Terumo Corporation

Consolidated Financial Statements

For the Year Ended March 31, 2019

Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	6	167,832	122,982
Trade and other receivables	7	121,402	128,462
Other current financial assets	8, 29, 30	659	1,744
Inventories	9	112,064	134,106
Current tax assets		530	－
Other current assets	10	8,551	11,426
Total current assets		411,042	398,722
Non-current assets			
Property, plant and equipment	11	179,222	201,986
Goodwill and intangible assets	12	444,434	468,885
Investments accounted for using the equity method		5,710	5,571
Other non-current financial assets	8, 29, 30	13,815	17,131
Deferred tax assets	16	23,356	24,624
Other non-current assets	10	3,462	3,868
Total non-current assets		670,003	722,068
Total assets		1,081,045	1,120,790

(Unit: Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	13	67,515	81,476
Bonds and borrowings	14, 29, 30	47,436	—
Other current financial liabilities	15, 29, 30	407	741
Current tax liabilities		15,970	10,199
Provisions		198	236
Other current liabilities	17	47,483	50,258
Total current liabilities		179,013	142,912
Non-current liabilities			
Bonds and borrowings	14, 29, 30	288,776	225,135
Other non-current financial liabilities	15, 29, 30	17,516	6,607
Deferred tax liabilities	16	24,124	24,302
Defined benefit liabilities	18	10,063	12,823
Provisions		82	88
Other non-current liabilities	17	11,032	10,807
Total non-current liabilities		351,596	279,764
Total liabilities		530,609	422,677
Equity			
Share capital	19	38,716	38,716
Capital surplus	19	52,445	52,029
Treasury shares	19	(101,546)	(32,381)
Retained earnings	19	588,932	646,223
Other components of equity	19	(28,240)	(6,553)
Total equity attributable to owners of the parent		550,307	698,034
Non-controlling interests		128	78
Total equity		550,435	698,113
Total liabilities and equity		1,081,045	1,120,790

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, 2018	For the year ended March 31, 2019
Revenue	5, 22	587,775	599,481
Cost of sales		268,442	272,984
Gross profit		319,333	326,497
Selling, general and administrative expenses	23	212,363	226,334
Other income	25	4,764	9,801
Other expenses	25	3,180	3,327
Operating profit		108,552	106,637
Finance income	26	1,089	2,111
Finance costs	26	2,792	5,876
Share of profit (loss) of investments accounted for using the equity method		(218)	(162)
Profit before tax		106,630	102,709
Income tax expenses	16	15,429	23,422
Profit for the year		91,201	79,287
Attributable to:			
Owners of the parent		91,295	79,470
Non-controlling interests		(94)	(183)
Total profit for the year		91,201	79,287
Earnings per share			
Basic earnings per share (yen)	28	129.56	108.70
Diluted earnings per share (yen)	28	121.03	104.97

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, 2018	For the year ended March 31, 2019
Profit for the year		91,201	79,287
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	298	844
Remeasurements of defined benefit plans	27	(46)	(1,766)
Total items that will not be reclassified to profit or loss		252	(921)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	27	(24,395)	20,895
Cash flow hedges	27	2	(353)
Cost of hedging	27	607	8
Share of other comprehensive income (loss) of investments accounted for using the equity method	27	(1)	—
Total items that are or may reclassified subsequently to profit or loss		(23,787)	20,549
Total other comprehensive income (loss) for the year		(23,534)	19,627
Total comprehensive income for the year		67,666	98,914
Attributable to			
Owners of the parent		67,774	99,100
Non-controlling interests		(108)	(185)
Total comprehensive income for the year		67,666	98,914

(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 as of April 1, 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 transactions with owners of the parent		—	(33)	6,679	(15,942)	406	(8,889)	135	(8,753)
Balance as of March 31, 2018		38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435
Adjustment on changes in the accounting policy		—	—	—	54	—	54	—	54
Restated balance as of March 31, 2018		38,716	52,445	(101,546)	588,986	(28,240)	550,361	128	550,490
Profit for the year		—	—	—	79,470	—	79,470	(183)	79,287
Other comprehensive income		—	—	—	—	19,630	19,630	(2)	19,627
Total comprehensive income		—	—	—	79,470	19,630	99,100	(185)	98,914
Acquisition of treasury shares		—	—	(9)	—	—	(9)	—	(9)
Disposal of treasury shares		—	—	155	(47)	(107)	0	—	0
Dividends	20	—	—	—	(19,555)	—	(19,555)	—	(19,555)
Transfer from other components of equity to retained earnings		—	—	—	(1,949)	1,949	—	—	—
Change in shares of subsidiaries due of capital increase		—	—	—	—	—	—	135	135
Share-based payments	21	—	—	—	—	215	215	—	215
Conversion of convertible bonds		—	(415)	69,018	(681)	—	67,921	—	67,921
Total transaction with owners of the parent		—	(415)	69,164	(22,233)	2,057	48,572	135	48,708
Balance as of March 31, 2019		38,716	52,029	(32,381)	646,223	(6,553)	698,034	78	698,113

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, 2018	For the year ended March 31, 2019
Cash flows from operating activities			
Profit before tax		106,630	102,709
Depreciation and amortization		42,035	44,035
Share of loss (gain) of investments accounted for using the equity method		218	162
Increase (decrease) in defined benefit liabilities		2,204	293
Interest and dividend income		(855)	(1,507)
Interest expenses		1,805	2,051
Foreign exchange loss (gain), net		616	(455)
Loss (gain) on disposal of property, plant and Equipment		557	(489)
(Decrease) increase in trade and other receivables		(9,256)	(5,935)
(Decrease) increase in inventories		(7,537)	(20,144)
Increase (decrease) in trade and other payables		3,991	6,682
Others		(1,639)	(4,155)
Sub-total		138,770	123,249
Interest and dividend income received		1,039	1,687
Interest expenses paid		(1,129)	(1,116)
Income taxes paid		(24,118)	(30,249)
Net cash provided by (used in) operating activities		114,562	93,571
Cash flow from investing activities			
Payments for purchase of time deposits		(25)	(1,373)
Proceeds from withdrawal of time deposits		—	17
Payments for purchase of property, plant and equipment		(31,866)	(39,326)
Proceeds from sale of property, plant and equipment		32	1,887
Payments for purchase of intangible assets		(9,456)	(15,038)
Payments for purchase of investment securities		(572)	(1,200)
Proceeds from sale of investment securities		—	524
Payments for acquisition of business		(2,217)	—
Payment for acquisition of shares of subsidiaries		—	(20,283)
Net cash provided by (used in) investing activities		(44,105)	(74,792)
Cash flow from financing activities			
Repayments of short-term borrowings	14	(120,000)	—
Proceeds from long-term borrowings	14	119,638	—
Repayments of long-term borrowings	14	(7,759)	(47,764)
Proceeds from issue of corporate bonds	14	19,931	—
Proceeds from non-controlling interests		135	135
Finance lease payments	14	(232)	(346)
Payments for purchase of treasury shares		(6)	(9)
Payments for dividends		(15,839)	(19,555)
Net cash provided by (used in) financing activities		(4,132)	(67,540)
Effect of exchange rate changes on cash and cash equivalents		(3,538)	3,912
Net increase (decrease) in cash and cash equivalents		62,786	(44,849)
Cash and cash equivalents at the beginning of the year		105,046	167,832
Cash and cash equivalents at the end of the year		167,832	122,982

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

6) Notes to Consolidated Financial Statements

1. Reporting entity

Terumo Corporation (hereinafter referred to as the “Company”) is a company located in Japan. The address of the Company’s registered head office and main business offices are available on the Company’s website (URL https://www.terumo.com/). These consolidated financial statements for the year ended March 31, 2019 comprise of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The Group is primarily involved in the manufacture and sales of medical products and equipment. Details of these principal business activities of the Group are presented in Note 5 “Segment information”.

2. Basis of preparation

(1) Compliance with IFRS

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 have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) as prescribed in Article 93 of the said ordinance.

The consolidated financial statements were approved for publication by Shinjiro Sato, President and CEO, on June 24, 2019.

(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, which is the currency of the primary economic environment in which the Company operates (referred to as the “functional currency”). All financial information is rounded down to the nearest million yen.

(4) Changes in accounting policy

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (published in May 2014) and “Clarifications to IFRS 15” (published in April 2016) (hereinafter, collectively referred to as “IFRS 15”) from the year ended March 31, 2019.
The Group applied the cumulative effect transition method and recognized the cumulative effect from initial application as an adjustment to the opening balance of retained earnings for the year ended March 31, 2019. As a result of the adoption of IFRS 15, revenues are recognized based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

With regard to the sales of products, the Group mainly recognizes revenue at the time of delivery of a product since the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. Revenue is measured at the amount of promised consideration in contracts with customers less discounts and rebates, and reduced by the amount of sales returns.
The effect of adopting the standard on the Group’s consolidated financial statements for the year ended March 31, 2019 is insignificant.

The Group has adopted the International Financial Reporting Interpretations Committee (“IFRIC”) 22 “Foreign Currency Transactions and Advance Consideration” from the year ended March 31, 2019. IFRIC 22 clarifies which exchange rate to use in a contract denominated in a foreign currency that involves the payment or receipt of advance consideration. The effect of adopting this interpretation on the Group’s consolidated financial statements is insignificant.

(5) 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 accounting estimates are recognized in the period in which the estimate is revised and future accounting periods.

The below are the judgements made by management, that have significant influence on the 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.

(a) 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 recognize substantial losses, in cases where the NRV decreases, because of a deterioration in the market environment against that forecast.

(b) 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, except for intangible assets with indefinite useful lives and intangible assets that is not yet available for use assets 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".

(c) 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 when an indication of impairment exists.

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 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".

(d) Measurement 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.

(e) Estimation of share-based payments

The Group has a share option scheme. 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 (hereinafter referred to as the "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".

(f) 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, tax loss carryforwards and tax credit carryforwards can be utilized. In respect of the recognition of deferred tax assets, the Group estimates the timing and amount of expected taxable profit based on the Group'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".

(g) 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".

(6) Early application of standards and interpretations

There are no standards and interpretations early applied from the year ended March 31, 2019.

(7) 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, 2019 are as follows.

Standard/Interpretation		Mandatory application (From periods beginning on or after)	To be adopted by the Group (reporting period ending)	Outline of the new standards, interpretations and amendments
IFRS 16	Leases	January 1, 2019	From the year ending March 31, 2020	IFRS 16 revises the accounting for 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.

Standard/Interpretation		Mandatory application (From periods beginning on or after)	To be adopted by the Group (reporting period ending)	Outline of the new standards, interpretations and amendments
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	From the year ending March 31, 2020	IFRIC 23 clarifies the accounting treatment for uncertain income tax positions stated in IAS 12.
IFRS 3	Business Combinations	January 1, 2020	From the year ending March 31, 2021	The amendments improve the definition of a business in IFRS 3 Business Combinations and clarify whether an acquired set of activities and assets is a business or not.

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, 2020 is expected to be increases of approximately 28.0 billion yen in assets and liabilities in the Consolidated Statement of Financial Position.
The Group is evaluating the effect of adopting the standards on the Group's consolidated financial statements for the year ending March 31, 2021 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 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

(a) 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.

(b) 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 combinations

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.

(3) Foreign currency

(a) 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.

(b) 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.

(c) 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.

(4) Financial instruments

a. 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.

b. 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.

c. Derecognition of financial assets

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

d. 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.

e. 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.

f. Compound instruments

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.

g. 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

(a) 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.

(b) 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

a. Goodwill

Goodwill arising from a business combination is recognized as "Goodwill and intangible assets" in the Consolidated Statement of Financial Position.

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.

b. 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:

・Development costs	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 groups of assets, 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

a. 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 which is crtitical assumption in determining the defined benefit obligations 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.

b. 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 has adopted IFRS 15. With regard to contracts with customers, except for interest and dividend revenue and similar items accounted for under IFRS 9, the Group recognizes revenue by applying the following steps.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group is primarily involved in the manufacture and sales of medical products and equipment. With regard to the sales of these products and equipment, the Group primarily recognizes revenue at the time of delivery of a product since the customer obtains control over the product and performance obligations are satisfied at the time of delivery. Revenue is measured at the amount of promised consideration in contracts with customers less discounts and rebates, and reduced by the amount of sales returns. If the consideration from contracts with customers includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of the cumulative amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
Consideration under sales contracts for products is recovered mainly within one year from the delivery of products to customers and includes no significant financing components.

The Group applied IFRS 15 retrospectively in accordance with the cumulative effect transition method and recognized the cumulative effect from initial application as an adjustment to the opening balance of retained earnings for the year ended March 31, 2019, and did not restate the consolidated financial statements for the year ended March 31, 2018. The accounting policy for the comparative period is as follows:
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

(a) 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.

(b) 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

For the year ended March 31, 2018

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

For the year ended March 31, 2019

Business combinations by acquisition

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

(1) Overview of the business combination

(a) Name of the acquired company and its business

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

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

(b) Main objectives for the business combination

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

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

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

(c) Acquisition date

December 29, 2018

(d) Legal form of the acquisition

Stock acquisition with cash as consideration

(e) Percentage of voting rights acquired 100%

(2) Amounts and breakdown of consideration for the acquisition

(Unit: Millions of yen)

Cash and cash equivalents	12,936
Accounts payable-other	1,420
Contingent consideration	499
Total	14,855

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

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

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

(Unit: Millions of yen)

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

(Note 1) Consideration for the acquisition is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. The above amounts, which are fair values based on the best estimate at present, are provisional because adjustment of the consideration for acquisition and allocation of the consideration for acquisition based on fair values of identifiable assets and liabilities have not been completed. Therefore, the above amounts may be revised within one year from the acquisition date when additional information is obtained related to facts and circumstances that existed as of the acquisition date.
In the three months ended March 31, 2019, due to allocation of the consideration for acquisition, amounts of assets and liabilities as of the acquisition date were revised. The nature of major revisions is an increase in intangible assets of ¥ 4,226 million, an increase in non-current liabilities of ¥634 million and a decrease in goodwill of ¥ 3,384 million.

(Note 2) Fair value of acquired receivables, contractual receivables and estimated uncollectible amount
Regarding the acquired trade and other receivables with a fair value of ¥350 million, the gross contractual amount of contracts is ¥ 413 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥ 63 million.

(Note 3) Goodwill

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

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

(4) Cash flow information

Payment for acquisition of shares is as follows:

(Unit: Millions of yen)

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

(5) Revenue and net profit of the acquired company

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

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

Disclosure is omitted because the impact is insignificant.

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:

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

(2) Reportable segment information

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

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

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	22,494	9,795	8,431	40,721	4,963	45,685

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

(1) ¥ 228 million adjustments to Revenue from sales to external customers is mainly 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, such as fixed assets disposal cost.

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

4. During the year ended March 31, 2019, the Company finalized the provisional accounting treatment for a business combination which was carried out in the year ended March 31, 2018. As a result, the corresponding figures for the year ended March 31, 2018 reflect the finalization of the provisional accounting treatment.

For the year ended March 31, 2019

(Unit: Millions of yen)

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

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

(1) ¥ 230 million adjustments to Revenue from sales to external customers is mainly proceeds from temporary staffing that is not attributable to reportable segments.

(2) ¥ (1,288) million adjusment to segment profit consists of ¥ (1,238) million for "inventories" and of ¥ (49) million for "others".

2. ¥ (857) million for Non-recurring profit or loss mainly includes ¥1,567 million for insurance revenue related to a hurricane in Puerto Rico and ¥ (2,040) million for the change in fair value of contingent consideration related to acquisition of Sequent Medical, Inc.

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 revenue and non-current assets by geographic area is as follows:

(a) Revenue

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Japan	188,856	188,468
Europe	118,216	120,368
Americas	171,636	175,646
(including USA)	(147,475)	(150,944)
Asia and others	109,065	114,998
Total	587,775	599,481

(Note) Revenue is classified by country or region based on customer's location.

(b) Non-current assets

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Japan	119,523	136,831
Europe	27,518	28,064
Americas	450,640	464,621
(including USA)	(446,956)	(459,856)
Asia and others	29,437	45,223
Total	627,120	674,740

(Note) Non-current assets are classified by country or region based on the Company and its subsidiaries' location. Financial assets and deferred tax assets are not included.

(5) Information on major customers

Disclosure is omitted because there is no revenue from 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 March 31, 2018	As of March 31, 2019
Cash and demand deposits	167,832	122,982
Total	167,832	122,982

The ending balances of cash and cash equivalents in the Consolidated Statements of Financial Position on March 31, 2018, and March 31, 2019, respectively, are same as the ending balances of cash and cash equivalents in the Consolidated Statements of Cash Flows.

There are no material cash and cash equivalents which have restrictions on withdrawal as of March 31, 2018, and March 31, 2019.

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 March 31, 2018	As of March 31, 2019
Trade receivables	116,668	124,292
Accounts receivable-other	4,734	4,170
Total	121,402	128,462

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 March 31, 2018	As of March 31, 2019
Other current financial assets:		
Financial assets measured at fair value through profit or loss		
Derivative assets	311	20
Financial assets measured at amortized cost		
Time deposits	348	1,723
Total	659	1,744
Other non-current financial assets:		
Financial assets measured at fair value through profit or loss		
Derivative assets	343	1,106
Other	3,711	4,163
Financial assets measured at fair value through other comprehensive income		
Shares	7,251	9,593
Financial assets measured at amortized cost		
Others	2,510	2,268
Total	13,815	17,131

(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, 2018	For the year ended March 31, 2019
Dividend income	105	104

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 March 31, 2018	As of March 31, 2019
ShockWave Medical, Inc.	644	2,454
Mitsubishi UFJ Financial Group Inc.	1,929	1,522
Azbil Corporation	991	1,035
Alfresa Holdings Corporation	400	532
Toho Holdings Co., Ltd.	305	337
Medipal Holdings Corporation	252	309
Suzuken Co., Ltd.	134	196
Hokuyaku Takeyama Holdings, Inc.	118	107
Dai-ichi Life Insurance Company, Limited	135	107
TOWA Corporation	160	74
Kawasumi Laboratories, Inc.	631	−

(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 when it sells a financial asset in order to improve asset efficiency or upon reviewing the transaction relationships.

The fair value at derecognition, cumulative gains or losses recognized in other comprehensive income, and dividend income for the years ended March 31, 2018 and 2019 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Fair value on the derecognition date	335	524
Cumulative gain / loss on the derecognition date	(3)	1
Dividend income	4	5

(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 ¥ (3) million and ¥ (182) million for the years ended March 31, 2018 and 2019, respectively.

9. Inventories

The breakdown of inventories is as follows:

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Merchandise and finished products	72,347	85,859
Work-in-progress	10,536	13,451
Raw materials and others	29,180	34,794
Total	112,064	134,106

The amount of write-down of inventories recognized as an expense in the Consolidated Statement of Profit or Loss are ¥ 4,184 million and ¥ 5,340 million for the years ended March 31, 2018 and 2019, respectively.

10. Other assets

The breakdown of other assets is as follows:

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Other current assets:		
Prepaid expenses	4,237	5,107
Others	4,314	6,318
Total	8,551	11,426
Other non-current assets:		
Long-term prepaid expenses	3,462	3,868
Total	3,462	3,868

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, 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	246,334	52,371	28,264	526,234
Accumulated depreciation and accumulated impairment loss	(678)	(112,680)	(194,334)	(38,520)	(797)	(347,011)
Carrying amount	15,156	70,747	51,999	13,851	27,467	179,222

As of March 31, 2019

(Unit: Millions of yen)

	Land	Buildings and structures	Equipment and transportation vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	15,434	190,016	260,726	55,773	37,581	559,532
Accumulated depreciation and accumulated impairment loss	(661)	(117,033)	(199,270)	(39,760)	(820)	(357,545)
Carrying amount	14,773	72,982	61,456	16,012	36,761	201,986

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, 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	(693)	(224)	(664)	(1,398)
Balance as of March 31, 2018	15,156	70,747	51,999	13,851	27,467	179,222
Additions	39	485	3,583	1,106	40,793	46,007
Acquisitions through business combinations	－	0	255	11	－	266
Depreciation	(15)	(5,507)	(13,253)	(4,273)	－	(23,050)
Reclassification from construction in progress	－	6,432	19,195	4,890	(30,518)	－
Sales and disposals	(592)	(260)	(385)	(127)	(142)	(1,508)
Exchange differences on translation of foreign operations	186	931	112	72	272	1,574
Other	－	154	(50)	482	(1,111)	(525)
Balance as of March 31, 2019	14,773	72,982	61,456	16,012	36,761	201,986

(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 or Loss.

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

12. Goodwill and intangible assets

(1) Movements in 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, 2017

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Development costs	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					
		Development costs	Software	Customer relationships	Technologies	Other	Total
Acquisition cost	208,067	34,347	43,801	116,711	124,301	12,730	539,959
Accumulated amortization and accumulated impairment loss	–	(3,829)	(23,558)	(40,507)	(21,618)	(6,011)	(95,524)
Carrying amount	208,067	30,518	20,243	76,203	102,682	6,719	444,434

As of March 31, 2019

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Development costs	Software	Customer relationships	Technologies	Other	Total
Acquisition cost	224,200	38,255	54,746	122,213	132,588	15,521	587,525
Accumulated amortization and accumulated impairment loss	–	(5,022)	(26,212)	(48,504)	(31,057)	(7,843)	(118,639)
Carrying amount	224,200	33,233	28,533	73,708	101,531	7,678	468,885

Carrying amount

(Unit: Millions of yen)

	Goodwill	Intangible assets					
		Development costs	Software	Customer relationships	Technologies	Other	Total
Balance as of April 1, 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	762	3,486	–	–	–	–	4,248
Internally developed	–	751	1,058	–	–	–	1,809
Amortization	–	(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	208,067	30,518	20,243	76,203	102,682	6,719	444,434
Additions	–	–	11,953	–	–	479	12,432
Acquisitions through business combinations	8,143	–	5	–	2,941	1,575	12,666
Internally developed	–	2,405	–	–	–	–	2,405
Amortization	–	(1,023)	(4,916)	(6,176)	(8,170)	(698)	(20,985)
Sale and disposal	–	–	(290)	–	–	(566)	(856)

Exchange differences on translation of foreign operations	8,337	1,332	721	3,332	4,395	604	18,724
Other	(349)	−	816	349	(317)	(436)	63
Balance as of March 31, 2019	224,200	33,233	28,533	73,708	101,531	7,678	468,885

(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 or 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. As the provisional accounting for the acquisition was finalized in the year ended March 31, 2019, the amount after finalization of provisional accounting is stated.

(Note 3) “Acquisitions through business combinations” for the year ended March 31, 2019 mainly represents the acquisition of Essen Technology (Beijing) Co., Ltd., Details of the business combination are presented in Note 4 “Business combinations”.

(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 carrying amounts of customer relationships were ¥ 83,951 million, ¥ 73,820 million and ¥ 71,188 million as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively. The remaining amortization period as of March 31, 2019 is 12 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 carrying amounts were ¥ 71,607 million, ¥ 63,362 million and ¥ 60,672 million as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively. The remaining amortization period as of March 31, 2019 is 12 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 carrying amounts were ¥ 21,210 million, ¥ 18,651 million, and ¥ 17,986 million as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively. The remaining amortization period as of March 31, 2019 is 12 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 carrying amounts were ¥ 10,658 million, ¥ 9,588 million and ¥ 9,489 million as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively. The remaining amortization period as of March 31, 2019 is 18 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 March 31, 2018	As of March 31, 2019
Cardiac and Vascular Company	TIS	48,634	57,974
	Neuro	28,845	29,749
	Vascular	9,197	9,720
Blood Management Company	Blood Management Company	121,389	126,755
	Total	208,067	224,200

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 7.2-7.3% and 7.7-7.8%, and the terminal value growth rate is 2.1-2.9% and 2.0-2.9% as of March 31, 2018 and March 31, 2019, 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 is allocated is 8.3% and 8.8%, and the terminal value growth rate is 2.3% and 2.3% as of March 31, 2018 and March 31, 2019, 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 test 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 0.5% and 1.7%, or the terminal value growth rate decreases by 0.8 % and 2.5 % as of March 31, 2018 and March 31, 2019, 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 March 31, 2018	As of March 31, 2019
Notes and accounts payable	42,175	43,847
Accounts payable-other	16,920	23,518
Equipment-related notes payable and other payables	8,420	14,110
Total	67,515	81,476

(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 March 31, 2018	As of March 31, 2019	Average interest rate (%)	Repayment due date
Current liabilities:				
Long-term borrowings due within one year	47,436	−	−	−
Total	47,436	−		
Non-current liabilities:				
Bonds (Note 3)	142,357	74,808	−	−
Long-term borrowings (excluding borrowings due within one year)	146,418	150,326	1.996	June 2021~April 2024
Total	288,776	225,135		

(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:

(Unit: Millions of yen)

Company	Series	Issuance date	As of March 31, 2018	As of March 31, 2019	Rate (%)	Guarantee	Repayment due date
Terumo Corporation	Euro-yen denominated convertible bonds with share subscription rights with a maturity date of 2019 (Note 2)	December 4, 2014	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	49,166	24,916	－	Nil	December 6, 2021
〃	5th unsecured bonds	April 19, 2016	9,980	9,986	0.080	Nil	April 19, 2021
〃	6th unsecured bonds	April 19, 2016	9,972	9,977	0.170	Nil	April 19, 2023
〃	7th unsecured bonds	April 19, 2016	9,966	9,970	0.240	Nil	April 17, 2026
〃	8th unsecured bonds	April 26, 2017	9,981	9,990	0.001	Nil	April 24, 2020
〃	9th unsecured bonds	April 26, 2017	9,962	9,966	0.255	Nil	April 26, 2027
Total			142,357 (－)	74,808 (－)			

(Note 1) Bonds to be redeemed within 1 year as of March 31, 2018 and March 31, 2019 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, 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
Cash flow from financing activities	−	(47,764)	−	−	(346)
Changes in foreign exchange rate	−	4,201	−	−	(11)
Changes in fair value	−	−	−	(3,407)	−
Conversion of convertible bonds	−	−	(67,730)	−	−
Other	−	34	181	−	552
Balance as of March 31, 2019	−	150,326	74,808	1,832	900

(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 March 31, 2018	As of March 31, 2019
Other financial liabilities (current):		
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	204	12
Contingent consideration	−	446
Other	203	282
Total	407	741
Other financial liabilities (non-current):		
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	5,584	2,939
Contingent consideration	11,105	2,671
Financial liabilities measured at amortized cost		
Guarantee deposit	324	377
Other	502	618
Total	17,516	6,607

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 March 31, 2018	As of March 31, 2019
Deferred tax assets		
Defined benefit liabilities	6,990	7,757
Property, plant and equipment	6,572	6,393
Write-down of inventories	2,087	2,890
Accrued bonus	3,097	3,190
Tax losses carry forward	4,255	3,255
Accrued expenses	7,751	7,494
Unrealized profit	6,374	9,062
Other	3,566	4,260
Subtotal of deferred tax assets	40,695	44,305
Deferred tax liabilities		
Property, plant and equipment	(3,021)	(3,787)
Intangible assets	(33,504)	(34,511)
Other	(4,937)	(5,683)
Subtotal of deferred tax liabilities	(41,463)	(43,982)
Net deferred tax asset (liabilities)	(768)	322

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

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Beginning balance	(16,074)	(768)
Amount in deferred tax expenses	14,441	1,990
Amount in other comprehensive income	(1,689)	622
Effect of business combination	(39)	(348)
Other	2,593	(1,174)
Ending balance	(768)	322

(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, and tax credit carryforwards for which deferred tax assets are not recognized, are set out below. Deductible temporary differences and tax loss carryforwards are presented on taxable income 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 March 31, 2018	As of March 31, 2019
Deductible temporary differences	68,598	62,557
Tax loss carryforwards	21,256	21,764
Tax credit carryforwards	637	748

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 March 31, 2018	As of March 31, 2019
Within 1 year	962	466
Within 1 to 4 years	3,460	3,031
Over than 4 years	16,834	18,266
Total	21,256	21,764

The Group 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 amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥ 116,802 million, and ¥ 161,048 million, as of March 31, 2018 and March 31, 2019, respectively.

(3) Income tax expenses

The breakdown of income tax expenses is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Current tax expenses	29,870	25,412
Deferred tax expenses	(14,441)	(1,990)
Total	15,429	23,422

(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 in 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 profit before income tax for the year of the Group.

(Unit: %)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Statutory effective tax rate	31.7	31.5
Permanent non-deductible items (e.g. entertainment expenses)	0.3	0.7
Tax credits for research and development expenses	(1.5)	(3.6)
Difference in tax rate applied to foreign subsidiaries	(2.3)	(7.4)
Impact of tax rate change due to tax law reform	(14.3)	–
Other	0.8	1.6
Actual tax rate	14.5	22.8

17. Other liabilities

The breakdown of other liabilities is as follows:

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Other current liabilities:		
Accrued expenses	23,173	27,052
Accrued bonuses	14,568	15,449
Accrued consumption tax	380	1,290
Others	9,361	6,466
Total	47,483	50,258
Other non-current liabilities:		
Deferred revenue	2,568	2,191
Other long-term employee benefit obligations	4,303	4,176
Other	4,160	4,440
Total	11,032	10,807

(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

(a) 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 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 (hereinafter referred to as the "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 fluctuations in the discount rate or liability under the current market environment are 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.

(b) 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 March 31, 2018	As of March 31, 2019
Defined benefit liabilities (funded)	115,632	119,130
Fair value of plan assets	106,776	107,262
Total	8,856	11,868
Defined benefit liabilities (unfunded)	1,207	954
Net defined benefit liabilities	10,063	12,823

(c) 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, 2018	For the year ended March 31, 2019
Beginning balance	111,391	116,839
Service cost	3,743	3,834
Interest cost	1,471	1,399
Remeasurement:		
Actuarial losses arising from changes in demographic assumptions	777	(1,156)
Actuarial (gains)losses arising from changes in financial assumptions	1,721	2,247
Amendment to actual result	391	527
Benefits paid from plan	(2,979)	(3,442)
Exchange differences on translation of foreign operations	311	48
Other	11	(212)
Ending balance	116,839	120,085

(d) Maturity analysis of the defined benefit obligation

Japan

The weighted average durations of the defined benefit obligation are 19 years and 20 years as of March 31, 2019 and 2018, respectively.

Overseas

The weighted average duration of the defined benefit obligation is 15 years as of March 31, 2019 and 2018.

(e) 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, 2018	For the year ended March 31, 2019
Fair value of plan assets at the beginning of the year	102,741	106,776
Interest income	1,266	1,237
Remeasurements		
Return on plan assets	4,113	(1,000)
Contributions from employer	1,600	3,681
Benefits paid from plan	(2,919)	(3,321)
Exchange differences on translation of foreign operations	23	30
Other	(49)	(141)
Fair value of plan assets at the end of the year	106,776	107,262

The estimated amount of contributions to the defined benefit plans for the next year (from April 1, 2019 to March 31, 2020) is ¥ 4,017 million.

(f) 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 March 31, 2018	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Shares (Domestic)	12,573	10,979	13,900	13,665
Shares (Overseas)	6,219	5,021	10,428	10,449
Bonds (Domestic)	1,137	－	43,515	41,943
Bonds (Overseas)	1,743	4,193	12,532	13,751
Cash and deposits	2,931	3,192	－	－
Other	－	－	1,794	4,065
Total	24,604	23,386	82,171	83,875

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.

(g) Significant actuarial assumptions

The significant actuarial assumptions are as follows:

(Unit: %)

	As of March 31, 2018		As of March 31, 2019	
	Japan	Overseas	Japan	Overseas
Discount rate	0.77	4.04	0.64	4.00

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

(h) Sensitivity analysis

If the discount rate increases by 0.5%, the defined benefit obligation will decrease by ¥ 9,328 million and ¥ 9,510 million as of March 31, 2018 and March 31, 2019, respectively.

If the discount rate decreases by 0.5%, the defined benefit obligation will increase by ¥ 10,818 million and ¥ 10,774 million as of March 31, 2018 and March 31, 2019, respectively.

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

(i) Retirement benefit expenses

Components of retirement benefit expenses are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Service cost	3,743	3,834
Interest cost	1,471	1,399
Interest income	(1,266)	(1,237)
Total	3,948	3,996

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 expenses recognized for the defined contribution plans are ¥ 3,325 million and ¥ 3,828 million for the years ended March 31, 2018 and March 31, 2019, 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, 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
Increase/decrease during the year	—	—
As of March 31, 2019	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.

(Note 4) The Company conducted a two-for-one stock split for its common stock effective on April 1, 2019. Due to the stock split, the number of authorized shares above has increased by 1,519,000,000 shares to 3,038,000,000 shares, and the number of outstanding shares above has increased by 379,760,520 shares to 759,521,040 shares.

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 timing of issuance of convertible bond with share subscription rights are included in "capital surplus" as equity components 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, 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
Increase during the year	1,484
Decrease during the year	(17,758,536)
As of March 31, 2019	8,309,162

(Note 1) 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).

(Note 2) Increase in the number of treasury shares for the year ended March 31, 2019 (1,484 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, 2019 (17,758,536 shares) is due to the exercise of stock options (40,840 shares) and conversion to shares by convertible bonds with share subscription rights (17,717,696 shares).

(Note 3) The Company conducted a two-for-one stock split for its common stock effective on April 1, 2019. Due to the stock split, the number of treasury shares above has increased by 8,309,162 shares to 16,618,324 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, 2018 and March 31, 2019 are as follows:

(Unit: Millions of yen)

	Share subscription right	Remeasure ments 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, 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)
Other comprehensive income	–	(1,766)	844	(353)	8	20,897	19,630
Disposal of treasury shares	(107)	–	–	–	–	–	(107)

	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
Transfer from other components of equity to retained earnings	–	1,766	182	–	–	–	1,949
Share-based payment transactions	215	–	–	–	–	–	215
As of March 31, 2019	772	–	3,015	(1,190)	649	(9,799)	(6,553)

All amounts stated above are after tax.

(a) Share subscription rights
The Company has a stock option plan and issues stock acquisition rights based on the Law. The details of contract terms and amounts are described 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. Dividends

(1) Dividend payments

The amounts of dividend payments for each year are as follows:

For the year ended March 31, 2018

Resolution	Class of shares	Total dividends (millions of yen)	Dividends 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

For the year ended March 31, 2019

Resolution	Class of shares	Total dividends (millions of yen)	Dividends 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
Board of Directors' meeting held on November 8, 2018	Ordinary share	10,005	27	September 30, 2018	December 5, 2018

(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, 2018

Resolution	Class of shares	Total dividends (millions of yen)	Dividends 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

For the year ended March 31, 2019

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 21, 2019	Ordinary share	10,029	27	March 31, 2019	June 24, 2019

(Note) Whereas the Company conducted a two-for-one stock split for its common stock effectively on April 1, 2019, the year-end dividend above will apply to the number of shares as of March 31, 2019. Dividends per share show the amount of dividends paid before the stock split.

21. Share-based payments

(1) Details of the stock option plans

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, 2018 and March 31, 2019 are shown below. The two-for-one stock split on April 1, 2014 is reflected in the amounts shown below, but the two-for-one stock split on April 1, 2019 is not reflected.

	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 shares 47,542 shares	Ordinary shares 55,350 shares	Ordinary shares 52,102 shares	Ordinary shares 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)	Stock options Type A (2018)
Grantees	Company executives - 29 people Fellow – 4 people	Directors - 6 people	Company executives - 27 people Fellow – 4 people	Directors - 5 people
Number of stock options by type of stock	Ordinary shares 28,092 shares	Ordinary shares 22,706 shares	Ordinary shares 26,234 shares	Ordinary shares 16,368 shares
Grant date	August 25, 2016	August 24, 2017	August 24, 2017	August 29, 2018
Duration of service	Not applicable	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	From August 30, 2018 to August 29, 2048

	Stock options Type B (2018)
Grantees	Company executives - 28 people Fellow – 5 people
Number of stock options by type of stock	Ordinary shares 20,848 shares
Grant date	August 29, 2018
Duration of service	Not applicable
Exercise period	From August 30, 2018 to August 29, 2048

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

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of share (stock)	Weighted average exercise price (yen)	Number of share (stock)	Weighted average exercise price (yen)
Beginning balance	197,496	1	217,798	1
Granted	48,940	1	37,216	1
Exercised	(28,638)	1	(40,840)	1
Expired	–	–	(212)	1
Closing balance	217,798	1	213,962	1
Ending balance of unexercised grants	91,258	1	94,816	1

(Note 1) The weighted average share prices at the day when the options were exercised during the period are ¥ 4,797 and ¥ 6,081 for the years ended March 31, 2018 and March 31, 2019, respectively.

(Note 2) The weighted average remaining contractual lives of outstanding stock options as of the reporting date are 27.5 years and 27.2 years as of March 31, 2018 and March 31, 2019, 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, 2018		For the year ended March 31, 2019	
	Stock options Type A (2017)	Stock options Type B (2017)	Stock options Type A (2018)	Stock options Type B (2018)
Fair value (yen)	3,904	3,833	5,865	5,803
Share price on grant date (yen)	4,130	4,130	6,130	6,130
Exercise price (yen)	1	1	1	1
Expected volatility (%)	29.641	29.306	29.349	28.775
Expected remaining life (years)	5.5	7.3	5.4	6.7
Expected dividend	42 yen/share	42 yen/share	50 yen/share	50 yen/share
Risk free rate (%)	(0.107)	(0.076)	(0.061)	(0.020)

(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 ¥ 447 million and ¥ 215 million for the years ended March 31, 2018 and March 31, 2019, respectively.

22. Revenue

(1) Breakdown of revenue

The Group mainly comprises three reportable segments as “Cardiac and Vascular Company”, “General Hospital Company”, and “Blood Management Company”. As the reportable segments of the Group 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 discloses the revenue of three reportable segments. In addition, revenue is classified by country or region based on customer’s location.

The breakdown of revenue by geographic areas and reportable segments is as follows:

For the year ended March 31, 2018

(Unit: Millions of yen)

	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total	Adjustments	Amount recorded on consolidated financial statements
Japan	53,985	122,720	11,933	188,640	216	188,856
Europe	84,316	8,654	25,245	118,216	−	118,216
Americas	119,494	8,066	44,075	171,636	−	171,636
Asia and others	66,204	19,407	23,442	109,053	12	109,065
Total	324,001	158,848	104,697	587,547	228	587,775

For the year ended March 31, 2019

(Unit: Millions of yen)

	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total	Adjustments	Amount recorded on consolidated financial statements
Japan	47,846	127,864	12,540	188,251	217	188,468
Europe	84,862	9,532	25,973	120,368	−	120,368
Americas	124,900	8,551	42,194	175,646	−	175,646
Asia and others	70,890	19,817	24,276	114,985	13	114,998
Total	328,500	165,766	104,984	599,251	230	599,481

“Cardiac and Vascular Company” sells products related to Interventional Systems (TIS), Neurovascular, CV systems, and Vascular Graft.

“General Hospital Company” sells products related to Hospital systems and Alliance.

“Blood Management Company” sells products related to Blood Systems.

“Adjustments” includes mainly proceeds from outward temporary staffing to external customers that are not attributable to reportable segments.

(2) Contract assets and contract liabilities

Contract assets and contract liabilities from contracts with customers are as follows:

(Unit: Millions of yen)

	As of April 1, 2018	As of March 31, 2019
Contract assets	390	291
Contract liabilities	621	873

The contract assets primarily relate to the Group’s rights to consideration for performance obligation transferred but not billed at the reporting date. The contract assets are transferred to receivables when the rights for the payments become unconditional.

The contract liabilities primarily relate to the consideration received from customers in advance of delivery of products. The contract liabilities are reclassified to revenue when the Group satisfies a performance obligation based on the

contract.
The amount of revenue recognized during the years ended March 31, 2019 that was included in the contract liability balance as of April 1, 2018 was immaterial.
The amount of revenue recognized during the year ended March 31, 2019 from performance obligations satisfied in previous periods was immaterial.

(3) Transaction Price Allocated to the Remaining Performance Obligations
The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant individual transaction with expected contractual terms exceeding one year. In addition, there is no significant consideration from contracts with customers that is not included in transaction prices.

(4) Assets recognized related to the costs of obtaining or fulfilling contracts with customers
The amount of assets recognized related to the costs of obtaining or fulfilling contracts with customers during the year ended March 31, 2019 was immaterial. In addition, if the amortization period of the assets that the Group otherwise would have recognized is one year or less, the Group uses the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

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, 2018	For the year ended March 31, 2019
Employee benefit expenses	84,896	87,834
Marketing expenses	17,799	18,238
Depreciation and amortization	13,704	14,294
Freight expenses	12,625	13,576
Research and development expenses	41,342	47,681
Travel expenses	11,811	11,818
Other	30,183	32,889
Total	212,363	226,334

24. Employee benefit expenses
The employee benefit expenses included in the Consolidated Statement of Profit or Loss are ¥ 149,973 million and ¥ 157,459 million for the years ended March 31, 2018 and March 31, 2019, respectively.
The employee benefit expenses mainly include salaries, bonuses, statutory welfare expenses and employee retirement benefit expenses and are included 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:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Gain on sale of property, plant and equipment	15	1,015
Gain on donation of property, plant and equipment	–	539
Subsidy income	1,913	3,474
Insurance income	1,084	1,567
Settlement received	–	2,250
Gain on adjustment of payables	554	–
Other	1,196	954
Total	4,764	9,801

(2) Other expenses

The breakdown of other expenses is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Loss due to restructuring	280	20
Loss on disposal of property, plant and equipment	572	526
Structural reform-related expense	287	709
Loss due to disasters	277	–
Other	1,762	2,070
Total	3,180	3,327

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, 2018	For the year ended March 31, 2019
Finance income		
Interest income		
Financial assets measured at amortized cost	745	1,397
Dividend income		
Equity instruments designated as financial assets measured at fair value through other comprehensive income	110	110
Other	233	603
Total	1,089	2,111

(2) Finance costs

The breakdown of finance costs is as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Finance costs		
Interest expense		
Financial liabilities measured at amortized cost	1,805	2,051
Foreign exchange loss	542	3,825
Other	445	–
Total	2,792	5,876

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, 2018	For the year ended March 31, 2019
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	437	1,231
Tax effect	(138)	(387)
After tax effect adjustment	298	844
Remeasurements of defined benefit plans:		
Amount in current year	1,233	(2,618)
Tax effect	(1,269)	852
After tax effect adjustment	(46)	(1,766)
Sub-total	252	(921)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:		
Amount in current year	(24,395)	20,895
Cash flow hedges:		
Amount in current year	(2,940)	4,817
Reclassification adjustment	2,943	(5,331)
Amount before tax	3	(514)
Tax effect	(1)	160
After tax effect adjustment	2	(353)
Cost of hedging		
Amount in current year	1,104	565
Reclassification adjustment	(217)	(553)
Amount before tax	886	12
Tax effect	(278)	(3)
After tax effect adjustment	607	8
Share of other comprehensive income(loss) of investments accounted for using the equity method:		
Amount in current year	(1)	–
Sub-total	(23,787)	20,549
Total of other comprehensive income	(23,534)	19,627

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, 2018	For the year ended March 31, 2019
Profit for the year attributable to owners of the parent (millions of yen)	91,295	79,470
Profit for the year adjustments		
Adjustments relating to convertible bonds with share subscription rights (millions of yen)	234	104
Profit for the year used to calculate diluted earnings per share (millions of yen)	91,530	79,575
Weighted average number of ordinary shares (share)	704,653,230	731,103,591
Increase in the number of ordinary shares		
Convertible bond with share subscription rights (share)	51,168,364	26,549,490
Stock option plan (share)	427,226	422,960
Weighted average number of ordinary shares after dilution (share)	756,248,820	758,076,041
Basic earnings per share (yen)	129.56	108.70
Diluted earnings per share (yen)	121.03	104.97

(Note 1) 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.

(Note 2) The Company split each share of common stock into two shares effective on April 1, 2019, basic earnings per share and diluted earnings per share have been calculated assuming that the stock split was conducted at the beginning of the year ended ended March 31, 2018.

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, 2018	For the year ended March 31, 2019
ROE	17.5	12.7

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 exposures 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 March 31, 2018	As of March 31, 2019
Trade receivables	118,115	125,665

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Beginning balance	(1,430)	(1,446)
Increases	(336)	(415)
Decreases (intended use)	115	227
Decreases (reversal)	232	210
Others	(28)	50
Ending balance	(1,446)	(1,373)

(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 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	12,509	29	12,742

Derivative financial liabilities				
Other financial liabilities	(1,378)	(8,542)	2,827	(7,093)

As of March 31, 2019 (Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	81,476	–	–	81,476
Bonds and borrowings	3,079	99,780	138,093	240,953
Other financial liabilities	753	3,801	7	4,562
Derivative financial liabilities				
Other financial liabilities	(2,111)	(7,249)	2,293	(7,067)

(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.

a. 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 ¥ (159) million and ¥ 13 million for the years ended March 31, 2018 and March 31, 2019, respectively. The impact on profit before tax that would result from 1% appreciation of the Japanese yen against Euro is ¥ (83) million and ¥ (40) million for the years ended March 31, 2018 and March 31, 2019, respectively. The impact on profit before tax that would result from 1% appreciation of the U.S. dollar against Euro is ¥ (126) million and ¥ (135) million for the years ended March 31, 2018 and March 31, 2019s, 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 March 31, 2018		As of March 31, 2019	
	Carrying amount		Carrying amount	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Foreign currency forward contracts	306	51	20	10

(Unit: Millions of yen)

	As of March 31, 2018			As of March 31, 2019		
	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value
Foreign currency forward contracts Selling						
USD	8,550	–	294	–	–	–
AUD	986	–	11	728	–	9
SGD	84	–	(0)	–	–	–
THB	2,032	–	(50)	1,504	–	(10)
EUR	–	–	–	2,253	–	11
Total	11,653	–	255	4,486	–	9

2. Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	Carrying amount		Carrying amount	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Foreign currency forward contracts	4	11	–	1

(Unit: Millions of yen)

	As of March 31, 2018			As of March 31, 2019		
	Notional amount	Notional amount greater than 1 year	Fair value	Notional amount	Notional amount greater than 1 year	Fair value
Foreign exchange forward contracts Selling						
JPY	71	–	1	39	–	(1)
USD	2,813	–	(9)	–	–	–
Total	2,885	–	(7)	39	–	(1)

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 b. "Interest rate risk".

	As of March 31, 2018	As of March 31, 2019
Carrying amount (millions of yen)	(7)	(1)
Contractual amount (millions of yen)	2,885	39
Maturity date	April ~ July 2018	April 2019
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	(116)	(171)
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	116	171
Weighted average forward exchange rates	0.01 GBP/JPY 104.95 JPY/USD 0.72 GBP/USD	0.01 GBP/JPY －JPY/USD －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, 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

For the year ended March 31, 2019

(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	(171)	178	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, 2018	For the year ended March 31, 2019
Beginning balance	16	(4)
Changes in fair value		
Currency risk	(116)	(171)
Reclassification to profit or loss		
Currency risk	84	178
Income tax arising from changes in the period	11	(3)
Ending balance	(4)	(1)

b. 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 March 31, 2018				As of March 31, 2019			
	Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	−	20,000	−	140	−	−	−	−
Cross-currency interest rate swaps	−	89,498	343	5,584	−	89,498	1,106	2,939

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

For the year ended March 31, 2019

(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	(4)	145	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, 2018	For the year ended March 31, 2019
Beginning balance	(186)	(96)
Changes in fair value		
Interest rate risk	(20)	(4)
Reclassification to profit or loss		
Interest rate risk	151	145
Income tax arising from changes in the period	(41)	(44)
Ending balance	(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 March 31, 2018	As of March 31, 2019
Carrying amount (millions of yen)	(5,240)	(1,832)
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	(2,837)	2,041
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	2,807	(2,091)
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, 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

For the year ended March 31, 2019

(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 component s of equity	Accounts affected by the reclassification in Consolidated Statement of Profit or Loss
Cross-currency interest rate swaps	4,993	(5,654)	565	(553)	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, 2018	For the year ended March 31, 2019
Beginning balance	(668)	(735)
Changes in fair value		
Risks of foreign exchange rate and interest rate	(2,803)	4,993
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	2,708	(5,654)
Income tax arising from changes in the period	28	208
Ending balance	(735)	(1,189)

(2) Cost of hedging

(Unit: Millions of yen)

Cost of hedging	For the year ended March 31, 2018	For the year ended March 31, 2019
Beginning balance	33	640
Changes in fair value		
Risks of foreign exchange rate and interest rate	1,104	565
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	(217)	(553)
Income tax arising from changes in the period	(278)	(3)
Ending balance	640	649

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

c. 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 from 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

a. 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 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	−	−	11,105	11,105
Total	−	5,788	11,105	16,894

(Note) Provisional accounting for the acquisition of large bore vascular closure device business from Medeon Biodesign, Inc. was finalized in the fourth quarter ended March 31, 2019. The amount after finalization of provisional accounting is stated for the year ended March 31, 2018 above.

As of March 31, 2019

(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	−	1,126	−	1,126
Other	−	4,163	−	4,163
Financial assets measured at fair value through other comprehensive income				
Shares	6,865	−	2,727	9,593
Total	6,865	5,290	2,727	14,883

Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	−	2,951	−	2,951
Contingent considerations	−	−	3,118	3,118
Total	−	2,951	3,118	6,070

Transfers of financial instruments between levels of the fair value hierarchy are assessed at each reporting date. There were no significant transfers between level 1 and level 2 for the years ended March 31, 2018 and 2019.

b. 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 as level 2.

(c) Contingent consideration

For the year ended March 31, 2018

Contingent consideration arising from business combinations mainly resulted from the acquisitions of Sequent Medical, Inc. and the large bore vascular closure device business from Medeon Biodesign Inc., a Taiwanese publicly traded medical device company.

The contingent consideration for the acquisition of Sequent Medical, Inc. 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 periods and the expected payments corresponding to the acquiree's business and business environment during the periods of FDA approval, probability of occurrence and time value of money.

The contingent consideration for the acquisition of the business from Medeon Biodesign is based on the completion of the development and the period of FDA approval. According to the achievement of milestones by June 30, 2022, a payment between USD0 and USD30 million will be made. The fair value of the contingent consideration is measured using a discounted cash flows valuation technique and calculated based on the periods and the expected payments corresponding to the achievement of milestones, probability of occurrence and time value of money.

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

For the year ended March 31, 2019

Contingent consideration arising from business combinations resulted from the acquisitions of the large bore vascular closure business from Medeon Biodesign, Inc., and Essen Technology (Beijing) Co., Ltd.,.

The contingent consideration for the acquisition of the business from Medeon Biodesign is based on the completion of the development and the period of FDA approval. According to the achievement of milestones by June 30, 2022, a payment between USD0 and USD30 million will be made. The fair value of the contingent consideration is measured using a discounted cash flows valuation technique and calculated based on the periods and the expected payments corresponding to the achievement of milestones, probability of occurrence and time value of money.

The contingent consideration for the acquisition of Essen Technology (Beijing) Co., Ltd., is based on specific performance indicators of the acquiree after the acquisition date. The fair value of the contingent consideration is measured using a discounted cash flows valuation technique and calculated based on the expected payments corresponding to specific performance indicators of the acquiree, probability of occurrence, and time value of money.

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

c. Movements in financial assets and financial liablities classified as level 3

The movements in financial assets classified as level 3 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Beginning balance	1,805	1,963
Total gains or losses		
Other comprehensive income (Note 1)	(64)	(307)
Additions	222	1,744
Transfers from level 3 (Note 2)	－	(673)
Ending balance	1,963	2,727

(Note 1) 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.

(Note 2) Transfer from level 3 is transfer to level 1 by listing of shares held.

The movements in financial liabilities classified as level 3 are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Beginning balance	8,773	11,105
Business combinations – contingent consideration	2,064	499
Settlements	－	(11,092)
Changes in fair value (Note 2)	764	2,105
Exchange differences on translation of foreign operations	(497)	500
Ending balance	11,105	3,118

(Note 1) The financial liabilities are contingent consideration described in b. (c) above.

(Note 2) Changes in fair value are included in “Selling, general and administrative expenses” and “Finance costs” in the Consolidated Statement of Profit or Loss.

(Note 3) Provisional accounting for the acquisition of large bore vascular closure device business from Medeon Biodesign, Inc. was finalized in the fourth qurter ended March 31, 2019. The amount after finalization of provisional accounting is stated in the year ended March 31, 2018 above.

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

a. 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 March 31, 2018		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	142,357	143,106	74,808	75,330
Long-term borrowings	193,855	194,274	150,326	151,089

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

b. 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. Therefore, these borrowings are classified as level 3.

(b) Corporate bonds

The fair value of corporate bonds excluding convertible bonds with share subscription rights is measured using quoted prices that are observable in markets that are not active markets. The fair value of convertible bonds with stock acquisition rights is measured by reference to similar bonds that do not have an equity conversion option. 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, 2019. 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 main business office.

Company name	Location	Core business	Percentage of voting rights held (%)	
			As of March 31, 2018	As of March 31, 2019
Terumo Europe N.V.	Belgium	Manufacture and sale of products related to Cardiac and Vascular Company and General Hospital Company	100	100
Terumo Americas Holding, Inc.	U.S.	Supervision of American subsidiaries	100	100
Terumo Medical Corporation	U.S.	Manufacture and sale of products related to Cardiac and Vascular Company and General Hospital Company	100	100
MicroVention, Inc.	U.S.	Manufacture and sale of products related to Cardiac and Vascular Company	100	100
Terumo BCT Holding Corporation	U.S.	Supervision of BCT Group subsidiaries	100	100
Terumo BCT, Inc.	U.S.	Manufacture and sale of products related to Blood Management Company	100	100
Terumo (China) Holding Co., Ltd.	China	Supervision of China subsidiaries	100	100
Terumo Asia Holdings Pte. Ltd.	Singapore	Supervision of Asian subsidiaries (excluding China)	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, 2018	For the year ended March 31, 2019
Remuneration and bonuses	440	391
Share-based payments	88	95
Total	529	487

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 date are as follows:

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Property, plant and equipment	15,589	13,106
Intangible assets	507	1,880
Total	16,097	14,986

34. Contingent liabilities

There are no contingent liabilities as of March 31, 2019.

35. Subsequent Events

Stock split

The Company conducted a stock split effective on April 1, 2019, according to the resolution of the Board of Directors' meeting on February 7, 2019.

Details of the stock split are as follows:

1. Purpose of stock split
   The stock split was conducted with the aim of expanding the Company's investor base by reducing the price of share-trading units.
2. Method of the stock split
   Each share of common stock held by shareholders recorded on the register of shareholders as of March 31, 2019 was split into 2 shares effective on April 1, 2019.
3. Increase in the number of shares due to the stock split
   Common stock 379,760,520 shares

Basic earnings per share and diluted earnings per share have been calculated assuming that the stock split was conducted at the beginning of the year ended March 31, 2018.

Introduction of Restricted Stock remuneration plan

At the Board of Directors' meeting held on May 9, 2019, the Company resolved to introduce a restricted stock remuneration plan (hereinafter "Plan"), which was approved by resolution of the 104th Annual General Meeting of Shareholders held on June 21, 2019.

1. Purpose of introduction of the Plan

The Company plans to introduce the Plan so that the Company's Directors who reside in Japan (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members; hereinafter "**Eligible Directors**") will share benefits and risks of stock price movement with shareholders and further enhance their desire to contribute to rises in stock prices and improvement of enterprise value. For that purpose, the Company plans to allot, instead of the stock options as stock-based remuneration, the Company's common stock subject to a certain share transfer restriction period (hereinafter "**Restricted Stock**") to Eligible Directors, as described below. The Company will no longer allot, to any Eligible Directors, who are residents of Japan, the stock options as stock-based remuneration.

2. Overview of the Plan

(1) Allotment and payment of Restricted Stock

The Company will deliver monetary remuneration claims within the annual limit resolved at the Annual General Meeting of Shareholders as remuneration related to Restricted Stock to Eligible Directors based on a resolution of the Company's Board of Directors. Each Eligible Director will receive Restricted Stock by making an in-kind contribution of all the monetary remuneration claims.

The payment amount for Restricted Stock will be determined by the Company's Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the day when the Company's Board of Directors makes a resolution related to the issuance or disposal of Restricted Stock (in case no trade is concluded on that day, the closing price on the most recent trading day before that), within a range such that the amount is not particularly advantageous to Eligible Directors who receive Restricted Stock.

The above monetary remuneration claims will be delivered to Eligible Directors on the condition that they agree to the above in-kind contribution and that they have concluded with the Company an agreement on allotting Restricted Stock containing the terms stipulated in (3) below.

(2) Total number of Restricted Stock

The maximum number of Restricted Stock to be allotted to Eligible Directors will be 100,000 shares per business year. However, if a share split of the Company's common stock (including allotment of the Company's common stock without contribution), a share consolidation of the Company's common stock, or any other event occurs that requires an adjustment of the total number of Restricted Stock to be allotted to Eligible Directors after the day of the resolution of this proposal, the Company may reasonably adjust the total number of Restricted Stock.

(3) Details of the agreement on allotting Restricted Stock

The agreement on allotting Restricted Stock to be concluded between the Company and Eligible Directors who receive an allotment of Restricted Stock based on a resolution of the Company's Board of Directors will contain the following terms:

(a) Details of the restriction on the transfer of shares

Eligible Directors to whom Restricted Stock is allotted may not transfer to a third-party, create a pledge or mortgage by transfer on, make an advancement, make a bequest, or otherwise dispose of Restricted Stock allotted to them (hereinafter "**Allotted Stock**") for thirty years (hereinafter the "**Transfer Restriction Period**").

(b) Acquisition of Restricted Stock without compensation

If an Eligible Director who receives an allotment of Restricted Stock resigns from the position of Director of the Company before the day of the first annual shareholders' meeting of the Company after the start of the Transfer Restriction Period, all of his or her Allotted Stock will automatically be acquired by the Company without consideration except in the case that the Company's Board of Directors deems that the reason for the resignation is valid.

The Company will automatically acquire all Allotted Stock without consideration if the transfer restriction on the Allotted Stock has not been lifted at the expiration of the Transfer Restriction Period of (a) above based on the terms provided in (c) "Lifting of transfer restriction" below.

(c) Lifting of transfer restriction

On the condition that an Eligible Director to whom the Restricted Stocks were allotted has continuously held the position of Director of the Company for the period commencing from the first date of the Transfer Restriction Period and ending on the date of the Annual Shareholders' Meeting to be held immediately following such first date, the transfer restriction on all of his or her Allotted Stock will be lifted by the Company when the Transfer Restriction Period expires.

However, if the Eligible Director resigns from the position of Director of the Company before the expiration of the Transfer Restriction Period for reasons deemed valid by the Company's Board of Directors, the number of Allotted Stock for which the transfer restriction will be lifted and the timing of the lifting of the transfer restriction will be reasonably adjusted as necessary.

(d) Treatment in the event of reorganization

If, during the Transfer Restriction Period, proposals relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or other reorganization are approved at the Company's shareholders' meeting (or if the approval at the Company's shareholders' meeting is not required in relation to the reorganization in question, a meeting of the Company's Board of Directors), based on a resolution of the Company's Board of Directors, the Company will lift the transfer restriction on the number of Allotted Stock that is reasonably calculated considering the period from the beginning of the Transfer Restriction Period to the date of approval of the reorganization prior to the date on which the reorganization becomes effective.

In this case, the Company will automatically acquire without compensation Allotted Stock on which the transfer restriction is not lifted, as of the time immediately after the transfer restriction is lifted under the above provision.

KPMG

Independent Auditor's Report

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, 2019, 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, 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

June 24, 2019
Tokyo, Japan