



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

For the year ended 31 March 2020

HOYA Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HOYA CORPORATION:

Opinion

We have audited the consolidated financial statements of HOYA CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

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

Basis for Opinion

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

Responsibilities of Management and the Audit Committee

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

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

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

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

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

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

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

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

23 June 2020

Consolidated Statement of Financial Position

HOYA Corporation and its Subsidiaries

As at 31 March 2020

	Notes	(Millions of Yen) As at 31 March 2019	(Millions of Yen) As at 31 March 2020	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2020
<u>ASSETS</u>				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6,9,33	111,077	152,302	1,399,448
Goodwill	8,9	42,843	42,082	386,677
Intangible assets	8,33	44,308	39,796	365,667
Investments in associates	10	349	1,007	9,250
Long-term financial assets	12,21	44,103	45,975	422,448
Other non-current assets	13	2,960	685	6,297
Deferred tax assets	11	10,162	7,990	73,415
Total non-current assets		255,802	289,836	2,663,203
CURRENT ASSETS:				
Inventories	14	78,973	78,130	717,910
Trade and other receivables	15,21	110,847	103,339	949,547
Other short-term financial assets	12,21	3,131	1,303	11,976
Income taxes receivable		820	510	4,687
Other current assets	13	20,946	19,907	182,918
Cash and cash equivalents	21	293,397	317,982	2,921,820
Total current assets		508,113	521,171	4,788,857
Total assets		763,915	811,008	7,452,060

	Notes	(Millions of Yen) As at 31 March 2019	(Millions of Yen) As at 31 March 2020	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2020
<u>EQUITY AND LIABILITIES</u>				
<u>EQUITY</u>				
Share capital	20(1)	6,264	6,264	57,560
Capital reserves	20(1)	15,899	15,899	146,087
Treasury shares	20(2)	(8,319)	(27,963)	(256,945)
Other capital reserves	20(2),22	(7,434)	(8,428)	(77,442)
Retained earnings	20(3),34	617,459	676,058	6,212,056
Accumulated other comprehensive income/(loss)		(713)	(16,788)	(154,257)
Equity attributable to owners of the Company		623,155	645,042	5,927,058
Non-controlling interests	20(4)	4,552	(15,777)	(144,968)
Total equity		627,707	629,265	5,782,090
<u>LIABILITIES</u>				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	7,16,21	904	14,472	132,977
Other long-term financial liabilities	12,21	10,936	23,923	219,817
Retirement benefit liabilities	17	2,770	3,203	29,428
Provisions	18	2,607	2,539	23,327
Other non-current liabilities	13	2,303	1,363	12,526
Deferred tax liabilities	11	4,917	3,851	35,386
Total non-current liabilities		24,436	49,350	453,461
CURRENT LIABILITIES:				
Interest-bearing short-term debt	7,16,21	1,934	7,494	68,857
Trade and other payables	19,21	54,887	62,895	577,922
Other short-term financial liabilities	12,21	646	2,824	25,944
Income tax payables		8,872	17,765	163,235
Provisions	18	1,261	1,234	11,342
Other current liabilities	13	44,171	40,181	369,209
Total current liabilities		111,772	132,393	1,216,509
Total liabilities		136,208	181,743	1,669,970
Total equity and liabilities		763,915	811,008	7,452,060

Consolidated Statement of Comprehensive Income

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2020

	Notes	(Millions of Yen) For the year ended 31 March 2019	(Millions of Yen) For the year ended 31 March 2020	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2020
Continuing operations				
Revenue:				
Sales	23	565,810	576,546	5,297,677
Finance income	25	2,773	3,461	31,806
Other income	24	3,775	2,463	22,627
Total revenue		572,359	582,470	5,352,111
Expenses:				
Changes in goods, products and work in progress		(2,763)	1,003	9,215
Raw materials and consumables used		86,977	93,381	858,042
Employee benefits expense	17,22,24	132,006	133,734	1,228,834
Depreciation and amortisation	6,7,8,24	26,416	34,374	315,848
Subcontracting cost		5,376	4,657	42,796
Advertising and promotion expense		12,719	12,214	112,231
Commissions expense	24	34,051	33,723	309,865
Impairment losses	9	1,099	300	2,760
Finance costs	7,17,25	391	791	7,264
Share of loss of associates	10	1,113	1,652	15,182
Foreign exchange (gain)/loss ,net	24	2,307	1,606	14,755
Other expenses	6,7,8,24	128,010	117,768	1,082,127
Total expenses		427,702	435,202	3,998,919
Profit before tax		144,657	147,268	1,353,192
Income tax expense	11	22,584	32,681	300,295
Profit for the year from continuing operations		122,072	114,587	1,052,898
Profit for the year		122,072	114,587	1,052,898
Other comprehensive income/(loss):	26			
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Financial assets measured at fair value through other comprehensive income		809	933	8,570
Remeasurements of the net defined benefit asset and liability, net	17	(293)	(50)	(463)
Income tax relating to components of other comprehensive income/(loss)	11	(146)	(212)	(1,949)
Subtotal		371	670	6,158
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations		6,612	(16,806)	(154,420)
Share of other comprehensive income of associates	10	(16)	76	701
Income tax relating to components of other comprehensive income	11	124	(203)	(1,863)
Subtotal		6,720	(16,932)	(155,583)
Total other comprehensive income/(loss)		7,091	(16,262)	(149,424)
Total comprehensive income/(loss) for the year		129,164	98,325	903,473

	Notes	(Millions of Yen) For the year ended 31 March 2019	(Millions of Yen) For the year ended 31 March 2020	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2020
Profit attributable to:				
Owners of the Company		122,103	114,406	1,051,239
Non-controlling interests		(31)	181	1,659
Total		122,072	114,587	1,052,898
Total comprehensive income/(loss) attributable to:				
Owners of the Company		129,334	98,364	903,833
Non-controlling interests		(171)	(39)	(360)
Total		129,164	98,325	903,473

	Notes	(Yen) For the year ended 31 March 2019	(Yen) For the year ended 31 March 2020	(U.S. Dollars (Note 2)) For the year ended 31 March 2020
Basic earnings per share	27			
Continuing operations		321.55	303.27	2.79
Discontinued operations		—	—	—
Basic earnings per share		321.55	303.27	2.79
Diluted earnings per share	27			
Continuing operations		320.96	302.74	2.78
Discontinued operations		—	—	—
Diluted earnings per share		320.96	302.74	2.78

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2020

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 2018		6,264	15,899	(10,886)	(6,660)	529,818
Total comprehensive income/(loss) for the year						
Profit for the year						122,103
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						122,103
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(2)	—	
Disposal of treasury shares	20(2)			2,569	(969)	
Dividends, 90 yen per share	20(3)					(34,164)
Change in non-controlling interests	20(4)				—	
Share-based payments (stock options)	22				195	
Transfer to retained earnings						(297)
Total contributions by and distributions to owners		—	—	2,567	(774)	(34,462)
Total transactions with owners		—	—	2,567	(774)	(34,462)
Balance at 31 March 2019		6,264	15,899	(8,319)	(7,434)	617,459
Cumulative effect of accounting change						533
Restated balance at April 1, 2019		6,264	15,899	(8,319)	(7,434)	617,992
Total comprehensive income/(loss) for the year						
Profit for the year						114,406
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						114,406
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(44,261)	(22)	
Disposal of treasury shares	20(2)			2,309	(1,032)	
Cancellation of treasury shares	20(2)			22,308		(22,308)
Dividends, 90 yen per share	20(3)					(34,064)
Change in non-controlling interests	20(4)				(65)	
Share-based payments (stock options)	22				125	
Transfer to retained earnings						32
Total contributions by and distributions to owners		—	—	(19,644)	(994)	(56,340)
Total transactions with owners		—	—	(19,644)	(994)	(56,340)
Balance at 31 March 2020		6,264	15,899	(27,963)	(8,428)	676,058

(Millions of Yen)

	Notes	Financial assets	Exchange differences	Remeasurements of	Share of other	Accumulated other
		measured at fair value through other comprehensive income	on translation of foreign operations	the net defined benefit liability (asset)	comprehensive income of associates	comprehensive income/(loss)
Balance at 1 April 2018		378	(6,652)	—	(1,969)	(8,242)
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	697	6,853	(303)	(16)	7,231
Total comprehensive income/(loss) for the year		697	6,853	(303)	(16)	7,231
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Change in non-controlling interests	20(4)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(6)		303		297
Total contributions by and distributions to owners		(6)	—	303	—	297
Total transactions with owners		(6)	—	303	—	297
Balance at 31 March 2019		1,070	201	—	(1,985)	(713)
Cumulative effect of accounting change						
Restated balance at April 1, 2019		1,070	201	—	(1,985)	(713)
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	715	(16,805)	(29)	76	(16,042)
Total comprehensive income/(loss) for the year		715	(16,805)	(29)	76	(16,042)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Cancellation of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Change in non-controlling interests	20(4)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(61)		29		(32)
Total contributions by and distributions to owners		(61)	—	29	—	(32)
Total transactions with owners		(61)	—	29	—	(32)
Balance at 31 March 2020		1,724	(16,604)	—	(1,909)	(16,788)

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 2018		526,193	4,484	530,677
Total comprehensive income/(loss) for the year				
Profit for the year		122,103	(31)	122,072
Other comprehensive income/(loss)	26	7,231	(140)	7,091
Total comprehensive income/(loss) for the year		129,334	(171)	129,164
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(2)		(2)
Disposal of treasury shares	20(2)	1,600		1,600
Dividends, 90 yen per share	20(3)	(34,164)	(30)	(34,195)
Change in non-controlling interests	20(4)	—	269	269
Share-based payments (stock options)	22	195		195
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(32,372)	238	(32,134)
Total transactions with owners		(32,372)	238	(32,134)
Balance at 31 March 2019		623,155	4,552	627,707
Cumulative effect of accounting change		533		533
Restated balance at April 1, 2019		623,688	4,552	628,240
Total comprehensive income/(loss) for the year				
Profit for the year		114,406	181	114,587
Other comprehensive income/(loss)	26	(16,042)	(220)	(16,262)
Total comprehensive income/(loss) for the year		98,364	(39)	98,325
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(44,283)		(44,283)
Disposal of treasury shares	20(2)	1,277		1,277
Cancellation of treasury stock	20(2)	—		—
Dividends, 90 yen per share	20(3)	(34,064)	—	(34,064)
Change in non-controlling interests	20(4)	(65)	(20,289)	(20,354)
Share-based payments (stock options)	22	125		125
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(77,011)	(20,289)	(97,300)
Total transactions with owners		(77,011)	(20,289)	(97,300)
Balance at 31 March 2020		645,042	(15,777)	629,265

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2020-Continued

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

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2019		57,560	146,087	(76,441)	(68,311)	5,673,614
Cumulative effect of accounting change						4,895
Restated balance at April 1, 2019		57,560	146,087	(76,441)	(68,311)	5,678,509
Total comprehensive income/(loss) for the year						
Profit for the year						1,051,239
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						1,051,239
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(406,700)	(203)	
Disposal of treasury shares	20(2)			21,214	(9,483)	
Cancellation of treasury shares	20(2)			204,982		(204,982)
Dividends, 90 yen per share	20(3)					(313,006)
Change in non-controlling interests	20(4)				(597)	
Share-based payments (stock options)	22				1,153	
Transfer to retained earnings						296
Total contributions by and distributions to owners		—	—	(180,504)	(9,131)	(517,692)
Total transactions with owners		—	—	(180,504)	(9,131)	(517,692)
Balance at 31 March 2020		57,560	146,087	(256,945)	(77,442)	6,212,056

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

	Notes	Financial assets	Exchange differences	Remeasurements of	Share of other	Accumulated other
		measured at fair value through other comprehensive income	on translation of foreign operations	the net defined benefit liability (asset)	comprehensive income of associates	comprehensive income/(loss)
Balance at 31 March 2019		9,832	1,851	—	(18,238)	(6,556)
Cumulative effect of accounting change						
Restated balance at April 1, 2019		9,832	1,851	—	(18,238)	(6,556)
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	6,571	(154,415)	(263)	701	(147,406)
Total comprehensive income/(loss) for the year		6,571	(154,415)	(263)	701	(147,406)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Cancellation of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Change in non-controlling interest	20(4)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(559)		263		(296)
Total contributions by and distributions to owners		(559)	—	263	—	(296)
Total transactions with owners		(559)	—	263	—	(296)
Balance at 31 March 2020		15,844	(152,564)	—	(17,538)	(154,257)

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

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2019		5,725,953	41,824	5,767,777
Cumulative effect of accounting change		4,895		4,895
Restated balance at April 1, 2019		5,730,848	41,824	5,772,672
Total comprehensive income/(loss) for the year				
Profit for the year		1,051,239	1,659	1,052,898
Other comprehensive income/(loss)	26	(147,406)	(2,019)	(149,424)
Total comprehensive income/(loss) for the year		903,833	(360)	903,473
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(406,904)		(406,904)
Disposal of treasury shares	20(2)	11,731		11,731
Cancellation of treasury shares	20(2)	—		—
Dividends, 90 yen per share	20(3)	(313,006)	—	(313,006)
Change in non-controlling interest	20(4)	(597)	(186,432)	(187,030)
Share-based payments (stock options)	22	1,153		1,153
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(707,623)	(186,432)	(894,055)
Total transactions with owners		(707,623)	(186,432)	(894,055)
Balance at 31 March 2020		5,927,058	(144,968)	5,782,090

Consolidated Statement of Cash Flows
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2020

	Notes	(Millions of Yen) For the year ended 31 March 2019	(Millions of Yen) For the year ended 31 March 2020	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2020
Cash flows from operating activities				
Profit before tax		144,657	147,268	1,353,192
Depreciation and amortisation		26,416	34,374	315,848
Impairment losses		1,099	300	2,760
Finance income		(2,773)	(3,461)	(31,806)
Finance costs		391	791	7,264
Share of (profits)/loss of associates		1,113	1,652	15,182
(Gain)/loss on sales of property, plant and equipment		(492)	(258)	(2,367)
Loss on disposal of property, plant and equipment		609	375	3,444
Gain on business transfer		(3)	—	—
Foreign exchange (gain)/loss		342	(567)	(5,209)
Others		7,936	(4,265)	(39,188)
Cash generated from operations (before movements in working capital)		179,294	176,209	1,619,121
Movements in working capital				
Decrease/(increase) in inventories		(6,128)	(2,300)	(21,137)
Decrease/(increase) in trade and other receivables		(3,066)	4,186	38,467
Increase/(decrease) in trade and other payables		4,985	5,152	47,337
Increase/(decrease) in retirement benefit liabilities and provisions		428	433	3,978
Subtotal		175,512	183,680	1,687,766
Interests received		2,435	3,201	29,413
Dividends received		5	14	125
Interest paid		(261)	(511)	(4,700)
Income taxes paid		(31,637)	(23,169)	(212,891)
Income taxes refunded		533	152	1,395
Net cash generated from operating activities		146,588	163,366	1,501,108
Cash flows from investing activities				
Withdrawals of time deposits		21,815	2,804	25,763
Payments for time deposits		(18,223)	(2,367)	(21,748)
Proceeds from sales of property, plant and equipment		2,340	472	4,337
Payments for acquisition of property, plant and equipment		(26,672)	(45,177)	(415,116)
Proceeds from sales of investment		10	1,948	17,901
Payments for acquisition of investment		(27,777)	(1,562)	(14,355)
Proceeds from sales of subsidiaries		260	—	—
Payments for acquisition of subsidiaries		(19,742)	(969)	(8,903)
Proceeds from business transfer		4	—	—
Payments for business transfer		(421)	(542)	(4,976)
Other proceeds		427	226	2,072
Other payments		(2,164)	(2,217)	(20,370)
Net cash used in investing activities		(70,144)	(47,384)	(435,395)

Consolidated Statement of Cash Flows
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2020-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2019	(Millions of Yen) For the year ended 31 March 2020	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2020
Cash flows from financing activities				
Dividends paid to owners of the Company		(34,141)	(34,042)	(312,803)
Dividends paid to non-controlling interests		(30)	—	—
Net decrease in short-term borrowings	16	—	(775)	(7,121)
Repayments of long-term borrowings	16	(271)	(134)	(1,232)
Repayments of lease liabilities	16	—	(7,547)	(69,346)
Payments for redemption of bonds	16	(14)	—	—
Proceeds from disposal of treasury shares	20(2)	0	—	—
Payments for purchase of treasury shares	20(2)	(2)	(44,283)	(406,904)
Proceeds from exercise of stock options		1,600	1,277	11,731
Proceeds from share issuance to non-controlling shareholders	20(4)	67	187	1,715
Payments for acquisition of non-controlling interests	20(4)	—	(149)	(1,372)
Net cash used in financing activities		(32,792)	(85,468)	(785,332)
Net increase/(decrease) in cash and cash equivalents		43,652	30,514	280,381
Cash and cash equivalents at the beginning of the year		245,835	293,397	2,695,923
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		3,910	(5,930)	(54,484)
Cash and cash equivalents at the end of the year		293,397	317,982	2,921,820

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 2020.

Notes to the Consolidated Financial Statements

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2020

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 ¥108.83 to \$1, the foreign exchange rate at 31 March 2020. 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 IFRS for the year ended 31 March 2020:

IFRSs		Subject of new standards/amendments and transition provisions
IFRS 16	Leases	Amendment to the accounting treatment for lease arrangements

The cumulative effect of initially applying IFRS 16 was recognised at the date of initial application pursuant to a transition method permitted by the standard.

In regard to reassessment, whether a contract is or contains a lease at the date of initial application, the Group chose the practical expedient in paragraph C3 of IFRS 16 and applied IFRS 16 to contracts that had been previously identified as leases applying IAS 17, Leases (hereinafter referred to as “IAS 17”), and IFRIC 4, Determining whether an arrangement contains a lease, and did not apply IFRS16 to contracts that had not. On or after the date of initial application, a lease is identified in accordance with IFRS 16.

A lease liability and a right-of-use asset were recognised at the date of initial application for leases previously classified as operating leases applying IAS 17. A lease liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. This weighted average lessee’s incremental borrowing rate is 1.8%. A right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of prepaid lease payments for that lease.

The carrying amounts of right-of-use assets and lease liabilities that were previously classified as finance leases applying IAS 17 were measured at the book value immediately before that date of initial application of IFRS16.

The following table shows difference between operating lease commitments disclosed applying IAS 17 at the end of the previous annual reporting period and lease liabilities recognised on the consolidated statement of financial position at the date of initial application.

	(millions of yen)
	Amount
Operating lease commitments disclosed at 31 March 2019	6,442
Lease liabilities of finance lease (31 March 2019)	862
Non-cancelable operating leases etc.	14,933
Lease liabilities at 1 April 2019	22,237

Right-of-use assets recognised on the consolidated statement of financial position at the date of initial application are ¥25,131 million. The Group used the following practical expedient when applying IFRS 16;

• Initial direct costs are excluded from the measurement of the right-of-use assets at the date of initial application.

(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 implication from the adoption of the revision of IFRS 16 has not yet been fully assessed by the Group. Except for the revision of IFRS 16, the impact of the adoption of these 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 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 between an investor and its associate or joint venture
IFRS 16 (Revised)	Leases	1 June 2020	31 March 2021	Amendments to provide lessees with a practical expedient that relieves a lessee from assessing whether a rent concession is a lease modification in a certain condition

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 IFRS 9, "Financial Instruments", 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: 3-10 years

Tools, equipment and fixtures: 2-10 years

(6) Leases

As a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use asset is measured at cost comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs, such as the cost to dismantle and remove the underlying asset to the original condition required by the terms and conditions of lease contracts.

After the commencement date, the right-of-use asset is depreciated on a straight-line basis over the useful life or lease term, whichever is shorter.

The lease payments comprise of interest expense recognised as finance costs in the consolidated statement of comprehensive income and repayments of the lease liability that are calculated by the interest method. The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Group recognises the lease payments associated with these leases as expense on straight-line basis over the lease term or other systematic basis.

As a lessor, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement date, the asset held under a finance lease is recognised on the consolidated statement of financial position and presented as a receivable at an amount equal to the net investment in the lease.

The assets held under an operating lease are on the consolidated statement of financial position and the lease payments received are recognised as income on a straight-line basis over the lease term in the consolidated statements of comprehensive income.

(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.

(11) Financial assets other than derivative financial instruments

① Initial recognition and measurement

Financial assets are classified as “financial assets measured at amortised cost,” “financial assets measured at fair value through other comprehensive income” (“FVTOCI”) or “financial assets measured at fair value through profit and loss” (“FVTPL”). The classification is determined at the time of initial recognition

The Group recognises a financial asset on the trade date when it becomes party to the contract of the financial asset.

All financial assets are measured at the fair value plus transaction costs, except for FVTPL.

② Financial assets measured at amortised cost

Such financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, “Financial assets measured at amortised cost” are measured at amortised cost by using the effective interest method, less the cumulative amount of impairment losses.

③ Financial assets classified as FVTOCI

Such financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The change in fair value is recognised in other comprehensive income.

The fair value of a particular asset in an equity instrument for which the Group makes an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in its fair value is recognised in other comprehensive income.

④ Financial assets classified as FVTPL

Any other securities not included in the classifications above are classified into financial assets measured at fair value through profit and loss. The change in fair value is recognised in profit or loss.

⑤ Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on “financial assets measured at amortised cost”.

The Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. For trade receivables, the Group always measures the loss allowance at an amount equal to the lifetime expected credit losses. The Group assesses the expected credit losses by using the change in the risk of a default or ageing of trade receivables, etc. It is recognised in profit or loss.

⑥ 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 22 "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.

(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) Financial liabilities issued by the Group excluding derivative instruments

① Financial liabilities

Financial liabilities are classified as either financial liabilities classified as FVTPL or financial liabilities measured at amortised cost. This classification is determined at initial recognition.

② Financial liabilities classified as FVTPL

Financial liabilities classified as FVTPL are either held for trading or designated as FVTPL at initial recognition. They are measured at fair value, and the subsequent changes are recognised in profit and loss.

③ Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are measured at fair value minus transaction costs at initial recognition. After the initial recognition, they are measured at amortised cost by using the effective interest method. The gain or loss on cease of amortisation or derecognition is recognised in profit and loss as part of financial costs.

④ Derecognition of financial liabilities

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

⑤ Financial guarantee contracts

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

- the amount of loss allowance for expected credit losses, as determined in accordance with IFRS 9, "Financial Instruments"; and
- the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15, "Revenue from Contracts with Customers".

(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

The Group recognises revenue based on the five-step approach below:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognise revenue when the entity satisfies a performance obligation

The Group sells health care related products, medical related products, electronics related products and imaging related products, etc. Revenue is recognised at the fair value of the consideration received or receivable less discount, rebate and consumption taxes on the shipping or delivery date, or upon the completion of inspection by customers when the control of products is transferred to the customer and the performance obligation is satisfied by the Group.

(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 asset and 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. Regarding the impact of novel coronavirus, the result of Life Care segment is estimated based on the assumption that it will recover after a while later in the end. The result of Information Technology segment is estimated based on the assumption that the impact is short-term.

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

- Determination of net realisable value of obsolete inventory (Note 14 “Inventories”)
- Expected cash flow from overdue trade and other receivables (Note 21 “Financial instruments”)
- Useful lives of property, plant and equipment, right-of-use assets and intangible assets (Note 3 “Significant accounting policies”, Note 3 (5) “Property, plant and equipment”, Note 3 (6) “Leases” and Note 3 (7) “Intangible assets”)
- Lease period of right-of-use assets (Note 3 “Significant accounting policies”, (6) “Leases”)
- 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 9 “Impairment losses”)
- Financial asset measured at fair value (Note 21 “Financial instruments”)
- Recoverability of deferred tax assets (Note 11 “Deferred taxes and income taxes”)
- Assumptions used for treatment of retained earnings of overseas subsidiaries and associates for tax purposes (Note 11 “Deferred taxes and income taxes”)
- Assumptions used to calculate retirement benefit obligations (Note 17 “Retirement benefit plans”)
- Asset retirement obligations arising from legal obligations and constructive obligations (Note 18 “Provisions”)
- Fair value of stock options (Note 22 “Share-based payments”)

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 9 “Impairment losses”)
- Recoverability of deferred tax assets (Note 11 “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, 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 2019	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	373,388	187,546	4,875	565,810	—	565,810
Inter-segment sales	3	96	1,511	1,610	(1,610)	—
Total	373,391	187,643	6,386	567,420	(1,610)	565,810
Interest income	665	708	3	1,376	1,387	2,763
Interest expense	(1,475)	(330)	(0)	(1,806)	1,415	(391)
Depreciation and amortisation	(17,349)	(8,478)	(411)	(26,238)	(178)	(26,416)
Share of profit (loss) of associates	39	20	—	59	(1,172)	(1,113)
Impairment losses	(690)	(281)	—	(971)	(128)	(1,099)
Others	(285,291)	(98,685)	(5,240)	(389,216)	(5,682)	(394,897)
Segment profit before tax	69,290	80,596	737	150,623	(5,967)	144,657
Other disclosure						
Capital expenditure	19,108	9,933	52	29,092	112	29,204

Note:

Adjustments to segment profit before tax of (5,967) million yen for the year ended 31 March 2019 consist of elimination of inter-segment transactions of (1) million yen, and profit or loss of the Company's headquarter, the R&D department and overseas holding companies (after elimination of dividend income from Group companies) of (5,966) million yen .

(Millions of Yen)

For the year ended 31 March 2020	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	375,049	196,731	4,766	576,546	—	576,546
Inter-segment sales	3	26	1,148	1,177	(1,177)	—
Total	375,051	196,757	5,915	577,723	(1,177)	576,546
Interest income	529	944	11	1,484	1,967	3,452
Interest expense	(1,343)	(422)	(1)	(1,766)	1,154	(612)
Depreciation and amortisation	(23,845)	(9,548)	(494)	(33,888)	(486)	(34,374)
Share of profit (loss) of associates	69	17	—	86	(1,739)	(1,652)
Impairment losses	(1)	(300)	—	(300)	—	(300)
Others	(288,230)	(99,314)	(5,399)	(392,942)	(2,849)	(395,791)
Segment profit before tax	62,230	88,135	32	150,397	(3,129)	147,268
Other disclosure						
Capital expenditure	24,944	28,939	70	53,952	196	54,148

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

For the year ended 31 March 2020	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	3,446,191	1,807,690	43,797	5,297,677	—	5,297,677
Inter-segment sales	23	239	10,552	10,815	(10,815)	—
Total	3,446,214	1,807,929	54,349	5,308,492	(10,815)	5,297,677
Interest income	4,859	8,678	102	13,639	18,076	31,715
Interest expense	(12,344)	(3,874)	(12)	(16,231)	10,605	(5,625)
Depreciation and amortisation	(219,107)	(87,738)	(4,535)	(311,380)	(4,468)	(315,848)
Share of profit (loss) of associates	638	155	—	793	(15,975)	(15,182)
Impairment losses	(6)	(2,754)	—	(2,760)	—	(2,760)
Others	(2,648,440)	(912,559)	(49,606)	(3,610,605)	(26,179)	(3,636,784)
Segment profit before tax	571,814	809,837	297	1,381,948	(28,755)	1,353,192
Other disclosure						
Capital expenditure	229,197	265,906	645	495,748	1,801	497,549

Note:

Adjustments to segment profit before tax of (3,129) million yen ((28,755) thousand U.S. dollars) for the year ended 31 March 2020 consist of elimination of inter-segment transactions of 1 million yen (9 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 (3,130) million yen ((28,765) 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 2019 and 2020:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Life Care			
Health Care related products	281,613	277,798	2,552,586
Medical related products	91,775	97,251	893,605
Life Care total	373,388	375,049	3,446,191
Information Technology			
Electronics related products	146,623	162,655	1,494,580
Imaging related products	40,924	34,076	313,109
Information Technology total	187,546	196,731	1,807,690
Other	4,875	4,766	43,797
Corporate (R&D)	—	—	—
Total revenue from external customers	565,810	576,546	5,297,677

(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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Japan	163,821	163,045	1,498,158
U.S.A.	85,473	83,816	770,157
Singapore	42,473	54,656	502,214
China	46,439	44,835	411,975
South Korea	27,099	31,702	291,299
Others	200,505	198,492	1,823,874
Total	565,810	576,546	5,297,677

Note:

Geographical areas are based on the location of the customers.

Non-current assets in China and South Korea are insignificant; therefore, the amount is included in Others.

Non-current assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
U.S.A.	67,020	66,763	613,458
Japan	26,816	36,634	336,612
Thailand	19,510	20,213	185,730
Vietnam	10,272	17,434	160,195
Singapore	6,844	17,210	158,134
Others	68,465	75,971	698,072
Total	198,926	234,224	2,152,201

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, impairment losses and carrying amount of property, plant and equipment:

(Millions of Yen)

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2018	101,448	283,897	63,872	9,576	5,955	—	464,749
Additions	938	1,489	2,639	—	22,694	—	27,759
Acquisitions through business combinations	566	439	406	48	382	—	1,841
Disposals (i)	(3,037)	(11,147)	(4,238)	(479)	(118)	—	(19,019)
Transfer from construction in progress	1,490	8,649	1,141	0	(11,280)	—	—
Effect of foreign currency exchange differences	104	1,457	(1,644)	49	87	—	54
Others	(92)	(2,097)	2,289	39	(1,372)	—	(1,232)
Balance at 31 March 2019	101,418	282,687	64,465	9,233	16,348	—	474,150
Cumulative effect of accounting change	(780)	(15)	(635)	—	—	25,903	24,473
Restated balance at 1 April 2019	100,637	282,672	63,829	9,233	16,348	25,903	498,624
Additions	543	1,797	2,495	—	42,026	5,925	52,786
Acquisitions through business combinations	33	—	16	—	—	116	165
Disposals (i)	(1,751)	(8,004)	(2,297)	(38)	(301)	(1,019)	(13,410)
Transfer from construction in progress	3,198	16,526	1,949	—	(21,673)	—	—
Effect of foreign currency exchange differences	(3,112)	(8,844)	(2,415)	(136)	(572)	(1,039)	(16,119)
Others	(597)	79	1,009	(199)	986	200	1,478
Balance at 31 March 2020	98,951	284,225	64,586	8,860	36,815	30,087	523,524

(Millions of Yen)

<u>Accumulated depreciation and impairment losses</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2018	(66,738)	(252,152)	(39,339)	(978)	(49)	—	(359,256)
Depreciation expense	(3,856)	(12,700)	(4,303)	—	—	—	(20,858)
Impairment losses (ii)	(51)	(370)	(360)	(128)	(113)	—	(1,023)
Disposals (i)	2,824	9,910	4,058	3	0	—	16,795
Effect of foreign currency exchange differences	122	(1,600)	1,518	—	(1)	—	38
Others	(267)	2,516	(1,045)	21	4	—	1,229
Balance at 31 March 2019	(67,966)	(254,395)	(39,472)	(1,082)	(159)	—	(363,074)
Cumulative effect of accounting change	416	10	346	—	—	(772)	—
Restated balance at 1 April 2019	(67,551)	(254,385)	(39,125)	(1,082)	(159)	(772)	(363,074)
Depreciation expense	(3,776)	(13,869)	(4,025)	—	0	(7,028)	(28,697)
Impairment losses (ii)	(61)	(223)	(16)	—	—	—	(300)
Disposals (i)	584	7,382	2,072	35	—	523	10,596
Effect of foreign currency exchange differences	2,006	7,480	1,428	0	1	269	11,183
Others	324	(151)	(871)	(35)	115	(311)	(930)
Balance at 31 March 2020	(68,473)	(253,767)	(40,537)	(1,082)	(43)	(7,320)	(371,222)

(Millions of Yen)

<u>Carrying amount</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2018	34,710	31,745	24,533	8,598	5,907	—	105,493
Balance at 31 March 2019	33,451	28,292	24,993	8,151	16,189	—	111,077
Balance at 31 March 2020	30,478	30,458	24,049	7,778	36,772	22,767	152,302

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

<u>Cost</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2019	931,890	2,597,510	592,342	84,841	150,216	—	4,356,799
Cumulative effect of accounting change	(7,169)	(135)	(5,837)	—	—	238,016	224,875
Restated balance at 1 April 2019	924,721	2,597,375	586,505	84,841	150,216	238,016	4,581,674
Additions	4,986	16,513	22,926	—	386,166	54,445	485,036
Acquisitions through business combinations	300	—	148	—	—	1,065	1,513
Disposals (i)	(16,088)	(73,550)	(21,109)	(346)	(2,761)	(9,361)	(123,216)
Transfer from construction in progress	29,384	151,848	17,910	—	(199,142)	—	—
Effect of foreign currency exchange differences	(28,593)	(81,268)	(22,195)	(1,253)	(5,254)	(9,547)	(148,110)
Others	(5,482)	721	9,272	(1,829)	9,058	1,838	13,579
Balance at 31 March 2020	909,227	2,611,640	593,456	81,413	338,283	276,457	4,810,476

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

<u>Accumulated depreciation and impairment losses</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2019	(624,519)	(2,337,546)	(362,692)	(9,940)	(1,458)	—	(3,336,156)
Cumulative effect of accounting change	3,822	91	3,183	—	—	(7,095)	—
Restated balance at 1 April 2019	(620,698)	(2,337,455)	(359,509)	(9,940)	(1,458)	(7,095)	(3,336,156)
Depreciation expense	(34,698)	(127,433)	(36,980)	—	(1)	(64,578)	(263,691)
Impairment losses (ii)	(557)	(2,053)	(150)	—	—	—	(2,760)
Disposals (i)	5,370	67,827	19,042	320	—	4,804	97,363
Effect of foreign currency exchange differences	18,429	68,732	13,118	(1)	6	2,469	102,753
Others	2,975	(1,390)	(7,999)	(320)	1,054	(2,857)	(8,537)
Balance at 31 March 2020	(629,178)	(2,331,772)	(372,479)	(9,942)	(400)	(67,258)	(3,411,028)

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

<u>Carrying amount</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2020	280,049	279,868	220,977	71,471	337,883	209,200	1,399,448

Note:

(i) Gain and loss arising from the sale or disposal of property, plant and equipment for the years ended 31 March 2019 and 2020, 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 9 “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 Right-of-use assets as at 31 March 2020(Lease assets of finance lease as at 31 March 2019, which were included in each corresponding amount) in the preceding table:

(Millions of Yen)

Lease assets of finance lease	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2019	—	5	289	294

(Millions of Yen)

Right-of-use assets	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Others	Total
Balance at 1 April 2019	19,238	1,008	1,006	3,869	10	25,131
Balance at 31 March 2020	17,244	947	918	3,654	5	22,767

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

Right-of-use assets	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Others	Total
Balance at 1 April 2019	176,771	9,263	9,246	35,548	94	230,921
Balance at 31 March 2020	158,450	8,700	8,434	33,571	44	209,200

7. Leases

(Lessee)

As a lessee, the Group leases buildings mainly for offices and stores. Certain lease contracts include renewals or options and escalation clauses (clauses that increase the lease contract amount). There are no restrictions imposed by lease contracts (such as restrictions on dividends, additional borrowings and additional leases).

The fiscal year ended 31 March 2019

① Finance lease obligations

Details of finance lease obligations are as follows:

(Millions of Yen)

	Minimum lease payments	Present value of minimum lease payments
	As at 31 March 2019	As at 31 March 2019
Amounts payable under finance leases:		
Not later than one year	312	285
Later than one year but not later than five years	596	577
Total	908	862
Less future finance charges	(46)	
Present value of lease obligations	862	862
Less amount due for settlement within 12 months		285
Amount due for settlement after 12 months		577

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 2019.

② 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)

	For the year ended 31 March 2019
Minimum lease payments	8,972
Contingent rent	1,062
Total	10,034

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 2019, the maturity periods of the outstanding commitments under non-cancellable operating leases are as follows:

(Millions of Yen)

	As at 31 March 2019
Not later than one year	1,770
Later than one year but not later than five years	4,225
Later than five years	763
Total	6,758

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 2019, are 26 years and four years, respectively.

The fiscal year ended 31 March 2020

Details of expenses relating to leases are as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2020	For the year ended 31 March 2020
Depreciation of right-of-use assets		
Buildings and structures	5,967	54,830
Machinery and carriers	564	5,184
Tools, equipment and fixtures	354	3,249
Land	134	1,233
Software	9	82
Total	7,028	64,578
Interest expense on lease liabilities	407	3,740
Expense relating to short-term leases	1,548	14,225
Expense relating to leases of low-value assets	461	4,238
Expense relating to variable lease payments (Note)	1,190	10,935

(Note) The expense is not included in the measurement of lease liabilities.

Expense relating to variable lease payments is linked with sales revenue stipulated in the lease contracts of the store operated in shopping center, etc.

Depreciation of right-of-use assets is included in the line item 'Depreciation and amortisation', interest expense on lease liabilities is in 'Finance costs' and expenses relating to short-term leases, leases of low-value assets and variable lease payments are in 'Other expenses' in the consolidated statement of comprehensive income.

For the year ended 31 March 2020, total cash outflow for leases is 10,746 million yen (98,745 thousand U.S. dollars).

A maturity analysis of lease liabilities is set out in Note 21 "Financial instruments"

(Lessor)

① Finance leases

The Group leases its products and merchandises as a lessor.

Profit from finance lease contracts is as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2020	For the year ended 31 March 2020
Finance income on the net investment in the lease	45	415

A maturity analysis of the receivable under finance lease contracts is as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2020	As at 31 March 2020
Not later than one year	371	3,405
Later than one year but not later than two years	319	2,933
Later than two years but not later than three years	223	2,046
Later than three years but not later than four years	146	1,339
Later than four years but not later than five years	70	648
Later than five years	95	874
Total	1,224	11,245
Unearned finance income	(66)	(605)
Net investment on the lease	1,158	10,641

8. Goodwill and intangible assets

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

(Millions of Yen)

Cost	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 1 April 2018	40,596	21,918	15,316	27,765	6,847	71,846
Additions	—	1,394	—	—	51	1,445
Acquisitions through business combinations	9,628	1	5,498	4,939	456	10,893
Disposals	—	(1,090)	—	—	(10)	(1,100)
Effect of foreign currency exchange differences	659	43	526	(43)	51	577
Others	253	77	—	(773)	68	(629)
Balance at 31 March 2019	51,136	22,342	21,339	31,887	7,462	83,031
Additions	—	1,288	4	—	70	1,362
Acquisitions through business combinations	28	—	—	1,473	—	1,473
Disposals	—	(341)	(15)	(27)	(3)	(386)
Effect of foreign currency exchange differences	(1,676)	(607)	(530)	(2,826)	(1,130)	(5,093)
Others	(58)	510	(37)	(107)	15	381
Balance at 31 March 2020	49,430	23,193	20,762	30,400	6,413	80,767

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2018	(8,704)	(17,647)	(4,390)	(8,791)	(4,155)	(34,983)
Amortisation expense (ii)	—	(1,246)	(1,276)	(2,521)	(514)	(5,558)
Impairment loss (iii)	—	(76)	—	—	—	(76)
Disposals	—	1,016	—	—	—	1,016
Effect of foreign currency exchange differences	380	(23)	(153)	206	(83)	(52)
Others	32	81	—	857	(8)	930
Balance at 31 March 2019	(8,293)	(17,896)	(5,818)	(10,249)	(4,760)	(38,723)
Amortisation expense (ii)	—	(1,136)	(1,575)	(2,460)	(504)	(5,676)
Impairment loss (iii)	—	—	—	—	—	—
Disposals	—	335	—	—	1	335
Effect of foreign currency exchange differences	909	459	141	1,880	1,008	3,488
Others	35	(448)	59	18	(23)	(395)
Balance at 31 March 2020	(7,348)	(18,687)	(7,194)	(10,811)	(4,280)	(40,971)

(Millions of Yen)

<u>Carrying amount</u>	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2018	31,892	4,270	10,926	18,974	2,693	36,863
Balance at 31 March 2019	42,843	4,446	15,521	21,639	2,702	44,308
Balance at 31 March 2020	42,082	4,506	13,567	19,589	2,133	39,796

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

<u>Cost</u>	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 31 March 2019	469,869	205,296	196,079	293,002	68,564	762,942
Additions	—	11,832	41	—	640	12,513
Acquisitions through business combinations	258	—	—	13,533	—	13,533
Disposals	—	(3,133)	(137)	(250)	(29)	(3,550)
Effect of foreign currency exchange differences	(15,397)	(5,573)	(4,870)	(25,968)	(10,387)	(46,798)
Others	(536)	4,687	(343)	(985)	138	3,497
Balance at 31 March 2020	454,194	213,109	190,770	279,332	58,925	742,137

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

<u>Accumulated amortisation and impairment losses</u>	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2019	(76,198)	(164,444)	(53,463)	(94,172)	(43,737)	(355,816)
Amortisation expense (ii)	—	(10,441)	(14,474)	(22,606)	(4,635)	(52,157)
Impairment loss (iii)	—	—	—	—	—	—
Disposals	—	3,076	—	—	6	3,083
Effect of foreign currency exchange differences	8,356	4,219	1,292	17,277	9,259	32,047
Others	324	(4,115)	540	164	(216)	(3,627)
Balance at 31 March 2020	(67,518)	(171,705)	(66,105)	(99,337)	(39,323)	(376,470)

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

Carrying amount	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2020	386,677	41,405	124,665	179,996	19,602	365,667

Note:

- (i) There were no significant internally generated intangible assets for the years ended 31 March 2019 and 2020.
- (ii) Amortisation expense is included in the line item ‘Depreciation and amortisation’ in the consolidated statement of comprehensive income.
- (iii) Refer to Note 9 “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 2019		As at 31 March 2020		
		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	1,997	9	1,683	15,461	8
	Medical related products	13,353	10	11,772	108,166	9
Customer related assets	Health Care related products	13,676	11	12,368	113,647	10
	Medical related products	6,088	13	5,292	48,622	12

9. 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 2019	(Millions of Yen) For the year ended 31 March 2020	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2020
Buildings and structures	51	61	557
Machinery and equipment	370	223	2,053
Tools, equipment and fixtures	360	16	150
Land	128	—	—
Construction in progress	113	—	—
Total impairment losses on property, plant and equipment	1,023	300	2,760
Software	76	—	—
Total impairment losses on intangible assets	76	—	—
Total impairment losses	1,099	300	2,760

(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 2019

No impairment losses on assets were recognised in business units.

For the year ended 31 March 2020

No impairment losses on assets were recognised in business units.

(3) Impairment losses on idle assets

For the year ended 31 March 2019, 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 2019:

	(Millions of Yen)
	Impairment losses
Life Care	
Buildings and structures	35
Machinery and carriers	105
Tools, equipment and fixtures	360
Construction in progress	113
Software	76
Total Life Care	690
Information Technology	
Buildings and structures	16
Machinery and carriers	265
Total Information Technology	281
Corporate	
Land	128
Total Corporate	128
Total	1,099

For the year ended 31 March 2020, 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 2020:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Life Care		
Tools, equipment and fixtures	1	6
Total Life Care	1	6
Information Technology		
Buildings and structures	61	557
Machinery and carriers	223	2,053
Tools, equipment and fixtures	16	144
Total Information Technology	300	2,754
Total	300	2,760

(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 5% to 19% 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 2019				
	Life Care		Other	Total
	Health Care related products	Medical related products	Other	
	Eyeglass lenses	Medical accessories		
Japan	791	733	—	1,524
Americas	26,303	12,824	—	39,128
Europe	623	801	525	1,950
Asia	242	—	—	242
Total	27,960	14,358	525	42,843

(Millions of Yen)

As at 31 March 2020				
	Life Care		Other	Total
	Health Care related products	Medical related products	Other	
	Eyeglass lenses	Medical accessories		
Japan	849	733	—	1,582
Americas	25,444	12,981	—	38,425
Europe	551	769	504	1,823
Asia	252	—	—	252
Total	27,096	14,482	504	42,082

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

As at 31 March 2020				
	Life Care		Other	Total
	Health Care related products	Medical related products	Other	
	Eyeglass lenses	Medical accessories		
Japan	7,803	6,733	—	14,536
Americas	233,796	119,278	—	353,074
Europe	5,059	7,061	4,633	16,753
Asia	2,314	—	—	2,314
Total	248,972	133,072	4,633	386,677

10. 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 2019	As at / for the year ended 31 March 2020	As at / for the year ended 31 March 2020
The Group's share of net income (loss)	(1,113)	(1,652)	(15,182)
The Group's share of other comprehensive income (loss)	(16)	76	701
The Group's share of comprehensive income (loss)	(1,129)	(1,576)	(14,481)
The Group's share of net assets	349	1,007	9,250

Details of the Group's major 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 2019	As at 31 March 2020
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	24.3
HTK LENTES OFTALMICAS LTDA	Sale of optical lens	BRAZIL	Life Care	37.6	37.6
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 2019	As at / for the year ended 31 March 2020	As at / for the year ended 31 March 2020
The Group's unrecognised share of net loss	608	6,392	58,736
The Group's unrecognised share of accumulated net loss	8,002	14,394	132,262

11. 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 2018	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2019
Temporary differences					
Enterprise tax payable	573	(221)	—	—	353
Write-down of inventories	1,033	345	—	132	1,511
Allowance for doubtful accounts	588	149	—	—	737
Provisions	805	12	—	—	817
Accrued expenses	3,665	566	—	274	4,504
Unrealised profit on inventories	2,521	666	—	—	3,187
Depreciation and amortisation	1,349	88	—	—	1,437
Impairment losses	546	202	—	—	748
Exchange differences on translating foreign operations	3	—	124	—	127
Others	3,184	(1,584)	(10)	—	1,590
Subtotal	14,267	223	114	406	15,010
Undistributed retained earnings of subsidiaries	(2,192)	(861)	—	—	(3,053)
Depreciation and amortisation	(6,154)	767	—	(3,001)	(8,389)
Financial assets measured at fair value through other comprehensive income	(164)	—	(135)	—	(300)
Others	(421)	(23)	—	—	(444)
Subtotal	(8,932)	(117)	(135)	(3,001)	(12,185)
Tax loss carryforwards and tax credits					
Tax loss carryforwards	2,716	(324)	—	—	2,392
Tax credits	8	21	—	—	29
Subtotal	2,724	(303)	—	—	2,421
Total	8,059	(197)	(21)	(2,595)	5,246

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “Deferred tax and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2019	Cumulative effect of accounting change	As at 1 April 2019 (Restated)	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 March 2020
Temporary differences						
Enterprise tax payable	353	—	353	340	—	693
Write-down of inventories	1,511	—	1,511	(61)	—	1,450
Allowance for doubtful accounts	737	—	737	(326)	—	411
Provisions	817	—	817	330	—	1,147
Accrued expenses	4,504	—	4,504	(929)	—	3,575
Unrealised profit on inventories	3,187	—	3,187	(300)	—	2,887
Depreciation and amortisation	1,437	—	1,437	690	—	2,126
Impairment losses	748	—	748	(156)	—	592
Exchange differences on translating foreign operations	127	—	127	75	(203)	—
Lease obligations	—	2,772	2,772	—	—	2,772
Others	1,590	—	1,590	951	22	2,563
Subtotal	15,010	2,772	17,783	615	(181)	18,216
Undistributed retained earnings of subsidiaries	(3,053)	—	(3,053)	(799)	—	(3,852)
Depreciation and amortisation	(8,389)	—	(8,389)	70	—	(8,319)
Lease obligations		(2,948)	(2,948)	—	—	(2,948)
Financial assets measured at fair value through other comprehensive income	(300)	—	(300)	299	(234)	(234)
Others	(444)	—	(444)	(242)	—	(686)
Subtotal	(12,185)	(2,948)	(15,134)	(672)	(234)	(16,040)
Tax loss carryforwards and tax credits						
Tax loss carryforwards	2,392	—	2,392	(477)	—	1,915
Tax credits	29	—	29	18	—	47
Subtotal	2,421	—	2,421	(459)	—	1,962
Total	5,246	(176)	5,070	(516)	(415)	4,139

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “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 2019	Cumulative effect of accounting change	As at 1 April 2019 (Restated)	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 March 2020
Temporary differences						
Enterprise tax payable	3,240	—	3,240	3,123	—	6,363
Write-down of inventories	13,882	—	13,882	(558)	—	13,324
Allowance for doubtful accounts	6,771	—	6,771	(2,996)	—	3,775
Provisions	7,508	—	7,508	3,031	—	10,538
Accrued expenses	41,389	—	41,389	(8,536)	—	32,853
Unrealised profit on inventories	29,283	—	29,283	(2,754)	—	26,529
Depreciation and amortisation	13,200	—	13,200	6,338	—	19,538
Impairment losses	6,873	—	6,873	(1,430)	—	5,443
Exchange differences on translating foreign operations	1,170	—	1,170	693	(1,863)	—
Lease obligations	—	25,475	25,475	—	—	25,475
Others	14,611	—	14,611	8,736	200	23,546
Subtotal	137,926	25,475	163,401	5,647	(1,663)	167,385
Undistributed retained earnings of subsidiaries	(28,053)	—	(28,053)	(7,342)	—	(35,395)
Depreciation and amortisation	(77,082)	—	(77,082)	643	—	(76,439)
Financial assets measured at fair value through other comprehensive income	(2,752)	—	(2,752)	2,749	(2,149)	(2,153)
Lease obligations	—	(27,090)	(27,090)	—	—	(27,090)
Others	(4,080)	—	(4,080)	(2,228)	—	(6,308)
Subtotal	(111,967)	(27,090)	(139,056)	(6,178)	(2,149)	(147,383)
Tax loss carryforwards and tax credits						
Tax loss carryforwards	21,978	—	21,978	(4,383)	—	17,595
Tax credits	264	—	264	169	—	432
Subtotal	22,242	—	22,242	(4,214)	—	18,027
Total	48,201	(1,615)	46,586	(4,745)	(3,812)	38,029

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “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 2019	As at 31 March 2020	As at 31 March 2020
Tax loss carryforwards	13,130	11,120	102,179
Deductible temporary differences	4,128	4,226	38,829
Total	17,258	15,346	141,008

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 2019	As at 31 March 2020	As at 31 March 2020
Year 1	1,890	1,329	12,216
Year 2	1,750	611	5,614
Year 3	1,134	820	7,535
Year 4	513	403	3,706
Year 5 or later	7,843	7,956	73,107
Total	13,130	11,120	102,177

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 2019 and 2020, were 322,017 million yen and 327,573 million yen (3,009,954 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.

(2) Income taxes

In Japan, the normal effective statutory tax rates are 30.5% for each of the years ended 31 March 2019 and 2020.

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Current tax expense: (i)			
Current year	22,915	31,948	293,560
Prior years	(690)	454	4,169
Total current tax expense	22,225	32,402	297,729
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	318	252	2,314
Changes in tax rates	41	27	251
Total deferred tax expense	359	279	2,566
Total income tax expense	22,584	32,681	300,295
Continuing operations	22,584	32,681	300,295
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 194 million yen and 15 million yen (142 thousand U.S. dollars) for the years ended 31 March 2019 and 2020, 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 471 million yen and 660 million yen (6,061 thousand U.S. dollars) for the years ended 31 March 2019 and 2020, 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 31 March 2007 to 2011. 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. 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, the paid amount of 7,916 million yen (72,740 thousand U.S. dollars) is included in “Other current assets” as a suspense payment.

On 27 June 2018, the Company received a reassessment notice from TRTB for additional taxes on the transfer pricing taxation of transactions with overseas subsidiaries that developed and manufactured electronics-related products for the three financial years ended 31 March 2012, 2013 and 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. The additional tax assessment of 5,174 million yen (47,544 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 2019	For the year ended 31 March 2020
Effective statutory tax rate	30.5%	30.5%
Expenses not deductible for tax purposes	0.5%	1.1%
Income not taxable for tax purposes	(3.1)%	(0.6)%
Effect of unrecognised deferred tax assets	0.3%	0.1%
Impact of different tax rates applied to overseas subsidiaries	(15.2)%	(12.0)%
Profits and losses on investments in associates	0.2%	0.1%
Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate	0.0%	(0.0)%
Tax rate difference due to the elimination of unrealised profit on inventories	0.2%	(0.2)%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.6%	0.5%
Prior year income taxes	(0.5)%	0.3%
Foreign withholding tax arising from dividends from subsidiaries	1.0%	0.0%
Others	1.1%	2.4%
Actual tax rate	15.6%	22.2%

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

12. Other financial assets and liabilities

(1) Details of 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 2019	As at 31 March 2020	As at 31 March 2020
Other financial assets			
Other financial assets measured at amortised cost	17,370	16,490	151,518
FVTOCI financial assets	29,863	30,789	282,906
Total	47,233	47,278	434,424
Total non-current assets (long-term financial assets)	44,103	45,975	422,448
Total current assets (other short-term financial assets)	3,131	1,303	11,976

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Other financial liabilities			
FVTPL financial liabilities	3,082	542	4,976
Other financial liabilities measured at amortised cost	8,500	26,205	240,785
Total	11,582	26,746	245,761
Total non-current liabilities (other long-term financial liabilities)	10,936	23,923	219,817
Total current liabilities (other short-term financial liabilities)	646	2,824	25,944

(2) Details of FVTOCI financial assets

Details of FVTOCI financial assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
KIOXIA Holdings Corporation	27,000	28,200	259,123

The asset above is designated as FVTOCI because its profit and loss is not related to the business profit and loss, while there is a possibility of selling it in the future.

(3) Derecognition of FVTOCI financial assets

The Group derecognises FVTOCI financial assets when they are partially sold, considering the capital efficiency, reconsideration of business relationships and so on.

Details of fair value and cumulative gain or loss in other comprehensive income at the time of selling in the year ended 31 March 2019 and 2020 are as follows:

Fair value			Cumulative gain or loss		
(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))
For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
11	357	3,280	6	88	804

Cumulative gain or loss in other comprehensive income is transferred to retained earnings when FVTOCI assets are derecognised. The amount of cumulative other comprehensive income or loss (after deduction of tax) which was transferred to retained earnings were 6 million yen and 61 million yen (559 thousand U.S. dollars) in the year ended 31 March 2019 and 2020.

Details of dividends income recognised from equity instruments are as follows:

Derecognised investment			Investment held as at 31 March 2020		
(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))
For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
0	—	—	10	10	92

13. 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 2019	As at 31 March 2020	As at 31 March 2020
Non-current: Other assets			
Long-term prepaid expenses	2,187	412	3,784
Others	773	274	2,513
Total	2,960	685	6,297
Current: Other assets			
Suspense payment (Note)	13,090	13,090	120,283
Prepaid expenses	4,131	2,368	21,762
Refundable consumption taxes	1,406	1,457	13,383
Others	2,319	2,992	27,488
Total	20,946	19,907	182,918

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Non-current: Other liabilities			
Deposit received and long-term advance revenue, etc.	2,303	1,363	12,526
Total	2,303	1,363	12,526
Current: Other liabilities			
Accrued salary/bonus/vacation pay	16,357	15,894	146,040
Other accrued expenses	17,793	16,504	151,653
Advance received/deferred revenue	5,356	4,140	38,042
Accrued consumption taxes	1,897	1,536	14,115
Others	2,769	2,107	19,359
Total	44,171	40,181	369,209

Note:

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 31 March 2007 to 2011. 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. 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, the paid amount of 7,916 million yen is included in “Other current assets” as a suspense payment.

On 27 June 2018, the Company received a reassessment notice from the TRTB for additional taxes on the transfer pricing taxation of transactions with overseas subsidiaries that developed and manufactured electronics-related products for the three financial years ended 31 March 2012, 2013 and 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. The additional tax assessment of 5,174 million yen is included in “Other current assets” as a suspense payment.

14. Inventories

Details of inventories are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Goods and products	40,330	39,042	358,744
Work in progress	8,566	7,791	71,586
Raw materials	18,953	18,506	170,048
Supplies	11,124	12,791	117,532
Total	78,973	78,130	717,910
Inventories expected to be sold after more than 12 months	7	4	35

The cost of inventories recognised as an expense during the years ended 31 March 2019 and 2020, was 250,891 million yen and 252,630 million yen (2,321,324 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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Amount of write-down	1,756	1,960	18,008
Amount of reversal of write- down	—	—	—

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.

15. 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 2019	As at 31 March 2020	As at 31 March 2020
Accounts receivable	104,305	97,422	895,180
Notes receivable and electronically recorded monetary claims-operating	6,908	5,694	52,322
Other receivables	2,694	3,078	28,280
Allowance for doubtful accounts	(3,061)	(2,855)	(26,235)
Total	110,847	103,339	949,547

The credit terms for customers are set between 90 days and 120 days on average.

Refer to Note 21 "Financial instruments" for credit risk management and fair value of trade and other receivables.

16. 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 (%)	Due
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020	(i)	
Long-term bank loans (excluding current portion)	327	234	2,154	—	2022-2032
Current portion of long-term bank loans	1	19	175	—	—
Short-term bank loans	1,648	864	7,941	1.48%	—
Long-term lease obligations	577	14,237	130,823	—	2022-2049
Short-term lease obligations	285	6,610	60,741	—	—
Total interest-bearing debt	2,838	21,966	201,834		
Total non-current debt	904	14,472	132,977		
Total current debt	1,934	7,494	68,857		

Note:

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

The obligations under leases are secured by the leased assets for which the lessor has ownership.

There is no debt with covenants as at 31 March 2020.

Details of the remaining contractual maturity for long-term borrowings and its fair values are set out in Note 21 “Financial instruments”.

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

(Millions of Yen)

	As at 1 April 2018	Cash flow	Non-cash changes			As at 31 March 2019
			Change of scope of consolidation	Exchange differences on translation of foreign operations	Others	
Short-term bank loans	1,658	—	—	(10)	—	1,648
Long-term bank loans	9	(20)	340	(0)	—	328
Bond	14	(14)	—	—	—	—
Finance lease obligations	672	(251)	—	(35)	476	862
Total	2,353	(284)	340	(46)	476	2,838

(Millions of Yen)

	As at 1 April 2019	Change in accounting policy (IFRS 16)	As at 1 April 2019 (after adjustment)	Cash flow	Non-cash changes		As at 31 March 2020
					Exchange differences on translation of foreign operations	Others	
Short-term bank loans	1,648	—	1,648	(775)	(9)	—	864
Long-term bank loans	328	—	328	(134)	59	—	253
Lease obligations	862	21,375	22,237	(7,547)	(630)	6,787	20,848
Total	2,838	21,375	24,214	(8,456)	(579)	6,787	21,966

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

	As at 1 April 2019	Change in accounting policy (IFRS 16)	As at 1 April 2019 (after adjustment)	Cash flow	Non-cash changes		As at 31 March 2020
					Exchange differences on translation of foreign operations	Others	
Short-term bank loans	15,143	—	15,143	(7,123)	(79)	—	7,941
Long-term bank loans	3,015	—	3,015	(1,231)	545	—	2,329
Lease obligations	7,922	196,410	204,332	(69,346)	(5,789)	62,367	191,564
Total	26,080	196,410	222,490	(77,700)	(5,323)	62,367	201,834

17. 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 2019	As at 31 March 2020	As at 31 March 2020
Present value of funded defined benefit obligation	6,610	7,036	64,651
Fair value of plan assets	(3,907)	(3,889)	(35,736)
Total	2,704	3,147	28,915
Effect of changes to the asset ceiling	66	56	513
Net liability arising from defined benefit plans obligations	2,770	3,203	29,428
Balance in the consolidated statement of financial position			
Liability	2,770	3,203	29,428
Asset (Other non-current assets)	—	—	—

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Service cost			
Current service cost	626	1,192	10,954
Past service cost	—	(274)	(2,514)
Net interest expense	36	47	432
Components of defined benefit costs recognised in profit or loss	662	966	8,872
Remeasurement of net defined benefit liability			
Return on plan assets	138	81	743
Actuarial gains and losses arising from changes in demographic assumptions	(8)	(24)	(216)
Actuarial gains and losses arising from changes in financial assumptions	158	(105)	(964)
Actuarial gains and losses arising from experience adjustments	(58)	102	934
Adjustments for restrictions on the defined benefit asset	61	(5)	(42)
Components of defined benefit costs recognised in other comprehensive income	293	50	456
Total	955	1,015	9,328

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Beginning balance	6,033	6,610	60,738
Current service cost	626	1,192	10,954
Interest cost	125	116	1,065
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	(8)	(24)	(216)
Actuarial gains and losses arising from changes in financial assumptions	158	(105)	(964)
Actuarial gains and losses arising from experience adjustments	(58)	102	934
Past service cost	—	(274)	(2,514)
Decrease due to settlements	—	(12)	(111)
Benefits paid	(267)	(190)	(1,743)
Effect of foreign currency exchange differences	1	(380)	(3,492)
Ending balance	6,610	7,036	64,651

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Beginning balance	3,906	3,907	35,896
Interest income	89	69	632
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	(138)	(81)	(743)
Contributions from the employer	344	283	2,603
Benefits paid	(210)	(212)	(1,950)
Effect of foreign currency exchange differences	(84)	(76)	(703)
Ending balance	3,907	3,889	35,736

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Beginning balance	—	66	606
Remeasurement gain (loss)			
Effect of changes in the asset ceiling	61	(5)	(42)
Effect of foreign currency exchange differences	5	(6)	(51)
Ending balance	66	56	513

The fair values of major categories of plan assets as at 31 March 2019 and 2020, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Cash and cash equivalents	959	1,240	11,397
Equity instruments - Foreign equity instruments	1,966	1,768	16,244
Debt instruments - Foreign governmental bonds	181	167	1,539
Debt instruments - Foreign bonds	779	688	6,324
Others	20	25	232
Total	3,907	3,889	35,736

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 2019	As at 31 March 2020
Discount rate	2.3%	2.4%

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 uncertainty of future cash flows.

(2) Defined contribution plans

The total expense recognised was 2,416 million yen and 2,371 million yen (21,787 thousand U.S. dollars) for the years ended 31 March 2019 and 2020, 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 1,924 million yen and 1,770 million yen (16,264 thousand U.S. dollars) for the years ended 31 March 2019 and 2020, respectively.

18. Provisions

Details of provisions are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Asset retirement obligation	2,620	2,559	23,512
Warranties provision	1,249	1,214	11,157
Total	3,868	3,773	34,669
Non-current liabilities	2,607	2,539	23,327
Current liabilities	1,261	1,234	11,342

An analysis of the change in provisions is as follows:

(Millions of Yen)

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2019	2,620	1,249	3,868
Provision for the year	77	832	908
Acquisitions through business combinations	20	—	20
Interest cost associated with passage of time	18	—	18
Reduction resulting from settlement for the year	(146)	(822)	(968)
Effect of foreign currency exchange differences	(28)	(44)	(73)
Balance at 31 March 2020	2,559	1,214	3,773

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

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2019	24,070	11,473	35,542
Provision for the year	705	7,642	8,347
Acquisitions through business combinations	182	—	182
Interest cost associated with passage of time	161	—	161
Reduction resulting from settlement for the year	(1,343)	(7,553)	(8,896)
Effect of foreign currency exchange differences	(262)	(405)	(667)
Balance at 31 March 2020	23,512	11,157	34,669

Note:

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

19. 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 2019	As at 31 March 2020	As at 31 March 2020
Accounts payable	29,871	31,296	287,571
Notes payable, trade	6,903	5,943	54,605
Processing cost payable	849	830	7,629
Other payables	16,823	23,968	220,232
Notes payable for capital investment	442	858	7,885
Total	54,887	62,895	577,922

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.

20. 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 2018	1,250,519,400	381,436,420	379,514,346	6,264	15,899	57,560	146,087
Increase (ii)	—	—	453,257	—	—	—	—
Balance at 31 March 2019	1,250,519,400	381,436,420	379,967,603	6,264	15,899	57,560	146,087
Decrease (i), (ii)	—	3,085,200	4,967,819	—	—	—	—
Balance at 31 March 2020	1,250,519,400	378,351,220	374,999,784	6,264	15,899	57,560	146,087

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 2018	1,922,074	10,886
Repurchase of odd-lot shares	347	2
Disposal of odd-lot shares	(4)	(0)
Decrease on exercise of stock options	(453,600)	(2,569)
Balance at 31 March 2019	1,468,817	8,319
Repurchase of treasury shares	5,295,700	44,256
Cancellation of treasury shares	(3,085,200)	(22,308)
Repurchase of odd-lot shares	519	5
Decrease on exercise of stock options	(328,400)	(2,309)
Balance at 31 March 2020	3,351,436	27,963

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2019	1,468,817	76,441
Repurchase of treasury shares	5,295,700	406,656
Cancellation of treasury shares	(3,085,200)	(204,982)
Repurchase of odd-lot shares	519	45
Decrease on exercise of stock options	(328,400)	(21,214)
Balance at 31 March 2020	3,351,436	256,945

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 2018	(8,672)	3,114	(1,102)	(6,660)
Disposal of treasury shares	(600)	(370)	—	(969)
Share-based payments (i)	—	195	—	195
Balance at 31 March 2019	(9,272)	2,940	(1,102)	(7,434)
Repurchase of treasury shares	—	—	(22)	(22)
Disposal of treasury shares	(771)	(261)	—	(1,032)
Share-based payments (i)	—	125	—	125
Change in non-controlling interests (ii)	—	—	(65)	(65)
Balance at 31 March 2020	(10,043)	2,804	(1,189)	(8,428)

	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 2019	(85,197)	27,012	(10,126)	(68,311)
Repurchase of treasury shares	—	—	(203)	(203)
Disposal of treasury shares	(7,082)	(2,400)	—	(9,483)
Share-based payments (i)	—	1,153	—	1,153
Change in non-controlling interests (ii)	—	—	(597)	(597)
Balance at 31 March 2020	(92,280)	25,764	(10,926)	(77,442)

(i) Refer to Note 22 “Share-based payments” for details of stock options.

(ii) The Group acquired 5.0% of outstanding shares in HOYA LENS GUANGZHOU LTD. As a result, the ownership interest of the Group increased to 100%. 65 million yen (597 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 2018	529,818
Profit for the year (attributable to owners of the Company)	122,103
Dividends	(34,164)
Transfer to retained earnings	(297)
Balance at 31 March 2019	617,459
Cumulative effect of change in accounting policy	533
Profit for the year (attributable to owners of the Company)	114,406
Cancellation of treasury shares	(22,308)
Dividends	(34,064)
Transfer to retained earnings from other comprehensive income	32
Balance at 31 March 2020	676,058

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2019	5,673,614
Cumulative effect of change in accounting policy	4,895
Profit for the year (attributable to owners of the Company)	1,051,239
Cancellation of treasury shares	(204,982)
Dividends	(313,006)
Transfer to retained earnings from other comprehensive income	296
Balance at 31 March 2020	6,212,056

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
24 May 2018	45	0.41	17,078	156,925	31 March 2018	1 June 2018
31 October 2018	45	0.41	17,086	157,000	30 September 2018	30 November 2018
23 May 2019	45	0.41	17,099	157,112	31 March 2019	3 June 2019
29 October 2019	45	0.41	16,966	155,894	30 September 2019	29 November 2019
20 May 2020	45	0.41	16,875	155,058	31 March 2020	8 June 2020

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 2018	4,484
Profit for the year, attributable to non-controlling interests	(31)
Other comprehensive income	(140)
Dividends	(30)
Increase due to acquisition of subsidiaries	202
Increase	67
Balance at 31 March 2019	4,552
Profit for the year, attributable to non-controlling interests	181
Other comprehensive income	(220)
Increase due to establishment of subsidiaries	187
Decrease due to acquisition of non-controlling interests	(84)
Put option granted to non-controlling interests, etc.(i)	(20,392)
Balance at 31 March 2020	(15,777)

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2019	41,824
Profit for the year, attributable to non-controlling interests	1,659
Other comprehensive income	(2,019)
Increase due to establishment of subsidiaries	1,715
Decrease due to acquisition of non-controlling interests	(775)
Put option granted to non-controlling interests, etc.(i)	(187,372)
Balance at 31 March 2020	(144,968)

(i) The Group recognised a financial liability at the present value of the expected future payment for the acquisition of additional shares of the joint venture which was established in this fiscal year based on the contract with the non-controlling shareholder.

21. 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 2019	As at 31 March 2020	As at 31 March 2020
Interest-bearing debt	2,838	21,966	201,834
Less: Cash and cash equivalents	293,397	317,982	2,921,820
Net debt	(290,559)	(296,016)	(2,719,986)
Equity	627,707	629,265	5,782,090

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2019 and 2020, 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 2020.

Details of interest-bearing debt and equity are described in Note 16 “Interest-bearing debt” and Note 20 “Share capital and other equity items”, respectively.

(2) Significant accounting policies

Accounting policies and criteria for recognition of financial assets, financial liabilities, 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 2019	As at 31 March 2020	As at 31 March 2020
Financial assets			
Financial assets measured at amortised cost			
Trade and other receivables	110,847	103,339	949,547
Other financial assets (ii)	17,370	16,490	151,518
FVTOCI financial assets (iv)			
Other financial assets (ii)	29,863	30,789	282,906
Cash and cash equivalents	293,397	317,982	2,921,820
Financial liabilities			
FVTPL financial liabilities (v)			
Trade and other payables	1,186	3,460	31,792
Other financial liabilities (iii)	3,082	542	4,976
Financial liabilities measured at amortised cost			
Trade and other payables	53,701	59,435	546,131
Interest-bearing debt	2,838	21,966	201,834
Other financial liabilities (iii)	8,500	26,205	240,785

Note:

(i) The items above are not included in discontinued operations and disposal groups held for sale. The Group does not have 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 are included in 'Long-term financial assets' or 'Other short-term financial assets' in the consolidated statement of financial position.

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

(iv) FVTOCI financial assets mainly consist of unlisted shares.

(v) FVTPL financial liabilities mainly consist of contingent considerations resulting from business combinations.

(vi) Financial assets or liabilities to be offset as at 31 March 2019 and 2020, 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 2019	For the year ended 31 March 2020
Average exchange rate (Yen per each currency)		
Thai Baht	3.43	3.51
Euro	128.26	120.85
U.S. dollar	110.07	108.95
Impact on profit for the year (Millions of Yen)		
Thai Baht	(227)	(202)
Euro	(9)	(50)
U.S. dollar	(414)	(325)
Impact on equity (Millions of Yen)		
Thai Baht	(353)	(294)
Euro	(330)	(380)
U.S. dollar	(649)	(581)

	For the year ended 31 March 2020
Impact on profit for the year (Thousands of U.S. Dollars (Note 2))	
Thai Baht	(1,858)
Euro	(458)
U.S. dollar	(2,985)
Impact on equity (Thousands of U.S. Dollars (Note 2))	
Thai Baht	(2,702)
Euro	(3,494)
U.S. dollar	(5,335)

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 2019	31 March 2020	31 March 2019	31 March 2020
Trade and other receivables	(26)	(28)	(70)	(74)
Trade and other payables	2	1	10	13
Short-term financial assets	(0)	(0)	(0)	(0)
Short-term interest-bearing debt	—	—	128	—
Cash and cash equivalents	(12)	(3)	(108)	(51)
Total	(36)	(29)	(40)	(113)

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

	Euro	U.S. dollar
	31 March 2020	31 March 2020
Trade and other receivables	(254)	(681)
Trade and other payables	14	116
Short-term financial assets	(0)	(1)
Short-term interest-bearing debt	—	—
Cash and cash equivalents	(25)	(472)
Total	(265)	(1,038)

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 2019	31 March 2020	31 March 2019	31 March 2020
Cash and cash equivalents	(3)	(0)	(1)	(35)
Total	(3)	(0)	(1)	(35)

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

	Yen	U.S. dollar
	31 March 2020	31 March 2020
Cash and cash equivalents	(0)	(318)
Total	(0)	(318)

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.

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	Average	Foreign	Notional	Fair value
31 March 2019	exchange rate	currency (mil)	amount	
Forward foreign exchange contracts				
N/A				

(Millions of Yen)

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

For the year ended	Average	Foreign	Notional	Fair value	Notional	Fair value
31 March 2020	exchange rate	currency (mil)	amount		amount	
Forward foreign exchange contracts						
N/A						

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 75 million yen and 51 million yen (463 thousand U.S. dollars) as at 31 March 2019 and 2020, 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 2020.

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.

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.

Each financial asset should be recognised as a credit-impaired financial asset if the debtor claims legal proceedings such as bankruptcy, company reorganization, civil rehabilitation and special liquidation in cases of overdue payments despite performance by enforcement. The Group directly writes off an asset by reducing the total carrying amount in cases where collection of contractual cashflow is not reasonably expected, entirely or partially.

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 2019	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)	113,908	97,373	8,185	2,742	1,035	647	3,926
Allowance for doubtful accounts	(3,061)	(431)	(76)	(99)	(89)	(253)	(2,114)
Trade and other receivables (net)	110,847	96,942	8,109	2,643	946	394	1,812
Other financial assets (gross)	18,099	17,309	1	5	78	130	575
Allowance for doubtful accounts	(729)	(2)	—	(5)	(78)	(130)	(513)
Other financial assets (net)	17,370	17,307	1	—	—	—	61

(Millions of Yen)

Balance at 31 March 2020	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)	106,194	89,830	7,709	2,482	1,099	1,077	3,997
Allowance for doubtful accounts	(2,855)	(518)	(154)	(135)	(105)	(262)	(1,682)
Trade and other receivables (net)	103,339	89,312	7,555	2,347	994	815	2,316
Other financial assets (gross)	16,889	16,449	—	—	—	1	439
Allowance for doubtful accounts	(399)	(2)	—	—	—	(1)	(396)
Other financial assets (net)	16,490	16,447	—	—	—	—	43

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

Balance at 31 March 2020	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)	975,783	825,418	70,834	22,808	10,102	9,892	36,729
Allowance for doubtful accounts	(26,235)	(4,759)	(1,413)	(1,239)	(966)	(2,406)	(15,453)
Trade and other receivables (net)	949,547	820,658	69,422	21,569	9,136	7,486	21,276
Other financial assets (gross)	155,188	151,143	—	—	—	13	4,032
Allowance for doubtful accounts	(3,670)	(19)	—	—	—	(13)	(3,638)
Other financial assets (net)	151,518	151,124	—	—	—	—	394

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

As at 31 March 2019

Current portion of long-term loans to subsidiaries and affiliates of 8,248 million yen

As at 31 March 2020

Long-term loans to subsidiaries and affiliates of 8,454 million yen (77,685 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)

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2018	—	258	316	2,970	3,544
Provision for the year	—	—	246	636	882
Reduction resulting from settlement for the year	—	(3)	(6)	(254)	(264)
Reduction for the year (reversal)	—	(25)	(45)	(145)	(215)
Other (foreign exchange translation gains or losses, etc.)	—	(11)	(1)	(145)	(157)
Balance at 31 March 2019	—	219	509	3,061	3,790

(Millions of Yen)

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2019	—	219	509	3,061	3,790
Provision for the year	—	—	6	626	632
Reduction resulting from settlement for the year	—	(185)	(70)	(495)	(751)
Reduction for the year (reversal)	—	—	(70)	(133)	(203)
Other (foreign exchange translation gains or losses, etc.)	—	(7)	(3)	(203)	(214)
Balance at 31 March 2020	—	27	372	2,855	3,255

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

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2019	—	2,015	4,679	28,126	34,821
Provision for the year	—	—	58	5,754	5,812
Reduction resulting from settlement for the year	—	(1,701)	(646)	(4,549)	(6,896)
Reduction for the year (reversal)	—	—	(640)	(1,226)	(1,866)
Other (foreign exchange translation gains or losses, etc.)	—	(63)	(31)	(1,869)	(1,964)
Balance at 31 March 2020	—	251	3,420	26,235	29,906

(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. The credit lines for commercial paper are secured for temporary cash shortages due to dividends or bonus payments.

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 2019	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	54,887	54,887	54,887	—	—	—	—	—
Long-term bank loans (excluding current portion)	327	327	—	52	19	19	19	216
Current portion of long-term bank loans	1	1	1	—	—	—	—	—
Short-term bank loans	1,648	1,648	1,648	—	—	—	—	—
Long-term lease obligations	577	577	—	259	187	105	26	—
Short-term lease obligations	285	285	285	—	—	—	—	—
Other financial liabilities	11,582	11,582	646	8,875	1,933	129	—	—
Total	69,308	69,308	57,467	9,186	2,139	254	46	216

(Millions of Yen)

Balance at 31 March 2020	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	62,895	62,895	62,895	—	—	—	—	—
Long-term bank loans (excluding current portion)	234	234	—	38	19	19	19	140
Current portion of long-term bank loans	19	19	19	—	—	—	—	—
Short-term bank loans	864	864	864	—	—	—	—	—
Long-term lease obligations	14,237	14,909	—	5,170	3,398	2,169	1,309	2,863
Short-term lease obligations	6,610	6,610	6,610	—	—	—	—	—
Other financial liabilities	26,746	29,709	2,824	2,922	522	4,125	—	19,318
Total	111,607	115,242	73,212	8,129	3,939	6,312	1,328	22,321

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

Balance at 31 March 2020	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	577,922	577,922	577,922	—	—	—	—	—
Long-term bank loans (excluding current portion)	2,154	2,154	—	347	172	172	172	1,288
Current portion of long-term bank loans	175	175	175	—	—	—	—	—
Short-term bank loans	7,941	7,941	7,941	—	—	—	—	—
Long-term lease obligations	130,823	136,992	—	47,501	31,227	19,928	12,028	26,308
Short-term lease obligations	60,741	60,741	60,741	—	—	—	—	—
Other financial liabilities	245,761	272,989	25,944	26,846	4,796	37,900	—	177,502
Total	1,025,517	1,058,914	672,723	74,694	36,196	58,000	12,199	205,098

Note:

Guarantee liabilities have been excluded from the above table as the likelihood of execution has been determined as low.

The Company secures the financing methods below for temporary cash shortages due to dividends or bonus payments.

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 2019	As at 31 March 2020	As at 31 March 2020
Bank overdraft			
Used	—	—	—
Unused	65,000	65,000	597,262
Total	65,000	65,000	597,262
Commercial paper			
Used	—	—	—
Unused	50,000	50,000	459,432
Total	50,000	50,000	459,432

(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).

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

· FVTOCI financial assets classified as Level 3 mainly consist of unlisted shares and are measured using valuation techniques such as net asset approach, discount cash flow method or comparable company method.

· FVTPL financial liabilities classified as Level 3 consist of contingent considerations and are measured based on the achievement of milestones considering time value of money.

① Financial instruments that are measured at fair value

(Millions of Yen)

As at 31 March 2019	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	1,499	—	28,364	29,863
Total	1,499	—	28,364	29,863
FVTPL financial liabilities	—	—	4,268	4,268
Total	—	—	4,268	4,268

(Millions of Yen)

As at 31 March 2020	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	1,028	—	29,761	30,789
Total	1,028	—	29,761	30,789
FVTPL financial liabilities	—	—	4,001	4,001
Total	—	—	4,001	4,001

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

As at 31 March 2020	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	9,444	—	273,462	282,906
Total	9,444	—	273,462	282,906
FVTPL financial liabilities	—	—	36,768	36,768
Total	—	—	36,768	36,768

Note:

As at 31 March 2019

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2019.

As at 31 March 2020

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2020.

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

(Millions of Yen)

For the year ended 31 March 2019	Fair value measurement as at the end of the reporting period	
	Available-for-sale financial assets	FVTPL financial liabilities
Opening balance	618	4,289
Total gains or losses recognised:	382	(165)
- in profit or loss (i)	—	(277)
- in other comprehensive income (i)	382	112
Purchase(ii)	27,376	—
Increase	—	234
Sale	(11)	—
Settlement	—	(89)
Closing balance	28,364	4,268

(Millions of Yen)

For the year ended 31 March 2020	Fair value measurement as at the end of the reporting period	
	FVTOCI financial assets	FVTPL financial liabilities
Opening balance	28,364	4,268
Total gains or losses recognised:	1,753	3
- in profit or loss (i)	—	96
- in other comprehensive income (i)	1,753	(92)
Purchase	0	—
Increase	—	20
Sale	(357)	—
Settlement	—	(289)
Closing balance	29,761	4,001

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

For the year ended 31 March 2020	Fair value measurement as at the end of the reporting period	
	FVTOCI financial assets	FVTPL financial liabilities
Opening balance	260,630	39,218
Total gains or losses recognised:	16,110	30
- in profit or loss (i)	—	878
- in other comprehensive income (i)	16,110	(848)
Purchase	3	—
Increase	—	180
Sale	(3,280)	—
Settlement	—	(2,660)
Closing balance	273,462	36,768

Note:

As at 31 March 2019

(i) Total gains or losses included in profit or loss are included in the line item 'Other income' or 'Finance costs' in the consolidated statement of comprehensive income.

In total gains or losses included in other comprehensive income, gains or losses related to FVTOCI assets are included in 'Financial assets measured at fair value through other comprehensive income' or 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income. Gains or losses related to FVTPL liabilities are included in 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income.

(ii) On 1 June 2018, the Group invested 27,000 million yen in K.K. Pangea (KIOXIA Holdings Corporation).

As at 31 March 2020

(i) Total gains or losses included in profit or loss are included in the line item 'Finance costs' in the consolidated statement of comprehensive income.

In total gains or losses included in other comprehensive income, gains or losses related to FVTOCI assets are included in 'Financial assets measured at fair value through other comprehensive income' or 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income. Gains or losses related to FVTPL liabilities are included in 'Exchange differences on translation of foreign operations' in the consolidated statement of 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 2019		As at 31 March 2020		As at 31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Financial assets measured at amortised cost						
Long-term loans to subsidiaries and affiliates	8,248	8,676	8,454	8,742	77,685	80,331
Lease deposits	5,100	5,100	5,304	5,304	48,736	48,736
Total	13,348	13,775	13,758	14,046	126,421	129,067
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	327	368	234	243	2,154	2,237
Long-term guarantee deposits	7,855	7,665	2,989	2,974	27,469	27,331
Total	8,183	8,035	3,224	3,217	29,622	29,568

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 long-term loans to subsidiaries and affiliates and lease deposits are measured by the present value of future cash flows of each loan categorised according to a certain range of term and discounted by the risk-free rate, etc.

· 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 2019	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	—	8,676	—	8,676
Lease deposits	—	5,100	—	5,100
Total	—	13,775	—	13,775
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	368	—	368
Long-term guarantee deposits	—	7,665	—	7,665
Total	—	8,033	—	8,033

(Millions of Yen)

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at amortised cost				
Long-term loans to subsidiaries and affiliates	—	8,742	—	8,742
Lease deposits	—	5,304	—	5,304
Total	—	14,046	—	14,046
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	243	—	243
Long-term guarantee deposits	—	2,974	—	2,974
Total	—	3,217	—	3,217

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

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at amortised cost				
Long-term loans to subsidiaries and affiliates	—	80,331	—	80,331
Lease deposits	—	48,736	—	48,736
Total	—	129,067	—	129,067
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	2,237	—	2,237
Long-term guarantee deposits	—	27,331	—	27,331
Total	—	29,568	—	29,568

22. Share-based payments

The Company has a performance-based stock compensation plan (Performance Share Unit) and a stock option plan. The purpose of the plans 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.

(1) Performance Share Unit

① Details of transactions

The Company has adopted Performance Share Unit (PSU) for officers instead of a stock option plan since the year ended 31 March 2020. The variable number of shares will be distributed to the granted officers based on the achievement of pre-determined performance goal during the three years subsequent to the grant date. The number of distributed shares is variable from 0% to 200% based on the achievement of the performance goal that consists of consolidated sales, earnings per share (EPS) and ROE. PSU granted to officers are accounted for as cash-settled share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 31 million yen (286 thousand U.S. dollars) for the year ended 31 March 2020.

Details of PSU that are outstanding for the year ended 31 March 2020, are as follows:

No.	Number of shares	Grant date	Fair value at grant date (Yen)
1	15,500	1 Jul 2019	8,045

② Determination of fair value

The fair value of the PSU granted during the years ended 31 March 2020, was 8,045 yen and was determined based on the share price of the grant day.

(2) Stock Option Plan

① Details of transactions

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-settled share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 195 million yen and 125 million yen (1,153 thousand U.S. dollars) for the years ended 31 March 2019 and 2020, respectively.

Details of the stock options that are outstanding for the years ended 31 March 2019 and 2020, are as follows:

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
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
19	123,600	2 Oct 2018	30 Sep 2028	6,590	6,345
20	20,000	13 Aug 2019	30 Sep 2029	8,542	7,645

② Determination of stock option value

The weighted-average fair value of the stock options granted during the years ended 31 March 2019 and 2020, was 6,345 yen and 7,645 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 2019 and 2020.

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

	No. 19	No. 20
Share price at grant date (Yen)	6,855	8,515
Exercise price (Yen)	6,590	8,542
Expected volatility	26.46%	27.69%
Expected remaining option life (Years)	6.2	6.4
Dividends yield	1.09	1.06
Risk free rate	(0.01%)	(0.35%)

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

The weighted-average exercise price of the outstanding options was 3,911 yen and 4,078 yen as at the years ended 31 March 2019 and 2020, respectively. Weighted-average remaining contractual life was 5.4 years and 4.8 years as at 31 March 2019 and 2020, respectively.

	For the year ended 31 March 2019		For the year ended 31 March 2020	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Outstanding at the beginning of the period	1,924,400	3,604	1,510,000	3,911
Granted	123,600	6,590	20,000	8,542
Forfeited (i)	(41,600)	4,279	(31,200)	5,184
Exercised	(453,600)	3,527	(328,400)	3,888
Expired	(42,800)	1,556	(72,400)	2,215
Outstanding at the end of the period	1,510,000	3,911	1,098,000	4,078
Exercisable at the end of the period	1,086,400	3,316	890,600	3,623

Note:

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

Stock options exercised during the year ended 31 March 2020, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
10	16,400	April 2019 to September 2019	7,936
11	25,600	April 2019 to February 2020	8,181
12	23,600	April 2019 to February 2020	8,080
13	13,200	May 2019 to February 2020	8,393
14	34,000	April 2019 to March 2020	8,093
15	44,000	April 2019 to January 2020	8,074
16	101,200	April 2019 to March 2020	8,077
17	54,800	April 2019 to January 2020	8,039
18	9,200	May 2019 to November 2019	8,169
19	6,400	November 2019 to February 2020	8,730
Total	328,400		

Note:

The number of shares exercised and the amount paid by key management personnel are 80,000 shares and 286 million yen, respectively.

Stock options exercised during the year ended 31 March 2019, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
8	13,600	July 2018 to September 2018	6,216
10	42,800	April 2018 to February 2019	6,176
11	5,200	June 2018 to November 2018	6,173
12	19,600	August 2018 to February 2019	6,282
13	11,200	May 2018 to March 2019	6,272
14	112,400	April 2018 to March 2019	6,194
15	128,800	April 2018 to February 2019	6,381
16	67,600	June 2018 to February 2019	6,259
17	46,800	June 2018 to March 2019	6,309
18	5,600	October 2018 to November 2018	6,310
Total	453,600		

Note:

The number of shares exercised and the amount paid by key management personnel are 154,400 shares and 565 million yen, respectively.

23. Revenue

(1) Disaggregation of revenue

The relationship between the major geographical areas and the Group's revenue from continuing operations from its major products and services for the year ended 31 March 2019 and 2020 is as follows:

(Millions of Yen)

For the year ended 31 March 2019	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	109,824	28,937	67,842	70,239	4,771	281,613
Medical related products	19,335	13,154	21,029	35,394	2,864	91,775
Life Care total	129,159	42,090	88,871	105,633	7,635	373,388
Information Technology						
Electronics related products	20,606	114,649	9,155	2,212	0	146,623
Imaging related products	11,286	28,624	598	415	1	40,924
Information Technology total	31,892	143,273	9,753	2,627	1	187,546
Other	2,770	595	494	1,016	-	4,875
Total revenue from external customers	163,821	185,959	99,118	109,277	7,636	565,810

(Millions of Yen)

For the year ended 31 March 2020	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	113,541	27,109	64,516	68,392	4,240	277,798
Medical related products	20,647	13,525	22,160	37,819	3,101	97,251
Life Care total	134,188	40,633	86,676	106,210	7,341	375,049
Information Technology						
Electronics related products	17,068	134,515	9,002	2,071	1	162,655
Imaging related products	8,845	23,696	937	597	1	34,076
Information Technology total	25,913	158,211	9,939	2,667	1	196,731
Other	2,944	561	579	683	-	4,766
Total revenue from external customers	163,045	199,405	97,194	109,561	7,343	576,546

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

For the year ended 31 March 2020	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	1,043,289	249,092	592,819	628,425	38,961	2,552,586
Medical related products	189,715	124,273	203,620	347,501	28,495	893,605
Life Care total	1,233,004	373,365	796,439	975,926	67,457	3,446,191
Information Technology						
Electronics related products	156,831	1,236,006	82,712	19,025	5	1,494,580
Imaging related products	81,275	217,734	8,612	5,483	6	313,109
Information Technology total	238,106	1,453,740	91,324	24,509	11	1,807,690
Other	27,048	5,152	5,318	6,278	-	43,797
Total revenue from external customers	1,498,158	1,832,258	893,081	1,006,713	67,468	5,297,677

Note:

Geographical areas are based on the location of the customers.

(2) Contract balances

Receivables from contracts with customers and contract liabilities are as follows. Contract liabilities consist mainly of advance received from customers.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
Receivables from contracts with customers	108,152	100,262	921,267
Contract liabilities	4,011	2,904	26,681

Note:

Revenues recognised in the years ended 31 March 2019 and 2020 that were included in the contract liability balances as at 1 April 2019 and 2020 were 2,401 million yen and 1,710 million yen (15,717 thousand U.S. dollars), respectively.

(3) Transaction price allocated to the remaining performance obligations

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with individual expected contractual terms exceeding one year. In addition, no significant financing components are included in consideration from contracts with customers.

(4) Assets recognised from the costs to obtain a contract with a customer

If the amortisation period of the assets is one year or less, the Group uses the practical expedient of recognising the incremental costs of obtaining the contract as an expense when incurred.

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

(1) 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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Commission	320	377	3,465
Rent	121	130	1,199
Government grants	398	423	3,885
Gain on sale of plant, property and equipment and intangible assets	674	438	4,021
Insurance proceeds	35	92	845
Others	2,227	1,003	9,213
Total other income	3,775	2,463	22,627

(2) 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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Employee benefits expense	9,551	10,053	92,376
Depreciation and amortisation	2,023	2,743	25,200
Commission expenses	3,445	3,423	31,454
Other expenses	11,081	10,633	97,699
Total R&D expenses recognised as incurred	26,100	26,851	246,729

Note:

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

(3) 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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Salary, bonuses and others	121,016	122,370	1,124,417
Retirement benefit			
Defined benefit	626	918	8,439
Defined contribution	2,416	2,371	21,787
Retirement benefit total	3,043	3,290	30,226
Share-based payments (stock option)	195	157	1,439
Severance payments	1,924	1,770	16,264
Others	5,829	6,147	56,487
Total employee benefits expense	132,006	133,734	1,228,834

(4) Foreign exchange gains or losses

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

(5) 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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Packaging/shipping/transportation	11,268	11,318	103,999
Travel	6,647	6,596	60,611
Rent	8,056	—	—
Utilities	12,160	11,928	109,600
Repair and maintenance	13,378	13,185	121,152
Loss on sales of property, plant and equipment	182	180	1,654
Loss on disposal of property, plant and equipment	609	375	3,444
Others (Note)	75,710	74,186	681,667
Total other expenses	128,010	117,768	1,082,127

Note:

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 sought information with respect to duodenoscopes that Pentax and its affiliated companies manufactured and sold. The Company and Pentax cooperated with the U.S. Department of Justice ("DOJ") and responded to its requests. In April 2020, the Company and Pentax finalised a Deferred Prosecution Agreement with DOJ and the Group recorded an accrual for a fine and forfeiture totaling 4,680 million yen (43,000 thousand U.S. dollars).

25. Finance income and costs

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Finance income			
Interest income			
Cash and cash equivalents, financial assets measured at amortized cost	2,763	3,452	31,715
Dividend income			
FVTOCI financial assets	10	10	92
Total finance income	2,733	3,461	31,806
Finance costs			
Interest costs			
Interest-bearing debt	76	431	3,963
Retirement benefits liabilities	36	47	432
Provisions	18	18	164
Other liabilities	262	116	1,065
Impairment losses			
Financial assets measured at amortised cost	—	178	1,639
Total finance costs	391	791	7,264

26. Other comprehensive income

For the years ended 31 March 2019 and 2020, items that may be reclassified subsequently to profit or loss comprise the following:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
<i>Items that may be reclassified subsequently to profit or loss:</i>			
① Exchange differences on translation of foreign operations (i)			
Gains (losses) arising during the year	7,059	(17,072)	(156,868)
Reclassification adjustments to profit or loss for the year	(447)	266	2,447
Total	6,612	(16,806)	(154,420)
② Share of other comprehensive income of associates			
Gains (losses) arising during the year	(17)	76	701
Reclassification adjustments to profit or loss for the year	0	—	—
Total	(16)	76	701
Other comprehensive income/(loss) before tax	6,596	(16,729)	(153,719)
Income tax relating to components of other comprehensive income	124	(203)	(1,863)
Total other comprehensive income/(loss) (net of tax)	6,720	(16,932)	(155,583)

Note:

(i) 'Exchange differences on translation of foreign operations' consist 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 2019 and 2020, are as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2019			For the year ended 31 March 2020			For the year ended 31 March 2020		
	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 FVTOCI financial assets	839	(142)	697	949	(234)	715	8,720	(2,149)	6,571
② Exchange differences on translation of foreign operations	6,729	124	6,853	(16,602)	(203)	(16,805)	(152,552)	(1,863)	(154,415)
③ Remeasurements of the net defined benefit liability (asset)	(293)	(10)	(303)	(50)	22	(29)	(463)	200	(263)
④ Share of other comprehensive income of associates	(16)	—	(16)	76	—	76	701	—	701
Subtotal	7,259	(28)	7,231	(15,627)	(415)	(16,042)	(143,593)	(3,812)	(147,406)
Other comprehensive income attributable to non-controlling interests									
① FVTOCI financial assets	(30)	7	(23)	(16)	—	(16)	(150)	—	(150)
② Exchange differences on translation of foreign operations	(117)	—	(117)	(203)	—	(203)	(1,869)	—	(1,869)
Subtotal	(147)	7	(140)	(220)	—	(220)	(2,019)	—	(2,019)
Total other comprehensive income/(loss)	7,113	(21)	7,091	(15,847)	(415)	(16,262)	(145,612)	(3,812)	(149,424)

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Basic earnings per share			
From continuing operations	321.55	303.27	2.79
From discontinued operations	—	—	—
Total basic earnings per share	321.55	303.27	2.79
Diluted earnings per share			
From continuing operations	320.96	302.74	2.78
From discontinued operations	—	—	—
Total diluted earnings per share	320.96	302.74	2.78

(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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Profit attributable to owners of the Company from continuing operations	122,103	114,406	1,051,239
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	122,103	114,406	1,051,239

(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 2019	For the year ended 31 March 2020
Weighted-average number of ordinary shares	379,735	377,238

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Profit attributable to owners of the Company from continuing operation after dilution	122,103	114,406	1,051,239
Profit attributable to owners of the Company from discontinued operation after dilution	—	—	—
Profit used in the calculation of diluted earnings per share	122,103	114,406	1,051,239

(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 2019	For the year ended 31 March 2020
Weighted-average number of ordinary shares	379,735	377,238
Shares deemed to be issued for no consideration in respect of:		
Stock options	701	669
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	380,435	377,907

28. Non-cash transactions

Non-cash transactions for the years ended 31 March 2019 and 2020, consisted of acquiring property, plant and equipment through new lease arrangements in the amount of 476 million yen and 5,925 million yen (54,445 thousand U.S. dollars), respectively.

29. Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2019 and 2020, is as follows:

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2019	As at 31 March 2020
Life Care	U.S.A.	6	5
	ARGENTINA	1	1
	UNITED KINGDOM	4	4
	ITALY	2	2
	INDIA	3	3
	INDONESIA	3	3
	AUSTRALIA	1	2
	NETHERLANDS	4	4
	CANADA	7	7
	SINGAPORE	3	3
	SWITZERLAND	1	1
	SWEDEN	1	1
	SPAIN	2	2
	THAILAND	3	3
	CZECH REPUBLIC	1	1
	DENMARK	1	1
	GERMANY	6	6
	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	4	4
	SOUTH AFRICA	1	1
	MEXICO	—	1
RUSSIA	2	2	
SOUTH KOREA	3	3	
TAIWAN	1	1	
CHINA	8	9	
JAPAN	6	5	
Information Technology	U.S.A.	1	1
	SINGAPORE	1	1
	THAILAND	2	2
	PHILIPPINES	2	2
	VIETNAM	4	4
	MALAYSIA	1	1
	LAOS	1	1
	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	6	5
JAPAN	1	—	

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2019	As at 31 March 2020
Other	U.S.A.	3	3
	UNITED KINGDOM	1	1
	AUSTRALIA	1	1
	NETHERLANDS	4	4
	SINGAPORE	1	1
	SWEDEN	1	1
	SPAIN	1	1
	GERMANY	1	1
	FRANCE	1	1
	SOUTH KOREA	1	1
	JAPAN	2	2

Reportable Segment	Location	Number of non-wholly-owned subsidiaries	
		As at 31 March 2019	As at 31 March 2020
Life Care	IRELAND	1	1
	U.S.A.	1	1
	UNITED KINGDOM	1	1
	NETHERLANDS	1	1
	SINGAPORE	—	1
	GERMANY	2	2
	FRANCE	2	2
	VIETNAM	1	1
	BELGIUM	1	1
	CHINA	4	3
	JAPAN	2	2
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 2019	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2020
WASSENBURG MEDICAL B.V. and six other companies	NETHERLANDS and other countries	49.0%	49.0%	4	(56)	(512)	2,968	2,790	25,638
SEIKO OPTICAL PRODUCTS CO., LTD. and four other companies	JAPAN and other countries	50.0%	50.0%	(71)	173	1,594	914	1,023	9,397
Individually immaterial subsidiaries with non-controlling interests							670	(19,590)	(180,003)
Total							4,552	(15,777)	(144,968)

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 2019	(Millions of Yen) As at / for the year ended 31 March 2020	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2020
WASSENBURG MEDICAL B.V. and six other companies			
Non-current assets	3,014	3,305	30,366
Current assets	4,871	4,511	41,453
Non-current liabilities	(340)	(499)	(4,586)
Current liabilities	(1,488)	(1,623)	(14,912)
Equity attributable to owner of the Company	3,089	2,904	26,683
Non-controlling interests	2,968	2,790	25,637
Revenue	6,638	6,505	59,768
Expenses	(6,630)	(6,618)	(60,812)
Profit/(loss) for the year	8	(114)	1,044
Other comprehensive income/(loss)	(279)	(250)	(2,295)
Comprehensive income/(loss)	(271)	(363)	(3,339)
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	(180)	727	6,680
Net cash flow from investing activities	(133)	(161)	(1,484)
Net cash flow from financing activities	(7)	(208)	(1,915)
Net cash flow	(321)	357	3,281

	(Millions of Yen) As at / for the year ended 31 March 2019	(Millions of Yen) As at / for the year ended 31 March 2020	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2020
SEIKO OPTICAL PRODUCTS CO., LTD. and four other companies			
Non-current assets	923	1,042	9,574
Current assets	12,419	9,262	85,108
Non-current liabilities	(78)	(219)	(2,015)
Current liabilities	(11,108)	(7,826)	(71,911)
Equity attributable to owner of the Company	1,078	1,129	10,378
Non-controlling interests	1,078	1,129	10,378
Revenue	31,454	29,488	270,951
Expenses	(31,555)	(29,256)	(268,818)
Profit/(loss) for the year	(102)	232	2,132
Other comprehensive income/(loss)	11	(129)	(1,189)
Comprehensive income/(loss)	(90)	103	944
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	804	739	6,789
Net cash flow from investing activities	(40)	(42)	(382)
Net cash flow from financing activities	31	(2,175)	(19,989)
Net cash flow	795	(1,478)	(13,581)

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 2019	As at 31 March 2020
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%	100.0%
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%	100.0%
VISION EASE LENS (THAILAND) CO., LTD	Life Care	Health Care related products	THAILAND	100.0%	100.0%
PT.VISION-EASE ASIA	Life Care	Health Care related products	INDONESIA	100.0%	100.0%
PERFORMANCE OPTICS KOREA, LTD.	Life Care	Health Care related products	SOUTH KOREA	100.0%	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 FRANCE S.A.S.	Life Care	Health Care related products	FRANCE	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	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 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%
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%
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	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 2019	As at 31 March 2020
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%
PENTAX MEDICAL (PENANG) SDN. BHD.	Life Care	Medical related products	MALAYSIA	100.0%	100.0%
HOYA SURGICAL OPTICS, INC.	Life Care	Medical related products	U.S.A.	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 2019	As at 31 March 2020
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 has transactions with related parties as follows:

As at/for the year ended 31 March 2019:

	Name of affiliates	Nature of related party transactions	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)
Affiliates	AvanStrate, Inc.	Incorporation of deferred interests receivable into principal (Note)	201	8,248
		Interest received	214	56

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.

As at/for the year ended 31 March 2020:

	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 (Note)	206	8,454	1,896	77,685
		Interest received	237	36	2,175	327

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 2019	For the year ended 31 March 2020	For the year ended 31 March 2020
Short-term benefits	520	402	3,692
Share-based payments	98	128	1,173
Total remuneration of key management personnel	618	530	4,864

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 information of business combinations is omitted due to lack of materiality for HOYA CORPORATION and its subsidiaries.

32. Contingent liabilities

There are no significant contingent liabilities for HOYA CORPORATION and its subsidiaries.

33. Commitments for expenditure

Payment commitments after the reporting date are as follows:

(This note has been revised from the previous reporting. Both tables before and after the revision are presented for clarification.)

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020 as Restated	As at 31 March 2020 as Restated
Commitments for the acquisition of property, plant and equipment and intangible assets	23,378	28,111	258,298

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2019	As at 31 March 2020 as Previously Reported	As at 31 March 2020 as Previously Reported
Commitments for the acquisition of property, plant and equipment and intangible assets	23,378	<u>24,485</u>	<u>224,981</u>

34. Subsequent events

Share Repurchase

The Board of Directors made a resolution to cancel certain shares held as the Company's treasury shares on 8 May 2020 pursuant to Article 178 of the Companies Act.

1. Reason for cancellation of treasury shares

The Company decided cancellation of treasury shares with the aim of increasing capital efficiency as well as enhancing shareholder benefit by decreasing the total number of outstanding shares. The Company cancelled the shares repurchased under its repurchase plan approved by resolution of the board of directors on 29 October 2019.

2. Outline of cancellation

- (1) Class of shares: Common stock
- (2) Number of shares to be cancelled: 2,470,100 shares
(0.66% of total shares outstanding, excluding treasury shares)
- (3) Date of cancellation: 20 May 2020

(Reference)

Total number of issued and outstanding shares after the cancellation: 375,881,120 shares

Resolution on cash dividends

On 20 May 2020, 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 2020 of 16,875 million yen (155,058 thousand U.S. dollars) (45 yen per common share).

35. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2020, were approved by Mr. Ryo Hirooka, the chief financial officer of the Group on 23 June 2020.