

Terumo Corporation
IFRS Financial Results for the Fiscal Year Ended
March 31, 2020

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Exchange where listed: TSE

Name of listed company : TERUMO CORPORATION
(URL: <https://www.terumo.com/>)
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1. Consolidated Financial Highlights for the Fiscal Year Ended March 2020 (From April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

(Notes: The amounts shown below ignore values of less than a million yen)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit for the year attributable to the owners of the parent		Total comprehensive income for the year	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal Year ended March, 2020	628,897	4.9	110,611	3.7	106,466	3.7	85,037	7.3	85,211	7.2	59,246	(40.1)
Fiscal Year ended March, 2019	599,481	2.0	106,637	(1.8)	102,709	(3.7)	79,287	(13.1)	79,470	(13.0)	98,914	46.2

	Basic Earnings per share	Diluted Earnings per share	Returns on equity attributable to the owners of the parent	Profit before tax per total assets	Operating profit to revenue
	(Yen)	(Yen)	%	%	%
Fiscal Year ended March, 2020	113.96	112.61	11.7	9.0	17.6
Fiscal Year ended March, 2019	108.70	104.97	12.7	9.3	17.8

(Notes) Share of profit (loss) of investments accounted for using the equity method: March 2020: (445) million yen March 2019: (162) million yen

Adjusted operating profit: March 2020: 124,998 million yen March 2019: 122,128 million yen

Terumo Corporation (the "Company") conducted a two-for-one stock split for its common stock effectively on April 1, 2019. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent ratio	Equity attributable to the owners of the parent per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	%	(Yen)
As of March 31, 2020	1,241,355	754,883	754,813	60.8	1,003.36
As of March 31, 2019	1,120,790	698,113	698,034	62.3	939.60

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal Year ended March, 2020	117,479	(84,714)	14,010	166,898
Fiscal Year ended March, 2019	93,571	(74,792)	(67,540)	122,982

2. Dividends

	Cash dividends per share					Total dividends (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total			
Fiscal Year ended March, 2019	—	27.00	—	27.00	54.00	20,035	24.8	3.1
Fiscal Year ended March, 2020	—	14.00	—	14.00	28.00	21,010	24.6	2.9
Fiscal Year ending March, 2021 (forecast)	—	14.00	—	14.00	28.00	—	—	—

(Notes) The Company conducted a two-for-one stock split for its common stock effectively on April 1, 2019. For the fiscal year ended March 2019, the amounts of dividends before the stock split are recorded.

For the dividends in the fiscal year ended March 2020, the second quarter and year-ended dividends in the fiscal year ending March 2021 (forecast), the amounts of dividends are recorded in consideration of the effects after the stock split.

3. Consolidated Forecast for the Fiscal Year Ending March, 2021 (From April 1, 2020 to March 31, 2021)

As it is difficult to reasonably calculate the impact of the spread of COVID-19, the consolidated financial forecast of financial results for the Fiscal Year Ending March 2021 has yet to be determined at present. The forecast will be announced promptly as soon as it is possible to disclose reasonable forecast.

Among the information that Terumo discloses, forecasts of financial performance on future projections contain potential risks and uncertainty since these are forecasts on projections made by Terumo based on limited information available at the moment of disclosure. Accordingly, it should be noted that actual results may differ from those forecasts on projections due to various factors. Factors affecting to actual results include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuations of foreign exchange rates, and state of competition.

4. Consolidated Financial Statements

① Consolidated Statements of Financial Position

(Unit: Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	122,982	166,898
Trade and other receivables	128,462	131,728
Other current financial assets	1,744	397
Inventories	134,106	147,147
Current tax assets	—	1,745
Other current assets	11,426	12,689
Total current assets	398,722	460,607
Non-current assets		
Property, plant and equipment	201,986	264,407
Goodwill and intangible assets	468,885	461,506
Investments accounted for using the equity method	5,571	5,275
Other non-current financial assets	17,131	17,733
Deferred tax assets	24,624	27,307
Other non-current assets	3,868	4,517
Total non-current assets	722,068	780,748
Total assets	1,120,790	1,241,355

(Unit: Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	81,476	88,044
Bonds and borrowings	—	50,324
Other current financial liabilities	741	6,144
Current tax liabilities	10,199	11,681
Provisions	236	395
Other current liabilities	50,258	55,256
Total current liabilities	142,912	211,845
Non-current liabilities		
Bonds and borrowings	225,135	195,870
Other non-current financial liabilities	6,607	31,802
Deferred tax liabilities	24,302	20,360
Defined benefit liabilities	12,823	18,456
Provisions	88	92
Other non-current liabilities	10,807	8,043
Total non-current liabilities	279,764	274,626
Total liabilities	422,677	486,472
Equity		
Share capital	38,716	38,716
Capital surplus	52,029	51,858
Treasury stock	(32,381)	(14,103)
Retained earnings	646,223	705,765
Other components of equity	(6,553)	(27,423)
Total equity attributable to the owners of the parent	698,034	754,813
Non-controlling interests	78	69
Total equity	698,113	754,883
Total liabilities and equity	1,120,790	1,241,355

② Consolidated Statements of Profit or Loss

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Revenue	599,481	628,897
Cost of sales	272,984	284,964
Gross profit	326,497	343,932
Selling, general and administrative expenses	226,334	235,144
Other income	9,801	4,737
Other expenses	3,327	2,914
Operating profit	106,637	110,611
Finance income	2,111	1,671
Finance costs	5,876	5,371
Share of profit (loss) of investments accounted for using the equity method	(162)	(445)
Profit before tax	102,709	106,466
Income tax expenses	23,422	21,428
Profit for the period	79,287	85,037
Attributable to:		
Owners of the parent	79,470	85,211
Non-controlling interests	(183)	(173)
Total profit for the period	79,287	85,037
Earnings per share		
Basic earnings per share (yen)	108.70	113.96
Diluted earnings per share (yen)	104.97	112.61

③ Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit for the period	79,287	85,037
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	844	(1,181)
Remeasurement of defined benefit plan	(1,766)	(4,499)
Total items that will not be reclassified to profit or loss	(921)	(5,681)
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	20,895	(19,813)
Cash flow hedges	(353)	204
Cost of hedging	8	(500)
Total items that are or may be reclassified subsequently to profit or loss	20,549	(20,109)
Other comprehensive income/(loss) for the period	19,627	(25,790)
Total comprehensive income for the period	98,914	59,246
Attributable to		
Owners of the parent	99,100	59,415
Non-controlling interests	(185)	(169)
Total comprehensive income for the period	98,914	59,246

(Note) Items in the above statement are net of tax.

④ Consolidated Statements of Changes in Equity

(Unit: Millions of yen)

	Equity attributable to the owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total		
Balance at April 1, 2018	38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435
Change of the accounting principles	—	—	—	54	—	54	—	54
Balance after the adjustment	38,716	52,445	(101,546)	588,986	(28,240)	550,361	128	550,490
Profit for the period	—	—	—	79,470	—	79,470	(183)	79,287
Other comprehensive income	—	—	—	—	19,630	19,630	(2)	19,627
Total comprehensive income	—	—	—	79,470	19,630	99,100	(185)	98,914
Acquisition of treasury shares	—	—	(9)	—	—	(9)	—	(9)
Disposal of treasury shares	—	—	155	(47)	(107)	0	—	0
Dividends	—	—	—	(19,555)	—	(19,555)	—	(19,555)
Transfer from other components of equity to retained earnings	—	—	—	(1,949)	1,949	—	—	—
Change in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	215	215	—	215
Conversion of convertible bonds	—	(415)	69,018	(681)	—	67,921	—	67,921
Total transactions with the owners of the Company	—	(415)	69,164	(22,233)	2,057	48,572	135	48,708
Balance at March 31, 2019	38,716	52,029	(32,381)	646,223	(6,553)	698,034	78	698,113

(Unit: Millions of yen)

	Equity attributable to the owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total		
Balance at April 1, 2019	38,716	52,029	(32,381)	646,223	(6,553)	698,034	78	698,113
Profit for the period	—	—	—	85,211	—	85,211	(173)	85,037
Other comprehensive income	—	—	—	—	(25,795)	(25,795)	4	(25,790)
Total comprehensive income	—	—	—	85,211	(25,795)	59,415	(169)	59,246
Acquisition of treasury shares	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury shares	—	—	89	(21)	(67)	0	—	0
Dividends	—	—	—	(20,507)	—	(20,507)	—	(20,507)
Transfer from other components of equity to retained earnings	—	—	—	(4,950)	4,950	—	—	—
Change in shares of subsidiaries due to capital increase	—	—	—	—	—	—	159	159
Share-based payments	—	(50)	120	82	41	194	—	194
Conversion of convertible bonds	—	(120)	18,072	(272)	—	17,679	—	17,679
Total transactions with the owners of the Company	—	(170)	18,278	(25,668)	4,924	(2,636)	159	(2,476)
Balance at March 31, 2020	38,716	51,858	(14,103)	705,765	(27,423)	754,813	69	754,883

⑤ Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	102,709	106,466
Depreciation and amortization	44,035	52,358
Share of the loss/(gain) of investments accounted for using the equity method	162	445
(Decrease) /increase in retirement benefit liabilities	293	(695)
Interest and dividend income	(1,507)	(1,019)
Interest expenses	2,051	1,828
Foreign exchange (gain)/loss	(455)	262
(Gain)/Loss on disposal of property, plant and equipment	(489)	114
(Increase)/decrease in trade and other receivables	(5,935)	(7,318)
(Increase)/decrease in inventories	(20,144)	(17,284)
Increase/(decrease) in trade and other payables	6,682	3,442
Others	(4,155)	3,396
Sub-total	123,249	141,995
Interest and dividend income received	1,687	1,215
Interest expenses paid	(1,116)	(956)
Income taxes paid	(30,249)	(24,774)
Net cash provided by operating activities	93,571	117,479
Cash flow from investing activities		
Payments for purchase of time deposits	(1,373)	(154)
Proceeds from withdrawal of time deposits	17	1,313
Payments for purchase of property, plant and equipment	(39,326)	(62,316)
Proceeds from sale of property, plant and equipment	1,887	23
Payments for purchase of intangible assets	(15,038)	(21,168)
Payments for purchase of financial instruments	(1,200)	(1,512)
Proceeds from sale of financial instruments	524	2
Payment for acquisition of shares of subsidiaries	(20,283)	(902)
Net cash used in investing activities	(74,792)	(84,714)
Cash flow from financing activities		
Proceeds from short-term borrowings	—	40,000
Repayment of long-term borrowings	(47,764)	—
Proceeds from non-control interests	135	159
Repayments of lease liabilities	(346)	(5,638)
Payments for repurchase of treasury stock	(9)	(3)
Payments for dividends	(19,555)	(20,507)
Net cash provided by financing activities	(67,540)	14,010
Effect of exchange rate changes on cash and cash equivalents	3,912	(2,859)
Net increase/(decrease) in cash and cash equivalents	(44,849)	43,916
Cash and cash equivalents at the beginning of the year	167,832	122,982
Cash and cash equivalents at the end of the year	122,982	166,898

5. Business Combination

For the fiscal year ended March 31, 2019

Business combinations by acquisition

Acquisition of stock of Essen Technology (Beijing) Co., Ltd., a China-based company, which became a subsidiary of the Company

(1) Overview of the business combination

① Name of the acquired company and its business

Name of the acquired company: Essen Technology (Beijing) Co., Ltd.

Business: Development, manufacture, and sale of drug-eluting stents (DES)

② Main objectives for the business combination

Interventional systems market in China is predicted to increase by over 10% annually and is expected to become the biggest market in a few years.

The Group has grown rapidly in China selling interventional products, such as guidewires and balloon catheters. However, it has not yet offered coronary stents in that market.

As the entering the Chinese market, where the importance of domestic products is increasing, with a domestically manufactured DES helps Terumo to expand its interventional systems business, the Group acquired Essen Technology Co., Ltd..

③ Acquisition date

December 29, 2018

④ Legal form of the acquisition

Stock acquisition with cash as consideration

⑤ Percentage of voting rights acquired 100%

(2) Amounts and breakdown of consideration for the acquisition

	(Unit: Millions of yen)
Cash and cash equivalents	12,936
Accounts payable-other	1,420
Contingent consideration	499
Total	<u>14,855</u>

(Note 1) Contingent consideration is included in the contract. Contingent consideration may be charged for the related future payment up to RMB310(undiscounted) million as ceiling based on specific performance indicators of acquiree. Contingent consideration has been categorized as level 3 of the fair value hierarchy.

(Note 2) Acquisition costs related to the business combination amounting to ¥ 458 million are recognized as an expense in "Selling, general and administrative expenses".

(3) Fair value of assets acquired, liabilities assumed and consideration on the acquisition date

(Unit: Millions of yen)

Fair value of consideration for the acquisition	14,855
Current assets	
Cash and cash equivalents	1,807
Trade and other receivables	350
Inventories	448
Other current assets	49
Non-current assets	
Property, plant and equipment	257
Intangible assets	4,523
Other non-current assets	573
Current liabilities	(217)
Non-current liabilities	(634)
Fair value of acquired assets and liabilities	7,157
Goodwill	7,698

(Note 1) Consideration for the acquisition was allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. As adjustment of the consideration for acquisition and allocation of the consideration for acquisition based on fair values of identifiable assets and liabilities had not been completed, the above amounts were provisional as of March 31, 2019. However, in this fiscal year, the above provisional accounting has been completed. Therefore, assets and liabilities on the the acquisition date are revised based on the allocation of the consideration for acquisition. The nature of major revisions is an increase in intangible assets of ¥ 4,226 million, an increase in non-current liabilities of ¥ 634 million and a decrease in goodwill of ¥ 3,384 million.

(Note 2) Fair value of acquired receivables, contractual receivables and estimated uncollectible amount

As for the fair value of ¥350 million of the acquired trade and other receivables, the total amount of contracts is ¥413 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥63 million.

(Note 3) Goodwill

Goodwill arises from the expected additional earning power in the future due to business development. Goodwill recognized is not expected to be deductible for tax purposes.

(Note 4) Intangible assets, included in non-current assets, comprise of technologies of ¥2,941 million and trademark of ¥1,575 million. Technologies are amortized on a straight-line basis over 10 years. As the trademark is continuously used in future and the renewal of trademark is simple and convenient, the trademark is not amortized as intangible assets with indefinite useful life.

(4) Cash flow information

Payment for acquisition of shares is as follows:

	(Unit: Millions of yen)
	Payment for acquisition of shares
Cash as consideration for acquisition	12,936
Cash and cash equivalents held by the acquiree at the acquisition of control	(1,807)
Foreign currency translation differences	89
Total	11,217

(5) Revenue and net profit of the acquired company

Disclosure is omitted because the impact on the Consolidated Statement of Profit or Loss for the fiscal year ended March 31, 2019 is insignificant.

(6) Impact on consolidated financial statements under the assumption that the business combination was completed at the beginning of the year (pro-forma information)

Disclosure is omitted because the impact is insignificant.

For the fiscal year ended March 31, 2020

There is no significant business combination for the fiscal year ended March 31, 2020.

6. Segment information

Reportable segment information

(1) Main products belonging to each reportable segment

Business segments	Sub-segments	Main products
Cardiac and Vascular Company	Interventional Systems (TIS)	Angiographic guidewires, Angiographic catheters, Introducer sheaths, Vascular closure devices, PTCA balloon catheters, Coronary stents, Self-expanding peripheral stents, IVUS, Imaging catheters, etc.
	Neurovascular	Coils and stents for treating cerebral aneurysm, Aspiration catheters and clot retrievers for treating ischemic stroke, etc.
	Cardiovascular	Oxygenators, Cardio-pulmonary bypass system, etc.
	Vascular Graft	Artificial vascular grafts, Stent grafts
General Hospital Company	Hospital Systems	Infusion pumps, Syringe pumps, Solution sets, Syringes, I.V. solutions, Pain management products, Nutritious food, Adhesion barriers, Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, etc.
	Alliance	Contract manufacturing of prefilled syringes, Devices to pharmaceutical companies for use in drug kits (Prefillable syringes, Needles for pharmaceutical packaging business) , etc.
Blood and Cell Technologies Company	-	Blood bags, Automated blood collection system, Automated blood component processing system, Pathogen reduction technology, Automated, centrifugal apheresis system, Cell expansion system, etc.

(2) Revenue and operating results of the reportable segments of the Group are described below.

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note)	Amount recorded on consolidated financial statements
	Cardiac and Vascular Company	General Hospital Company	Blood and Cell Technologies Company	Total		
Revenue						
Revenue from sales to external customers	328,500	165,766	104,984	599,251	230	599,481
Segment Profit (Adjusted operating profit)	80,913	26,829	15,673	123,417	(1,288)	122,128
(Adjustment item)						
Amortization of intangible assets acquired through business combinations	(6,642)	—	(8,376)	(15,018)	384	(14,633)
Non-recurring profit or loss						(857)
Operating profit						106,637
Finance income						2,111
Finance costs						(5,876)
Share of profit/(loss) of investment accounted for using the equity method						(162)
Pre-tax profit						102,709
Other items						
Depreciation and amortization	20,206	9,711	13,479	43,398	636	44,035
Net increase of tangible and intangible noncurrent assets	35,018	12,325	7,422	54,767	6,078	60,845

(Note) 1. Amounts in ‘Adjustments’ are as follows:

- (1) ¥230 million adjustment to revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.
- (2) ¥(1,288) million adjustment to segment profit consists of ¥(1,238) million for “inventories” and ¥(49) million for “others”.
2. ¥(857) million for Non-recurring profit or loss mainly includes ¥1,567 million for insurance revenue about hurricane in Puerto Rico and ¥(2,040) million for the change in fair value of contingent consideration.
3. Amortization expenses of acquired intangible assets in business combinations are included in “Depreciation and amortization”.

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note)	Amount recorded on consolidated financial statements
	Cardiac and Vascular Company	General Hospital Company	Blood and Cell Technologies Company	Total		
Revenue						
Revenue from sales to external customers	350,550	170,963	107,156	628,670	226	628,897
Segment Profit (Adjusted operating profit) (Adjustment item)	86,855	25,248	15,053	127,157	(2,158)	124,998
Amortization of intangible assets acquired through business combinations	(6,908)	—	(8,208)	(15,117)	(549)	(15,667)
Non-recurring profit or loss						1,280
Operating profit						110,611
Finance income						1,671
Finance costs						(5,371)
Share of profit/(loss) of investment accounted for using the equity method						(445)
Pre-tax profit						106,466
Other items						
Depreciation and amortization	25,222	12,250	14,541	52,014	344	52,358
Net increase of tangible and intangible noncurrent assets	47,813	14,343	22,205	84,362	5,147	89,510

(Note) 1. Amounts in ‘Adjustments’ are as follows:

- (1) ¥226 million adjustment to revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.
- (2) ¥ (2,158) million adjustment to segment profit consists of ¥ (173) million for “inventories” and ¥ (1,929) million for preparation expenses to comply with Medical Device Regulation in EU.
2. ¥ 1,280 million Non-recurring profit or loss mainly includes ¥ 1,181 million insurance revenue about hurricane in Puerto Rico in the fiscal year ended March 31, 2018 , ¥ (1,514) million for business reorganization expenses and ¥2,239 million for the change in fair value of contingent consideration.
3. Amortization expenses of acquired intangible assets in business combinations are included in “Depreciation and amortization”.

(3) Changes in name of reportable segment

The segment which was previously stated as “Blood Management Company” has been changed to “Blood and Cell Technologies Company” from the fiscal year ended March 31, 2020. This change in name does not affect the segment information.

The name of reportable segment for the fiscal year ended March 31, 2019 has also been stated as “Blood and Cell Technologies Company”.

〈Material subsequent events〉

There are no significant subsequent events as of March 31, 2020.