases:						
Not later than one year	273	258	2,424	252	222	2,092
Later than one year but not later than five years	543	488	4,596	482	450	4,233
Later than five years	1	―	―	1	―	―
Total	817	746	7,020	735	672	6,325
Less future finance charges	(82)	(74)	(695)			
Present value of lease obligations	735	672	6,325	735	672	6,325
Less amount due for settlement within 12 months				252	222	2,092
Amount due for settlement after 12 months				483	450	4,233

The Group has not entered into any new finance lease contracts as part of its policy, except for cases when it concludes that it has a number of advantages of having a lease arrangement in respect of cost reduction or the avoidance of the risk associated with product obsolescence. The average remaining lease term is approximately two to four years as at 31 March 2018.

Certain lease contracts include renewal options or purchase options. However, there are no sub-lease contracts, contingent rents, escalation payments or specific limitations (such as dividends, additional debt, and further leasing) included in these lease contracts.

The Group's fair values of lease obligations are set out in Note 22 "Financial instruments".

17. Operating lease arrangements

Details of minimum lease payments and contingent lease payments for the period under operating lease arrangements are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Minimum lease payments	8,179	8,722	82,093
Contingent rent	774	900	8,474
Total	8,953	9,622	90,567

The amounts above are included in the line item 'Other expenses' in the consolidated statement of comprehensive income.
Contingent rent, which is determined in rent contracts for stores at shopping malls, is the rent based on the stores' sales amounts.

As at 31 March 2017 and 2018, the maturity periods of the outstanding commitments under non-cancellable operating leases are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Not later than one year	1,353	1,333	12,545
Later than one year but not later than five years	2,129	3,194	30,064
Later than five years	2,790	2,638	24,829
Total	6,272	7,165	67,438

Operating lease payments represent rentals payable by the Group for the land used for offices, buildings, etc. The average remaining operating lease terms for those assets as at 31 March 2018, are 34 years and four years, respectively.

Certain lease contracts include renewal options, purchase options or escalation payments. However, there are no sub-lease contracts or restrictions (such as dividends, additional debt, and further leasing), included in these contracts.

18. Retirement benefit plans

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. The accounting policies adopted by the Group for retirement benefit plans are stated in Note 3 “Significant accounting policies (19) Retirement benefit costs”.

The Company and its domestic subsidiaries mainly have defined contribution plans. Overseas subsidiaries have benefit plans required by the local laws and regulations of each country. Unless a defined benefit plan is required by the laws of the country in which the overseas subsidiaries operate, a defined contribution plan has been put into place. The plan in the U.K. represents a substantial portion of the pension plans of the Group, where it is the closed plan that stopped new registrations. Management believes that general risks, such as investment, credit and salary risks are not significant in the plan.

The Group does not have retirement benefit plans other than pension plans and lump-sum retirement allowances.

(1) Defined benefit plans

The amounts included in the consolidated statement of financial position arising from the Group’s obligations in respect of its defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Present value of funded defined benefit obligation	5,539	6,033	56,786
Fair value of plan assets	(3,543)	(3,906)	(36,765)
Total	1,996	2,127	20,022
Effect of changes to the asset ceiling	0	―	―
Net liability arising from defined benefit plans obligations	1,996	2,127	20,022
Balance in the consolidated statement of financial position			
Liability	2,001	2,127	20,022
Asset (Other non-current assets)	5	―	―

Amounts recognised in the consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Service cost			
Current service cost	353	349	3,284
Net interest expense	13	30	287
Components of defined benefit costs recognised in profit or loss	366	379	3,571
Remeasurement of net defined benefit liability			
Return on plan assets	(145)	27	259
Actuarial gains and losses arising from changes in demographic assumptions	(68)	(35)	(328)
Actuarial gains and losses arising from changes in financial assumptions	512	54	506
Actuarial gains and losses arising from experience adjustments	7	(135)	(1,269)
Adjustments for restrictions on the defined benefit asset	(25)	(0)	(0)
Components of defined benefit costs recognised in other comprehensive income	281	(88)	(833)
Total	647	291	2,738

Service cost and net interest expense are included in 'Employee benefits expense' and 'Finance cost' in the consolidated statement of comprehensive income.

Movements in the present value of the defined benefit obligations are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Beginning balance	5,266	5,539	52,138
Business combination	—	238	2,237
Current service cost	353	349	3,284
Interest cost	110	116	1,087
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	(68)	(35)	(328)
Actuarial gains and losses arising from changes in financial assumptions	512	54	506
Actuarial gains and losses arising from experience adjustments	7	(135)	(1,269)
Benefits paid	(286)	(292)	(2,744)
Effect of foreign currency exchange differences	(354)	199	1,876
Ending balance	5,539	6,033	56,786

Movements in the present value of the plan assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Beginning balance	3,610	3,543	33,347
Business combination	—	40	377
Interest income	96	85	800
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	145	(27)	(259)
Contributions from the employer	255	245	2,308
Benefits paid	(206)	(124)	(1,166)
Effect of foreign currency exchange differences	(358)	144	1,357
Ending balance	3,543	3,906	36,765

Movements in the effect of changes to the asset ceiling are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Beginning balance	29	0	0
Interest expense	0	0	0
Remeasurement gain (loss)			
Effect of changes in the asset ceiling	(25)	(0)	(0)
Effect of foreign currency exchange differences	(4)	0	0
Ending balance	0	—	—

The fair values of major categories of plan assets as at 31 March 2017 and 2018, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Cash and cash equivalents	644	745	7,013
Equity instruments - Foreign equity instruments	1,829	1,986	18,695
Debt instruments - Foreign governmental bonds	503	557	5,239
Debt instruments - Foreign bonds	538	585	5,509
Others	28	33	309
Total	3,543	3,906	36,765

The fair values of financial instruments are measured at quoted market price in active markets. No transferable instrument is included in plan assets.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 March 2017	As at 31 March 2018
Discount rate	2.6%	2.6%

The Group believes there is no material impact on operating results, financial positions and cash flows due to the defined benefit plan of the Group, including the amount, timing and uncertainly of future cash flows.

(2) Defined contribution plans

The total expense recognised was 2,271 million yen and 2,341 million yen (22,033 thousand U.S. dollars) for the years ended 31 March 2017 and 2018, respectively.

(3) Severance payments

Under certain circumstances (such as retirement before the predetermined retirement date), additional payments are made upon retirement. The total expense recognised was 2,471 million yen and 2,307 million yen (21,712 thousand U.S. dollars) for the years ended 31 March 2017 and 2018, respectively.

19. Provisions

Details of provisions are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Asset retirement obligation	2,441	2,423	22,811
Warranties provision	1,311	1,255	11,816
Total	3,752	3,679	34,626
Non-current liabilities	2,419	2,398	22,576
Current liabilities	1,333	1,280	12,051

An analysis of the change in provisions is as follows:

(Millions of Yen)

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2017	2,441	1,311	3,752
Provision for the year	42	867	910
Interest cost associated with passage of time	19	−	19
Reduction resulting from settlement for the year	(42)	(887)	(929)
Effect of foreign currency exchange differences	(37)	(36)	(72)
Balance at 31 March 2018	2,423	1,255	3,679

(Thousands of U.S. Dollars (Note 2))

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2017	22,976	12,340	35,316
Provision for the year	397	8,165	8,563
Interest cost associated with passage of time	174	−	174
Reduction resulting from settlement for the year	(391)	(8,353)	(8,744)
Effect of foreign currency exchange differences	(346)	(337)	(682)
Balance at 31 March 2018	22,811	11,816	34,626

Note:

Refer to Note 3 “Significant accounting policies (20) Provisions and contingent liabilities assumed in a business combination” for details of each provision.

20. Trade and other payables

Details of trade and other payables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Accounts payable	19,437	26,036	245,070
Notes payable, trade	5,760	6,286	59,169
Processing cost payable	529	697	6,558
Other payables	14,983	13,087	123,182
Notes payable for capital investment	663	449	4,226
Total	41,371	46,555	438,205

Trade notes payable are due 120 days on average.

Accounts payable are due 30 to 60 days from the invoice date in Asia except for Japan, and due 90 to 120 days from the invoice date in Japan. Accounts payable in Europe and U.S.A. are mainly payables related to intragroup transactions; thus, upon consolidation, these trade accounts payable are eliminated. The Group arranges cash pooling for Japan, Europe and U.S.A. to ensure that all payables are paid within the pre-agreed credit terms.

21. Share capital and other equity items

(1) Share capital and capital reserves

	Number of authorised shares (Ordinary shares with no par value)	Number of issued shares (Ordinary shares with no par value)	Number of outstanding shares (Ordinary shares with no par value)	Share capital (Millions of Yen)	Capital reserves (Millions of Yen)	Share capital (Thousands of U.S. Dollars (Note 2))	Capital reserves (Thousands of U.S. Dollars (Note 2))
Balance at 1 April 2016	1,250,519,400	404,607,520	396,615,183	6,264	15,899	58,963	149,648
Decrease (i), (ii)	―	14,827,600	8,521,412	―	―	―	―
Balance at 31 March 2017	1,250,519,400	389,779,920	388,093,771	6,264	15,899	58,963	149,648
Decrease (i), (ii)	―	8,343,500	8,579,425	―	―	―	―
Balance at 31 March 2018	1,250,519,400	381,436,420	379,514,346	6,264	15,899	58,963	149,648

Note:

(i) Decrease in number of issued shares is due to cancellation of treasury shares.

(ii) Increase or decrease in number of outstanding shares is due to increase or decrease in treasury shares.

(2) Treasury shares and other capital reserves

① Treasury shares

	Numbers of shares	Amount (Millions of Yen)
Balance at 1 April 2016	7,992,337	34,633
Repurchase of treasury shares	8,866,700	34,983
Cancellation of treasury shares	(14,827,600)	(61,392)
Repurchase of odd-lot shares	792	3
Disposal of odd-lot shares	(80)	(0)
Decrease on exercise of stock options	(346,000)	(1,411)
Balance at 31 March 2017	1,686,149	6,816
Repurchase of treasury shares	9,334,600	54,999
Cancellation of treasury shares	(8,343,500)	(47,118)
Repurchase of odd-lot shares	1,225	7
Decrease on exercise of stock options	(756,400)	(3,819)
Balance at 31 March 2018	1,922,074	10,886

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2017	1,686,149	64,157
Repurchase of treasury shares	9,334,600	517,691
Cancellation of treasury shares	(8,343,500)	(443,504)
Repurchase of odd-lot shares	1,225	68
Decrease on exercise of stock options	(756,400)	(35,946)
Balance at 31 March 2018	1,922,074	102,465

② Other capital reserves

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Balance at 1 April 2016	(7,129)	3,087	(914)	(4,956)
Repurchase of treasury shares	－	－	(20)	(20)
Disposal of treasury shares	(474)	(188)	－	(662)
Share-based payments (i)	－	408	－	408
Change in non-controlling interests (ii)	－	－	(115)	(115)
Balance at 31 March 2017	(7,603)	3,307	(1,049)	(5,345)
Repurchase of treasury shares	－	－	(27)	(27)
Disposal of treasury shares	(1,069)	(509)	－	(1,579)
Share-based payments (i)	－	317	－	317
Change in non-controlling interests (iii)	－	－	(26)	(26)
Balance at 31 March 2018	(8,672)	3,114	(1,101)	(6,660)

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2017	(71,564)	31,125	(9,873)	(50,312)
Repurchase of treasury shares	－	－	(259)	(259)
Disposal of treasury shares	(10,066)	(4,793)	－	(14,859)
Share-based payments (i)	－	2,982	－	2,982
Change in non-controlling interests (iii)	－	－	(241)	(241)
Balance at 31 March 2018	(81,631)	29,315	(10,373)	(62,689)

Note:

(i) Refer to Note 23 “Share-based payments” for details of stock options.

(ii) The Group acquired 16.7% of outstanding shares in SISTEMAS INTEGRALES DE MEDICINA, S.A. As a result, the ownership interest of the Group increased to 91.7%. 115 million yen, the difference between the decrease of non-controlling interests (i.e., proportional interests of the carrying amount of the net assets) and the consideration paid for the shares is included in 'Other capital reserves' in the consolidated statement of financial position.

(iii) The Group acquired 8.3% of outstanding shares in SISTEMAS INTEGRALES DE MEDICINA, S.A. As a result, the ownership interest of the Group increased to 100%. 26 million yen (241 thousand U.S. dollars), the difference between the decrease of non-controlling interests (i.e., proportional interests of the carrying amount of the net assets) and the consideration paid for the shares is included in 'Other capital reserves' in the consolidated statement of financial position.

(3) Retained earnings and dividends

	Amount (Millions of Yen)
Balance at 1 April 2016	510,787
Profit for the year (attributable to owners of the Company)	86,740
Cancellation of treasury shares	(61,392)
Dividends	(29,482)
Transfer to retained earnings	(285)
Balance at 31 March 2017	506,367
Profit for the year (attributable to owners of the Company)	99,494
Cancellation of treasury shares	(47,118)
Dividends	(29,024)
Transfer to retained earnings	98
Balance at 31 March 2018	529,818

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2017	4,766,259
Profit for the year (attributable to owners of the Company)	936,503
Cancellation of treasury shares	(443,504)
Dividends	(273,190)
Transfer to retained earnings	927
Balance at 31 March 2018	4,986,995

Details of dividends are as follows:

Date of resolution	Dividends per share (Yen)	Dividends per share (U.S. Dollars (Note 2))	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars (Note 2))	Record date	Effective date
20 May 2016	45	0.42	17,848	167,994	31 March 2016	1 June 2016
28 October 2016	30	0.28	11,634	109,509	30 September 2016	30 November 2016
23 May 2017	45	0.42	17,464	164,385	31 March 2017	1 June 2017
27 October 2017	30	0.28	11,559	108,805	30 September 2017	30 November 2017
24 May 2018	45	0.42	17,078	160,751	31 March 2018	1 June 2018

Dividends payable are included in the line item ‘Other short-term financial liabilities’ in the consolidated statement of financial position.

(4) Non-controlling interests

	Amount (Millions of Yen)
Balance at 1 April 2016	4,909
Profit for the year, attributable to non-controlling interests	112
Other comprehensive income	(301)
Decrease due to acquisition of non-controlling interests	(202)
Balance at 31 March 2017	4,518
Profit for the year, attributable to non-controlling interests	(272)
Other comprehensive income	349
Dividends	(34)
Increase due to establishment of subsidiaries	45
Decrease due to acquisition of non-controlling interests	(123)
Balance at 31 March 2018	4,484

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2017	42,529
Profit for the year, attributable to non-controlling interests	(2,561)
Other comprehensive income	3,289
Dividends	(320)
Increase due to establishment of subsidiaries	425
Decrease due to acquisition of non-controlling interests	(1,155)
Balance at 31 March 2018	42,208

22. Financial instruments

(1) Capital risk management

The Group manages its capital for continuous growth and to maximise the corporate value of the Group.

The net debt and equity of the Group are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Interest-bearing debt	37,418	2,353	22,143
Less: Cash and cash equivalents	296,851	245,835	2,313,962
Net debt	(259,433)	(243,483)	(2,291,819)
Equity	515,405	530,677	4,995,081

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2017 and 2018, the Group maintained cash and cash equivalent balances in excess of interest-bearing debt balances. The Group is not subject to any externally imposed capital regulations as at 31 March 2018.

Details of interest-bearing debt and equity are described in Note 15 “Interest-bearing debt” and Note 21 “Share capital and other equity items”, respectively.

(2) Significant accounting policies

Accounting policies and criteria for recognition of financial assets, financial liabilities and equity instruments, basis of measurement and recognition of income and expenses are described in Note 3 “Significant accounting policies”.

(3) Categories of financial instruments

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Financial assets			
Loans and receivables			
Trade and other receivables	98,315	107,632	1,013,101
Other financial assets (ii)	23,800	18,861	177,527
Available-for-sale financial assets (ii)	1,345	1,689	15,902
Cash and cash equivalents	296,851	245,835	2,313,962
Financial liabilities			
FVTPL financial liabilities (derivative instruments) (iii)	492	—	—
Financial liabilities measured at amortised cost			
Trade and other payables	41,371	46,555	438,205
Interest-bearing debt	37,418	2,353	22,143
Other financial liabilities (iii)	5,003	7,626	71,781

Note:

(i) The items above are not included in discontinued operations and disposal groups held for sale. The Group does not have held-to-maturity investments and derivative instruments designated as hedging instruments. Likewise, the Group does not have financial assets or financial liabilities using the fair value option.

(ii) Other financial assets and available-for-sale financial assets are included in 'Long-term financial assets' or 'Other short-term financial assets' in the consolidated statement of financial position.

(iii) FVTPL financial liabilities (derivative instruments) and other financial liabilities are included in 'Other long-term/short-term financial liabilities' in the consolidated statement of financial position.

(iv) Financial assets or liabilities to be offset as at 31 March 2017 and 2018, are immaterial.

(4) Financial risk management

In its operations, the Group is exposed to various financial risks. The Group undertakes risk management steps to minimise the effects of these financial risks. In an effort to manage these risks, the Group's risk management approach is to eliminate the sources of these risks or to minimise the risks that are not avoidable.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. In certain cases, the Group obtains additional borrowings from financial institutions to react to temporary cash shortages or uses forward foreign exchange contracts to sustain cash flows. The above financial risks are managed by the financial department of the Group.

(5) Market risk management

The Group is exposed to risks arising from changes in the economic environment and financial markets. The factors of the risk relating to financial markets are fluctuation risk of foreign currency exchange rates, interest rates, and fair value of equity instruments.

① Foreign currency risk

1) Foreign currency risk management

As the Group's businesses have expanded globally, foreign exchange fluctuations, in particular from the Thai Baht, the Euro and the U.S. dollar, have a significant impact on the Group's financial results. If the Japanese yen appreciates against these currencies, both sales and profit stated in the Japanese yen might decrease even though sales and profits stated in local currencies have increased.

The Group intends to marry major currencies the Group uses (i.e., Euro, U.S. dollar and Yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, as the Company has multiple SBUs and conducts its own finance and dividend payments to the Company's shareholders, and the holding companies under the Company receive dividends from their subsidiaries and distribute them to the Company and/or other group companies, the Group's foreign currency-dominated balances in receivables, liabilities and/or bank deposits may not fully offset each other. This might cause significant gains or losses on foreign exchange differences when the Yen appreciates or depreciates against the U.S. dollar or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

2) Foreign currency sensitivity analysis

The chart below shows the impact on profit and equity of a 1% appreciation of the Yen against the Thai Baht, the Euro and the U.S. dollar with the assumption that the exchange rates for other currencies are constant.

	For the year ended 31 March 2017	For the year ended 31 March 2018
Average exchange rate		
(Yen per each currency)		
Thai Baht	3.10	3.36
Euro	118.68	130.25
U.S. dollar	108.72	110.70
Impact on profit for the year		
(Millions of Yen)		
Thai Baht	(79)	(152)
Euro	(24)	(30)
U.S. dollar	(355)	(404)
Impact on equity		
(Millions of Yen)		
Thai Baht	(158)	(261)
Euro	(364)	(275)
U.S. dollar	(607)	(682)

	For the year ended 31 March 2018
Impact on profit for the year	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(1,428)
Euro	(280)
U.S. dollar	(3,803)
Impact on equity	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(2,459)
Euro	(2,587)
U.S. dollar	(6,420)

Note:
Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Yen. The amounts above represent the impact on the consolidated financial statements of the Group resulting from foreign currency conversion and not the impact on the Group's cash flows or operations themselves.

Likewise, the tables below show the impact of a 1% appreciation of functional currencies of the Company and its holding company within the Group on their receivables/liabilities and bank deposits denominated in foreign currencies on the assumption that exchange rates for other currencies are constant. The information about the holding companies with immaterial risk is not included in the tables below.

2)-1. Parent company (the Company)

(Millions of Yen)

	Euro		U.S. dollar	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
Trade and other receivables	(19)	(28)	(58)	(73)
Trade and other payables	2	2	11	16
Long-term financial assets	－	－	－	－
Short-term financial assets	－	(0)	(0)	(0)
Short-term interest-bearing debt	－	－	－	122
Cash and cash equivalents	(13)	(1)	(63)	(57)
Total	(30)	(28)	(110)	9

(Thousands of U.S. Dollars (Note 2))

	Euro	U.S. dollar
	31 March 2018	31 March 2018
Trade and other receivables	(262)	(683)
Trade and other payables	14	152
Long-term financial assets	－	－
Short-term financial assets	(0)	(0)
Short-term interest-bearing debt	－	1,150
Cash and cash equivalents	(12)	(533)
Total	(260)	(86)

Note:
Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Yen. A 1% depreciation of the Yen has a positive impact in the same amount.
Intercompany receivables/payables are included in the calculation of the impact as they cause foreign exchange gain or loss in the process of translation.

2)-2. Holding company (Europe)

(Millions of Yen)

	Yen		U.S. dollar	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
Trade and other receivables	－	－	－	－
Trade and other payables	0	0	0	－
Long-term financial assets	－	－	－	－
Short-term financial assets	－	－	(0)	－
Cash and cash equivalents	(1)	－	(3)	(11)
Total	(0)	0	(3)	(11)

(Thousands of U.S. Dollars (Note 2))

	Yen	U.S. dollar
	31 March 2018	31 March 2018
Trade and other receivables	–	–
Trade and other payables	0	–
Long-term financial assets	–	–
Short-term financial assets	–	–
Cash and cash equivalents	–	(102)
Total	(0)	(102)

Note:
Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Euro. A 1% depreciation of the Euro has a positive impact in the same amount.
Intercompany receivables/payables are included in the calculation of the impact as they cause foreign exchange gain or loss in the process of translation.
Long-term and short-term financial assets include the fair value of forward contracts in long or short positions in currency derivative instruments.

3) Currency derivatives

The Group's policy prohibits the use of derivative instruments such as forward foreign exchange contracts, except in certain circumstances in which the use of such derivatives is determined to be beneficial. In such case, the Group can enter into contracts upon obtaining formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its Group headquarters approval process.

In order to economically hedge foreign currency exposures on intercompany receivables, payables and dividends, forward foreign exchange contracts are occasionally entered into. In these cases, the same approval policy as that stated above is adhered to.

Details of the forward foreign exchange contracts at the end of each reporting period are as follows:

(Millions of Yen)

For the year ended 31 March 2017	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value
Forward foreign exchange contracts				
Within one year				
US$Sell (€Buy)	0.74 (€/US$)	$22.7	2,013	(492)

(Millions of Yen) (Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2018	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts						
N/A						

Note:
The fair values of forward foreign exchange contracts are determined based on the forward exchange rate at the market at the end of each reporting period.

② Interest rate risk management

The majority of the interest-bearing debt consists of bonds with fixed interest rates. The Group's cash and cash equivalents exceed the interest-bearing debt, and currently, the impact of interest expense on the Group's profit/loss is immaterial. Therefore, the Group considers the interest rate risk to be immaterial and has not performed sensitivity analyses such as Basis Point Value.

③ Price risks management in equity instruments

The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held from a viewpoint of business strategy, not for short-term trading purposes. The Group does not sell these investments frequently and the Group periodically reviews the fair value of these instruments as well as the financial condition of investees.

The sensitivity analysis has been based on the exposure to the price of equity instruments (listed shares) at the end of the reporting period. If equity prices increase or decrease by 5%, accumulated other comprehensive income (pre-tax) would change by 34 million yen and 53 million yen (499 thousand U.S. dollars) as at 31 March 2017 and 2018, respectively, as a result of changes in fair value of the equity instruments.

(6) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group manages its credit risk by setting credit limits that are approved by the authorised personnel of each SBU.

The main customers for the Information Technology business are globalised companies that have relatively large-scale and stable financial conditions. On the other hand, credit losses were incurred on a sporadic basis in the Life Care business as those products were sold to relatively small and diversified customers, such as end consumers, retailers, and medical institutions. Accordingly, no significant credit losses were incurred in the past. A division in the Life Care business that sells goods to medical institutions and operates wholesale businesses in certain countries has some past-due receivables due to the financial conditions of those medical institutions or customers. Credit limits have been set for those customers to minimise the loss from a failure to collect the receivables.

Trade receivables consist of a large number of customers across a diverse range of industries and geographical areas. The Group has neither significant credit risk exposure for a specific customer or customer group categorised by similarity, nor concentration of credit risk over 5% of total financial assets as at 31 March 2018.

① Financial assets and other credit exposures

Except for the items below, the carrying amounts after impairment presented in the consolidated financial statements are the maximum exposure for the Group's credit risk without considering the appraised value of the related collateral.

	Maximum credit risk		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Guarantee liabilities	11	−	−

The Group does not hold any collateral or other credit enhancements to cover the risks disclosed above.

② **Impaired or past-due financial assets**

The following table provides the ageing details of the financial assets not yet due and the financial assets past-due but not impaired at the end of the reporting period:

(Millions of Yen)

Balance at 31 March 2017	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	100,813	89,168	5,310	1,769	793	696	3,078
Allowance for doubtful accounts	(2,499)	(387)	(51)	(78)	(131)	(143)	(1,709)
Trade and other receivables (net)	98,315	88,781	5,259	1,691	662	553	1,369
Other financial assets (gross)	24,359	23,504	48	1	－	－	806
Allowance for doubtful accounts	(559)	(5)	－	－	－	－	(554)
Other financial assets (net)	23,800	23,499	48	1	－	－	252

(Millions of Yen)

Balance at 31 March 2018	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	110,602	95,642	7,057	2,840	1,029	805	3,228
Allowance for doubtful accounts	(2,970)	(369)	(122)	(95)	(127)	(206)	(2,050)
Trade and other receivables (net)	107,632	95,273	6,935	2,745	902	599	1,178
Other financial assets (gross)	19,434	18,551	23	－	14	1	845
Allowance for doubtful accounts	(574)	(46)	(23)	－	－	－	(505)
Other financial assets (net)	18,861	18,505	1	－	14	1	340

(Thousands of U.S. Dollars (Note 2))

Balance at 31 March 2018	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	1,041,054	900,246	66,430	26,732	9,681	7,581	30,386
Allowance for doubtful accounts	(27,953)	(3,478)	(1,149)	(893)	(1,193)	(1,941)	(19,300)
Trade and other receivables (net)	1,013,101	896,768	65,281	25,840	8,488	5,640	11,085
Other financial assets (gross)	182,929	174,613	220	4	129	12	7,952
Allowance for doubtful accounts	(5,402)	(434)	(214)	－	－	－	(4,754)
Other financial assets (net)	177,527	174,179	6	4	129	12	3,197

The Group does not hold any collateral or other credit enhancements on the above financial assets, excluding the following:

As at 31 March 2017

Current portion of long-term loans to subsidiaries and affiliates of 8,166 million yen

As at 31 March 2018

Long-term loans to subsidiaries and affiliates of 8,047 million yen (75,744 thousand U.S. dollars)

Details of collaterals are described in Note 30 "Related party disclosures".

In case of impairment of financial assets, the Group does not directly write off such assets by reducing the carrying amount; instead, it records an allowance for doubtful accounts. Movement in the allowance for doubtful accounts is as follows:

(Millions of Yen)

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 1 April 2016	2,348	783	3,131
Provision for the year	434	39	473
Reduction resulting from settlement for the year	(136)	(238)	(374)
Reduction for the year (reversal)	(63)	(8)	(71)
Other (foreign exchange translation gains or losses, etc.)	(84)	(17)	(100)
Balance at 31 March 2017	2,499	559	3,058
Provision for the year	465	65	529
Reduction resulting from settlement for the year	(110)	(32)	(141)
Reduction for the year (reversal)	(41)	(44)	(84)
Other (foreign exchange translation gains or losses, etc.)	156	26	182
Balance at 31 March 2018	2,970	574	3,544

(Thousands of U.S. Dollars (Note 2))

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 31 March 2017	23,521	5,262	28,783
Provision for the year	4,375	608	4,983
Reduction resulting from settlement for the year	(1,032)	(298)	(1,330)
Reduction for the year (reversal)	(383)	(411)	(794)
Other (foreign exchange translation gains or losses, etc.)	1,473	241	1,714
Balance at 31 March 2018	27,953	5,402	33,355

The Group continuously monitors the financial status of customers that appear to represent a credit risk in collecting receivables, including restructured receivables. Based on this monitoring, the Group sets the allowance for doubtful accounts considering the collectability of the receivables.

Because the Group operations are global, credit risk is widely dispersed among customers and the Group does not depend on specific customers. Therefore, the possibility of a chain-reaction of bankruptcies of certain customers is considered to be remote and the Group does not set an additional general allowance for doubtful accounts resulting from the concentration of this credit risk.

③ Transfer of financial assets

The Group transferred some of its notes receivable to financial institutions before maturity on a discounted basis. The Group is required to repurchase these notes in the event of a default. Accordingly, the Group continues to recognise the full carrying amount of the notes receivable until maturity and the cash proceeds received on the sale of the notes receivable is accounted for as a secured borrowing.

There were no notes receivable transferred and discounted that were outstanding as at 31 March 2017 and 2018.

(7) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the CFO of the Group who is appointed by the board of directors. Based on the instructions from the CFO, the financial headquarters of the Group mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual cash flows and forecasted cash flows. Temporary cash shortages due to dividends or bonus payments are funded through the issuance of commercial paper, etc.

The following table details the contractual maturity of its financial liabilities, including derivative financial instruments but excluding guarantee liabilities:

(Millions of Yen)

Balance at 31 March 2017	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	41,371	41,371	41,371	−	−	−	−	−
Long-term bank loans (excluding current portion)	8	8	−	7	1	−	−	−
Current portion of long-term bank loans	7	7	7	−	−	−	−	−
Short-term bank loans	1,640	1,640	1,640	−	−	−	−	−
Bonds (excluding current portion)	14	14	−	14	−	−	−	−
Current portion of bonds	35,015	35,021	35,021	−	−	−	−	−
Long-term finance lease obligations	483	483	−	192	137	105	48	1
Short-term finance lease obligations	252	252	252	−	−	−	−	−
Other financial liabilities	5,003	5,003	496	734	2,965	673	134	−
Derivative liabilities								
Currency derivative	492	492	492	−	−	−	−	−
Total	84,283	84,290	79,279	946	3,103	778	183	1

(Millions of Yen)

Balance at 31 March 2018	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	46,555	46,555	46,555	−	−	−	−	−
Long-term bank loans (excluding current portion)	1	1	−	1	−	−	−	−
Current portion of long-term bank loans	7	7	7	−	−	−	−	−
Short-term bank loans	1,658	1,658	1,658	−	−	−	−	−
Current portion of bonds	14	14	14	−	−	−	−	−
Long-term finance lease obligations	450	450	−	189	152	90	19	−
Short-term finance lease obligations	222	222	222	−	−	−	−	−
Other financial liabilities	7,626	7,626	1,802	3,409	1,900	459	56	−
Total	56,533	56,533	50,259	3,599	2,052	549	75	−

(Thousands of U.S. Dollars (Note 2))

Balance at 31 March 2018	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	438,205	438,205	438,205	－	－	－	－	－
Long-term bank loans (excluding current portion)	13	13	－	13	－	－	－	－
Current portion of long-term bank loans	68	68	68	－	－	－	－	－
Short-term bank loans	15,610	15,610	15,610	－	－	－	－	－
Current portion of bonds	127	127	127	－	－	－	－	－
Long-term finance lease obligations	4,233	4,233	－	1,780	1,429	848	175	－
Short-term finance lease obligations	2,092	2,092	2,092	－	－	－	－	－
Other financial liabilities	71,781	71,781	16,964	32,085	17,886	4,316	530	－
Total	532,129	532,129	473,066	33,878	19,315	5,165	705	－

Note:
Guarantee liabilities have been excluded from the above table as the likelihood of execution has been determined as low. Assets and liabilities recognised as a result of undertaking derivative instruments transactions are presented on a net basis.

Temporary cash shortages due to dividends or bonus payments are funded in the following ways.
Details of financing methods and status are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Bank overdraft			
Used	－	－	－
Unused	65,000	65,000	611,822
Total	65,000	65,000	611,822
Commercial paper			
Used	－	－	－
Unused	50,000	50,000	470,633
Total	50,000	50,000	470,633

(8) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that have been measured at fair value subsequent to initial recognition.
The fair values are categorised into Levels 1 to 3.

Level 1: Fair value derived from quoted prices in active markets for identical assets or liabilities.
Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
· Forward exchange contracts are measured at fair value on forward exchange rate at the closing date.
Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).
· Unlisted shares are measured by recognising the Group's share of the net assets of issuing companies at stated periods. Any excess of the cost of the investment over the Group's share of net assets is deemed as fair value.

① Financial instruments that are measured at fair value

(Millions of Yen)

As at 31 March 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	679	－	666	1,345
Total	679	－	666	1,345
FVTPL financial liabilities (derivative instruments)	－	492	－	492
Total	－	492	－	492

(Millions of Yen)

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,072	－	618	1,689
Total	1,072	－	618	1,689

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	10,086	－	5,816	15,902
Total	10,086	－	5,816	15,902

Note:
As at 31 March 2017
The common stocks classified as Level 3 were transferred to Level 1 during the year ended 31 March 2017, as they became measurable at quoted prices in active markets.
As at 31 March 2018
No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2018.

② **Reconciliation of financial assets categorised at Level 3 from beginning balance to ending balance**

	Fair value measurement as at the end of the reporting period		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
Available-for-sale financial assets	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Opening balance	1,051	666	6,269
Total gains or losses recognised:	(11)	(48)	(453)
- in profit or loss (i)	(9)	(73)	(685)
- in other comprehensive income (ii)	(2)	25	233
Purchase	0	0	0
Sale	(0)	－	－
Transfer to Level 1	(374)	－	－
Others	(0)	－	－
Closing balance	666	618	5,816

Note:
(i) In the total gains or losses for the years ended 31 March 2017 and 2018, included in profit or loss, (9) million yen in loss and (73) million yen ((685) thousand U.S. dollars) in loss, respectively, relate to available-for-sale financial assets at the end of the reporting period. Related loss on these assets is included in the line item ‘Finance costs’ in the consolidated statement of comprehensive income. Refer to Note 25 “Finance income and costs”.
(ii) In the total gains or losses for the years ended 31 March 2017 and 2018, included in other comprehensive income, (2) million yen in loss and 25 million yen (233 thousand U.S. dollars) in profit, respectively, relate to the shares not traded in the market. Related loss and profit are included in the line item ‘Net gain/ (loss) on revaluation of available-for-sale financial assets’ in Note 26 “Other comprehensive income”.

(9) Fair value of financial assets and liabilities that are measured at fair value on a non-recurring basis

① **Carrying amounts and fair value**

	(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars (Note 2))	
	As at 31 March 2017		As at 31 March 2018		As at 31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans and receivables						
Current portion of long-term loans to subsidiaries and affiliates	8,166	8,169	—	—	—	—
Long-term loans to subsidiaries and affiliates	—	—	8,047	8,185	75,744	77,047
Lease deposits	4,857	4,857	4,985	4,985	46,922	46,922
Total	13,022	13,025	13,032	13,170	122,666	123,969
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	8	8	1	1	13	13
Current portion of long-term bank loans	7	7	7	7	68	68
Bonds (excluding current portion)	14	14	—	—	—	—
Current portion of bonds	35,015	35,350	14	14	127	128
Long-term finance lease obligations	483	577	450	537	4,233	5,055
Short-term finance lease obligations	252	267	222	236	2,092	2,217
Total	35,778	36,223	694	795	6,533	7,480

② **Fair value hierarchy**

Level 1: Fair value derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

· Fair value of loans and receivables is measured by the present value of future cash flows of each loan categorised according to a certain range of term, discounted by the risk-free rate, etc.

· Fair value of bonds issued by the Company is measured by discounting the total of principal and interest using an interest rate that reflects each bond's credit risk.

· Fair value of interest-bearing debt other than bonds is measured by the present value of future cash flows of each debt categorised according to a certain range of term, and discounted by the interest rate that reflects the remaining period to the maturity and credit risk.

Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Millions of Yen)

As at 31 March 2017	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	—	8,169	—	8,169
Lease deposits	—	4,857	—	4,857
Total	—	13,025	—	13,025
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	8	—	8
Current portion of long-term bank loans	—	7	—	7
Bonds (excluding current portion)	—	14	—	14
Current portion of bonds	—	35,350	—	35,350
Long-term finance lease obligations	—	577	—	577
Short-term finance lease obligations	—	267	—	267
Total	—	36,223	—	36,223

(Millions of Yen)

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	—	8,185	—	8,185
Lease deposits	—	4,985	—	4,985
Total	—	13,170	—	13,170
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	1	—	1
Current portion of long-term bank loans	—	7	—	7
Current portion of bonds	—	14	—	14
Long-term finance lease obligations	—	537	—	537
Short-term finance lease obligations	—	236	—	236
Total	—	795	—	795

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	―	77,047	―	77,047
Lease deposits	―	46,922	―	46,922
Total	―	123,969	―	123,969
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	―	13	―	13
Current portion of long-term bank loans	―	68	―	68
Current portion of bonds	―	128	―	128
Long-term finance lease obligations	―	5,055	―	5,055
Short-term finance lease obligations	―	2,217	―	2,217
Total	―	7,480	―	7,480

23. Share-based payments

(1) Details of share-based payments

The Company has a stock option plan. The purpose of the plan is to increase the value of the Group and to improve the financial results of the Group by motivating members such as directors, officers, employees of the Group, as well as to retain valuable employees.

After the details and eligible members are approved at the meeting of the board of directors, options are granted to individuals on the condition that they render services over the vesting period, that is, subsequent to the grant date, if a member terminates his or her employment prior to the vesting date, the options will expire. The exercise period of the options is the period determined in each option contract. The options not exercised within this exercise period will expire. The option contract includes a clause that limits the maximum number of stock options a member can exercise each year during the exercisable periods.

Stock options granted to members are accounted for as share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 408 million yen and 317 million yen (2,982 thousand U.S. dollars) for the years ended 31 March 2017 and 2018, respectively.

Details of the stock options that are outstanding for the years ended 31 March 2017 and 2018, are as follows:

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
6	585,600	7 Nov 2006	30 Sep 2016	4,750	3,961
7	77,600	14 Nov 2007	30 Sep 2017	4,230	3,357
8	1,036,000	28 Nov 2008	30 Sep 2018	1,556	952
10	1,247,600	8 Dec 2009	30 Sep 2019	2,215	2,784
11	1,225,600	7 Dec 2010	30 Sep 2020	1,947	1,861
12	680,800	17 Jan 2012	30 Sep 2021	1,616	1,427
13	560,800	16 Jan 2013	30 Sep 2022	1,648	1,707
14	758,800	15 Jan 2014	30 Sep 2023	2,846	3,141
15	582,400	14 Jan 2015	30 Sep 2024	3,972.5	3,585
16	460,400	13 Jan 2016	30 Sep 2025	4,928	3,407
17	386,800	17 Jan 2017	30 Sep 2026	4,839	3,740
18	40,400	13 Feb 2018	30 Sep 2027	5,765	4,009

Note:
The fair value of the stock options at grant date does not include the fair value of stock options to which IFRS 2 “Share-based Payments” does not apply, as mentioned in (4) below.

(2) Determination of stock option value

The weighted-average fair value of the stock options granted during the years ended 31 March 2017 and 2018, was 3,740 yen and 4,009 yen, respectively.

In determining the expense of the stock options, the options were priced using the Black-Scholes model. The following table details the assumptions used in the Black-Scholes model for the options granted in the years ended 31 March 2017 and 2018.

Expected volatility was determined based on recent historical daily share price volatility from the grant date to the forecasted remaining period.

	No. 17	No. 18
Share price at grant date (Yen)	4,722	5,421
Exercise price (Yen)	4,839	5,765
Expected volatility	27.46%	26.63%
Expected remaining option life (Years)	6.0	5.9
Dividends yield	1.59%	1.38
Risk free rate	(0.10)%	(0.06)%

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

The weighted-average exercise price of the outstanding options was 3,415 yen and 3,604 yen as at the years ended 31 March 2017 and 2018, respectively. Weighted-average remaining contractual life was 6.5 years and 5.9 years as at 31 March 2017 and 2018, respectively.

	For the year ended 31 March 2017		For the year ended 31 March 2018	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Outstanding at the beginning of the period	3,126,200	3,249	2,741,200	3,415
Granted	386,800	4,839	40,400	5,765
Forfeited (i)	(76,000)	3,387	(56,400)	4,071
Exercised	(346,000)	2,164	(756,400)	2,962
Expired	(349,800)	4,750	(44,400)	4,230
Outstanding at the end of the period	2,741,200	3,415	1,924,400	3,604
Exercisable at the end of the period	1,582,700	2,717	1,260,900	3,003

Note:

(i) Stock options forfeited were due to employee retirements.

Stock options exercised during the year ended 31 March 2018, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
7	5,200	April 2017	5,274
8	48,400	June 2017 to March 2018	6,120
10	54,800	April 2017 to March 2018	5,918
11	69,200	April 2017 to February 2018	5,763
12	52,800	April 2017 to February 2018	6,006
13	54,400	April 2017 to March 2018	6,122
14	203,600	April 2017 to March 2018	5,930
15	195,200	April 2017 to February 2018	6,037
16	53,600	July 2017 to February 2018	6,173
17	19,200	October 2017 to January 2018	6,169
Total	756,400		

Note:

The number of shares exercised and the amount paid by key management personnel are 450,000 shares and 1,274 million yen, respectively.

Stock options exercised during the year ended 31 March 2017, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
7	4,000	March 2017	5,500
8	25,600	May 2016 to March 2017	4,839
10	52,400	May 2016 to March 2017	4,497
11	55,200	June 2016 to March 2017	4,351
12	24,000	April 2016 to March 2017	4,424
13	99,600	April 2016 to March 2017	4,529
14	64,800	August 2016 to March 2017	4,761
15	20,400	November 2016 to March 2017	4,946
Total	346,000		

Note:

The number of shares exercised and the amount paid by key management personnel are 22,800 shares and 61 million yen, respectively.

(4) Stock options to which IFRS 2 is not applied

IFRS 2 was not applied to stock options vested prior to the IFRS transition date (April 1, 2008). In the previous consolidated fiscal year, all of the 118,200 stock options not applied expired. Therefore, IFRS 2 is applied to accounting for all stock options from the current consolidated fiscal year.

24. Revenue and expenses (excluding finance income and costs)

(1) Sales from continuing operations

The following is an analysis of the Group's sales from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Sales of goods and products	477,051	533,273	5,019,513
Service revenue	1,877	2,339	22,019
Total sales	478,927	535,612	5,041,531

(2) Other income from continuing operations

The following is an analysis of the Group's other income from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Commission	237	399	3,755
Rent	131	135	1,266
Government grants	135	159	1,498
Gain on sale of plant, property and equipment and intangible assets	733	462	4,353
Insurance proceeds	287	27	258
Settlement proceeds	—	1,697	15,977
Others	1,240	1,119	10,531
Total other income	2,764	3,999	37,639

(3) R&D expenses recognised as incurred

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Employee benefits expense	8,450	9,014	84,843
Depreciation and amortisation	1,617	2,056	19,355
Commission expenses	1,270	2,420	22,783
Other expenses	10,489	9,800	92,242
Total R&D expenses recognised as incurred	21,826	23,290	219,222

Note:

The above items are included in the corresponding line items in the consolidated statement of comprehensive income.

(4) Employee benefits expense

The following is an analysis of the Group's employee benefits expense from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Salary, bonuses and others	103,799	116,431	1,095,926
Retirement benefit			
Defined benefit	353	349	3,284
Defined contribution	2,271	2,341	22,033
Retirement benefit total	2,624	2,690	25,316
Share-based payments (stock option)	408	317	2,982
Severance payments	2,471	2,307	21,712
Others	5,203	6,076	57,191
Total employee benefits expense	114,504	127,820	1,203,127

(5) Foreign exchange gains or losses

Foreign exchange gains or losses include gains resulting from changes in fair value of currency derivatives.

(6) Other expenses

The following is an analysis of the Group's other expenses from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Packaging/shipping/transportation	8,983	10,639	100,137
Travel	5,936	6,670	62,783
Rent	7,047	7,604	71,572
Utilities	10,423	12,038	113,313
Repair and maintenance	11,493	12,867	121,114
Loss on sales of property, plant and equipment	13	24	226
Loss on disposal of property, plant and equipment	143	415	3,902
Loss on disposal of intangible assets	82	17	161
Others	63,026	68,269	642,591
Total other expenses	107,147	118,543	1,115,800

25. Finance income and costs

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Finance income			
Interest income			
Cash and cash equivalents, loans and receivables	1,758	1,554	14,624
Dividend income			
Available-for-sale financial assets	50	8	76
Gain on sale			
Available-for-sale financial assets	6,215	—	—
Total finance income	8,022	1,562	14,700
Finance costs			
Interest costs			
Interest-bearing debt	996	409	3,849
Retirement benefits liabilities	22	30	287
Provisions	20	19	174
Other liabilities	84	241	2,266
Loss on sale			
Available-for-sales financial assets	0	—	—
Impairment losses			
Available-for-sales financial assets (i)	6	73	685
Total finance costs	1,130	771	7,261

Note:

(i) Impairment losses were recognised on listed shares and the shares of private companies categorised as available-for-sale financial assets due to significant or prolonged decline in the fair values against the carrying amount.

26. Other comprehensive income

For the years ended 31 March 2017 and 2018, items that may be reclassified subsequently to profit or loss comprise the following:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Items that may be reclassified subsequently to profit or loss:			
① Net gain/(loss) on revaluation of available-for-sale financial assets (i)			
Gains (losses) arising during the year	174	350	3,296
Reclassification adjustments to profit or loss for the year	6	73	685
Total	180	423	3,981
② Exchange differences on translation of foreign operations (ii)			
Gains (losses) arising during the year	(5,808)	(2,680)	(25,229)
Reclassification adjustments to profit or loss for the year	—	(32)	(303)
Total	(5,808)	(2,712)	(25,532)
③ Share of other comprehensive income of associates			
Gains (losses) arising during the year	(1)	(9)	(88)
Reclassification adjustments to profit or loss for the year	0	0	2
Total	(1)	(9)	(86)
Other comprehensive income/(loss) before tax	(5,630)	(2,299)	(21,637)
Income tax relating to components of other comprehensive income	(58)	(112)	(1,052)
Total other comprehensive income/(loss) (net of tax)	(5,687)	(2,410)	(22,688)

Note:

(i) 'Net gain/(loss) on revaluation of available-for-sale financial assets' represents unrealised gain or loss on available-for-sale financial assets at the end of the reporting period.

(ii) 'Exchange differences on translation of foreign operations' consists of differences on foreign currency conversion for financial statements of foreign operations.

Deferred and current taxes on each item of other comprehensive income for the years ended 31 March 2017 and 2018, are as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2017			For the year ended 31 March 2018			For the year ended 31 March 2018		
	Total	Tax	Net of tax	Total	Tax	Net of tax	Total	Tax	Net of tax
Other comprehensive income attributable to owners of the Company									
① Net gain/(loss) on revaluation of available-for-sale financial assets	184	(58)	126	380	(108)	272	3,579	(1,018)	2,561
② Exchange differences on translation of foreign operations	(5,511)	−	(5,511)	(3,026)	3	(3,023)	(28,481)	29	(28,452)
③ Remeasurements of the net defined benefit liability (asset)	(281)	(4)	(285)	88	10	98	833	94	927
④ Share of other comprehensive income of associates	(1)	−	(1)	(9)	−	(9)	(86)	−	(86)
Subtotal	(5,609)	(62)	(5,671)	(2,566)	(95)	(2,661)	(24,156)	(895)	(25,050)
Other comprehensive income attributable to non-controlling interests									
① Net gain/(loss) on revaluation of available-for-sale financial assets	(4)	−	(4)	43	(7)	36	403	(63)	340
② Exchange differences on translation of foreign operations	(297)	−	(297)	313	−	313	2,949	−	2,949
Subtotal	(301)	−	(301)	356	(7)	349	3,352	(63)	3,289
Total other comprehensive income/(loss)	(5,910)	(62)	(5,972)	(2,210)	(102)	(2,312)	(20,804)	(958)	(21,761)

27. Earnings per share

(1) Basic earnings per share and diluted earnings per share

	(Yen)	(Yen)	(U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Basic earnings per share			
From continuing operations	221.93	258.46	2.43
From discontinued operations	—	—	—
Total basic earnings per share	221.93	258.46	2.43
Diluted earnings per share			
From continuing operations	221.49	257.88	2.43
From discontinued operations	—	—	—
Total diluted earnings per share	221.49	257.88	2.43

(2) The basis of calculation of basic earnings per share and diluted earnings per share

① Basic earnings per share

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Profit attributable to owners of the Company from continuing operations	86,740	99,494	936,503
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	86,740	99,494	936,503

(b) Weighted-average number of ordinary shares used in the calculation of basic earnings per share

(Shares in thousands)

	For the year ended 31 March 2017	For the year ended 31 March 2018
Weighted-average number of ordinary shares	390,837	384,946

② **Diluted earnings per share**

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Profit attributable to owners of the Company from continuing operation after dilution	86,740	99,494	936,503
Profit attributable to owners of the Company from discontinued operation after dilution	—	—	—
Profit used in the calculation of diluted earnings per share	86,740	99,494	936,503

(b) Weighted-average number of ordinary shares used in the calculation of diluted earnings per share

(Shares in thousands)

	For the year ended 31 March 2017	For the year ended 31 March 2018
Weighted-average number of ordinary shares	390,837	384,946
Shares deemed to be issued for no consideration in respect of:		
Stock options	778	865
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	391,615	385,811

28. Non-cash transactions

Non-cash transactions for the years ended 31 March 2017 and 2018, consisted of acquiring property, plant and equipment through new finance lease arrangements in the amount of 415 million yen and 212 million yen (1,993 thousand U.S. dollars), respectively.

29. Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2017 and 2018, is as follows:

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2017	As at 31 March 2018
Life Care	U.S.A.	6	14
	ARGENTINA	1	1
	UNITED KINGDOM	2	4
	ITALY	2	2
	INDIA	3	3
	INDONESIA	2	3
	AUSTRALIA	1	1
	NETHERLANDS	4	4
	CANADA	2	6
	SINGAPORE	3	3
	SWITZERLAND	1	1
	SWEDEN	1	1
	SPAIN	1	2
	THAILAND	2	3
	CZECH REPUBLIC	1	1
	DENMARK	1	1
	GERMANY	4	4
	TURKEY	1	1
	HUNGARY	2	2
	PHILIPPINES	2	2
	FINLAND	1	1
	BRAZIL	2	2
	FRANCE	3	3
	BULGARIA	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	POLAND	1	1
	MALAYSIA	3	4
	RUSSIA	2	2
	SOUTH KOREA	1	3
	TAIWAN	1	1
	CHINA	7	7
	SOUTH AFRICA	1	1
	JAPAN	6	6
Information Technology	U.S.A.	1	1
	SINGAPORE	1	1
	THAILAND	2	2
	PHILIPPINES	3	3
	VIETNAM	4	4
	MALAYSIA	1	1
	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	6	6
	JAPAN	1	1

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2017	As at 31 March 2018
Other	U.S.A.	2	3
	UNITED KINGDOM	−	1
	AUSTRALIA	−	1
	NETHERLANDS	2	3
	SINGAPORE	1	1
	SWEDEN	−	1
	SPAIN	−	1
	GERMANY	−	1
	FRANCE	−	1
	SOUTH KOREA	1	1
	JAPAN	1	1

Reportable Segment	Location	Number of non-wholly-owned subsidiaries	
		As at 31 March 2017	As at 31 March 2018
Life Care	IRELAND	1	1
	U.S.A.	1	1
	UNITED KINGDOM	1	1
	NETHERLANDS	1	1
	SPAIN	1	−
	GERMANY	4	2
	FRANCE	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	CHINA	3	4
	JAPAN	3	3
Information Technology	PHILIPPINES	1	1
	CHINA	2	2

(2) Details of the non-wholly-owned subsidiaries that have material non-controlling interests

Details of the non-wholly-owned subsidiaries that have material non-controlling interests are as follows:

Name of subsidiaries	Location	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
				(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		As at 31 March 2017	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
WASSENBURG MEDICAL B.V. and six other companies	NETHERLANDS and other countries	49.0%	49.0%	74	(47)	(443)	2,894	3,101	29,188
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies	JAPAN and other countries	50.0%	50.0%	(9)	(232)	(2,186)	1,127	980	9,221
Individually immaterial subsidiaries with non-controlling interests							497	404	3,799
Total							4,518	4,484	43,208

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	(Millions of Yen) As at / for the year ended 31 March 2017	(Millions of Yen) As at / for the year ended 31 March 2018	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2018
WASSENBURG MEDICAL B.V. and six other companies			
Non-current assets	3,506	3,511	33,046
Current assets	4,197	4,749	44,704
Non-current liabilities	(591)	(471)	(4,432)
Current liabilities	(1,205)	(1,461)	(13,753)
Equity attributable to owner of the Company	3,012	3,227	30,378
Non-controlling interests	2,894	3,101	29,187
Revenue	5,546	6,434	60,559
Expenses	(5,396)	(6,530)	(61,463)
Profit/(loss) for the year	150	(96)	(903)
Other comprehensive income/(loss)	(425)	518	4,872
Comprehensive income/(loss)	(275)	422	3,968
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	380	243	2,283
Net cash flow from investing activities	(168)	(229)	(2,159)
Net cash flow from financing activities	(14)	(10)	(97)
Net cash flow	198	3	27

	(Millions of Yen) As at / for the year ended 31 March 2017	(Millions of Yen) As at / for the year ended 31 March 2018	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2018
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies			
Non-current assets	1,297	1,328	12,501
Current assets	11,800	12,131	114,182
Non-current liabilities	(59)	(13)	(126)
Current liabilities	(10,472)	(11,199)	(105,413)
Equity attributable to owner of the Company	1,283	1,123	10,572
Non-controlling interests	1,283	1,123	10,572
Revenue	30,315	32,481	305,736
Expenses	(30,604)	(32,970)	(310,331)
Profit/(loss) for the year	(289)	(488)	(4,595)
Other comprehensive income/(loss)	(156)	169	1,593
Comprehensive income/(loss)	(445)	(319)	(3,002)
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	1,094	337	3,176
Net cash flow from investing activities	(21)	(60)	(561)
Net cash flow from financing activities	(101)	268	2,522
Net cash flow	973	546	5,138

Note:

The Company holds less than a majority of the voting rights of SEIKO OPTICAL PRODUCTS CO., LTD. (“SOP”); however, the Company has the power to appoint a majority of its board of directors. Thus, the Company is considered to control SOP and includes it in its subsidiaries.

(3) Details of the material subsidiaries

Details of the Company's material subsidiaries are as follows:

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2017	As at 31 March 2018
HOYA LENS MANUFACTURING MALAYSIA SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%
HOYA LENS THAILAND LTD.	Life Care	Health Care related products	THAILAND	100.0%	100.0%
HOYA LENS GUANGZHOU LTD.	Life Care	Health Care related products	CHINA	95.0%	95.0%
HOYA LENS AUSTRALIA PTY.LTD.	Life Care	Health Care related products	AUSTRALIA	100.0%	100.0%
HOYA LENS INDIA PRIVATE LIMITED	Life Care	Health Care related products	INDIA	100.0%	100.0%
HOYA LENS VIETNAM LTD.	Life Care	Health Care related products	VIETNAM	100.0%	100.0%
DAEJEON DAEMYUNG OPTICAL (HANGZHOU) CO., LTD.	Life Care	Health Care related products	CHINA	—	100.0%
PT.VISION-EASE ASIA	Life Care	Health Care related products	INDONESIA	—	100.0%
PERFORMANCE OPTICS KOREA, LTD.	Life Care	Health Care related products	SOUTH KOREA	—	100.0%
HOYA HOLDINGS N.V.	Life Care and Corporate	Health Care related products and EU headquarters	NETHERLANDS	100.0%	100.0%
HOYA LENS DEUTSCHLAND GMBH	Life Care	Health Care related products	GERMANY	100.0%	100.0%
HOYA LENS U.K. LTD.	Life Care	Health Care related products	UNITED KINGDOM	100.0%	100.0%
HOYA LENS ITALIA S.P.A.	Life Care	Health Care related products	ITALY	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	100.0%	100.0%
HOYA LENS FRANCE S.A.S.	Life Care	Health Care related products	FRANCE	100.0%	100.0%
HOYA TURKEY OPTIK LENS SANAYI VE TICARET A.S.	Life Care	Health Care related products	TURKEY	100.0%	100.0%
HOYA LENS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%
HOYA LENS CANADA, INC.	Life Care	Health Care related products	CANADA	100.0%	100.0%
HOYA OPTICAL LABS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%
VISION EASE, LP	Life Care	Health Care related products	U.S.A.	—	100.0%
SEIKO OPTICAL PRODUCTS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	50.0%	50.0%
SEIKO OPTICAL PRODUCTS CO., LTD.	Life Care	Health Care related products	JAPAN	50.0%	50.0%

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2017	As at 31 March 2018
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	100.0%	100.0%
PENTAX ITALIA S.R.L	Life Care	Medical related products	ITALY	100.0%	100.0%
PENTAX U.K. LTD.	Life Care	Medical related products	UNITED KINGDOM	100.0%	100.0%
PENTAX CANADA, INC.	Life Care	Medical related products	CANADA	100.0%	100.0%
MICROLINE SURGICAL, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
HOYA LAMPHUN LTD.	Information Technology	Electronics related products	THAILAND	100.0%	100.0%
HOYA GLASS DISK PHILIPPINES, INC.	Information Technology	Electronics related products	PHILIPPINES	100.0%	100.0%
HOYA GLASS DISK VIETNAM LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOEV CO., LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA GLASS DISK VIETNAM Ⅱ LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA MICROELECTRONICS TAIWAN CO., LTD.	Information Technology	Electronics related products	TAIWAN	100.0%	100.0%
HOYA ELECTRONICS KOREA CO., LTD.	Information Technology	Electronics related products	SOUTH KOREA	100.0%	100.0%
HOYA ELECTRONICS MALAYSIA SDN.BHD.	Information Technology	Electronics related products	MALAYSIA	100.0%	100.0%
HOYA ELECTRONICS SINGAPORE PTE. LTD.	Information Technology	Electronics related products	SINGAPORE	100.0%	100.0%
HOYA CORPORATION USA	Information Technology	Electronics related products	U.S.A.	100.0%	100.0%
HOYA OPTICS (THAILAND) LTD.	Information Technology	Imaging related products	THAILAND	100.0%	100.0%
HOYA OPTO-ELECTRONICS QINGDAO LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL (ASIA) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
PENTAX CEBU PHILIPPINES CORPORATION	Information Technology	Imaging related products	PHILIPPINES	100.0%	100.0%

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2017	As at 31 March 2018
HOYA HOLDINGS ASIA PACIFIC PTE LTD	Corporate	Asia and Oceania headquarters	SINGAPORE	100.0%	100.0%
HOYA HOLDINGS (ASIA) B.V.	Corporate	Asia and Oceania holding company	NETHERLANDS	100.0%	100.0%
HOYA FINANCE B.V.	Corporate	Asia and Oceania financing company	NETHERLANDS	100.0%	100.0%
HOYA HOLDINGS, INC.	Corporate	North America headquarters	U.S.A.	100.0%	100.0%

30. Related party disclosures

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Details of the balances and transactions between the Company and other related parties are disclosed as follows:

(1) Transactions with related parties, and receivables and payables balances

The Group had transactions with related parties as follows:

As at/for the year ended 31 March 2017:

	Name of affiliates	Nature of related party transactions	Transaction amount (Millions of Yen)	Outstanding balance (Millions of Yen)
Affiliates	AvanStrate, Inc.	Partial repayment of loans of funds	59	8,166
		Interest received	219	35
		Advance paid	5	―

Note:

The platinum owned by a subsidiary of the affiliate is pledged as collateral.

As at/for the year ended 31 March 2018:

	Name of affiliates	Nature of related party transactions	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Affiliates	AvanStrate, Inc.	Incorporation of deferred interests receivable into principal	55		515	
		Partial repayment of loans	173	8,047	1,631	75,744
		Interest received	264	58	2,480	543
		Advance paid	196	―	1,848	―

Note:

Interest rates on loans are determined considering market rates.

The deferred interest receivable, which is calculated on the unpaid principal based on deferred interest rates, is incorporated into principal.

The due date of the loan is 27 December 2023. It will be repaid in six installments after a certain period of deferment, and deferred interests will be paid by batch payment on the due date.

Platinum owned by a subsidiary of the affiliate is pledged as collateral.

(2) Remuneration of key management personnel

Remuneration of directors and other key management personnel during the year is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2018
Short-term benefits	427	536	5,044
Share-based payments	147	102	961
Total remuneration of key management personnel	574	638	6,005

The remuneration of directors and key management personnel is determined by the remuneration committee based on the business environment of the Company, the remuneration of other companies and performance.

31. Business combinations

The Group acquired certain companies through business combinations during the year ended 31 March 2018 as follows:

(1) Overview of acquired companies

Name of acquirees	Primary business	Reportable segments	Acquisition date	Percentage of voting equity interests acquired	Total consideration transferred (Million Yen)	Total consideration transferred (Thousands of U.S. Dollars (Note 2))	Acquisition method
ReadSpeaker Holdings B.V.	Development and sales of text -to-speech service for websites and contents	Other	13 Jul 2017	100%	2,762	25,993	Acquisition of shares
ReadSpeaker B.V. and eight other companies	Development and sales of text -to-speech service for websites and contents	Other	13 Jul 2017	100%	—	—	Acquisition of shares (indirect)
Performance Optics, LLC	Manufacturing and sales of ophthalmic lenses	Life Care (Health Care related products	1 Aug 2017	100%	30,145	283,746	Acquisition of shares
Vision Ease, LP and sixteen other companies	Manufacturing and sales of ophthalmic lenses	Life Care (Health Care related products)	1 Aug 2017	100%	—	—	Acquisition of shares (indirect)

(2) Primary reasons for business combinations

① ReadSpeaker Holdings B.V. (“ReadSpeaker”)

The acquisition will augment the language development capabilities and future commercial applications for the Group's speech synthesizer products in the global market.

② Performance Optics, LLC (“Performance Optics”)

The acquisition of Performance Optics, which has the leading technologies in polycarbonate, photochromic, polarised, and high index eyeglass lenses, strengthens the Group's ability to provide customers with a broader portfolio of leading products.

(3) Consideration for the acquisitions

(Millions of Yen)

	ReadSpeaker	Performance Optics	Total
Cash and cash equivalents (Note 1)	2,010	30,145	32,155
Non-current liabilities (Note 2)	752	—	752
Total	2,762	30,145	32,907

(Thousands of U.S. Dollars (Note 2))

	ReadSpeaker	Performance Optics	Total
Cash and cash equivalents (Note 1)	18,915	283,746	302,662
Non-current liabilities (Note 2)	7,078	—	7,078
Total	25,993	283,746	309,740

Note:

1. The Group financed 24,471 million yen (230,341 thousand U.S. dollars) as funds for repayment of loans of Performance Optics in addition to the consideration for the acquisition.

2. Non-current liabilities represent contingent liabilities paid as a part of consideration for the acquisition on the achievement of milestones or accumulated revenue and are recognised at the fair value estimating the probability of achievement. The maximum amount of contingent liabilities is not determined.

(4) Expenses related to acquisition

Expenses of 554 million yen related to the acquisitions for the year ended 31 March 2017, and 216 million yen (2,037 thousand U.S. dollars) for the year ended 31 March 2018 are included in 'Commission expense' in the consolidated statement of comprehensive income.

(5) The amounts of assets acquired and liabilities assumed at the acquisition dates are as follows:

(Millions of Yen)

	ReadSpeaker	Performance Optics	Total
Non-current assets			
Property, plant and equipment-net	8	8,032	8,040
Intangible assets (Note)	2,615	12,150	14,765
Deferred tax assets	2	306	308
Non-current assets other than above	2	135	137
Sub-total	2,627	20,624	23,251
Current assets			
Inventory	−	7,575	7,575
Trade and other receivables			
(Before deducting allowance for doubtful accounts)	184	2,967	3,151
Cash and cash equivalents	174	2,487	2,662
Current assets other than above	98	420	518
Sub-total	456	13,449	13,905
Total assets	3,083	34,073	37,156
Non-current liabilities (Note)	(523)	(25,945)	(26,468)
Current liabilities	(345)	(1,816)	(2,161)
Total liabilities	(868)	(27,760)	(28,629)
Fair value of identifiable acquired net assets	2,215	6,312	8,527

(Thousands of U.S. Dollars (Note 2))

	ReadSpeaker	Performance Optics	Total
Non-current assets			
Property, plant and equipment-net	78	75,604	75,682
Intangible assets (Note)	24,611	114,368	138,979
Deferred tax assets	17	2,880	2,897
Non-current assets other than above	19	1,275	1,293
Sub-total	24,725	194,126	218,851
Current assets			
Inventory	−	71,296	71,296
Trade and other receivables			
(Before deducting allowance for doubtful accounts)	1,731	27,925	29,655
Cash and cash equivalents	1,642	23,414	25,055
Current assets other than above	922	3,954	4,876
Sub-total	4,294	126,589	130,883
Total assets	29,019	320,715	349,734
Non-current liabilities (Note)	(4,927)	(244,207)	(249,134)
Current liabilities	(3,246)	(17,093)	(20,339)
Total liabilities	(8,173)	(261,300)	(269,472)
Fair value of identifiable acquired net assets	20,846	59,416	80,262

Note:

Intangible assets mainly consist of "Technology" and "Customer related assets".

Deferred tax liabilities are mainly recognised on temporary differences arising from recognition of identifiable intangible assets.

(6) Goodwill arising from the acquisitions

(Millions of Yen)

	ReadSpeaker	Performance Optics	Total
Consideration for acquisitions	2,762	30,145	32,907
Less: Fair value of identifiable acquired net assets	(2,215)	(6,312)	(8,527)
Goodwill arising in acquisitions	547	23,833	24,380

(Thousands of U.S. Dollars (Note 2))

	ReadSpeaker	Performance Optics	Total
Consideration for acquisitions	25,993	283,746	309,740
Less: Fair value of identifiable acquired net assets	(20,846)	(59,416)	(80,262)
Goodwill arising in acquisitions	5,147	224,331	229,478

Note:

Goodwill recognised consists of "control premium", "expected synergy" and "human resources".

Goodwill arising from the acquisitions are not tax-deductible.

(7) Net cash outflows for the acquisitions of subsidiaries

(Millions of Yen)

	ReadSpeaker	Performance Optics	Total
Consideration for the acquisitions paid in cash	2,010	54,617	56,626
Less: Cash and cash equivalents owned by subsidiaries acquired	(174)	(2,487)	(2,662)
Net cash outflows for the acquisitions of subsidiaries	1,835	52,129	53,964

(Thousands of U.S. Dollars (Note 2))

	ReadSpeaker	Performance Optics	Total
Consideration for the acquisitions paid in cash	18,915	514,087	533,003
Less: Cash and cash equivalents owned by subsidiaries acquired	(1,642)	(23,414)	(25,055)
Net cash outflows for the acquisitions of subsidiaries	17,274	490,674	507,948

Note:

Consideration for the acquisitions paid in cash includes the loan paid in cash to Performance Optics in the amount of 24,471 million yen (230,341 thousand U.S. dollars).

(8) Impact of the Business combinations on the Group's financial results

The disclosure of revenue and profit included in the consolidated comprehensive income, and of the pro forma revenue and profit as though the acquisition date for these business combinations had been on 1 April 2017, are omitted due to immateriality.

32. Contingent liabilities

In April 2015, the U.S. Department of Justice issued a subpoena to Pentax of America, Inc. (“Pentax”), a U.S. subsidiary of the Company. The subpoena seeks information with respect to duodenoscopes that Pentax and its affiliated companies manufactured and sold. The Company and Pentax are cooperating with the U.S. Department of Justice and responding to its requests.
Depending on future developments, there is a possibility that this may impact on the consolidated financial results, however, it is not possible to make a reasonable estimate of this impact at present.

33. Commitments for expenditure

Payment commitments after the reporting date are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018
Commitments for the acquisition of property, plant and equipment and intangible assets	5,210	10,649	100,234

34. Subsequent events

Resolution on cash dividends

On 24 May 2018, a resolution was made by the Company’s board of directors for the payment of a cash dividend to shareholders of record on 31 March 2018 of 17,078 million yen (160,751 thousand U.S. dollars) (45 yen per common share).

Investment in K.K. Pangea

On 1 June 2018, the Group invested 27,000 million yen (254,142 thousand U.S. dollars) in K.K. Pangea (“Pangea”). Pangea is a special purpose company formed by a consortium led by Bain Capital Private Equity L.P. (including its affiliates) to acquire all the issued and outstanding shares of Toshiba Memory Corporation, a wholly owned subsidiary of Toshiba Corporation.
Pangea is neither a subsidiary nor an affiliate of the Company.
At present, the impact of the consolidated results for the year ending 31 March 2019, is yet to be determined.

35. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2018, were approved by Mr. Ryo Hirooka, the chief financial officer of the Group on 8 June 2018.