Terumo Corporation
Consolidated Financial Statements
For the Year Ended March 31, 2018

KPMG

<u>**Independent Auditor's Report**</u>

To the Board of Directors of Terumo Corporation:

We have audited the accompanying consolidated financial statements of Terumo Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Terumo Corporation and its consolidated subsidiaries as at March 31, 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

June 25, 2018
Tokyo, Japan

Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Notes	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Assets				
Current assets				
Cash and cash equivalents	6	146,927	105,046	167,832
Trade and other receivables	7	105,270	111,090	121,402
Other current financial assets	8, 29, 30	3,149	625	659
Inventories	9	95,280	106,046	112,064
Current tax assets		2,106	750	530
Other current assets	10	5,819	7,375	8,421
Total current assets		358,553	330,934	410,912
Non-current assets				
Property, plant and equipment	11	165,554	172,644	179,196
Goodwill and intangible assets	12	294,767	471,616	442,660
Investments accounted for using the equity method		5,955	5,717	5,710
Other non-current financial assets	8, 29, 30	41,154	13,651	13,815
Deferred tax assets	16	19,788	24,019	23,356
Other non-current assets	10	3,716	3,679	3,328
Total non-current assets		530,938	691,328	668,068
Total assets		889,491	1,022,262	1,078,981

(Unit: Millions of yen)

	Notes	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade and other payables	13	55,485	61,152	67,515
Bonds and borrowings	14, 29, 30	59,901	127,853	47,436
Other current financial liabilities	15, 29, 30	444	370	407
Current tax liabilities		11,341	11,115	15,970
Provisions		115	212	198
Other current liabilities	17	43,884	49,433	47,483
Total current liabilities		171,172	250,137	179,013
Non-current liabilities				
Bonds and borrowings	14, 29, 30	157,172	210,335	288,776
Other non-current financial liabilities	15, 29, 30	1,455	10,724	15,452
Deferred tax liabilities	16	39,549	40,093	24,124
Defined benefit liabilities	18	10,256	8,650	10,063
Provisions		230	84	82
Other non-current liabilities	17	9,323	10,712	11,032
Total non-current liabilities		217,987	280,602	349,532
Total liabilities		389,160	530,739	528,545
Equity				
Share capital	19	38,716	38,716	38,716
Capital surplus	19	52,478	52,478	52,445
Treasury shares	19	(64,040)	(108,225)	(101,546)
Retained earnings	19	459,264	513,578	588,932
Other components of equity	19	13,803	(5,126)	(28,240)
Total equity attributable to owners of the parent		500,221	491,421	550,307
Non-controlling interests		109	101	128
Total equity		500,331	491,522	550,435
Total liabilities and equity		889,491	1,022,262	1,078,981

The accompanying notes are an integral part of these consolidated financial statements.

2) Consolidated Statement of Profit or Loss

（Unit: Millions of yen）

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2018
Revenue	5, 22	514,164	587,775
Cost of sales		240,329	268,442
Gross profit		273,835	319,333
Selling, general and administrative expenses	23	183,288	212,363
Other income	25	2,789	4,764
Other expenses	25	5,559	3,180
Operating profit		87,777	108,552
Finance income	26	709	1,089
Finance costs	26	13,228	2,792
Share of profit (loss) of investments accounted for using the equity method		(377)	(218)
Profit before tax		74,881	106,630
Income tax expenses	16	19,989	15,429
Profit for the year		54,891	91,201
Attributable to:			
Owners of the parent		55,003	91,295
Non-controlling interests		(111)	(94)
Total profit for the year		54,891	91,201
Earnings per share			
Basic earnings per share (yen)	28	152.31	259.12
Diluted earnings per share (yen)	28	142.75	242.06

The accompanying notes are an integral part of these consolidated financial statements.

3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit for the year		54,891	91,201
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	27	(1,412)	298
Remeasurements of defined benefit plans	27	2,969	(46)
Total items that will not be reclassified to profit or loss		1,556	252
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	27	(6,321)	(24,395)
Cash flow hedges	27	(479)	2
Cost of hedging	27	33	607
Share of other comprehensive income(loss) of investments accounted for using the equity method	27	(0)	(1)
Total items that are or may reclassified subsequently to profit or loss		(6,768)	(23,787)
Other comprehensive income(loss) for the year		(5,211)	(23,534)
Total comprehensive income for the year		49,680	67,666
Attributable to			
Owners of the parent		49,798	67,774
Non-controlling interests		(118)	(108)
Total comprehensive income for the year		49,680	67,666

(Note) Items in the above statement are net of tax.
Details of the tax effect in relation to other comprehensive income are set out in Note 27 "Other comprehensive income".

The accompanying notes are an integral part of these consolidated financial statements.

4) Consolidated Statement of Changes in Equity

(Unit: Millions of yen)

	Notes	Equity attributable to owners of the parent							
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total
Balance at April 1, 2016		38,716	52,478	(64,040)	459,264	13,803	500,221	109	500,331
Profit for the year		–	–	–	55,003	–	55,003	(111)	54,891
Other comprehensive income		–	–	–	–	(5,205)	(5,205)	(6)	(5,211)
Total comprehensive income		–	–	–	55,003	(5,205)	49,798	(118)	49,680
Acquisition of treasury shares		–	–	(44,227)	–	–	(44,227)	–	(44,227)
Disposal of treasury shares		–	–	41	(18)	(22)	0	–	0
Dividends	20	–	–	–	(14,518)	–	(14,518)	–	(14,518)
Transfer from other components of equity to retained earnings		–	–	–	13,848	(13,848)	–	–	–
Changes in shares of subsidiaries due to capital increase		–	–	–	–	–	–	110	110
Share-based payments	21	–	–	–	–	147	147	–	147
Total transactions with owners of the parent		–	–	(44,185)	(689)	(13,724)	(58,599)	110	(58,488)
Balance at March 31, 2017		38,716	52,478	(108,225)	513,578	(5,126)	491,421	101	491,522
Profit for the year		–	–	–	91,295	–	91,295	(94)	91,201
Other comprehensive income		–	–	–	–	(23,520)	(23,520)	(14)	(23,534)
Total comprehensive income		–	–	–	91,295	(23,520)	67,774	(108)	67,666
Acquisition of treasury shares		–	–	(6)	–	–	(6)	–	(6)
Disposal of treasury shares		–	–	109	(19)	(90)	0	–	0
Dividends	20	–	–	–	(15,839)	–	(15,839)	–	(15,839)
Transfer from other components of equity to retained earnings		–	–	–	(50)	50	–	–	–
Changes in shares of subsidiaries due to capital increase		–	–	–	–	–	–	135	135
Share-based payments	21	–	–	–	–	447	447	–	447
Conversion of convertible bonds		–	(33)	6,576	(33)	–	6,509	–	6,509
Total transaction with owners of the parent		–	(33)	6,679	(15,942)	406	(8,889)	135	(8,753)
Balance at March 31, 2018		38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435

The accompanying notes are an integral part of these consolidated financial statements.

5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from operating activities			
Profit before tax		74,881	106,630
Depreciation and amortization		34,471	42,035
Share of loss of investments accounted for using the equity method		377	218
Increase in defined benefit liabilities		2,876	2,204
Interest and dividend income		(701)	(855)
Interest expenses		1,709	1,805
Foreign exchange loss, net		2,881	616
Loss on disposal of property, plant and equipment		1,293	557
Loss on valuation of financial instruments		6,984	—
Increase in trade and other receivables		(4,718)	(9,256)
Increase in inventories		(4,182)	(7,537)
Increase in trade and other payables		886	3,991
Others		(7,875)	(1,639)
Sub-total		108,883	138,770
Interest and dividend income received		842	1,039
Interest expenses paid		(1,318)	(1,129)
Income taxes paid		(25,518)	(24,118)
Net cash provided by operating activities		82,888	114,562
Cash flow from investing activities			
Payments for purchase of time deposits		(298)	(25)
Proceeds from withdrawal of time deposits		2,443	—
Payments for purchase of property, plant and equipment		(29,838)	(31,866)
Proceeds from sale of property, plant and equipment		1,315	32
Payments for purchase of intangible assets		(8,763)	(9,456)
Payments for purchase of investment securities		(1,243)	(572)
Proceeds from sale of investment securities		21,440	—
Payments for acquisition of business		(119,191)	(2,217)
Payment for acquisition of shares of subsidiaries		(49,380)	—
Others		(0)	—
Net cash used in investing activities		(183,517)	(44,105)
Cash flow from financing activities			
Proceeds from short-term borrowings	14	120,000	—
Repayments of short-term borrowings	14	(58)	(120,000)
Proceeds from long-term borrowings	14	29,640	119,638
Repayments of long-term borrowings	14	(19,460)	(7,759)
Proceeds from issue of corporate bonds	14	29,888	19,931
Payments for redemption of corporate bonds	14	(40,000)	—
Proceeds from non-controlling interests		110	135
Finance lease payments	14	(379)	(232)
Payments for purchase of treasury shares		(44,227)	(6)
Payments for dividends		(14,518)	(15,839)
Net cash provided by (used in) financing activities		60,993	(4,132)
Effect of exchange rate changes on cash and cash equivalents		(2,246)	(3,538)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2018
			(Unit: Millions of yen)
Net (decrease)increase in cash and cash equivalents		(41,880)	62,786
Cash and cash equivalents at the beginning of the year		146,927	105,046
Cash and cash equivalents at the end of the year		105,046	167,832

The accompanying notes are an integral part of these consolidated financial statements.

6) Notes to Consolidated Financial Statements

1. Reporting entity

Terumo Corporation (the “Company”) is a company located in Japan. The address of the Company’s registered office and main offices are available on the Company’s website (URL http://www.terumo.com/).

These consolidated financial statements for the year ended March 31, 2018 comprise of the Company and its subsidiaries (the “Group”). The Group is primarily involved in the manufacture and sales of medical products and equipment (see Note 5 “Segment information”).

2. Basis of preparation

(1) Compliance with IFRS and first-time adoption

As the Company has met the requirements for a “Specified Company Applying Designated International Financial Reporting Standards” prescribed in Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” issued by the Ministry of Finance in Japan (Ministry of Finance Ordinance No. 28 of 1976), the Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as prescribed in Article 93 of the said ordinance.

The Group has adopted IFRS from the year ended March 31, 2018. The consolidated financial statements for the year ended March 31, 2018 are the first consolidated financial statements prepared in accordance with IFRS. The date of transition (the “transition date”) is April 1, 2016. The effects of the transition to IFRS on the Group’s financial positions, result of operations, and cash flows at the transition date and in the comparative period are presented in Note 36 “First-time adoption of IFRS”.

The Group’s accounting policies comply with IFRS which are effective as of March 31, 2018, except for those standards that have not been early adopted, or exceptions and exemption provisions applied under IFRS 1 First-time adoption of International Financial Reporting Standards (“IFRS 1”).

The consolidated financial statements were approved for publication by Shinjiro Sato, President and CEO, on June 22, 2018.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value and the assets and liabilities recognized for defined benefit plans, as presented in Note 3 “Significant accounting policies”.

(3) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen (the “functional currency”), which is the currency of the primary economic environment in which the Company operates. All financial information is rounded down to the nearest million yen.

(4) Use of accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on management’s best judgement, through their evaluation of various factors that were considered reasonable at the end of period, based on historical experience and available information. However, actual results may differ from those estimates and assumptions due to their nature. Estimates and underlying assumptions are reviewed on an ongoing basis. Any changes to estimates are recognized in the period in which the estimate is revised.

The below are the judgements made by management, that have significant influence on the carrying amounts in the consolidated financial statements, and the estimates and underlying assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in subsequent reporting periods.

① Evaluation of inventories

Inventories are measured at historical costs. However, when the net realizable value at the reporting date falls below the cost, inventories are subsequently measured based on net realizable value (“NRV”). In principle, the differences between the cost and NRV are recognized as cost of sales. The net realizable value of slow-moving inventories that cannot be consumed or sold in the normal operating cycle is calculated based on information reflecting future demand and market trends. The Group may recognuize substantial losses, in cases where the NRV decreases, because of a deterioration in the market environment against that forecast.

② Estimation of useful lives and residual values of property, plant and equipment and intangible assets

Property, plant and equipment are depreciated based on the estimated useful lives over which the asset's future economic benefits are expected to flow to the Group. If an item of property, plant and equipment becomes obsolete in the future or is redesignated for other uses, the depreciation expenses for the period may increase due to the shortening of the estimated useful life of the item.

Details of the estimates of useful lives of property, plant and equipment are described in Note 3 "Significant accounting policies - (7) Property, plant and equipment". The residual values of property, plant and equipment are set at zero or at a memorandum value, except for items for which the selling prices (after deducting costs to sell) at the end of useful lives can be estimated.

Intangible assets with finite useful lives are amortized based on the useful lives over which the asset's future economic benefits are expected to flow to the Group. There is a risk of changes in the useful lives of intangible assets due to external factors, such as changes in business environment, which would cause an increase in amortization costs. Details of the estimates of useful lives of intangible assets are described in Note 3 "Significant accounting policies - (8) Goodwill and intangible assets".

③ Estimation of recoverable amounts for impairment testing

The Group conducts an impairment test on non-financial assets, except for inventories and deferred tax assets, if an indication of impairment exists. However, goodwill and intangible assets with infinite useful lives, and intangible assets not yet available for use are tested for impairment annually and whenever there is any indication of impairment. Factors that would trigger an impairment test include significant deterioration in past performance or expected operating results, significant changes in the usage of acquired assets, changes in the overall strategy, and significant decline in industry and economic trends.

Goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units which are determined based on business type. An impairment test is conducted at least annually and when an indication of impairment exists.

Determining the recoverable amounts used in impairment tests requires the estimation of assets' useful lives, future cash flows, discount rates reflecting the inherent risks of the assets, and long-term growth rates, which are determined based on the management's best estimates and judgements. These estimates may be affected by the uncertainty over future economic conditions. Where it is necessary to make changes in the estimates, it may result in significant impacts on the consolidated financial statements in future reporting periods.

Details of the calculation of the recoverable amounts used in the impairment tests are described in Note 3 "Significant accounting policy (10) Impairment of non-financial assets".

④ Estimation of defined benefit obligations

The Group has in place various post retirement benefit plans, including defined benefits plans.

The present value of defined benefit liabilities for each plan and the service costs are calculated based on actuarial assumptions. Determining these actuarial assumptions requires estimates of variables such as discount rates and net interest, which are made based on management's best estimates and judgements. However, these estimates may be affected by the uncertain future economic conditions. Where it is necessary to make changes in the estimates, it may result in significant impacts on the consolidated financial statements.

⑤ Estimation of share-based payments

The Group has a share option scheme for incentive purposes. The estimation of share-based compensation expenses related to stock options granted to executive officers are measured at fair value, which is calculated using the Black-Scholes-Merton model ("Black-Sholes model"). The Black-Scholes model involves various assumptions that require sophisticated judgements, such as expected volatility at option grant date, expected remaining maturity of stock options, and fair value of shares on option grant date. The estimate of expected volatility is based on past actual volatility of reference companies that are listed and have similar business and scale. The estimate of the expected remaining period of stock options is based on the forecast of future stock price fluctuations and expected exercise patterns of option holders. Details of the share option scheme are described in Note 21 "Share-based payments".

⑥ Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which temporary deductible differences can be utilized. In respect of the recognition of deferred tax assets, the Company estimates the timing and amount of expected taxable profit based on the Company's business plan to determine whether it is probable that taxable profit will be available.

The timing and amounts of expected taxable profit may be affected by the uncertainty over future economic conditions. Where the actual timing and amounts of taxable profit differ from the estimates, the differences may have a material impact on the amounts of deferred tax assets recognized in the consolidated financial statements in subsequent reporting periods. Details of deferred tax assets are described in Note 16 "Income taxes".

⑦ Fair values of financial instruments

The Group uses valuation techniques utilizing inputs that are unobservable in the market when assessing the fair value of financial instruments. Unobservable inputs may be affected by the uncertainty over future economic conditions, which may have a material impact on the consolidated financial statements in the subsequent reporting periods. Details of valuation techniques and inputs used in determining fair values of financial instruments are described in Note 30 “Fair values of financial instruments”.

(5) Early application of standards and interpretations

There are no standards and interpretations newly applied from the year ended March 31, 2018. The Group has early adopted IFRS 9 “Financial instruments” (issued in November 2009 and amended in July 2014) from the transition date.

(6) New standards and interpretations not yet adopted

The standards and interpretations that were newly issued or amended by the date of approval of the consolidated financial statements but have not been early adopted by the Group as of March 31, 2018 are as follows.

Standard/Interpretation		Mandatory application (From periods beginning on or after)	To be adopted by the Group (reporting period ended)	Outline of the new standards, interpretations and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	IFRS 15 revises the accounting treatment and disclosure of revenue. Specifically, IFRS 15 requires an entity to recognize revenue in a way which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS 16	Leases	January 1, 2019	March 31, 2020	IFRS 16 revises the accounting and disclosure of leases. Specifically, IFRS 16 provides a single lessee accounting model, requiring lessees to recognize the right of use of an asset and the payment obligations in the statement of financial position, for all leases with a lease term greater than 12 months.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	March 31, 2019	IFRIC 22 clarifies the accounting treatment for transactions in a foreign currency including payment and receipt of advance consideration.
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	March 31, 2020	IFRIC 23 clarifies the accounting treatment for uncertain income tax positions stated in IAS 12.

The standards and interpretations will be adopted by the Group in consolidated financial statements at the time of application as shown above.

The effect of adopting the standards on the Group’s consolidated financial statements for the year ending March 31,

2019 is expected to be insignificant.
The Group is evaluating the effect of adopting the standards on the Group's consolidated financial statements for the year ending March 31, 2020 and thereafter but currently, the impact cannot be estimated.

3. Significant accounting policies

The significant accounting policies used in the preparation of the consolidated financial statements (including the consolidated statement of financial position on the transition date) are describe below. The Group has applied the accounting policies consistently in all the reporting periods presented in these consolidated financial statements.

(1) Basis of consolidation

① Subsidiaries

Subsidiaries are entities which are controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect its returns. The subsidiaries' financial statements are consolidated from the date when control is acquired until the date when control is lost.
In the event that the accounting policies applied by the subsidiaries are different from those adopted by the Group, the financial statements of those subsidiaries are adjusted to align with the Group's accounting policies.
All intergroup balances and transactions, and unrealized income and expenses arising from intergroup transactions, are eliminated when preparing the consolidated financial statements.
Total comprehensive income of subsidiaries is generally attributed to the owners of the parent and to the non-controlling interests, even if it results in a deficit of non-controlling interests.

② Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. It is presumed that significant influence over an investee exists when the Group holds 20% or more of the voting rights but no more than 50% of the voting rights of the investee.
Investments in associates and jointly controlled entities are recognized initially at cost, and subsequently accounted for using the equity method. The Group's investment includes goodwill identified on acquisition. This goodwill is not separately recognized, so it is not tested for impairment separately. Instead, the entire carrying amount of the investments in associates are tested for impairment. Specifically, the Group evaluates, on a quarterly basis, whether there is any objective evidence of impairment of investments. If there is any objective evidence that shows the investment may be impaired, an impairment test is carried out.
To maintain consistency with the policies adopted by the Group, the financial statements of affiliates are adjusted to comply the Group accounting policies as necessary.
When the Group's share of losses of an associate exceeds the Group's interest in that associate accounted for using the equity method, the Group reduces the balance of investment in associate to zero, and does not recognize any further losses except when the Group has legal or constructive obligations or makes payments on behalf of the associate.

(2) Business combination

The Group uses the acquisition method to account for business combinations. The acquisition consideration is calculated as the sum of the acquisition-date fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company in exchange for control over the acquiree. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration. In principle, the identifiable assets acquired, and liabilities and contingent liabilities assumed are measured at acquisition-date fair value.
Goodwill is recognized in the Consolidated Statement of financial position as of the acquisition date 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 Group's previously held equity interest in the acquiree over the amounts of the identifiable net assets acquired as of the acquisition date.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized at that date, during the measurement period. Additional assets and liabilities are also recognized, if new information obtained would have resulted in the recognition of those assets and liabilities. The measurement period shall not exceed one year from the date of acquisition of control.
The Group applies exemptions under IFRS 1 and does not retrospectively apply IFRS 3 Business Combinations to business combinations that occurred before the transition date. Goodwill arising from business combinations that

occurred before the transition date is measured at the carrying amount under the previous accounting principles (Japanese Generally Accepted Accounting Principles, hereinafter referred to as "JGAAP") at the transition date to IFRS, net of the impairment losses recognized according to the result of impairment tests conducted as of the transition date.

(3) Foreign currency

① Functional currency and presentation currency

The separate financial statements of each company of the Group are prepared in the respective functional currency. The Group's consolidated financial statements are prepared in the Company's functional currency, Japanese yen, which is also its presentation currency.

② Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of each company at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency at the exchange rates at the date when the fair value was measured.

Exchange differences arising from foreign currency translation are recognized in profit or loss, except for exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges that are recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated to the functional currency at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

③ Foreign operations

The assets and liabilities of the Group's foreign operations are translated into Japanese yen at the exchange rate at the end of each reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the period unless the exchange rate fluctuates significantly during the period. Exchange differences arising from the translation of the financial statements of foreign operations are recognized in other comprehensive income, and subsequently transferred to profit and loss during the period in which foreign operations are disposed.

The Group applies the exemption for foreign operations according to IFRS 1. The cumulative exchange differences on translation of foreign operations as of the transition date are deemed as zero and all transferred to retained earnings at that date.

(4) Financial instruments

① Recognition and measurement of financial assets

(a) Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost. The classification is determined on initial recognition.

Financial assets measured at fair value through profit or loss are initially measured at fair value. For financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost, transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

Financial assets are initially recognized when the Group becomes a contractual party to the contract provisions of the financial instrument. However, trade and other receivables are initially recognized on the transaction date.

The Group classifies its financial assets as those measured at amortized cost if both of the following conditions are met.

- the financial assets are held within a business model with the objective of collecting contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not classified as those measured at amortized cost are measured at fair value.

Among financial assets measured at fair value, the Group may irrevocably designate equity instruments, on an asset-by-asset basis, measured at fair value through profit or loss or at fair value through comprehensive income on initial

recognition and apply the designation consistently.
The above-said financial assets measured at amortized cost, and financial assets other than equity instruments measured at fair value through other comprehensive income, are all measured at fair value through profit or loss.

(b) Subsequent measurement
After initial recognition, financial assets are subsequently measured according to the following classifications:
(i) Financial assets measured at amortized cost
Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method.
(ii) Financial assets measured at fair value
Financial assets measured at fair value are measured at fair value.
The changes in fair value of financial assets measured at fair value are recognized in profit or loss. However, as for equity instruments designated as financial assets measured at fair value through other comprehensive income, the changes in fair value are recognized in other comprehensive income.
Dividends arising from equity instruments measured at fair value through other comprehensive income are recognized as "Finance income" in profit or loss, except when such dividends are deemed as partial recovery of investment cost.

② Impairment of financial assets
For financial assets measured at amortized cost, loss allowances are recognized based on the expected credit losses.
The Group evaluates whether the credit risk on a financial asset has significantly increased since initial recognition at the end of the reporting period. If the credit risk on a financial asset has not significantly increased since initial recognition, loss allowance is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial asset has significantly increased since initial recognition, loss allowance is measured at an amount equal to the lifetime expected credit losses.
Whether credit risk has increased significantly is determined based on changes in the risk of a default occurring on financial asset. When determining whether changes in the risk of a default occurring on financial asset, significant change in the financial asset's external credit rating and past due information are considered.
The loss allowance for trade and other receivables is measured at an amount equal to the lifetime expected credit losses.
The expected credit loss is measured at the present value of the differences between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The loss allowance for expected credit losses on a financial asset is recognized in profit or loss. The reversal of loss allowance for expected credit losses is also recognized in profit or loss.

③ Derecognition of financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

④ Recognition and measurement of financial liabilities
(a) Initial recognition and measurement
Financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss on initial recognition. Financial liabilities are initially recognized when the Group becomes a contractual party. Financial liabilities measured at fair value through profit or loss are initially measured at fair value. Financial liabilities measured at amortized cost are initially measured at cost less transaction costs that are directly attributable to the financial liabilities.
(b) Subsequent measurement
Subsequent measurement after initial recognition of financial liabilities is measured according to its classification as follows:
(i) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest rate method and gains or losses arising from derecognition of the financial liability are recognized in profit or loss.
(ii) Financial liabilities measured at fair value through profit or loss
The net gains or losses, including interest expenses, arising from the financial liabilities measured at fair value through profit or loss, are recognized in profit or loss.

⑤ Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or has expired.

⑥ Compound instrument

The compound instruments issued by the Group are convertible bonds with share subscription rights. The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the excess of the fair value of the compound financial instrument over the fair value of the liability component. Any directly attributable transaction costs are allocated to the equity and liability components of the compound financial instrument in proportion to their initial carrying values.

After initial recognition, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method, while the equity component is not remeasured.

⑦ Derivatives and hedge accounting

The Group uses derivatives to hedge currency risk and interest rate risk. Derivatives mainly consist of forward exchange contracts, interest rate swaps, and cross-currency interest rate swaps. These derivatives are initially measured at the fair value when the derivative contracts are entered. After initial recognition, the derivatives are remeasured at fair value and the changes in fair value are generally recognized in profit or loss.

The Group designates certain derivatives as cash flow hedges to hedge against the exposure to variability in cash flows that is attributable to the risk of foreign currency exchange rates, interest rate fluctuations and highly probable forecast transactions.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationships to which hedge accounting is applied, between hedging instruments and hedged items, along with the risk management objectives and strategies. The documentation includes the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how to assess whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the risks to be hedged. The Group evaluates the hedge effectiveness periodically. Specifically, when a hedging relationship meets all of the following hedge effective requirements, the hedge relationship is assessed as highly effective:

- there is an economic relationship between the hedged item and the hedging instrument which results in an offset;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship.

The hedges that meet the requirements for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on hedging instruments that are designated as cash flow hedges, is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss.

The Group uses interest rate currency swaps for hedging. The Group designates the portion other than the foreign currency basis spread portion as the hedging instrument and recognizes any changes in the fair value of the foreign currency basis spread portion as the cost of hedging through other comprehensive income in owners' equity.

The cumulative amount previously recognized in equity through other comprehensive income for gain or loss on the hedging instrument and the cost of hedging are reclassified to profit or loss in the same period when the hedged forecast cash flows affect profit or loss.

Hedge accounting is discontinued prospectively if the hedge no longer meets the criteria for hedge accounting due to the expiration or sale of the hedging instrument. If the future cash flow is still expected to occur, the accumulated gains or losses recognized in other comprehensive income continue to be recognized in other comprehensive income. If the forecast transaction is no longer expected to occur, the amount accumulated in equity is reclassified to profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and whose maturities are three months or less from the date of acquisition.

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is mainly calculated by using the weighted average method and comprises all costs of purchase, costs of manufacturing, and other costs incurred in bringing the inventories to their present location and condition. Costs of manufacturing include allocated fixed and variable manufacturing overhead.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment

① Recognition and measurement

The Group measures property, plant and equipment by using the cost model under which it is stated at costs less accumulated depreciation and impairment losses.

Initial costs include costs directly attributable to the acquisition of property, plant and equipment, the initial estimated costs related to removing the asset and restoring the site, and borrowing costs that are qualified for capitalization.

In case that the useful life of each significant component of an item of property, plant and equipment is different, each significant component is accounted for separately.

Subsequent cost incurred after acquisition is included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance expenditures are recognized as expenses in the period incurred.

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the derecognition of property, plant and equipment are recognized in profit or loss at the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the time of derecognition. The Group recognizes gains or losses arising from derecognition of property, plant and equipment in "Other income" or "Other expenses" in the consolidated statement of profit or loss.

② Depreciation

Property, plant, and equipment other than land and construction in progress are depreciated mainly using the straight-line method over their estimated useful lives. A leased asset is depreciated using the straight-line method over the shorter of the lease term or its estimated useful life, unless there is reasonable certainty that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- Buildings and structures 3- 60 years
- Machinery and vehicles 4-15 years
- Tools, furniture and fixtures 2- 20 years

The useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period. Changes in useful lives, residual values, and depreciation methods are applied prospectively as changes of accounting estimates.

(8) Goodwill and intangible assets

① Goodwill

Goodwill arising from a business combination is recognized as an intangible asset.

The Group recognizes goodwill as the excess of the fair value of consideration transferred, including the amount of any non-controlling interests in the acquiree measured at the acquisition date, over the net of the amount (generally, fair value) of the identifiable assets acquired and liabilities assumed recognized at the acquisition date.

Goodwill is not amortized and is tested for impairment annually and whenever there is an indication that goodwill may be impaired. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and are not reversed in subsequent periods. Goodwill is stated at cost determined at the acquisition date, less any accumulated impairment losses in the consolidated statement of financial position.

② Intangible assets

(a) Recognition and measurement

The Group recognizes intangible assets other than goodwill using the cost model. Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination other than goodwill are initially measured at fair value at the acquisition date.

Expenditures on research activities are recognized as an expense in the period in which it is incurred. Expenditures on development activities for which the Group can demonstrate that they meet the following conditions are recognized as an asset. Where expenditures on development activities do not meet the following conditions, the expenditures are recognized in profit or loss in the period in which they are incurred.

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development;

Expenditures on development activities that are capitalized as an asset are measured at cost less accumulated amortization and impairment losses.

(b) Amortization

After initial recognition, intangible assets other than goodwill and those with indefinite useful lives are amortized over their respective estimated useful lives, and stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized from the date when they are available for use. The intangible assets, other than those with indefinite useful lives and those that are not available for use, are amortized on a straight-line basis over their estimated useful lives. Goodwill is not amortized.

The estimated useful lives of major intangible assets are as follows:

・Research and development	mainly 20 years
・Software	5~10 years
・Technologies	10~20 years
・Customer relationships	mainly 20 years

Estimated useful lives, amortization methods, and residual values are reviewed at the end of each reporting period. Changes in estimated useful lives, residual values and amortization methods are applied prospectively as changes of accounting estimates.

(9) Leases

Whether a contract is a lease or contains a lease depends on the substance of the contract at the inception. The substance of the contract is determined based on whether the fulfillment of the contract depends on use of certain assets or cash-generating units, and the right to use the assets is given under such agreement.

A lease contract is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to a leasee. An operating lease is a lease other than a finance lease.

The Group initially recognizes finance leases as assets at the lower of the fair value of the leased asset measured at the commencement date or the present value of the minimum lease payments. After initial recognition, the leased asset is depreciated over the shorter of the estimated useful life or the lease term according to the applicable accounting policy. Lease payments are allocated into interest expenses calculated by the effective interest method and repayment of lease liabilities. Interest expenses are recognized in “Finance costs” in the consolidated statement of profit or loss.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

(10) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets (except for inventories and deferred tax assets) and determines whether there is any indication of impairment. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment when there is any indication of impairment, and at a certain time in a fiscal year, regardless of whether there is any indication of impairment. When performing impairment tests, assets are grouped into the smallest group of assets that generate cash inflows through continuous use of the asset that are largely independent of the cash inflows from other assets or cash-generating units. Goodwill arising from a business combination is allocated to cash-generating units or group of cash-generating units expected to obtain synergies from the business combination.

The recoverable amount of an asset, a cash-generating unit, or a group of cash-generating units is the higher of value in use or fair value less costs of disposal. Value in use is calculated by discounting the estimated future cash flows to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset

or the cash-generating unit.
Impairment losses are recognized, when the carrying amount of an asset, a cash-generating unit, or a group of cash-generating units is greater than the recoverable amount.
Impairment losses are recognized in profit or loss. Impairment loss recognized for a (group of) cash-generating unit which includes goodwill is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and subsequently to other assets of the unit pro rata to the carrying amount of each asset in the unit.
Any impairment loss for goodwill is not reversed in subsequent periods. For assets other than goodwill, an impairment loss is reversed, to the extent of the carrying amount that would have been determined had no impairment loss been recognized, net of depreciation and amortization.

(11) Employee benefits

① Post-retirement benefits

(a) Defined contribution plans

The contribution obligation of a defined contribution plan is recognized as an expense when employees render the related services. Prepayment of the contribution amount is recognized as an asset to the extent that the contribution amount would be returned or the future payment amount decreases.

(b) Defined benefit plans

A defined benefit plan is a retirement benefit plan other than a defined contribution plan.
Assets or liabilities recognized in the consolidated statement of financial position related to a defined benefit pension plan are calculated by deducting the fair value of the assets from the present value of the defined benefit obligations as of the end of the reporting period. Defined benefit obligations are calculated at the end of each reporting period using the projected unit credit method.
The discount rate is calculated based on the market yield of high quality corporate bonds on the reporting date, of which term and currency are generally the same as the defined benefit obligation of the Group.
Past service cost is recognized in profit or loss when incurred.
The Group recognizes remeasurement of the net defined benefit liabilities (assets) in other comprehensive income and immediately reclassifies from other components of equity to retained earnings.

② Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when employees render the related service. Bonuses and paid annual leave accruals are recognized as a liability in the amount estimated to be paid, when the Group has legal or constructive obligations to pay for the services rendered by employees in the past and reliable estimates of the obligation can be made.

(12) Share-based payments

The Group provides a stock option plan as an equity-settled share-based compensation plan. Stock options are recognized as expenses in the consolidated statement of profit or loss over the vesting period, considering the fair value at the grant date and the number of stock options expected to vest, and correspondingly the same amount is recognized as an increase of capital in the consolidated statement of financial position. The fair value of the option granted is measured using the Black-Scholes model based on the terms and conditions of the option. In addition, the terms and conditions are periodically reviewed and the estimated number of options expected to vest is revised as necessary.

(13) Provisions

Provisions are recognized when the Group has legal or constructive obligations due to past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Unwinding of the discount over time is recognized in finance costs.

・ Asset retirement obligations

The Group recognizes a provision for asset retirement obligations, which are recognized and measured by estimating asset retirement obligations individually taking into account the status of each property based on expected usable years, and determined in light of past records of restoration and useful lives of internal fixtures in offices and other locations. The provision is made in relation to obligations for restoration of rental offices, buildings and stores and removal of harmful materials related to non-current assets.

(14) Revenue

The Group's revenue primarily consists of revenues from sales of goods. Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuing managerial involvement nor effective control over the goods; it is probable that the future economic benefits will flow to the Group; and the future economic benefits and the related costs can be reliably measured. The Group's revenue is generally recognized at the time of delivery of goods to customers. In addition, revenue is shown net of returned goods and rebates.

(15) Government grants

Government grants are recognized and measured at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received. Government grants that are intended to compensate for specific costs are recognized as income in the same period in which the Group recognized the corresponding expenses. Government grants relating to assets are recognized in Other income over the useful life of the asset on a systematic basis and unrecognized grant receivables are recognized as deferred income in liabilities.

(16) Finance income and finance costs

Finance income mainly comprises interest income, dividend income, foreign exchange gains, gains arising from changes in fair value of financial assets measured at fair value through profit or loss, and gains on hedging instruments recognized in the profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the Group's right to receive payment is earned.

Finance costs mainly comprise interest expense, unwinding of discounted provisions, foreign exchange losses, losses arising from changes in fair value of financial assets measured at fair value through profit or loss, and losses on hedging instruments recognized in profit and loss. Interest expense is recognized as incurred using the effective interest method. Foreign exchange gains and losses are presented on a net basis as finance income or finance cost, depending on the net profit or loss position as a result of foreign exchange rate fluctuations.

(17) Corporate income tax

Income taxes consist of current and deferred taxes and are recognized in profit or loss, except for taxes related to business combinations and items that are recognized directly in equity or in other comprehensive income.

(a) Current tax

Current tax is measured at the amount expected to be paid to or refunded from the taxation authorities on the current year's taxable profit (loss), plus adjustments to the amount paid in prior years. In calculating the tax amount, the Group applies the tax rate and tax law and regulations enacted or substantially enacted by the end of the reporting period in jurisdictions where the Group conducts business activities and earns taxable profit.

(b) Deferred tax

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax basis, and tax loss carryforwards and tax credits. Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combinations, that affect neither the accounting profit (loss) nor the taxable profit (loss);
- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, to the extent that it is not probable that the temporary difference will reverse in the foreseeable future or taxable profit will be available against which the temporary difference can be utilized; and
- Taxable temporary differences arising from the initial recognition of goodwill

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized on all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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 profit will be available to realize all or part of the benefit of the deferred tax assets. At the end of each reporting period, unrecognized deferred tax assets are reassessed, and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Measurement of deferred taxes reflects the tax effect arising from intended collection or settlement of the carrying amount of assets and liabilities of the Group at reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(18) Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for the number of treasury shares acquired. Diluted earnings per share is calculated by adjusting the effect of all potential dilutive ordinary shares.

(19) Segment information

An operating segment is a component of an entity that engages in business activities that earn revenue and generate costs, including transactions with other operating segments. The results of all operating segments, of which separate financial information is available, are periodically monitored by the Board of Directors of the Group to determine the allocation of the business resource and evaluate the performance results.

(20) Capital

① Ordinary shares

Proceeds from the Company's issuance of ordinary shares are recognized in share capital and capital surplus, and direct issue costs (after tax effect) are deducted from share capital and capital surplus.

② Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized directly in equity.

(21) Borrowing costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs directly attributable to the acquisition and construction of a qualifying asset are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period when incurred.

(22) Dividends

Dividend distributions to shareholders of the Company are recognized as liabilities in the period in which the year-end dividends are resolved by the Company's Annual General Meeting of shareholders and interim dividends are resolved by the Board of Directors.

4. Business combinations

<u>For the year ended March 31, 2017</u>

Business combinations by acquisition

1. Acquisition of stock of Sequent Medical, Inc., a US-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: Sequent Medical, Inc.

Business: Development, manufacture, and sale of aneurysm embolization devices

② Reasons for the business combination

As a new growth strategy for the future, the Company is seeking to expand its global presence in a business field where it can expect to achieve growth, and strengthen its competitiveness. Neurovascular treatment is a key area along with catheter treatment and this acquisition will accelerate the growth of the Group.

③ Date of the business combination
July 14, 2016

④ Legal form of the acquisition
Stock acquisition with cash as consideration
(Note) The consideration for acquisition includes contingent consideration (fair value) of ¥ 7,811 million.

⑤ Percentage of voting rights acquired 100%

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

	(Unit: Millions of yen)
Fair value of consideration transferred	36,973
Current assets	
Cash and cash equivalents	1,465
Trade and other receivables	252
Inventories	562
Other current assets	163
Non-current assets	
Property, plant and equipment	63
Intangible assets	17,924
Other non-current assets	48
Current liabilities	(1,832)
Non-current liabilities	(2,424)
Fair value of acquired assets and liabilities	16,223
Goodwill	20,750

(Note 1) Acquisition costs related to the business combination amounting to ¥ 332 million are recognized as an expense in "Selling, general and administrative expenses".
(Note 2) Fair value of acquired receivables, contractual receivables and estimated uncollectible amount
The fair value of the acquired trade and other receivables is ¥ 252 million, which is the same as the total contractual amount, since no uncollectible amount is expected to occur.
(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 in-process research and development assets and technologies.

(3) Contingent consideration
The Company is required to pay an additional consideration according to the achievements of specific milestones following the business combination.
Contingent consideration has been categorized as level 3 of the fair value hierarchy.

(4) Cash flow information
Payment for acquisition of shares is as follows:

(Unit: Millions of yen)

	Payment for acquisition of shares
Fair value of consideration transferred	36,973
Contingent consideration	(7,811)
Cash and cash equivalents	(1,465)
Foreign currency translation differences	1,109
Total	28,806

(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 year ended March 31, 2017 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.

2. Acquisition through business transfer of St. Jude Medical, Inc.'s vascular closure device business and acquisition of the stock of Kalila Medical, Inc. (a subsidiary of Abbott Laboratories), which became a subsidiary of the Company

(1) Overview of the business combination

① Name of the counterparty for business transfer, name of acquired company and its business

Name of counterparty for business transfer: St. Jude Medical, Inc.

Name of the acquired company: Kalila Medical, Inc.

Business: Business related to Angio-Seal and FemoSeal femoral artery closure devices※1 and Vado catheter introducer kit for use in heart.

※1 Femoral artery closure devices: Devices for catheter procedures in legs that stop bleeding at the site where the catheter is inserted upon the conclusion of an operation. Compared to simply applying pressure with a finger, these devices are expected to reduce the risk of bleeding at the puncture site, which is a complication of catheterization procedures.

② Reason for business combination

The Company develops a range of vascular access devices, such as introducer sheaths and guide wires, and has a large global market share. As a result of this acquisition, the Company acquired Angio-Seal, a leading vascular closure device, thus creating a range of vascular access devices※3 extending from centesis※2 to hemostasis.

The Company expects that this acquisition will enhance its presence in the United States, which is the largest medical device market.

The Company plans to maximize the value of the acquired business by capitalizing on its good fit with its existing business and will contribute to the spread of safe and efficient catheterization procedures.

※2 Centesis: puncturing a vein when making an entry for the purpose of inserting a catheter.

※3 Vascular access devices: products such as introducer sheaths, which make an entry to insert a catheter into a blood vessel, guide wires, which make a path to the lesioned area, and devices to stop bleeding at the end of surgery. These medical products are invariably used in catheter procedures.

③ Date of the business combination

January 20, 2017

④ Legal form of the acquisition

Business transfer and stock acquisition by consideration in the form of cash

(Note) The consideration for acquisition includes contingent consideration (fair value) of ¥ 1,093 million.

⑤ Percentage of voting rights acquired 100%

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

	(Unit: Millions of yen)
Fair value of consideration transferred	130,061
Current assets	
Inventories	2,625
Other current assets	12
Non-current assets	
Property, plant and equipment	371
Intangible assets	77,169
Current liabilities	(116)
Non-current liabilities	(477)
Fair value of acquired assets and liabilities	79,585
Goodwill	50,476

(Note 1) Acquisition costs related to the business combination amounting to ¥ 1,620 million are recognized as an expense in "Selling, general and administrative expenses".

(Note 2) Goodwill

Goodwill arises from the expected additional earning power in the future due to business development. Goodwill recognized includes ¥ 47,274 million that is expected to be deductible for tax purposes.

(Note 3) Intangible assets, included in non-current assets, comprise of customer relationships and technologies.

(3) Contingent consideration

The Company is required to pay additional consideration according to the achievements of specific milestones following the business combination. Contingent consideration has been categorized as level 3 of the fair value hierarchy.

(4) Cash flow information

The consideration transferred for the acquisition of shares is as follows:

(Unit: Millions of yen)

	Payment for acquisition of shares
Fair value of consideration transferred	4,351
Contingent consideration	(1,093)
Foreign currency translation differences	(192)
Total	3,065

The amount paid for the business transfer is as follows:

(Unit: Millions of yen)

	Payment for business transfer
Amount paid for business transfer	125,710
Foreign currency translation differences	(7,434)
Total	118,275

(5) Revenue and net profit of the acquired company and business

The revenue and net profit of the acquired company and business recognized in the Consolidated Statement of Profit or Loss for the year ended March 31, 2017 but after the Company acquired control, are ¥ 5,262 million and ¥ 307 million, respectively. This financial information is not extracted from the acquired company and business' stand-alone financial statements, and is stated after elimination of inter-company transactions with the Company.

(6) Impact on consolidation statement of income based on the assumption that the business combination was completed at the beginning of the year (pro-forma information)

Based on the assumption that the business combination was completed at the beginning of the year ended March 31, 2017, the revenue and net profit for the year in the Consolidated Statement of Profit or Loss would be ¥ 535,966 million and ¥ 56,167 million, respectively.
This pro-forma information is unaudited.

3. Acquisition of Bolton Medical, Inc. and two other companies, which become subsidiaries of the Company, and acquisition of a related business

(1) Overview of the business combination

① Name of the acquired companies and their business
Name of the acquired company: Bolton Medical, Inc. and other two companies, and related assets
Business: Manufacturing and sales of stent grafts used in the treatment of aortic aneurysms

② Reasons for the business combination
The Company manufactures and sells artificial blood vessels and stent grafts, which are devices for treating aortic aneurysms. The Company has acquired the stocks of the above-mentioned companies and related assets in order to expand its stent graft product lineup and gain the opportunity to enter the United States' market, the largest market for blood-vessel-related medical treatments, to achieve further growth of the business.

③ Date of the business combination
March 31, 2017

④ Legal form of the acquisition
Stock acquisition and business transfer by consideration in the form of cash

⑤ Percentage of voting rights acquired
100% of Bolton Medical, Inc. and two other companies

(2) Amounts and breakdown of assets acquired, liabilities assumed and consideration on the business combination date

	(Unit: Millions of yen)
Fair value of consideration transferred	18,990
Current assets	
Cash and cash equivalents	37
Trade and other receivables	1,202
Inventories	3,359
Other current assets	86
Non-current assets	
Property, plant and equipment	125
Intangible assets	13,696
Other non-current assets	842
Current liabilities	(2,766)
Non-current liabilities	(1,808)
Fair value of acquired assets and liabilities	14,776
Goodwill	4,214

(Note 1) Acquisition costs related to the business combination amounting to ¥ 479 million are recognized as an expense in "Selling, general and administrative expenses".

(Note 2) Fair value of acquired receivables, contractual receivables and estimated uncollectible amount
The fair value of the acquired trade and other receivables is ¥ 1,202 million, which is the same as the total contractual amount, since no uncollectible amount is expected to occur.

(Note 3) Goodwill
Goodwill arises from the expected additional earning power in the future due to business development. Goodwill recognized includes ¥ 443 million that is expected to be deductible for tax purposes.

(Note 4) Intangible assets, included in non-current assets, comprise of technologies and in-process research and development.

(3) Cash flow information

Payment for the acquisition of shares is as follows:

(Unit: Millions of yen)

	Payment for acquisition of shares
Fair value of consideration transferred	18,080
Cash and cash equivalents	(37)
Foreign currency translation differences	(533)
Total	17,508

Payment for business transfer are as follows:

(Unit: Millions of yen)

	Payments for business transfer
Amounts of business transfer	909
Foreign currency translation differences	5
Total	915

(4) Revenue and net profit of the acquired companies

As the consolidation only includes the statement of financial position of the acquired companies for the year ended March 31, 2017, the financial result of the acquired companies is not included.

(5) Impact on consolidation statement of income based on the assumption that the business combination was completed at the beginning of the year (pro-forma information)

Disclosure is omitted because of the insignificant financial impact.

<u>For the year ended March 31, 2018</u>

There is no significant business combination for the year ended March 31, 2018.

5. Segment information

(1) General information on reportable segments

The reportable segments of the Group represent business units for which separate financial information is available, and are reviewed regularly at the Board of Directors meeting to make decisions about allocation of management resources and assess the performance of the business.

The Group applies an in-house company system classified by product groups. The headquarter of each in-house company plans their own comprehensive domestic and international strategies and conducts their own business activities.

The three segments are Cardiac and Vascular Company, General Hospital Company, and Blood Management Company.

The major products of each reportable segment are as follows:

<table>
<tr><th>Reportable Segments</th><th>Revenue classfication</th><th>Main Products</th></tr>
<tr><td rowspan="4">Cardiac and Vascular Company</td><td>Interventional Systems (TIS)</td><td>Angiographic guidewires, Angiographic catheters, Introducer sheaths, Vascular closure devices, PTCA balloon catheters, Coronary stents, Self-expanding peripheral stent, IVUS, Imaging catheters, and others.</td></tr>
<tr><td>Neurovascular</td><td>Neuro interventional coils, Stents, and others.</td></tr>
<tr><td>CV systems</td><td>Oxygenators, Cardio-pulmonary bypass system, and others.</td></tr>
<tr><td>Vascular Graft</td><td>Artificial vascular grafts, Stent grafts</td></tr>
<tr><td rowspan="2">General Hospital Company</td><td>Hospital systems (Note)</td><td>Infusion pump, Syringe pump, Solution sets, Syringe, IV solutions, Pain management systems, Nutritous food, Adhesion barriers, Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, and others.</td></tr>
<tr><td>Alliance (Note)</td><td>Contract development and manufacturing organization (CDMO) for prefilled syringes, Devices for pharmaceutical companies use in drug kits (Prefillable syringes, Needles for kit packaging business), and others.</td></tr>
<tr><td>Blood Management Company</td><td>Blood Systems</td><td>Blood bags, Automated blood collection system, Automated blood component processing system, Pathogen reduction technology, Automated centrifugal apheresis system, Cell expansion system and other products, and others.</td></tr>
</table>

(Note) The Group changed the revenue classification of General Hospital Company, one of the reportable segments, from the year ended March 31, 2018, from “Based medical devices”, “D&D”, and “DM healthcare” previously to “Hospital systems” and “Alliance”.

(2) Reportable segment information

Revenue and operating results of the reporting segments of the Group are described below.

The accounting policy for reportable segments is the same as the Group's accounting policies as described in Note 3 “Significant Accounting Policies”.

For the year ended March 31, 2017

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note)	Amount recorded on consolidated financial statements
	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total		
Revenue						
Revenue from sales to external customers	261,529	157,946	94,483	513,959	205	514,164
Segment Profit (Adjusted operating profit)	67,334	24,444	15,173	106,952	(2,308)	104,643
(Adjustment item)						
Amortization of intangible assets acquired through business combinations	(934)	−	(8,490)	(9,425)	−	(9,425)
Non-recurring profit or loss						(7,441)
Operating profit						87,777
Finance income						709
Finance costs						(13,228)
Share of profit/(loss) of investment accounted for using the equity method						(377)
Profit before tax						74,881
Other items						
Depreciation and amortization	10,871	9,707	13,209	33,787	684	34,471
Capital expenditure	19,859	8,600	8,720	37,180	3,994	41,175

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

(1) ¥ 205 million adjustment to Revenue from sales to external customers is proceeds from temporary staffing that is not attributable to reportable segments.

(2) ¥ (2,308) million adjustment to segment profit consists of ¥ (775) million for "inventories" and ¥ (1,532) million for "others".

2. ¥ (7,441) million "Non-recurring profit or loss" includes ¥ (5,531) million for acquisition costs related to business combinations and incidental expenses occurred after business s, and ¥ (1,909) million for other expenses, such as fixed assets disposal cost.

3. Amortization expenses of acquired intangible assets in business combinations are included in "Depreciation and amortization".

For the year ended March 31, 2018

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note)	Amount recorded on consolidated financial statements
	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total		
Revenue						
Revenue from sales to external customers	324,001	158,848	104,697	587,547	228	587,775
Segment Profit (Adjusted operating profit)	83,643	26,760	15,072	125,476	(547)	124,929
(Adjustment item)						
Amortization of intangible assets acquired through business combinations	(6,068)	—	(8,386)	(14,455)	—	(14,455)
Non-recurring profit or loss						(1,921)
Operating profit						108,552
Finance income						1,089
Finance costs						(2,792)
Share of profit/(loss) of investment accounted for using the equity method						(218)
Profit before tax						106,630
Other items						
Depreciation and amortization	17,522	9,657	14,359	41,539	495	42,035
Capital expenditure	20,430	9,795	8,431	38,657	4,963	43,620

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

(1) ¥ 228 million adjustments to Revenue from sales to external customers is proceeds from temporary staffing that is not attributable to reportable segments.

(2) ¥ (547) million adjusment to segment profit consists of ¥ 315 million for “inventories” and of ¥ (862) million for “others”.

2. ¥ (1,921) million “Non-recurring profit or loss” includes ¥ (1,326) million for acquisition costs related to business combinations and incidental expenses occurred after business combinations, and ¥ (594) million for other expenses, e.g. fixed assets disposal cost.
3. Amortization expenses of acquired intangible assets in business combinations are included in “Depreciation and amortization”.

(3) Information on products and services

The information of products and services is omitted because it is the same as that of the reportable segments.

(4) Information on geographic areas

The components of sales revenue and non-current assets by geographic area is as follows:

(a) Revenue

（Unit: Millions of yen）

	For the year ended March 31, 2017	For the year ended March 31, 2018
Japan	187,000	188,856
Europe	95,013	118,216
Americas	139,698	171,636
(including USA)	(119,879)	(147,475)
Asia and others	92,451	109,065
Total	514,164	587,775

(Note) Sales revenue is classified by country or region based on customer’s location.

(b) Non-current assets

（Unit: Millions of yen）

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Japan	108,575	110,095	119,523
Europe	18,942	26,418	27,518
Americas	307,850	481,822	448,706
(including USA)	(304,434)	(478,249)	(445,021)
Asia and others	28,670	29,605	29,437
Total	464,038	647,941	625,185

(Note) Financial assets and deferred tax assets are not included.

(5) Information on major customers

Disclosure is omitted because there are no sales to one specific external customer that accounts for 10% or more of the revenue in the Consolidated Statement of Profit or Loss.

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

（Unit: Millions of yen）

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Cash and demand deposits	146,927	105,046	167,832
Total	146,927	105,046	167,832

The ending balances of cash and cash equivalents in the Consolidated Statements of Financial Position on the date of transition to IFRS, March 31, 2017, and March 31, 2018, respectively, are same as the ending balances of cash and cash equivalents in the Consolidated Statements of Cash Flows.

There are no cash and cash equivalents which have restrictions on withdrawal on the date of transition to IFRS, March

31, 2017, and March 31, 2018.
Cash and cash equivalents are classified as financial assets measured at amortized cost.

7. Trade and other receivables
The breakdown of trade and other receivables is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Trade receivables	104,426	109,508	118,115
Accounts receivable-other	2,234	3,011	4,734
Loss allowance	(1,390)	(1,430)	(1,446)
Total	105,270	111,090	121,402

Trade and other receivables are classified as financial assets measured at amortized cost.

8. Other financial assets
(1) Breakdown of other financial assets
The breakdown of other financial assets is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Other current financial assets:			
Financial assets measured at fair value through profit or loss			
Derivative assets	403	283	311
Financial assets measured at amortized cost			
Time deposits	2,745	341	348
Total	3,149	625	659
Other non-current financial assets:			
Financial assets measured at fair value through profit or loss			
Securities	2,178	—	—
Derivative assets	—	1,171	343
Other	7,548	3,250	3,711
Financial assets measured at fair value through other comprehensive income			
Shares	29,583	6,922	7,251
Financial assets measured at amortized cost			
Others	1,845	2,308	2,510
Total	41,154	13,651	13,815

(2) Equity instruments measured at fair value through other comprehensive income
The Group has designated shares held for purpose of expanding the earnings base or for maintaining relationships with business partners as financial assets measured at fair value through other comprehensive income. Dividend income arising from financial assets measured at fair value through other comprehensive income recognized in "Other financial assets" at the end of reporting period are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Dividend income	108	105

Names of major investees and fair values of the investments that are classified as financial assets at fair value through other comprehensive income are as follows:

(Unit: Millions of yen)

Company Name	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Mitsubishi UFJ Financial Group Inc.	1,443	1,936	1,929
Azbil Corporation	576	748	991
Kawasumi Laboratories, Inc.	1,075	866	631
Alfresa Holdings Corporation	365	326	400
Toho Holdings Co., Ltd.	293	284	305
Medipal Holdings Corp	201	200	252
TOWA Corporation	79	220	160
Dai-ichi Life Insurance Company, Limited	95	139	135
Suzuken Co., Ltd.	106	111	134
Hokuyaku Takeyama Holdings, Inc.	91	98	118
Olympus Corp	24,416	－	－

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Group derecognizes financial assets measured at fair value through other comprehensive income, for improving asset efficiency or upon reviewing the transaction relationships, when it sells a financial asset.

The fair value at derecognition, cumulative gains or losses recognized in other comprehensive income, and dividend income for the years ended March 31, 2017 and 2018 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Fair value on the derecognition date	21,440	335
Cumulative gain / loss on the derecognition date	15,792	(3)
Dividend income	94	4

(4) Reclassifications to retained earnings

When an equity instrument investment designated as a financial asset measured at fair value through other comprehensive income is derecognized, or when fair value of the equity instrument declines significantly and the Group considers it remote for recovery of the fair value, the Group reclassifies any cumulative gain or loss recognized in other comprehensive income to retained earnings. The cumulative gains or losses (after tax) reclassified from other comprehensive income to retained earnings are ¥10,878 million and ¥ (3) million for the years ended March 31, 2017 and 2018, respectively.

9. Inventories

The breakdown of inventories is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Merchandise and finished products	59,804	70,670	72,347
Work-in-progress	10,194	9,367	10,536
Raw materials and others	25,280	26,008	29,180
Total	95,280	106,046	112,064

The amount of write-down of inventories recognized as an expense are ¥ 6,331 million and ¥ 4,687 million for the years ended March 31, 2017 and 2018, respectively.

10. Other assets

The breakdown of other assets is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Other current assets:			
Prepaid expenses	2,804	3,515	4,107
Others	3,015	3,859	4,314
Total	5,819	7,375	8,421
Other non-current assets:			
Long-term prepaid expenses	3,716	3,679	3,328
Total	3,716	3,679	3,328

11. Property, plant and equipment

Movements in the acquisition cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment, are as follows:

Acquisition cost, accumulated depreciation and accumulated impairment losses

As of April 1, 2016

(Unit: Millions of yen)

	Land	Buildings and structures	Equipment and transportation vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	16,023	170,071	241,835	50,123	22,259	500,312
Accumulated depreciation and accumulated impairment loss	(646)	(106,961)	(189,414)	(36,895)	(842)	(334,758)
Carrying amount	15,377	63,109	52,421	13,228	21,417	165,554

As of March 31, 2017

(Unit: Millions of yen)

	Land	Buildings and structures	Equipment and transportation vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	16,022	171,349	243,317	52,282	31,272	514,243
Accumulated depreciation and accumulated impairment loss	(664)	(110,144)	(191,508)	(38,455)	(826)	(341,598)
Carrying amount	15,358	61,204	51,809	13,826	30,445	172,644

As of March 31, 2018

(Unit: Millions of yen)

	Land	Buildings and structures	Equipment and transportation vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	15,834	183,428	246,307	52,371	28,264	526,207
Accumulated depreciation and accumulated impairment loss	(678)	(112,680)	(194,334)	(38,520)	(797)	(347,011)
Carrying amount	15,156	70,747	51,973	13,851	27,467	179,196

Carrying amount

(Unit: Millions of yen)

	Land	Buildings and structures	Equipment and transportation vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Balance as of April 1, 2016	15,377	63,109	52,421	13,228	21,417	165,554
Additions	802	289	3,166	820	27,624	32,702
Acquisitions through business combinations	–	280	117	149	13	560
Depreciation	(7)	(5,091)	(11,132)	(4,167)	–	(20,398)
Reclassification from construction in progress	–	3,078	9,877	4,035	(16,992)	–
Sales and disposals	(752)	(205)	(1,160)	(160)	(1,067)	(3,346)
Exchange differences on translation of foreign operations	(51)	(379)	(1,159)	155	29	(1,404)
Other	(10)	123	(320)	(235)	(579)	(1,022)
Balance as of March 31, 2017	15,358	61,204	51,809	13,826	30,445	172,644
Additions	86	206	3,466	731	28,914	33,405
Depreciation	(17)	(5,449)	(11,895)	(4,253)	–	(21,616)
Reclassification from construction in progress	–	16,203	10,504	3,922	(30,629)	–
Sales and disposals	(1)	(488)	(770)	(86)	(11)	(1,357)
Exchange differences on translation of foreign operations	(261)	(1,120)	(421)	(64)	(587)	(2,455)
Other	(8)	192	(719)	(224)	(664)	(1,425)
Balance as of March 31, 2018	15,156	70,747	51,973	13,851	27,467	179,196

(Note 1) The depreciation expenses related to property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expense” in the Consolidated Statement of Profit and Loss.

(Note 2) There is no restriction on the ownership of property, plant and equipment.

12. Goodwill and intangible assets

(1) Movements of goodwill and intangible assets

Movements in acquisition cost, accumulated amortization and accumulated impairment losses, and carrying amounts of goodwill and intangible assets, are as follows:

Acquisition cost, accumulated amortization and accumulated impairment losses

As of April 1, 2016

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Research and development	Software	Customer relationships	Technologies	Other	Total
Acquisition cost	143,707	16,632	29,145	121,414	39,325	8,948	359,174
Accumulated amortization and accumulated impairment loss	—	(2,066)	(15,343)	(30,664)	(11,307)	(5,024)	(64,406)
Carrying amount	143,707	14,565	13,802	90,750	28,017	3,923	294,767

As of March 31, 2017

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Research and development	Software	Customer relationships	Technologies	Other	Total
Acquisition cost	218,792	31,779	35,202	122,803	130,711	10,671	549,960
Accumulated amortization and accumulated impairment loss	—	(2,917)	(18,965)	(36,567)	(14,472)	(5,422)	(78,343)
Carrying amount	218,792	28,862	16,237	86,235	116,239	5,249	471,616

As of March 31, 2018

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Research and development	Software	Customer relationships	Technologies	Other	Total
Acquisition cost	207,654	32,986	43,801	116,711	124,301	12,730	538,185
Accumulated amortization and accumulated impairment loss	—	(3,829)	(23,558)	(40,507)	(21,618)	(6,011)	(95,524)
Carrying amount	207,654	29,157	20,243	76,203	102,682	6,719	442,660

Carrying amount

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Research and development	Software	Customer relationships	Technologies	Other	Total
Balance as of April 1, 2016	143,707	14,565	13,802	90,750	28,017	3,923	294,767
Additions	–	–	4,986	–	–	366	5,352
Acquisitions through business combinations	75,441	12,338	9	1,959	92,871	1,612	184,231
Internally developed	–	2,043	1,076	–	–	–	3,119
Amortization	–	(830)	(3,860)	(5,836)	(3,103)	(442)	(14,073)
Sale and disposal	–	–	(67)	–	–	(13)	(80)
Exchange differences on translation of foreign	(357)	745	(115)	(636)	(1,546)	(204)	(2,115)

operations							
Other	–	–	406	–	–	7	413
Balance as of March 31, 2017	218,792	28,862	16,237	86,235	116,239	5,249	471,616
Additions	–	–	6,714	–	–	1,691	8,405
Acquisitions through business combinations	349	2,125	–	–	–	–	2,474
Internally developed	–	751	1,058	–	–	–	1,809
Amortized cost	–	(1,107)	(4,410)	(6,134)	(7,981)	(785)	(20,419)
Sale and disposal	–	–	(37)	–	–	(6)	(43)
Exchange differences on translation of foreign operations	(11,487)	(1,474)	(192)	(3,897)	(5,575)	(53)	(22,679)
Other	–	–	873	–	–	623	1,497
Balance as of March 31, 2018	207,654	29,157	20,243	76,203	102,682	6,719	442,660

(Note 1) The amortization expenses of intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit and Loss.

(Note 2) “Acquisitions through business combinations” for the year ended March 31, 2018 mainly represents the acquisition of large bore vascular closure device business from Medeon Biodesign, Inc.

(2) Individually material intangible assets

Individually material intangible assets included in the Consolidated Statement of Financial Position comprise of customer relationships and technologies.

Customer relationships were generated by the acquisition of 100% of the shares of Caridian BCT Holding Corp. (now known as Terumo BCT Holding Corp.) amounting to ¥ 89,574 million on April 13, 2011 by the Company. The book values of customer relationships were ¥ 90,341 million, ¥ 83,951 million and ¥ 73,820 million as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively. The remaining amortization period as of March 31, 2018 is 13 years and the amortization method is the straight-line method.

Technologies were generated by the acquisition of femoral artery puncture device hemostasis device business of St. Jude Medical, Inc. (US) amounting to ¥ 74,495 million on January 20, 2017, the acquisition of 100% of the shares of Caridian BCT Holding Corp. (now known as Terumo BCT Holding Corp.) amounting to ¥ 23,290 million on April 13, 2011, and the acquisition of Bolton Medical, Inc. (US) and two other companies, which became subsidiaries of the Company, and related assets amounting to ¥ 10,658 million. Technologies relating to the transfer of business by St. Jude Medical, Inc. (US) mainly relate to the femoral artery puncture device hemostatic device "Angioseal", and the book values were ¥ 71,607 million and ¥ 63,362 million as of March 31, 2017 and March 31, 2018, respectively. The remaining amortization period as of March 31, 2018 is 13 years and the amortization method is the straight-line method. Technologies relating to the acquisition of shares of Caridian BCT Holding Corp. (now known as Terumo BCT Holding Corp.) mainly relates to the component blood collection device "Trima", and the book values were ¥ 22,825 million, ¥ 21,210 million, and ¥ 18,651 million as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively. The remaining amortization period as of March 31, 2018 is 13 years and the amortization method is the straight-line method. Technologies relating to the acquisition of Bolton Medical, Inc. (US) and two other companies, which became subsidiaries of the Company, and related assets mainly relate to the stent grafts used in the treatment of aortic aneurysms "Relayplus", and the book values were ¥ 10,658 million and ¥ 9,588 million as of March 31, 2017 and March 31, 2018, respectively. The remaining amortization period as of March 31, 2018 is 19 years and the amortization method is the straight-line method.

(3) Impairment test of goodwill

The carrying amounts of goodwill allocated to each cash-generating unit or each group of cash-generating units are as follows:

(Unit: Millions of yen)

Segment	Cash-generating unit/ Group of cash-generating units	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018

Cardiac and Vascular Company	TIS	1,861	51,037	48,221
	Neuro	8,167	30,460	28,845
	Vascular	4,968	9,179	9,197
Blood Management Company	Blood Management Company	128,710	128,114	121,389
	Total	143,707	218,792	207,654

The recoverable amount of goodwill allocated to each cash-generating units or groups of cash-generating units is calculated based on value in use. Value in use is calculated by discounting the future cash flows expected to be generated from the cash-generating unit or the group of cash-generating units to the present value. The Group uses the latest business plan approved by management to calculate the future cash flows. The future cash flows stated in the business plan are calculated based on past performance, management's forecast of market trends, current industry trends, and long-term inflation forecast for each territory. Cost is estimated by considering the changes in revenue. A five-year cash flow forecast period is used to calculate the value in use. After the fifth year, growth rate estimated based on the relevant GDP growth rate is used. The pre-tax discount rate is calculated based on the specific risks associated with the relevant segment and the country in which the operating activities are carried out. The terminal value growth rate is the growth rate, which reflects the country in which the cash-generating unit or the group of cash-generating units is located and the industry situation, which does not exceed the average long-term growth rate of the market.

For Cardiac and Vascular Company, the pre-tax discount rate used to calculate the value in use of the cash-generating unit or the group of cash-generating units to which goodwill is allocated is 7.4-8.3%, 7.6-7.9%, and 7.2-7.3%, and the terminal value growth rate is 1.9-2.9%, 1.9-2.7%, and 2.1-2.9% as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively.

For Blood Management Company, the pre-tax discount rate used to calculate the value in use of the cash-generating unit or the group of cash-generating units to which goodwill are allocated is 8.3%, 7.3%, and 8.3% in 2018, and the terminal value growth rate is 2.4%, 2.2%, and 2.3% as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively.

There are risks that the carrying amount of goodwill for which impairment losses have not previously been recognized, exceed its recoverable value and recognition of impairment loss is needed, if there is a change in the key assumptions used in the impairment test.

For Cardiac and Vascular Company, the value in use is sufficiently greater than the carrying amount. The probability of a significant impairment loss to be incurred is low, even if the discount rate and the terminal value growth rate used for the impairment are changed within a reasonable range.

The recoverable amount will be equal to the carrying amount of goodwill, if the pre-tax discount rate of the Blood Management Company increases by 0.2%, 2.2%, and 0.5%, or the terminal value growth rate decreases by (0.3) %, (3.1) %, and (0.8) % as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively.

Management has evaluated the possibility of a change in other key assumptions and determined that the carrying amount of the cash-generating unit or the group of cash-generating units will not exceed the recoverable value.

13. Trade and other payables

The breakdown of trade and other payables is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Notes and accounts payable	36,294	38,451	42,175
Accounts payable-other	13,739	15,641	16,920
Equipment-related notes payable and other payables	5,451	7,059	8,420
Total	55,485	61,152	67,515

(Note) Trade and other payables are classified as financial liabilities measured at amortized cost.

14. Bonds and borrowing

(1) Details of bonds and borrowings

The breakdown of bonds and borrowings is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018	Average interest rate (%)	Repayment due date
Current liabilities:					
Bonds maturing within one year (Note 3)	40,000	–	–	–	–
Short-term borrowings	61	120,000	–	–	–
Long-term borrowings due within one year	19,839	7,853	47,436	0.706	–
Total	59,901	127,853	47,436		
Non-current liabilities:					
Bonds (Note 3)	98,298	128,548	142,357	–	–
Long-term borrowings (excluding borrowings due within one year)	58,873	81,786	146,418	1.847	June 2021~ April 2024
Total	157,172	210,335	288,776		

(Note 1) Bonds and borrowings are classified as financial liabilities measured at amortized cost.
(Note 2) The average interest rate is calculated using the ending balance and the interest rate for the current year.
(Note 3) The conditions of issuance of bonds are described in Note 14 (2) below.

(2) Details of bonds

A summary of the issuance condition of bonds is as follows:

Company	Series	Issuance date	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018	Rate	Guarantee	Repayment due date
Terumo Corporation	4th unsecured bonds	March 2, 2012	40,000 (40,000)	- (-)	- (-)	0.504	Nil	March 2, 2017
〃	Euro-yen denominated convertible bonds with share subscription rights with a maturity date of 2019 (Note 2)	December 4, 2014	49,490	49,629	43,327	–	Nil	December 4, 2019
〃	Euro-yen denominated convertible bonds with share subscription rights with a maturity date of 2021 (Note 2)	December 4, 2014	48,807	49,016	49,166	–	Nil	December 6, 2021
〃	5th unsecured bonds	April 19, 2016	–	9,973	9,980	0.080	Nil	April 19, 2021
〃	6th unsecured bonds	April 19, 2016	–	9,967	9,972	0.170	Nil	April 19, 2023
〃	7th unsecured bonds	April 19, 2016	–	9,962	9,966	0.240	Nil	April 17, 2026

〃	8th unsecured bonds	April 26, 2017	–	–	9,981	0.001	Nil	April 24, 2020
〃	9th unsecured bonds	April 26, 2017	–	–	9,962	0.255	Nil	April 26, 2027
Total			138,298 (40,000)	128,548 (-)	142,357 (-)			

(Note 1) Bonds to be redeemed within 1 year as of April 1, 2016, March 31, 2017 and March 31, 2018 are stated in parenthese.

(Note 2) There are provisions that advanced redemption under certain circumstances is allowed.

(3) Changes in liabilities related to cash flows arising from financing activities

Changes in liabilities related to cash flows arising from financing activities are as follows:

(Unit: Millions of yen)

	Short-term borrowings	Long-term borrowings	Bonds	Derivative assets and liabilities held for hedging liabilities arising from financing activities	Other
Balance as of April 1, 2016	61	78,713	138,298	—	945
Cash flow from financing activities	119,941	11,659	(10,111)	(1,480)	(379)
Changes in foreign exchange rate	(2)	(734)	—	—	(4)
Changes in fair value	—	—	—	1,145	—
Other	—	—	361	—	249
Balance as of March 31, 2017	120,000	89,639	128,548	(334)	810
Cash flow from financing activities	(120,000)	109,020	19,931	2,858	(232)
Changes in foreign exchange rate	—	(4,836)	—	—	(7)
Changes in fair value	—	—	—	2,717	—
Conversion of convertible bonds	—	—	(6,494)	—	—
Other	—	31	371	—	135
Balance as of March 31, 2018	—	193,855	142,357	5,240	706

(4) Pledged assets

There are no assets pledged for bonds and borrowings.

15. Other financial liabilities

The breakdown of other financial liabilities is as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Other financial liabilities (current):			
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	134	84	204
Other	309	285	203
Total	444	370	407

Other financial liabilities (non-current):			
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	502	1,108	5,584
Contingent consideration	−	8,773	9,041
Financial liabilities measured at amortized cost			
Guarantee deposit	317	318	324
Other	635	524	502
Total	1,455	10,724	15,452

16. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The details of origination of deferred tax assets and deferred tax liabilities are as follows:

（Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Deferred tax assets			
Defined benefit liabilities	10,327	8,156	6,990
Property, plant and equipment	8,383	8,232	6,572
Write-down of inventories	2,231	3,240	2,087
Accrued bonus	3,875	3,555	3,097
Tax losses carry forward	2,033	8,298	4,255
Accrued expenses	6,095	6,985	7,751
Unrealized profit	6,608	7,184	6,374
Other	2,874	4,914	3,566
Subtotal of deferred tax assets	42,429	50,568	40,695
Deferred tax liabilities			
Property, plant and equipment	(2,638)	(2,970)	(3,021)
Intangible assets	(51,716)	(59,469)	(33,504)
Other	(7,834)	(4,204)	(4,937)
Subtotal of deferred tax liabilities	(62,189)	(66,643)	(41,463)
Net deferred tax asset (liabilities)	(19,760)	(16,074)	(768)

Movement in deferred tax assets and deferred tax liabilities is as follows.

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	(19,760)	(16,074)
Amount in deferred tax expenses	3,500	14,441
Amount in other comprehensive income	2,327	(1,689)
Effect of business combination	(2,913)	(39)

Other	772	2,593
Ending balance	(16,074)	(768)

"Effect of business combinations" for the year ended March 31, 2017, includes the impact of tax loss carry forwards of ¥ 7,535 million and intangible assets of ¥ (10,760) million.
"Amount in other comprehensive income" for the year ended March 31, 2017, includes the reversal of deferred tax liabilities of ¥ 2,823 million arising from the sale of Olympus shares.

(2) Unrecognized deferred tax assets and deferred tax liabilities
As a result of the assessment of the recoverability of deferred tax assets, the Group does not recognize deferred tax assets for certain deductible temporary differences, tax loss carryforwards, and tax credit carryforwards. The amounts of deductible temporary differences, tax loss carryforwards, tax credit carryforwards, and for which deferred tax assets are not recognized, are set out below. Deductible temporary differences and tax loss carryforwards are presented on taxable profit basis, while tax credit carryforwards are presented on amount of tax basis.
The deductible temporary differences and tax loss carryforwards are primarily related to US state tax and the tax rate is less than 10%.

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Deductible temporary differences	54,163	62,677	68,598
Tax loss carryforwards	19,608	20,190	21,256
Tax credit carryforwards	529	629	637

The expiration dates of tax loss carryforwards for which no deferred tax asset is recognized are as follows:

(Unit: Millions of yen)

Expiration date	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Within 1 year	121	580	962
Within 1 to 4 years	2,073	1,455	3,460
Over than 4 years	17,413	18,154	16,834
Total	19,608	20,190	21,256

The Company does not recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries because the Group can control the timing of the reversal of these taxable temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥ 86,883 million, ¥ 102,497 million, and ¥ 116,802 million, as of April 1, 2016, March 31, 2017 and March 31, 2018, respectively.

(3) Income tax expenses
The breakdown of income tax expenses is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Current tax expenses	23,489	29,870
Deferred tax expenses	(3,500)	(14,441)

Total	19,989	15,429

(Note) In the United States, the Tax Cuts and Jobs Act was enacted on December 22, 2017 (local date) to reduce the federal corporate tax rate from January 1, 2018 onwards from 35% to 21%. The deferred tax expenses for the year ended March 31, 2018, includes the impact of the above-said tax reform law, which caused a reduction of ¥ 16,223 million income tax expenses, due to the revaluation of deferred tax assets and deferred tax liabilities as a result of the reduced federal corporate tax rate.

(4) Income tax recognized in other comprehensive income

See Note 27 “Other comprehensive income” for details about income taxes recognized in other comprehensive income.

(5) Reconciliation of statutory effective tax rate

The reasons for the difference between the statutory effective tax rate and the actual tax rate are as follows. The actual tax rate represents the ratio of income tax expenses occurred to income before income tax for a fiscal year of the Group.

(Unit: %)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Statutory effective tax rate	31.7	31.7
Permanent non-deductible items (e.g. entertainment expenses)	0.4	0.3
Tax credits for research and development expenses	(2.6)	(1.5)
Difference in tax rate applied to foreign subsidiaries	(2.7)	(2.3)
Impact of tax rate change due to tax law reform	—	(14.3)
Other	(0.1)	0.8
Actual tax rate	26.7	14.5

17. Other liabilities

The breakdown of other liabilities is as follows.

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Other current liabilities:			
Accrued expenses	21,869	23,899	23,173
Accrued bonuses	13,613	14,321	14,568
Accrued consumption tax	1,195	546	380
Others	7,206	10,666	9,361
Total	43,884	49,433	47,483
Other non-current liabilities:			
Deferred revenue	2,725	2,886	2,568
Other long-term employee benefit obligations	3,404	3,569	4,303
Other	3,193	4,257	4,160
Total	9,323	10,712	11,032

(Note) Deferred revenue includes government subsidies received for purchasing property, plant and equipment. The government subsidies are mainly for development and production facilities for new influenza vaccines, and the improvement of the production facility for Yamaguchi factory. The government subsidies mentioned are not associated with unfulfilled conditions or other contingent events.

18. Post-employment benefits

The Group operates a defined benefit corporate pension plan and a lump-sum retirement plan (unfunded) as post-employment benefit plans for employees. Certain consolidated subsidiaries have defined contribution plans in addition to the defined benefit plans.

(1) Defined benefit plans

① Overview of defined benefit plan

The Company and certain domestic consolidated subsidiaries apply a point system for their defined benefit plans. The benefit amount is calculated based on the accumulated number of points granted, which are determined by the years of service, salary at the time of retirement, and other factors. The defined benefit plan is exposed to actuarial risks – such as discount rate and other assumptions – and investment risk relating to financial instruments. In addition, in the event that the fund is unable to generate sufficient investment income corresponding to the defined benefit obligation, additional contribution may be required.

The Company's pension plans are administered by the Company's pension fund ("the Fund") which is legally independent of the Company. The Director of the Fund has the fiduciary duty to comply with relevant laws, the directives by the Minister of Health, Labour and Welfare, and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws, the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund.

The Company is required to make contributions to the Fund and is obligated to make contributions in the amount stipulated by the Fund. Contributions are regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

Significant fluctuation in the discount rate or liability under the current market environment is not expected. Therefore, using the asset-liability matching strategy, the fund maintains an investment strategy which mid- to long-term aims for expected returns to exceed the discount rate and reduces asset-liability mismatch. The investment strategy focuses mainly on strengthening management of risk, not maximizing profit. This investment policy is expected to generate returns required to fulfill long-term commitments.

② Reconciliation of defined benefit liabilities and plan assets

The defined benefit obligation recognized in the Consolidated Statement of Financial Position relating to the defined benefit plans are as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Defined benefit liabilities (funded)	108,708	110,593	115,632

Fair value of plan assets	99,477	102,741	106,776
Total	9,230	7,851	8,856
Defined benefit liabilities (unfunded)	1,026	798	1,207
Net defined benefit liabilities	10,256	8,650	10,063

③ Movements in the present value of defined benefit liabilities

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

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	109,734	111,391
Service cost	3,502	3,743
Interest cost	1,264	1,471
Remeasurement:		
Actuarial losses arising from changes in demographics assumptions	1,924	777
Actuarial (gains)losses arising from changes in financial assumptions	(2,078)	1,721
Amendment to actual result	451	391
Benefits paid from plan	(2,498)	(2,979)
Exchange differences on translation of foreign operations	(989)	311
Other	81	11
Ending balance	111,391	116,839

④ Maturity analysis of the defined benefit obligation

Japan

The weighted average duration of the defined benefit obligation is 20 years as of March 31, 2018 and 2017.

Overseas

The weighted average duration of the defined benefit obligation is 15 years as of March 31, 2018 and 2017.

⑤ Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Fair value of plan assets at the beginning of the year	99,477	102,741
Interest income	1,076	1,266
Remeasurements		
Return on plan assets	4,707	4,113
Contributions from employer	695	1,600
Benefits paid from plan	(2,466)	(2,919)
Exchange differences on translation of foreign operations	(741)	23
Other	(8)	(49)
Fair value of plan assets at the end of the year	102,741	106,776

The estimated amount of contributions to the defined benefit plans for the next year (from April 1, 2018 to March 31, 2019) is ¥4,439 million.

⑥ Components of plan assets

The Fund related to the defined benefit plan is independent from the Group, and is funded solely by contributions from the Group.The aim of the Fund's investment policy for plan assets is to ensure total medium-to-long term returns that are available to provide future payments of pension benefits with acceptable risk.

The components of plan assets are as follows:

(Unit: Millions of yen)

	Plan assets with quoted prices in active markets			Plan assets without quoted prices in active markets		
	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Shares (Domestic)	11,416	12,921	12,573	12,519	13,189	13,900
Shares (Overseas)	8,261	8,187	6,219	7,140	7,004	10,428
Bonds (Domestic)	4,640	2,265	1,137	37,992	41,508	43,515
Bonds (Overseas)	4,270	3,440	1,743	9,471	9,739	12,532
Cash and deposits	501	1,575	2,931	—	—	—
Other	1,383	892	—	1,880	2,016	1,794
Total	30,473	29,282	24,604	69,004	73,459	82,171

In respect to the management of the plan assets, the Fund considers the risks and returns of assets under management and sets an asset mix policy with an optimal asset combination in future years. The Fund reviews the asset portfolio periodically and monitors the performance of assets.

⑦ Significant actuarial assumptions

The significant actuarial assumptions are as follows:

(Unit: %)

	As of April 1, 2016		As of March 31, 2017		As of March 31, 2018	
	Japan	Overseas	Japan	Overseas	Japan	Overseas
Discount rate	0.70	4.20	0.89	4.39	0.77	4.04

In addition to the above, actuarial assumptions also include expected salary increase rate, death rate, and retirement rate.

⑧ Sensitivity analysis

If the discount rate increases by 0.5%, the defined benefit obligation will decrease by ¥ 9,173 million and ¥ 9,328 million as of March 31, 2017 and March 31, 2018, respectively.

If the discount rate decreases by 0.5%, the defined benefit obligation will increase by ¥ 10,633 million and ¥ 10,818 million as of March 31, 2017 and March 31, 2018, respectively.

The sensitivity analysis above assumes that actuarial assumptions other than the discount rate are constant.

⑨ Retirement benefit expenses

Components of retirement benefit expenses are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Service cost	3,502	3,743
Interest cost	1,264	1,471
Interest income	(1,076)	(1,266)
Total	3,689	3,948

Retirement benefit expenses are included in "Cost of sales", and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

(2) Defined contribution plans

Total expense recognized for the defined contribution plan is ¥ 2,869 million and ¥ 3,325million for the years ended March 31, 2017 and March 31, 2018, respectively. Expenses related to defined contribution plans are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

19. Paid-up capital and other capital

(1) Share capital and capital surplus

	Number of authorized shares (shares)	Number of outstanding shares (shares)
As of April 1, 2016	1,519,000,000	379,760,520
Increase/decrease during the year	—	—
As of March 31, 2017	1,519,000,000	379,760,520
Increase/decrease during the year	—	—
As of March 31, 2018	1,519,000,000	379,760,520

(Note 1) The shares issued by the Company are ordinary shares that have no par value. Shareholders of ordinary share have the right to receive dividends each time the dividend is declared and have one voting right per 100 shares at the general shareholders' meeting.

(Note 2) All ordinary shares have an equal right to the company's residual assets.

(Note 3) Outstanding shares have been fully paid.

The Japanese Corporate Law ("the Law") requires that at least 50% of the proceeds upon issuance of shares is credited to share capital and the remainder of the proceeds is credited to capital reserve included in capital surplus. The Law permits, upon approval at the general meeting of shareholders, the transfer of amount from capital reserve to share capital.

Amounts classified as equity elements at the time of issuance of convertible bond with share subscription rights are included in other capital surplus as equity elements of compound financial products.

(2) Treasury shares

Changes in the number of treasury shares are as follows:

	Number of shares (shares)
As of April 1, 2016	16,790,714
Increase during the year	11,001,786
Decrease during the year	(10,980)
As of March 31, 2017	27,781,520
Increase during the year	1,405
Decrease during the year	(1,716,711)
As of March 31, 2018	26,066,214

(Note 1) Increase in the number of treasury shares for the year ended March 31, 2017 (11,001,786 shares) is due to purchase of shares according to the resolution of Board of Directors (11,000,000 shares) and purchase of shares of less than one standard unit (1,786 shares).

Decrease in the number of treasury shares for the year ended March 31, 2017 (10,980 shares) is due to the exercise of stock options.

(Note 2) Increase in the number of treasury shares for the year ended March 31, 2018 (1,405 shares) is due to purchase of shares of less than one standard unit.

Decrease in the number of treasury shares for the year ended March 31, 2018 (1,716,711 shares) is due to the exercise of stock options (28,638 shares) and conversion to shares by convertible bonds with share subscription rights (1,688,073 shares).

(3) Retained earnings

The Law provides that 10% of dividends from retained earnings shall be appropriated as capital reserve or as legal reserve until the aggregate amount of capital reserve and legal reserve equals to 25% of share capital. Accumulated legal reserve may be used to eliminate or reduce a deficit, or transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Other components of equity

Changes in other components of equity for the year ended March 31, 2017 and March 31, 2018 are as follows:

(Unit: Millions of yen)

	Share subscription right	Remeasurements of defined benefit plans	Changes in financial assets measured at fair value through other comprehensive income	Cash flow hedges	Cost of hedging	Exchange differences on translation of foreign operations	Total
As of April 1, 2016	183	–	13,977	(357)	–	–	13,803
Other comprehensive income	–	2,969	(1,412)	(479)	33	(6,315)	(5,205)
Disposal of treasury shares	(22)	–	–	–	–	–	(22)
Transfer from other components of equity to retained earnings	–	(2,969)	(10,878)	–	–	–	(13,848)
Share-based payment transactions	147	–	–	–	–	–	147
As of March 31, 2017	307	–	1,685	(837)	33	(6,315)	(5,126)
Other comprehensive income	–	(46)	298	0	607	(24,381)	(23,520)
Disposal of treasury shares	(90)	–	–	–	–	–	(90)
Transfer from other components of equity to retained earnings	–	46	3	–	–	–	50
Share-based payment transactions	447	–	–	–	–	–	447
As of March 31, 2018	664	–	1,988	(836)	640	(30,696)	(28,240)

All amounts stated above are after tax.

(a) Share subscription rights
The Company has stock option plan and issues the stock acquisition right based on the Company Act. The details of contract terms and amounts are stated in Note 21 “Share-based payments”.

(b) Remeasurements of defined benefit plans
This consists of changes arising from the remeasurements of defined benefit plans.

(c) Changes in financial assets measured at fair value through other comprehensive income
This consists of changes in financial assets measured at fair value through other comprehensive income.

(d) Cash flow hedges
This consists of the effective portion of the net changes in fair value of hedging instruments that are designated as cash flow hedges.

(e) Cost of hedging
This consists of the effective portion of the net change in fair value of the basis spread of cross-currency interest rate swaps that are designated as hedging instruments.

(f) Exchange differences on translation of foreign operations
This consists of foreign currency translation differences arising from the translation of the foreign operations’ financial statements.

20. Dividend

(1) Dividend payment

The amount of dividend payments for each year is as follows:

For the year ended March 31, 2017

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 24, 2016	Ordinary share	7,259	20	March 31, 2016	June 27, 2016
Board of Directors' meeting held on November 10, 2016	Ordinary share	7,259	20	September 30, 2016	December 7, 2016

For the year ended March 31, 2018

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 27, 2017	Ordinary share	7,743	22	March 31, 2017	June 28, 2017
Board of Directors' meeting held on November 9, 2017	Ordinary share	8,095	23	September 30, 2017	December 5, 2017

(2) Dividends which will become effective in the next year

Dividends which will become effective in the next year are as follows:

For the year ended March 31, 2017

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 27, 2017	Ordinary share	7,743	22	March 31, 2017	June 28, 2017

For the year ended March 31, 2018

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 22, 2018	Ordinary share	9,549	27	March 31, 2018	June 25, 2018

21. Share-based payments

(1) Details of the stock option plan

The Company grants stock options to its directors, executives and employees by resolution of the General Meeting of Shareholders and the Board of Directors meeting. All stock options issued by the Company are equity-settled share-based payments. The exercise period is stipulated in the allotment agreement, and if it is not exercised within that period, the option will be forfeited. Stock compensation for stock option plans is treated as equity-settled share-based payments. Stock options can be exercised on the earlier of the day after three years have elapsed from the grant date and the day following retirement day of the director, executive, or employee. Stock option A issued in 2016 and 2017 can be exercised from the day immediately after the director retires. Stock option B can be exercised from the day immediately after the executive and fellow lose all of their positions.

The Group’s stock option plans for the years ended March 31, 2017 and March 31, 2018 are shown below. A 2-for-1 stock split on April 1, 2014 is reflected in the amounts shown below.

	Stock options (2013)	Stock options (2014)	Stock options (2015)	Stock options Type A (2016)
Grantees	Directors -7 people Senior executive - 6 people	Directors -9 people Company executives - 26 people	Directors - 10 people Company executives - 26 people	Directors - 9 people
Number of stock options by type of stock	Ordinary stock 47,542 shares	Ordinary share 55,350 shares	Ordinary share 52,102 shares	Ordinary share 25,390 shares
Grant date	August 22, 2013	August 27, 2014	August 25, 2015	August 25, 2016
Duration of service	Not applicable	Not applicable	Not applicable	Not applicable
Exercise period	From August 23, 2013 to August 22, 2043	From August 28, 2014 to August 27, 2044	From August 26, 2015 to August 25, 2045	From August 26, 2016 to August 25, 2046

	Stock options Type B (2016)	Stock options Type A (2017)	Stock options Type B (2017)
Grantees	Company executives - 29 people Fellow – 4 people	Directors - 6 people	Company executives - 27 people Fellow – 4 people
Number of stock options by type of stock	Ordinary share 28,092 shares	Ordinary share 22,706 shares	Ordinary share 26,234 shares
Grant date	August 25, 2016	August 24, 2017	August 24, 2017
Duration of service	Not applicable	Not applicable	Not applicable
Exercise period	From August 26, 2016 to August 25, 2046	From August 25, 2017 to August 24, 2047	From August 25, 2017 to August 24, 2047

(2) Number of stock options and weighted average stock prices

	For the year ended March 31, 2017		For the year ended March 31, 2018	
	Number of stock (stock)	Weighted average exercise price (yen)	Number of stock (stock)	Weighted average exercise price (yen)
Beginning balance	154,994	1	197,496	1
Granted	53,482	1	48,940	1
Exercised	(10,980)	1	(28,638)	1
Closing balance	197,496	1	217,798	1
Ending balance of unexercised grants	37,232	1	91,258	1

(Note 1) The weighted average stock prices at the day when the options were exercised during the period are ¥ 3,965 and ¥ 4,797 for the years ended March 31, 2017 and March 31, 2018, respectively.

(Note 2) The weighted average remaining contractual life of outstanding stock options as of the reporting date is 28.0 years and 27.5 years as of March 31, 2017 and March 31, 2018, respectively.

(3) Fair value of stock options granted during the period

The fair value of stock options granted during the period is evaluated using the Black-Scholes model based on the following assumptions.

	For the year ended March 31, 2017		For the year ended March 31, 2018	
	Stock options Type A (2016)	Stock options Type B (2016)	Stock options Type A (2017)	Stock options Type B (2017)
Fair value (yen)	4,083	3,980	3,904	3,833
Stock price on grant date (yen)	4,260	4,260	4,130	4,130
Exercise price (yen)	1	1	1	1
Expected volatility (%)	31.149	30.100	29.641	29.306
Expected remaining life (years)	4.6	7.4	5.5	7.3
Expected dividend	39 yen/share	39 yen/share	42 yen/share	42 yen/share
Risk free rate (%)	(0.181)	(0.190)	(0.107)	(0.076)

(4) Stock option expense

The amount of stock-based compensation expense included in “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss is ¥ 147 million and ¥ 447 million for the years ended March 31, 2017 and March 31, 2018, respectively.

22. Revenue

Revenue of the Group primarily comprises of product sales. The details of product are described in Note 5 “Segment Information”.

23. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Employee benefit expenses	74,493	84,896
Marketing expenses	15,615	17,799
Depreciation and amortization	12,576	13,704
Freight expenses	10,687	12,625
Research and development expenses	32,378	41,342
Travel expenses	9,796	11,811
Other	27,741	30,183
Total	183,288	212,363

24. Employee benefit expenses

The employee benefit expenses included in the Consolidated Statement of Profit or Loss are ¥ 134,772 million and ¥ 149,973 million for the years ended March 31, 2017 and March 31, 2018, respectively.

The employee benefit expenses mainly include salaries, bonuses, statutory welfare expenses and employee retirement benefit expenses and are recorded in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

25. Other income and other expenses

(1) Other income

The breakdown of other income is as follows:

	For the year ended March 31, 2017	For the year ended March 31, 2018
		(Unit: Millions of yen)
Gain on sale of property, plant and equipment	385	15
Subsidy income	1,275	1,913
Insurance income	–	1,084
Gain on adjustment of payables	–	554
Other	1,128	1,196
Total	2,789	4,764

(2) Other expenses

The breakdown of other expenses is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Loss due to restructuring	1,375	280
Loss on disposal of property, plant and equipment	1,678	572
Structural reform-related expense	703	287
Loss due to disasters	–	277
Other	1,800	1,762
Total	5,559	3,180

26. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Finance income		
Interest income		
Financial assets measured at amortized cost	497	745
Dividend income		
Equity instruments designated as financial assets measured at fair value through other comprehensive income	203	110
Other	8	233
Total	709	1,089

(2) Finance costs

The breakdown of finance costs is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Finance costs		
Interest expense		
Financial liabilities measured at amortized cost	1,709	1,805
Loss on valuation of securities		
Financial assets measured at fair value through profit or loss	2,178	–
Other investment valuation loss		
Financial assets measured at fair value through profit or loss	4,805	–
Foreign exchange loss	4,119	542
Other	414	445
Total	13,228	2,792

27. Other comprehensive income

The breakdown of each item of other comprehensive income and the related tax effects (including non-controlling interests) are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income:		
Amount in current year	(2,141)	437
Tax effect	728	(138)
After tax effect adjustment	(1,412)	298
Remeasurements of defined benefit plans:		
Amount in current year	4,410	1,233
Tax effect	(1,441)	(1,269)
After tax effect adjustment	2,969	(46)
Sub-total	1,556	252
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:		
Amount in current year	(6,321)	(24,395)
Cash flow hedges:		
Amount in current year	(1,340)	(2,940)
Reclassification adjustment	630	2,943
Amount before tax	(709)	3
Tax effect	230	(1)
After tax effect adjustment	(479)	2
Cost of hedging		
Amount in current year	72	1,104
Reclassification adjustment	(23)	(217)
Amount before tax	48	886
Tax effect	(15)	(278)
After tax effect adjustment	33	607

Share of other comprehensive income(loss) of investments accounted for using the equity method:		
Amount in current year	(0)	(1)
Sub-total	(6,768)	(23,787)
Total of other comprehensive income	(5,211)	(23,534)

28. Earnings per share

The basis for calculating basic earnings per share and diluted earnings per share attributable to the Company's ordinary shareholders is as follows:

	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit for the year attributable to owners of the parent (millions of yen)	55,003	91,295
Profit for the year adjustments		
Adjustments relating to convertible bonds with share subscription rights (millions of yen)	236	234
Profit for the year used to calculate diluted earnings per share (millions of yen)	55,240	91,530
Weighted average number of ordinary shares (share)	361,141,030	352,326,615
Increase in the number of ordinary shares		
Convertible bond with share subscription rights (share)	25,687,130	25,584,182
Stock option plan (share)	135,692	213,613
Weighted average number of ordinary shares after dilution (share)	386,963,852	378,124,410
Basic earnings per share (yen)	152.31	259.12
Diluted earnings per share (yen)	142.75	242.06

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

29. Financial instruments

(1) Capital management

The Group’s capital management policy is to maximize corporate value by pursuing growth opportunities which are greater than cost of capital, increasing asset efficiency through improvement of business operations, and building a financially sound optimal capital structure.

The Group monitors financial indicators to maintain an optimal capital structure. The Group monitors credit ratings for financial soundness and flexibility of capital as appropriate, and return on equity attributable to owners of the parent (“ROE”) for asset efficiency.

(Unit: %)

	For the year ended March 31, 2017	For the year ended March 31, 2018
ROE	11.1	17.5

ROE: Profit for the year attributable to owners of the parent ÷ Equity attributable to owners of the parent (average of the beginning and ending of the periods)

The Group is not subject to significant regulatory of capital requirements, except for those under the Law and related laws.

(2) Financial risk management

The Group is exposed to a variety of financial risks, such as credit risk, liquidity risk, market risks (currency risk, interest rate risk, and price risk) in its operations. The Company manages its risks to prevent and reduce these financial risks. The basic policy of risk management covers the risks associated with business operations, but not for speculative transactions.

(3) Credit risk

Credit risk is the risk of financial loss due to counterparties' inability to fulfill their obligations.

The Group regularly monitors the conditions of its major customers, and manages the due date and balance of trade receivables by customers according to the Group's internal policy for credit management, for the purpose of identifying recoverability concerns due to deterioration of a customer's financial situation at an early stage and revising and improving the protection of trade receivables. As a result, there are no material past due trade receivables. In regard to derivative transactions, the Group only deals with highly creditworthy financial institutions, and therefore the credit risk is considered as to be low.

The Group is not exposed to excessive credit risk associated with specific customers that require exceptional management.

The Group's maximum exposure to credit risk are the carrying amount of the financial assets in the Consolidated Statement of Financial Position. Trade receivables are categorized according to customers' credit risk features, and loss allowance is measured based on the historical credit loss ratio and expected future economic conditions for each category based on a simplified approach.

Movements in loss allowance

The Group reviews collectability of trade and other receivables based on the credit conditions of customers and recognizes loss allowance. Carrying amount of total trade receivables and movements in loss allowance are as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Trade receivables	104,426	109,508	118,115

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	(1,390)	(1,430)
Increases	(367)	(336)
Decreases (intended use)	56	115
Decreases (reversal)	149	232
Others	122	(28)
Ending balance	(1,430)	(1,446)

(4) Liquidity risk

Liquidity risk is the risk of facing difficulties in fulfilling obligations related to financial liabilities settled by cash or other financial assets. The Group procures necessary funds through bank borrowings and corporate bonds; however, these liabilities are exposed to liquidity risk of failure for making payments on due dates due to the deterioration of funding environment or other factors. The Accounting and Finance Department creates and revises the procurement of funding schedule based on the annual business plan, understands and consolidates the liquidity on hand and the status of the interest-bearing debt, and reports to the Board of Directors on a timely basis. The Group monitors the ongoing forecast for funding demand and maintains sufficient unused portion of the contractual borrowing facilities.

Maturity analysis

The table below shows the remaining contractual maturities of the Group's non-derivative financial liabilities and derivative financial liabilities at the reporting date. The contractual amounts shown in the table below are undiscounted cash flows.

As of April 1, 2016 (Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	55,485	–	–	55,485
Bonds and borrowings	60,897	107,037	53,311	221,246
Other financial liabilities	309	817	135	1,262
Derivative financial liabilities				
Other financial liabilities	134	502	–	637

As of March 31, 2017 (Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	61,152	–	–	61,152
Bonds and borrowings	128,877	192,164	22,278	343,319
Other financial liabilities	285	10,727	79	11,092
Derivative financial liabilities				
Other financial liabilities	84	271	836	1,193

As of March 31, 2018 (Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	67,515	–	–	67,515
Bonds and borrowings	50,554	155,814	148,165	354,534
Other financial liabilities	203	10,232	29	10,465
Derivative financial liabilities				
Other financial liabilities	(1,378)	(8,542)	2,827	(7,093)

(5) Market risks

The Group is exposed to market risks related to currency risk associated with foreign currency-denominated transactions, interest rate risk associated with raising funds, and market price risk associated with the listed stocks held by the Group.

① Currency risk

(a) Currency risk and management policy

The Group is exposed to currency risk that arises from import and export transactions and overseas transactions denominated in foreign currencies. Currency risk arises from forecast transactions such as future sales, financing and repayment, or assets and liabilities that have been already recognized.

The Group continuously monitors foreign exchange rates to manage such risks.

The Group has entered into foreign currency forward contracts to hedge the currency risks arising from forecast transactions such as future sales, financial assets and financial liabilities denominated in foreign currency transactions. In addition, to hedge future cash flows arising from the borrowings denominated in foreign currency, the Group has entered into a cross-currency interest rate swap contract with the same maturity as the redemption date of the underlying transactions.

Consequently, receivables and liabilities denominated in foreign currencies are exposed to the risk arising from fluctuations in foreign exchange rates. However, the impact of the risk is limited due to the offset effect by foreign currency forward contracts.

(b) Sensitivity analysis on currency risk

With respect to foreign currency-denominated financial instruments held by the Group, the impact on profit before tax that would result from 1% appreciation of the Japanese yen against the U.S. dollar is ¥ (100) million and ¥ (159) million

for the years ended March 31, 2017 and March 31, 2018, respectively. The impact on profit before tax that would result from 1% appreciation of the Japanese yen against Euro is ¥ (100) million and ¥ (83) million for the years ended March 31, 2017 and March 31, 2018, respectively. The impact on profit before tax that would result from 1% appreciation of the U.S. dollar against Euro is ¥ (60) million and ¥ (126) million for the years ended March 31, 2017 and March 31, 2018, respectively.
This analysis does not include the foreign exchange gain or loss arising from financial instruments denominated in the functional currency, the translation of income and expenses denominated in foreign currencies, and the translation of assets and liabilities of foreign operations into the presentation currency.
The impact of a 1% depreciation of the Japanese yen against the U.S. dollar and Euro, and U.S. dollar against Euro on the profit before tax would be equial but opposite to the amounts stated above, assuming all other variables are constant.

(c) Derivatives (foreign currency forward contracts)
Foreign currency forward contracts for hedging currency risk are as follows:
1. Derivative transactions to which hedge accounting is not applied

(Unit: Millions of yen)

	As of April 1, 2016		As of March 31, 2017		As of March 31, 2018	
	Carrying amount		Carrying amount		Carrying amount	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Foreign currency forward contracts	392	110	250	76	306	51

(Unit: Millions of yen)

	As of April 1, 2016			As of March 31, 2017			As of March 31, 2018		
	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value
Foreign currency forward contracts									
Short position									
USD	7,915	−	389	8,862	−	129	8,550	−	294
AUD	963	−	(57)	1,363	−	(26)	986	−	11
SGD	183	−	(4)	173	−	(0)	84	−	(0)
THB	1,758	−	(38)	1,886	−	(46)	2,032	−	(50)
EUR	−	−	−	6,349	−	118	− -	−	−
Long position									
USD	214	−	(5)	−	−	−	−	−	−
Total	11,035	−	281	18,634	−	173	11,653	−	255

2. Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

	As of April 1, 2016		As of March 31, 2017		As of March 31, 2018	
	Carrying amount		Carrying amount		Carrying amount	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Foreign currency forward contracts	11	24	32	8	4	11

(Unit: Millions of yen)

	As of April 1, 2016			As of March 31, 2017			As of March 31, 2018		
	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value
Foreign exchange forward contracts									
Short position									
JPY	20	−	0	57	−	(0)	71	−	1
USD	3,038	−	10	3,005	−	28	2,813	−	(9)
EUR	362	−	(23)	375	−	(3)	−	−	−
Total	3,422	−	(13)	3,438	−	24	2,885	−	(7)

The Group enters into foreign currency forward contracts to hedge currency risks. Hedge accounting is applied, if the transactions meet the requirements of hedge accounting.
The Group's risk management policies are to achieve roughly 100% hedge against the estimated currency risk arising from sales forecast for the next three months. The Group enters into foreign currency forward contracts to hedge currency risk, most of which mature within one year from the reporting date. The Group designates the entire foreign currency forward contracts as a hedging instrument.

The impact of the foreign exchange-related hedging instruments on the Group's financial position and performance are set out below. The cross-currency interest rate swap is stated below in ② "Interest rate risk".

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Carrying amount (millions of yen)	(13)	24	(7)
Contractual amount (millions of yen)	3,422	3,438	2,885
Maturity date	April ~ September 2016	April ~ July 2017	April ~ July 2018
Accounts for hedging instruments in the statement of financial position	Other financial assets Other financial liabilities	Other financial assets Other financial liabilities	Other financial assets Other financial liabilities
Hedge ratio (Note 1)	1	1	1
Changes in fair value of hedging instruments for measurement of hedge ineffectiveness	—	(200)	(116)
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	—	200	116
Weighted average forward exchange rates	0.01 GBP/JPY 112.29 JPY/USD 0.71 GBP/USD 0.74 GBP/EUR	0.01 GBP/JPY 112.72 JPY/USD 0.81 GBP/USD 0.85 GBP/EUR	0.01 GBP/JPY 104.95 JPY/USD 0.72 GBP/USD

(Note 1) Foreign currency forward contracts are denominated in the same currency as the forecast foreign currency transactions, hence the hedge ratio is 1:1.

(Note 2) The Group's foreign currency forward contracts designated as hedging instruments do not have any ineffective portions.

The amounts recognized for the Group's designated hedging instruments are as follows (before tax):

For the year ended March 31, 2017

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedge	Amounts reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Foreign currency forward contracts	(200)	238	Finance costs

For the year ended March 31, 2018

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedge	Amounts reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Foreign currency forward contracts	(116)	84	Finance costs

The reconciliation of the Group's other components of equity and the analysis of other comprehensive income are as follows:

(Unit: Millions of yen)

Cash flow hedge	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	(15)	16
Changes in fair value		
Currency risk	(200)	(116)
Reclassification to profit or loss		
Currency risk	238	84
Income tax arising from changes in the period	(6)	11
Ending balance	16	(4)

② Interest rate risk

(a) Interest rate risk and management policies

Interest rate risk is the risk arising from the changes in market interest rates affecting changes in the fair value or future cash flows of financial instruments. The Group's exposure to interest rate risk is mainly related to liabilities, such as bonds and borrowings, and receivables, such as interest-bearing deposits. The Group is exposed to the risk of fluctuation of future cash flows resulting from the risk of interest rate fluctuation on part of its funding borrowed from financial institutions at the floating rate.

In order to hedge its exposure to an increase in future interest payments resulting from an increase in interest rates, the Group raises funds through issuance of corporate bonds with fixed interest rates or enters into interest rate swap transactions to hedge interest rate risk associated with the floating rate on borrowings in order to make cash flows stable.

(b) Sensitivity analysis of interest rate risk

With respect to long-term borrowings with floating rates exposed to interest rate risk, the Group uses interest rate swaps for which hedge accounting is applied, to maintain stable future cash flows and hedge risk. Since the Group's exposure to interest rate risk is limited and the impact of interest rate fluctuations on the Group's consolidated financial statements are immaterial, interest rate sensitivity analysis is not presented in detail.

(c) Derivatives (Interest rate swaps and cross-currency interest rate swaps)

Details of cash flow hedge related to interest rate swaps and cross-currency interest rate swaps are as follows:

1. Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

Hedging instruments	As of April 1, 2016				As of March 31, 2017				As of March 31, 2018			
	Notional amount		Fair value		Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	20,000	–	502	–	20,000	–	271	–	20,000	–	140
Cross-currency interest rate swaps	–	–	–	–	–	89,498	1,171	836	–	89,498	343	5,584

(Note) Interest rate swaps and cross-currency interest rate swaps to which hedge accounting is applied, are used to swap floating rates with fixed interest rates. The Group has adopted the policy to hedge partial or all exposure to interest rate risk for borrowings with floating rates to fixed interest rates.

Interest rate swaps

The Group entered into interest rate swap agreements based on the same or closely aligned with key terms of the hedged items, such as reference interest rate, date of interest rate update, date of repayment, maturity, and principals.

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Carrying amount (millions of yen)	(502)	(271)	(140)
Contractual amount (millions of yen)	20,000	20,000	20,000
Maturity date	March 2019	March 2019	March 2019
Accounts for hedging instruments in the statement of financial position	Other financial liabilities	Other financial liabilities	Other financial liabilities
Hedge ratio (Note 1)	1	1	1
Changes in fair value of hedging instruments for measurement of hedge ineffectiveness	—	78	(20)
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	—	(78)	20
Weighted average hedging interest rate (fixed interest rate) (%)	0.8793%	0.8793%	0.8793%

(Note 1) The borrowings with floating rates are hedged by interest rate swaps with the same or closely aligned with the key terms. The Group applies a hedge ratio of 1:1.

(Note 2) The Group’s interest rate swaps designated as hedging instruments do not have any ineffective portions.

The amounts recognized for the Group’s designated hedging instruments are as follows (before tax):**For the year ended March 31, 2017**

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedges	Amounts reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Interest rate swaps	78	152	Finance costs

For the year ended March 31, 2018

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedges	Amounts reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Interest rate swaps	(20)	151	Finance costs

The reconciliation of the Group's other components of equity and the analysis of other comprehensive income are as follows:

(Unit: Millions of yen)

Cash flow hedge	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	(344)	(186)
Changes in fair value		
Interest rate risk	78	(20)
Reclassification to profit or loss		
Interest rate risk	152	151
Income tax arising from changes in the period	(72)	(41)
Ending balance	(186)	(96)

Cross-currency interest rate swaps

The Group entered into cross-currency interest rate swap agreements based on the same or closely aligned with key terms of the hedged items, such as reference interest rate, date of interest rate update, date of repayment, maturity, and principals.

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Carrying amount (millions of yen)	—	334	(5,240)
Contractual amount (millions of yen)	—	89,498	89,498
Maturity date	—	January 2022 ~ April 2024	January 2022 ~ April 2024
Accounts for hedging instruments in the statement of financial position	—	Other financial assets Other financial liabilities	Other financial assets Other financial liabilities
Hedge ratio (Note 1)	—	1	1
Changes in fair value of hedging instruments for measurement of hedge ineffectiveness	—	(1,217)	(2,837)
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	—	1,220	2,807
Weighted average hedging interest rate (fixed interest rate) (%)	—	0.1308%	0.1308%

(Note 1) The borrowings with floating rates are hedged by cross-currency interest rate swaps with the same or closely aligned with key terms. The Group applies a hedge ratio of 1:1.

(Note 2) The ineffective portion related to the cross-currency interest rate swaps designated as hedging instruments is immaterial.

The amounts recognized for the designated hedging instruments are as follows (before tax):

For the year ended March 31, 2017

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedges	Amounts reclassified from other components of equity for cash flow hedges	Amounts of cost of hedging recognized in other comprehensive income	Amounts of cost of hedging reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Cross-currency interest rate swaps	(1,217)	239	72	(23)	Finance costs

For the year ended March 31, 2018

(Unit: Millions of yen)

	Amounts recognized in other comprehensive income for cash flow hedges	Amounts reclassified from other components of equity for cash flow hedges	Amounts of cost of hedging recognized in other comprehensive income	Amounts of cost of hedging reclassified from other components of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss

Cross-currency interest rate swaps	(2,803)	2,708	1,104	(217)	Finance income and Finance costs

The reconciliation of the Group other components of equity and the analysis of other comprehensive income are as follows:

(1) Cash flow hedge

(Unit: Millions of yen)

Cash flow hedge	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	—	(668)
Changes in fair value		
Risks of foreign exchange rate and interest rate	(1,217)	(2,803)
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	239	2,708
Income tax arising from changes in the period	309	28
Ending balance	(668)	(735)

(2) Cost of hedging

(Unit: Millions of yen)

Cost of hedging	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	—	33
Changes in fair value		
Risks of foreign exchange rate and interest rate	72	1,104
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	(23)	(217)
Income tax arising from changes in the period	(15)	(278)
Ending balance	33	640

Cost of hedging represents the amount arising from foreign currency basis spreads of hedging instruments that are hedging against time-period related hedged items.

③ Price risk of equity instruments

Details of price risk and management policies

The price risk of equity instruments is the risk arising from changes in market prices affecting the changes in fair value or future cash flows of financial instruments (excluding changes arising from interest rate risk and currency risk).

The Group is exposed to price risk arising from the equity instruments it holds. Shares with market prices, which are not for trading purpose, are classified as financial assets measured at fair value through other comprehensive income.

To manage price risk arising from such equity instruments, the Group makes basic policies in relation to the investment in such equity instruments that shall be complied with in the Group. In addition, it is obligated to report to and obtain approval from the Board of Directors on a timely basis regarding significant investments in equity instruments. The Group reviews the economic rational and purpose of equity instruments held by the group from a mid-to-long term perspective and, in addition, significant equity instruments are regularly reviewed by the Board of Directors.

30. Fair value of financial instruments

(1) Fair value hierarchy

Financial instruments measured at fair value are classified as level 1 to level 3 in the fair value hierarchy with reference to the observability and significance of the inputs used in the valuation technique. The fair value hierarchy is defined as follows:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Fair value is measured using the observable inputs which fail to meet Level 1, either directly or indirectly;
Level 3: Fair value is measured using unobservable inputs.

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

① Fair value hierarchy

The financial assets and financial liabilities measured at fair value in the Consolidated Statement of Financial Position by each level of the fair value hierarchy are as follows:

As of April 1, 2016

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Securities	–	–	2,178	2,178
Derivatives	–	403	–	403
Other	–	2,743	4,805	7,548
Financial assets measured at fair value through other comprehensive income				
Shares	28,875	–	708	29,583
Total	28,875	3,146	7,693	39,715
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	637	–	637
Total	–	637	–	637

As of March 31, 2017

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Derivatives	–	1,455	–	1,455
Other	–	3,250	–	3,250
Financial assets measured at fair value through other comprehensive income				
Shares	5,116	–	1,805	6,922
Total	5,116	4,705	1,805	11,628
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				

Derivatives	–	1,192	–	1,192
Contingent considerations	–	–	8,773	8,773
Total	–	1,192	8,773	9,965

As of March 31, 2018

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Derivatives	–	655	–	655
Other	–	3,711	–	3,711
Financial assets measured at fair value through other comprehensive income				
Shares	5,287	–	1,963	7,251
Total	5,287	4,366	1,963	11,617
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	5,788	–	5,788
Contingent considerations	–	–	9,041	9,041
Total	–	5,788	9,041	14,829

Transfers of financial instruments between levels of the fair value hierarchy are assessed at each reporting date. There were no significant transfers between levels for the years ended March 31, 2017 and 2018.

② Valuation techniques for fair value measurement of financial assets and financial liabilities

(a) Shares

The fair value of listed stocks is measured at the quoted market prices on stock exchanges and is categorized into Level 1.

(b) Derivatives

The fair value of foreign currency forward contracts is measured at the present value calculated using the forward exchange rate at the end of the reporting period. The fair value of interest rate swaps and cross-currency interest rate swaps are valued using specific valuation techniques, such as discounted cash flow analysis based on observable yield curves. Therefore, foreign currency forward contracts, interest rate swaps, and cross-currency interest rate swaps are categorized into Level 2.

(c) Contingent considerations

Contingent consideration arising from business combinations mainly resulted from the acquisition of Sequent Medical, Inc. (US). The contingent consideration is based on the period of FDA approval for the new shape embolic device "WEB" used for cerebral aneurysm treatment described in the purchase agreement. In the event the approval is received by June 30, 2023, a payment between USD50 million and USD100 million will be made. The fair value of the contingent consideration is measured using a discounted cash flows valuation technique, which is calculated based on the expected payments corresponding to the acquiree’s business and business environment during the periods of FDA approval with reference to probability of occurrence and time value of money.

The contingent consideration is categorized into Level 3 measured using a valuation technique with reference to unobservable inputs.

③ Movements of financial assets and financial liablities classified as Level 3

The movements of financial assets classified as Level 3 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	7,693	1,805
Total gains or losses		
Profit or loss (Note 1)	(6,984)	–
Other comprehensive income (Note 2)	179	(64)
Additions	917	222
Ending balance	1,805	1,963

(Note 1) Gains and losses recognized in profit or loss are associated with the financial assets measured at fair value through profit or loss, which are stated in "Finance income" and "Finance costs" in the Consolidated Statement of Profit or Loss.

(Note 2) Gains and losses recognized in other comprehensive income are associated with the financial assets measured at fair value through other comprehensive income, which are stated in "Changes in financial assets measured at fair value through other comprehensive income" in the Consolidated Statement of Comprehensive Income.

The movements of financial liabilities classified as Level 3 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Beginning balance	–	8,773
Business combinations – contingent consideration	8,905	–
Settlements	(650)	–
Changes in fair value	(32)	764
Exchange differences on translation of foreign operations	550	(497)
Ending balance	8,773	9,041

(Note 1) The financial liabilities consist of contingent consideration as stated in Note 4. Business combination.

(3) Financial assets and financial liabilities that are not measured at fair value on a recurring basis

① Fair value and carrying amounts

The carrying amounts and fair values of the financial instruments, which have disclosed fair values but not measured at fair value on a recurring basis, are described below. Carrying amounts shown below do not include financial instruments for which the carrying amounts reasonably approximate to their fair values.

(Unit: Millions of yen)

	As of April 1, 2016		As of March 31, 2017		As of March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	138,298	161,178	128,548	144,379	142,357	186,430
Long-term borrowings	78,713	79,136	89,639	89,635	193,855	194,274

(Note) The above table includes current portion of long-term borrowings and corporate bonds that are due within one year.

② Fair value measurements of financial instruments

The valuation techniques for fair value measurement for the financial instruments described above are as follows:

(a) Long-term borrowings

The fair value of long-term borrowings with floating rates reflecting short-term interest rates, are measured at book value, considering the carrying amounts approximate to the fair value, as the Company's credit conditions do not fluctuate significantly from having the borrowings. The fair value of long-term borrowings with fixed interest rates are measured at the present value of discounted cash flows, using an interest rate that would be applied for new borrowings. Hence, these borrowings are classified as Level 3.

(b) Corporate bonds

The fair value of corporate bonds is measured using quoted prices that are observable in markets. Although corporate bonds have quoted prices, as they are not traded in active markets, the fair value of corporate bonds are classified as Level 2.

31. Significant subsidiaries

(1) Significant subsidiaries

The table below includes the details of significant subsidiaries as of March 31, 2018. Unless stated otherwise, equity of subsidiary comprises of ordinary shares directly owned by the Group and equity interest is the same as the voting rights belonging to the Group. The location of the subsidiary is the same as the location of the major establishment.

Company name	Location	Core business	Percentage of voting rights held (%)		
			As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Terumo Europe N.V.	Belgium	Manufacture and sale of products related to Cardiac and Vascular Company and General Hospital Company	100	100	100
Terumo Americas Holding, Inc.	U.S.	Supervision of American subsidiaries	100	100	100
Terumo Medical Corporation	U.S.	Manufacture and sale of products related to Cardiac and Vascular Company and General Hospital Company	100	100	100
MicroVention, Inc.	U.S.	Manufacture and sale of products related to Cardiac and Vascular Company	100	100	100
Terumo BCT Holding Corp.	U.S.	Supervision of BCT Group subsidiaries	100	100	100
Terumo BCT, Inc.	U.S.	Manufacture and sale of products related to Cardiac and Vascular Company	100	100	100
Terumo (China) Holding Co., Ltd.	China	Supervision of China subsidiaries	100	100	100
Terumo Asia Holdings Pte. Ltd.	Singapore	Supervision of Asian subsidiaries (excluding China)	100	100	100

(2) Material non-controlling interest in subsidiaries

The Group does not have any material non-controlling interest in subsidiaries.

32. Related parties

(1) Related party transactions

Disclosure has been omitted because there are no significant transactions between the Group and related parties. Transactions have been carried out under the same conditions as ordinary transactions.

(2) Compensation for key management personnel

Compensation for key management personnel of the Group is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Remuneration and bonuses	542	440
Share-based payments	103	88
Total	646	529

Compensation for key management personnel is the remuneration to the directors (including external directors) of the Company.33. Commitment

Commitments related to expenditures as of each reporting day are as follows:

(Unit: Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Property, plant and equipment	12,128	5,928	15,589
Intangible assets	355	836	507
Total	12,483	6,765	16,097

34. Contingent liabilities

There are no contingent liabilities as of March 31, 2018.

35. Subsequent Events

There are no subsequent events for the year ended March 31, 2018.

36. First-time adoption of IFRS

(1) Transition to financial reporting under IFRS

The Group presents consolidated financial statements that comply with IFRS from the year ended March 31, 2018 as described in Note 2 “Basis of preparation”. The most recent consolidated financial statements for the year ended March 31, 2017 were prepared in accordance with generally accepted accounting principles in Japan (hereinafter “JGAAP”). The transition date was April 1, 2016.

In principle, IFRS 1 requires that companies adopting IFRS for the first time (hereinafter “First-time Adopter”) apply the standards retrospectively. However, IFRS 1 provides certain mandatory exceptions and voluntary exemptions from the application of certain requirements under IFRS. Impacts from the application of these exemptions are adjusted in retained earnings, or other components of equity on the date of transition to IFRS.

(2) Exceptions to the retrospective application of other IFRSs

IFRS 1 prohibits retrospective application of certain IFRS standards. The group applies specific provisions for “Accounting estimates”, “Derecognition of financial assets and financial liabilities”, “Hedge accounting”, and “Classification and measurement of financial assets”. The Group prospectively applies IFRS relating to those items from the date of transition to IFRS.

(3) Exemptions from other IFRSs

The exemptions that the Group applies regarding the transition from JGAAP to IFRS were as follows:

(a) Business Combinations

IFRS 1 provides that a First-time Adopter may elect not to apply IFRS 3 Business Combinations (“IFRS 3”) retrospectively to past business combinations that occurred before the date of transition to IFRS. If a First-time Adopter applies IFRS 3 retrospectively, all subsequent business combinations will be accounted for in accordance with IFRS 3.

The Group adopts this exemption and elects not to apply IFRS 3 retrospectively to the business combinations that occurred before the date of transition to IFRS.

As a result, the amount of goodwill that arose from the business combinations that occurred before the date of transition to IFRS is stated at the carrying amount of the goodwill in accordance with JGAAP. Impairment test on goodwill was performed as of the date of transition to IFRS regardless of whether there was an indication of impairment or not.

(b) Deemed cost

IFRS 1 provides that a First-time Adopter is permitted to measure property, plant and equipment and intangible assets at fair value at transition date and use the fair value as deemed cost as of the transition date. The Group applies this exemption to certain property, plant and equipment and uses the fair value as deemed cost. The prior period book value is ¥16,240 million and the fair value is ¥7,320 million after applying deemed cost.

(c) Exchange differences on translation of foreign operations

IFRS 1 provides that a First-time Adopter may elect to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS. The Group applies this exemption and elects to deem the cumulative translation differences for all foreign operations to be zero at the date of transition and transfers all amounts to retained earnings.

(d) Designation of previously recognized financial instruments

IFRS 1 provides that a First-time Adopter may determine the classification of financial assets under IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRS. The Group makes an irrevocable designation by each equity instrument as financial asset measured at fair value through profit and loss or other comprehensive income.

(4) Adjustment from JGAAP to IFRS

The Group adjusted the amounts reported in the consolidated financial statements based on JGAAP when preparing consolidated financial statements based on IFRS.

The effect of the adjustment on the financial condition, business performance and cash flow of the Group is as shown below. In the reconciliation table below, “Reclassifications” includes adjustments that do not affect retained earnings and comprehensive income, while “Recognition and measurement differences” include adjustments that affect retained earnings and comprehensive income. Furthermore, the Group acquired shares of Bolton Medical, Inc. and two other companies (making them subsidiaries of Terumo) and a related business as of 31 March 2017. Since the allocation of acquisition consideration was completed in the current year, the effect of the adjustment from the original provisional amount is stated in "Adjustment due to allocation of acquisition consideration".

Reconciliation of Equity as of April 1, 2016 (Transition Date)

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current assets						Current assets
Cash and deposits	149,672	(2,745)	—	146,927		Cash and cash equivalents
Notes and accounts receivables – trade	104,426	844	—	105,270		Trade and other receivables
	—	3,152	(3)	3,149		Other current financial assets
	—	94,716	563	95,280		Inventories
Merchandise and finished goods	59,132	(59,132)	—	—		
Work-in-progress	10,194	(10,194)	—	—		
Raw materials and supplies	27,126	(27,126)	—	—		
Deferred tax assets	14,963	(14,963)	—	—		
Other	10,621	(10,621)	—	—		
Allowance for doubtful accounts	(1,390)	1,390	—	—		
	—	2,106	—	2,106		Current tax assets
	—	5,872	(52)	5,819		Other current assets
Total current assets	374,746	(16,701)	507	358,553		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	—	177,532	(11,978)	165,554	A	Property, plant and equipment
Buildings and structures (net)	65,207	(65,207)	—	—		
Machinery, equipment and vehicles (net)	54,362	(54,362)	—	—		
Land	23,297	(23,297)	—	—		
Lease assets (net)	881	(881)	—	—		
Construction in progress	21,417	(21,417)	—	—		
Other (net)	10,628	(10,628)	—	—		
Intangible assets	—	291,592	3,175	294,767	B	Goodwill and intangible assets
Goodwill	143,707	(143,707)	—	—		
Customer relationships	90,750	(90,750)	—	—		
Developed technology	28,017	(28,017)				
Other	28,038	(28,038)	—	—		
Investments and other assets						
Investment securities	37,724	(37,724)	—	—		
	—	5,961	(5)	5,955		Investments accounted for using the equity method
	—	41,154	—	41,154		Other non-current financial assets
Deferred tax assets	3,436	14,963	1,388	19,788	D	Deferred tax assets
	—	3,716	—	3,716		Other non-current assets
Other	14,186	(14,186)	—	—		
Total non-current assets	521,657	16,701	(7,420)	530,938		Total non-current assets
Total deferred assets	5,281	—	(5,281)	—	C	
Total assets	901,685	—	(12,194)	889,491		Total assets

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current liabilities						Current Liabilities
Notes and accounts payable - trade	36,294	18,413	777	55,485		Trade and other payables
	—	59,901	—	59,901		Bonds and borrowings
Short-term debt	61	(61)	—	—		
Current portion of long-term debt	19,839	(19,839)	—	—		
Lease obligations	256	134	53	444		Other current financial liabilities
Current portion of bonds payable	40,000	(40,000)	—	—		
Income taxes payable	9,778	1,562	—	11,341		Current tax liabilities
Deferred tax liabilities	56	(56)	—	—		
	—	115	—	115		Provisions
Provision for bonuses	5,869	(5,869)	—	—		
Provision for directors' bonuses	170	(170)	—	—		
Notes and accounts payable-facilities	5,451	(5,451)	—	—		
Other	51,057	(7,172)	(0)	43,884	G	Other current liabilities
Total current liabilities	168,835	1,506	830	171,172		Total current liabilities
Non-current liabilities						Non-current liabilities
	—	159,058	(1,885)	157,172	F	Bonds and borrowings
Convertible bonds with share subscription rights	100,184	(100,184)	—	—		
Long-term debt	58,873	(58,873)	—	—		
Lease obligations	286	317	850	1,455	H	Other non-current financial liabilities
Deferred tax liabilities	45,079	56	(5,587)	39,549	D	Deferred tax liabilities
Reserve for directors' retirement benefit	66	(66)	—	—		
Retirement benefit liabilities	8,656	—	1,599	10,256	E	Defined benefit liabilities
Asset retirement obligations	230	—	—	230		Provisions
Other	7,925	(1,813)	3,211	9,323	G	Other non-current liabilities
Total non-current liabilities	221,304	(1,506)	(1,810)	217,987		Total non-current liabilities
Total liabilities	390,140	—	(980)	389,160		Total liabilities
Total net assets section						Equity
Capital stock	38,716	—	—	38,716		Share capital
Capital surplus	50,928	—	1,550	52,478	F	Capital surplus
Treasury shares	(64,040)	—	—	(64,040)		Treasury shares
Retained earnings	419,573	—	39,690	459,264	J	Retained earnings
Accumulated other comprehensive income	66,074	183	(52,454)	13,803	E, H, I	Other components of equity
Share subscription rights	183	(183)	—	—		
	511,435	—	(11,213)	500,221		Total equity attributable to owners of the parent
Non-controlling interests	109	—	—	109		Non-controlling interests
Total net assets	511,544	—	(11,213)	500,331		Total equity

Total liabilities and net assets	901,685	—	(12,194)	889,491	Total liabilities and equity

Notes on reconciliation of Equity as of April 1, 2016

Recognition and measurement differences

A Adjustment to property, plant and equipment

The Group elects to use the fair value of certain property, plant and equipment on the IFRS transition date as deemed cost. In addition, upon adoption of IFRS, the Group has revised the estimates of useful lives and residual values. As a result, there is a difference between the carrying amount of property, plant and equipment under JGAAP and the carrying amount under IFRS.

B Adjustment to intangible assets

Certain development expenses that have been treated as expenses under JGAAP are capitalized under IFRS if they meet the requirements for capitalization.

C Adjustment to deferred assets

Under JGAAP, start-up costs were capitalized as deferred assets. Under IFRS, start-up costs are expensed as incurred.

D Adjustment to deferred tax assets and deferred tax liabilities

Under JGAAP, deferred tax assets were calculated using the effective tax rate of the seller for the tax effect associated with the elimination of unrealized gains and losses, but IFRS calculates using the effective tax rate of the purchaser. In addition, deferred tax assets or deferred tax liabilities are recorded for temporary differences arising as a result of adjusting differences to IFRS. Deferred tax assets have increased or decreased as a result of considering the recoverability of deferred tax assets based on IFRS.

E Adjustment to post-employment benefits

Under JGAAP, actuarial gains and losses were recognized in profit or loss from the year after they were incurred, and amortized by the straight-line method over a certain number of years no longer than the average remaining service period of employees. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings.

Defined benefit liabilities are recalculated based on the provisions of IFRS and any adjustments arising from such differences are reflected in retained earnings. As a result of the recalculation based on IFRS, significant assumptions such as mortality rates differ between JGAAP and IFRS.

F Adjustment to bonds and borrowings

Under JGAAP, convertible bonds with share subscription rights were recognized as a lump-sum amount, and the consideration related to the share subscription rights was not separated from the consideration related to the bond. Under IFRS, as a compound financial instrument, convertible bonds with share subscription rights are separated into the liability component and the equity component. As a result, the amount measured as an equity component was deducted from bonds and borrowings, and the same amount is recorded as capital surplus.

G Adjustment to government grants

Under JGAAP, revenue was recognized in lump-sum when the government grant was received. Under IFRS, the revenue is deferred, and recognized over the useful life of the related asset. As a result, deferred income is recognized in other current liabilities or other non-current liabilities.

H Adjustment to accounting for interest rate swaps

Under JGAAP, interest rate swaps were accounted for using a special method if they fulfilled certain requirements. Under IFRS, interest rate swaps are accounted for using a cash flow hedge method and the fair value of the hedge instrument is recognized in the consolidated statement of financial position.

I Adjustment to foreign operations

The Group elected to apply the exemption under IFRS 1 and transferred the total accumulated amount of translation adjustments to the retained earnings as of the transition date.

J Adjustments to retained earnings

Adjustments to retained earnings due to differences in recognition and measurement are as follows:

	(Unit: Millions of yen) As of April 1, 2016
Adjustment to property, plant and equipment	(8,562)
Adjustment to intangible assets	1,441
Adjustment to deferred assets	(3,596)
Adjustment to deferred tax assets and deferred tax liabilities	3,819
Adjustment to post-employment benefits	(14,881)
Adjustment to bonds and borrowings	(257)
Adjustment to government grants	(1,898)
Adjustment to foreign operations	63,742
Other	(116)
Total	39,690

Reclassifications

In addition to the above, the Group made reclassifications in conformity with IFRS requirements, of which the significant ones are as follows:

- Under JGAAP, the Group included time deposits with maturities exceeding three months in cash and deposits. Under IFRS, they are included in other current financial assets.
- Under JGAAP, allowance for doubtful debts (current assets) are separately listed. Under IFRS, allowance for doubtful debts are included in trade and other receivables as loss allowance.
- Financial assets and liabilities are presented in accordance with IFRS presentation requirements
- Deferred tax assets and deferred tax liabilities recorded as current items under JGAAP are reclassified as non-current assets/liabilities under IFRS.
- Short-term debt, current portion of long-term debt, and current portion of bonds payable which were disclosed separately under JGAAP are included in bonds and borrowings (current liabilities). In addition, long-term debt and convertible bonds with share subscription rights are included in bonds and borrowings (non-current liabilities).

Reconciliations of Equity as of March 31, 2017

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Adjustment due to allocation of acquisition consideration	Reclassifications	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current assets							Current assets
Cash and deposits	105,388	—	(341)	–	105,046		Cash and cash equivalents
Notes and accounts receivables - trade	109,508	—	1,581	–	111,090		Trade and other receivables
	—	—	625	–	625		Other current financial assets
	—	—	105,497	549	106,046		Inventories
Merchandise and finished goods	69,765	246	(70,011)	–	–		
Work-in-progress	9,367	—	(9,367)	–	–		
Raw materials and supplies	27,579	—	(27,579)	–	–		
Deferred tax assets	17,501	—	(17,501)	–	–		
Other	11,503	28	(11,531)	–	–		
Allowance for doubtful accounts	(1,430)	—	1,430	–	–		
	—	—	750	–	750		Current tax assets
	—	—	7,485	(110)	7,375		Other current assets
Total current assets	349,183	275	(18,963)	438	330,934		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	—	—	184,517	(11,872)	172,644	A	Property, plant and equipment
Buildings and structures (Net)	63,310	—	(63,310)	—	—		
Machinery, equipment and vehicles (Net)	53,359	—	(53,359)	—	—		
Land	22,471	—	(22,471)	—	—		
Lease assets (Net)	1,780	—	(1,780)	—	—		
Construction in progress	30,445	—	(30,445)	—	—		
Other (Net)	11,754	(66)	(11,687)	—	—		
Intangible assets	—	—	455,009	16,607	471,616	B, C	Goodwill and intangible assets
Goodwill	217,334	(10,157)	(207,176)	—	—		
Customer Relationships	85,338	897	(86,235)	—	—		
Developed Technology	105,581	10,658	(116,239)	—	—		
Other	46,463	(2,132)	(44,330)	—	—		

Investments and other assets							
Investment securities	12,463	—	(12,463)	—	—		
	—	—	5,540	176	5,717		Investments accounted for using the equity method
	—	—	12,479	1,171	13,651	J	Other non-current financial assets
Deferred tax assets	6,727	—	17,501	(209)	24,019	E	Deferred tax asset
Retirement benefit assets	757	—	(757)	—	—		
	—	—	4,437	(757)	3,679		Other non-current assets
Other	10,263	—	(10,263)	—	—		
Total non-current assets	668,052	(801)	18,963	5,114	691,328		Total non-current assets
Total deferred tax assets	4,169	—	—	(4,169)	—	D	
Total assets	1,021,405	(526)	—	1,383	1,022,262		Total assets

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Adjustment due to allocation of acquisition consideration	Reclassifications	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current liabilities							Current liabilities
Notes and accounts payable - trade	38,451	—	21,923	777	61,152		Trade and other payables
	—	—	127,853	—	127,853		Bonds and borrowings
Short-term debt	120,000	—	(120,000)	—	—		
Current portion of long-term debt	7,853	—	(7,853)	—	—		
Lease obligations	231	—	84	54	370		Other current financial liabilities
Income taxes payable	9,688	—	1,427	—	11,115		Current tax liabilities
Deferred tax liabilities	23	—	(23)	—	—		
	—	—	212	—	212		Provisions
Provision for bonuses	6,317	—	(6,317)	—	—		
Provision for directors' bonuses	190	—	(190)	—	—		
Notes and accounts payable-facilities	7,059	—	(7,059)	—	—		
Asset retirement obligations	72	—	(72)	—	—		
Other	58,502	256	(9,418)	93	49,433	H	Other current liabilities
Total current liabilities	248,389	256	566	925	250,137		Total current liabilities
Non-current liabilities							Non-current liabilities
	—	—	210,713	(378)	210,335	G, J	Bonds and borrowings
Bonds payable	30,000	—	(30,000)	—	—		
Convertible bonds with share subscription rights	100,135	—	(100,135)	—	—		
Long-term debt	80,578	—	(80,578)	—	—		
Lease obligations	230	—	9,928	565	10,724	I	Other non-current financial liabilities
Deferred tax liabilities	47,501	(782)	23	(6,648)	40,093	E	Deferred tax liabilities
Reserve for directors' retirement benefits	14	—	(14)	—	—		
Retirement benefit liabilities	6,803	—	—	1,846	8,650	F	Defined benefit liabilities
Asset retirement obligations	84	—	—	—	84		Provisions
Other	18,113	—	(10,504)	3,103	10,712	H	Other non-current liabilities
Total non-current liabilities	283,462	(782)	(566)	(1,510)	280,602		Total non-current liabilities
Total liabilities	531,851	(526)	—	(584)	530,739		Total liabilities
Total Net Assets Section							Equity
Capital stock	38,716	—	—	—	38,716		Share capital
Capital surplus	50,928	—	—	1,550	52,478	G	Capital surplus

Treasury shares	(108,225)	—	—	—	(108,225)		Treasury shares
Retained earnings	459,261	—	—	54,317	513,578	L	Retained earnings
Accumulated other comprehensive income	48,464	—	307	(53,898)	(5,126)	F, I, J, K	Other components of equity
Share subscription rights	307	—	(307)	—	—		
	489,452	—	—	1,968	491,421		Total equity attributable to owners of the parent
Non-controlling interests	101	—	—	—	101		Non-controlling interests
Total net assets	489,554	—	—	1,968	491,522		Total equity
Total liabilities and net assets	1,021,405	(526)	—	1,383	1,022,262		Total liabilities and equity

Notes on reconciliation of Equity as of March 31, 2017

Recognition and measurement differences

A Adjustment to property, plant and equipment

The Group elects to use the fair value of certain property, plant and equipment on the IFRS transition date as deemed cost. In addition, upon adoption of IFRS, the Group has revised the estimates of useful lives and residual values. As a result, there is a difference between the carrying amount of property, plant and equipment under JGAAP and the carrying amount under IFRS.

B Adjustment to goodwill

Under JGAAP, goodwill was amortized on the straight-line basis over the period during which the effect of such goodwill lasts but not exceeding 20 years after recognition. Under IFRS, goodwill is not amortized.

C Adjustment to intangible assets

Certain development expenses that have been treated as expenses under JGAAP are capitalized under IFRS if they meet the requirements for capitalization.

D Adjustment to deferred assets

Under JGAAP, start-up costs were capitalized as deferred assets. Under IFRS, start-up costs are expensed as incurred.

E Adjustment to deferred tax assets and deferred tax liabilities

Under JGAAP, deferred tax assets were calculated using the effective tax rate of the seller for the tax effect associated with the elimination of unrealized gains and losses, but IFRS calculates using the effective tax rate of the purchaser. In addition, deferred tax assets or deferred tax liabilities are recorded for temporary differences arising as a result of adjusting other differences to IFRS. Deferred tax assets have increased or decreased as a result of considering the recoverability of deferred tax assets based on IFRS.

F Adjustment to post-employment benefits

Under JGAAP, actuarial gains and losses were recognized in profit or loss from the year after they were incurred, and amortized by the straight-line method over a certain number of years no longer than the average remaining service period of employees. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings.

Defined benefit liabilities are recalculated based on the provisions of IFRS and any adjustments arising from such differences are reflected in retained earnings. As a result of the recalculation based on IFRS, significant assumptions such as mortality rates differ between JGAAP and IFRS.

G Adjustment to bonds and borrowings

Under JGAAP, convertible bonds with share subscription rights were recognized as a lump-sum amount, and the consideration related to the share subscription right was not separated from the consideration related to the bond. Under IFRS, as a compound financial instrument, convertible bonds with share subscription rights are separated into the liability component and the equity component. As a result, the amount measured as an equity component was deducted from bonds and borrowings, and the same amount is recorded as capital surplus.

H Adjustment to government grants

Under JGAAP, revenue is recognized in lump-sum when the government grant is received. Under IFRS, the revenue is deferred, and recognized over the useful life of the related asset. As a result, deferred income is recognized in other current liabilities or other non-current liabilities.

I Adjustment to accounting for interest rate swaps

Under JGAAP, interest rate swaps were accounted for a special method if they fulfilled certain requirements. Under IFRS, interest rate swaps are accounted for using a cash flow hedge method and the fair value of the hedge instrument is recognized in the consolidated statement of financial position.

J Adjustment for integrated treatment of cross-currency interest rate swaps (special treatment/allocation treatment)

Under JGAAP, the cross-currency interest rate swaps that fulfilled certain requirements were accounted for using the integrated treatment (special treatment/allocation treatment). Under IFRS, cross-currency interest rate swas are accounted for using the cash flow hedge method and the fair value of the hedging instrument is recognized in the consolidated statement of financial position.

K Adjustment to foreign operations

The Group elected to apply the exemption under IFRS 1 and transferred the total accumulated amount of translation adjustments to the retained earnings as of the transition date to IFRS.

L Adjustments to retained earnings

Adjustments to retained earnings due to differences in recognition and measurement are as follows:

	(Unit: Millions of yen) As of March 31, 2017
Adjustment to property, plant and equipment	(8,508)
Adjustment to goodwill	11,430
Adjustment to intangible asset	2,608
Adjustment to deferred assets	(2,840)
Adjustment to deferred tax assets and liabilities	1,601
Adjustments to post-employment benefits	(11,301)
Adjustment to bonds and borrowings	(462)
Adjustment to government grants	(1,881)
Adjustment to foreign operations	63,742
Other	(71)
Total	54,317

Reclassifications

In addition to the above, the Group made reclassifications in conformity with IFRS requirements, of which the significant ones are as follows:

- Under JGAAP, the Group included time deposits with maturities exceeding three months in cash and deposits. Under IFRS, they are included in other current financial assets.
- Under JGAAP, allowance for doubtful debts (current assets) are separately listed. Under IFRS, allowance for doubtful debts are included in trade and other receivables as loss allowance.
- Financial assets and liabilities are presented in accordance with IFRS presentation requirements
- Deferred tax assets and deferred tax liabilities recorded as current items under JGAAP are reclassified as non-current assets/liabilities under IFRS.
- Short-term debt and current portion of long-term debt which were disclosed separately under JGAAP are included in bonds and borrowings (current liabilities). In addition, long-term debt and convertible bonds with share subscription rights are included in bonds and borrowings (non-current liabilities).

Reconciliations of Profit and loss and other comprehensive income for the year ended March 31, 2017

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Reclassifications	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Net sales	514,164	—	—	514,164		Revenue
Cost of sales	236,164	4,495	(330)	240,329	A	Cost of sales
Gross profit	278,000	(4,495)	330	273,835		Gross profit
Selling, general and administrative expenses	201,421	(4,430)	(13,703)	183,288	A, B	Selling, general and administrative expenses
	—	2,746	42	2,789		Other income
	—	6,755	(1,196)	5,559	C	Other expenses
Operating income	76,578	(4,074)	15,272	87,777		Operating profit
Non-operating income	2,057	(2,057)	—	—		
Non-operating expenses	10,083	(10,083)	—	—		
Extraordinary income	16,442	(16,442)	—	—		
Extraordinary expenses	10,012	(10,012)	—	—		
	—	16,501	(15,792)	709	D	Finance income
	—	12,791	436	13,228		Finance costs
	—	(559)	182	(377)		Share of profit (loss) of investments accounted for using the equity method
Income before income taxes	74,981	673	(774)	74,881		Profit before tax
Total income taxes	20,867	673	(1,552)	19,989	D	Income tax expenses
Profit	54,114	—	777	54,891		Profit for the year
						Attributable to
Loss attributable to non-controlling interests	(111)	—	–	(111)		Non-controlling interests
Profit attributable to owners of parent	54,225	—	777	55,003		Owners of the parent

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Profit	54,114	—	777	54,891		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gains on other securities	(14,601)	—	13,189	(1,412)	D	Changes in financial assets measured at fair value through other comprehensive income
Adjustment amount related to retirement benefits	4,465	—	(1,495)	2,969	E	Remeasurements of defined benefit plans
						Items that are or may be reclassified subsequently to profit or loss
Foreign currency translation adjustment account	(6,931)	—	609	(6,321)		Exchange differences on translation of foreign operations
Deferred hedge gains	(546)	—	67	(479)		Cash flow hedges
		—	33	33		Cost of hedging
Associates accounted for using the equity method	(0)	—	—	(0)		Share of other comprehensive income(loss) of investments accounted for using the equity method
Total other comprehensive income	(17,615)	—	12,404	(5,211)		Other comprehensive income(loss) for the year
Profit	36,498	—	13,182	49,680		Total comprehensive income for the year
(Details)						Total comprehensive income for the year attributable to
Comprehensive income attributable to owners of the parent	36,616	—	13,182	49,798		Owners of the parent
Comprehensive income attributable to non-controlling interests	(118)	—	—	(118)		Non-controlling interests

Notes on adjustments to profit or loss and comprehensive income for the year ended March 31, 2017
[Difference in recognition and measurement]

A Property, plant and equipment
Under JGAAP, property, plant and equipment were depreciated in the same way as Japanese tax law and the residual values and useful lives were based on Japanese tax law provisions. Under IFRS, property, plant and equipment are depreciated based on residual values and estimated useful lives. As a result, cost of sales decreased by ¥121 million and selling, general and administrative expenses increased by ¥38 million.

B Goodwill
Under JGAAP, goodwill was amortized on the straight-line basis over the period during which the effect of such goodwill lasts but not exceeding 20 years after recognition. Under IFRS, goodwill is not amortized, resulting in a decrease of ¥11,247 million in selling, general and administrative expenses.

C Deferred assets
Start-up costs that were capitalized as deferred assets under JGAAP are treated as expenses when incurred under IFRS. As a result, other expenses decreased by ¥1,111 million.

D Equity financial instruments
Under JGAAP, the Group recognizes gains or losses on sales of investment securities in profit or loss. Under IFRS, the Group recognizes fair value changes in other comprehensive income for equity instruments that are designated as financial assets measured at fair value through other comprehensive income, resulting in a decrease in finance income by ¥15,792 million. In addition, income taxes on the gain on sale are included in other comprehensive income, resulting in a decrease in income tax expenses by ¥2,823 million.

E Remeasurements of defined benefit plans
Under JGAAP, actuarial gains and losses were recognized in profit or loss from the year after they were inccurred, and amortized on a straight-line method over a certain number of years no longer than the average remaining service period of employees. Under IFRS, actuarial gains or losses are recognized in other comprehensive income and immediately transferred to retained earnings.

[Reclassifications]
Under JGAAP, items are presented in non-operating income, non-operating expenses, extraordinary income, and extraordinary losses. Under IFRS, financing-related items are included in finance income or finance costs and non-financing related items are included in other income, other expenses, or share of profit (loss) of investments accounted for using the equity method.

Note on Reconciliation of Cash Flows for the year ended March 31, 2017
There are no significant differences between the disclosed consolidated statement of cash flows under JGAAP and the disclosed consolidated statement of cash flows under IFRS.