

Terumo Corporation
IFRS Financial Results for the Fiscal Year Ended
March 31, 2018

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Exchange where listed: TSE

Name of listed company : TERUMO CORPORATION
(URL: <http://www.terumo.com/>)
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1. Consolidated Financial Highlights for the Year Ended March 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

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

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit for the year attributable to the owners of the parent		Total comprehensive income for the year	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Year ended March, 2018	587,775	14.3	108,552	23.7	106,630	42.4	91,201	66.1	91,295	66.0	67,666	36.2
Year ended March, 2017	514,164	—	87,777	—	74,881	—	54,891	—	55,003	—	49,680	—

	Earnings per share	Earnings per share, fully diluted	Return on equity attributable to the owners of the parent	Profit before tax per total assets	Operating profit to revenue
	(Yen)	(Yen)	%	%	%
Year ended March, 2018	259.12	242.06	17.5	10.1	18.5
Year ended March, 2017	152.31	142.75	11.1	7.8	17.1

(Notes) Equity in earnings of affiliates: March 2018: (218) million yen March 2017: (377) million yen
Adjusted operating profit: March 2018: 124,929 million yen March 2017: 104,643 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent ratio	Equity attributable to the owners of the parent per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	%	(Yen)
As of March 31, 2018	1,078,981	550,435	550,307	51.0	1,555.88
As of March 31, 2017	1,022,262	491,522	491,421	48.1	1,396.17

(3) Consolidated statements of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March, 2018	114,562	(44,105)	(4,132)	167,832
Year ended March, 2017	82,888	(183,517)	60,993	105,046

2. Dividends

	Cash dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
Year ended March, 2017	—	20.00	—	22.00	42.00	15,002	27.6	3.0
Year ended March, 2018	—	23.00	—	27.00	50.00	17,645	19.3	3.4
Year ending March, 2019 (forecast)	—	27.00	—	27.00	54.00	—	22.9	—

3. Consolidated Forecast for the Year Ending March, 2019 (From April 1, 2018 to March 31, 2019)

	Revenue		Adjusted operating profit		Operating profit		Profit for the year attributable to the owners of the parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Half year ending September, 2018	293,000	2.9	61,500	(5.1)	54,500	(4.7)	39,500	(4.0)	111.64
Year ending March, 2019	608,000	3.4	128,500	2.9	114,500	5.5	83,500	(8.5)	235.99

(Notes) Assumed exchange rate for fiscal year ending March, 2019: USD1=JPY105, EUR1=JPY130

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

4. Consolidated Financial Statements

① Consolidated Statements of Financial Position

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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

② Consolidated Statements of Profit or Loss

(Unit: Millions of yen)

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

Consolidated Statements of Profit or Loss (Under JGAAP)

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Net sales	514,164	587,775
Gross profit	278,000	327,226
Operating income	76,578	92,232
Ordinary income	68,552	88,467
Profit attributable to the owners of the parent	54,225	75,590

③ Consolidated Statements of Comprehensive Income

	(Unit: Millions of yen)	
	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Profit for the year	54,891	91,201
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	(1,412)	298
Remeasurements of defined benefit plan	2,969	(46)
Total items that will not be reclassified to profit or loss	1,556	252
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(6,321)	(24,395)
Cash flow hedges	(479)	2
Hedging costs	33	607
Share of other comprehensive income/(loss) of investments accounted for using the equity method	(0)	(1)
Total items that will be reclassified to profit or loss	(6,768)	(23,787)
Other comprehensive income/(loss) for the year	(5,211)	(23,534)
Total comprehensive income for the year	49,680	67,666
Attributable to		
Owners of the parent	49,798	67,774
Non-controlling interests	(118)	(108)
Total comprehensive income for the year	49,680	67,666

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

④ Consolidated Statements of Changes in Equity

(Unit: Millions of yen)

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

⑤ Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before tax	74,881	106,630
Depreciation and amortization	34,471	42,035
Share of the loss/(gain) of investments accounted for using the equity method	377	218
(Decrease) /increase in retirement benefit liabilities	2,876	2,204
Interest and dividend income	(701)	(855)
Interest expenses	1,709	1,805
Foreign exchange (gain)/loss	2,881	616
(Gain)/Loss on disposal of property, plant and equipment	1,293	557
(Profit)/Loss on valuation of financial instruments	6,984	—
(Increase)/decrease in trade and other receivables	(4,718)	(9,256)
(Increase)/decrease in inventories	(4,182)	(7,537)
Increase/(decrease) in trade and other payables	886	3,991
Others	(7,875)	(1,639)
Sub-total	108,883	138,770
Interest and dividend income received	842	1,039
Interest expenses paid	(1,318)	(1,129)
Income taxes paid	(25,518)	(24,118)
Net cash provided by operating activities	82,888	114,562
Cash flow from investing activities		
Payments for purchase of time deposits	(298)	(25)
Proceeds from withdrawal of time deposits	2,443	—
Payments for purchase of property, plant and equipment	(29,838)	(31,866)
Proceeds from sale of property, plant and equipment	1,315	32
Payments for purchase of intangible assets	(8,763)	(9,456)
Payments for purchase of financial instruments	(1,243)	(572)
Proceeds from sale of financial instruments	21,440	—
Payments for business acquisition	(119,191)	(2,217)
Payment for acquisition of shares of subsidiaries due to changes in the scope of consolidation	(49,380)	—
Others	(0)	—
Net cash used in investing activities	(183,517)	(44,105)
Cash flow from financing activities		
Proceeds from short-term borrowings	120,000	—
Repayment of short-term borrowings	(58)	(120,000)
Proceeds from long-term borrowings	29,640	119,638
Repayment of long-term borrowings	(19,460)	(7,759)
Proceeds from issue of corporate bonds	29,888	19,931
Payments for redemption of corporate bonds	(40,000)	—
Proceeds from non-control interests	110	135
Finance lease payments	(379)	(232)
Payments for repurchase of treasury stock	(44,227)	(6)
Payments for dividends	(14,518)	(15,839)
Net cash provided by financing activities	60,993	(4,132)
Effect of exchange rate changes on cash and cash equivalents	(2,246)	(3,538)
Net increase/(decrease) in cash and cash equivalents	(41,880)	62,786
Cash and cash equivalents at the beginning of the year	146,927	105,046
Cash and cash equivalents at the end of the year	105,046	167,832

5. Segment information

Reporting segment information

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

For the fiscal year ended March 31, 2017

	Reporting Segment				(Unit: Millions of yen)	
	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total	Adjustment amount (Note 1)	Amount recorded on consolidated financial statements
Sales revenue						
Revenue from sales to external customers	261,529	57,946	94,483	513,959	205	514,164
Segment Profit (Adjusted operating profit)	67,334	24,444	15,173	106,952	(2,308)	104,643
(Adjustment item)						
Amortization of acquired intangible assets	(934)	—	(8,490)	(9,425)	—	(9,425)
Other non-recurring profit or loss						(7,441)
Operating profit						87,777
Finance income						709
Finance costs						(13,228)
Share of profit/(loss) of investment accounted for using the equity method						(377)
Pre-tax profit						74,881
Other items						
Depreciation and amortization	10,871	9,707	13,209	33,787	684	34,471
Capital expenditure	19,859	8,600	8,720	37,180	3,994	41,175

(Note 1) Amounts in 'Adjustment' are as follows:

- (1) ¥205 million adjustment to Revenue from sales to external customers is proceeds from temporary staffing that is not attributable to reportable segments.
- (2) ¥(2,308) million segment profit in "Adjustments" includes, "inventories" of ¥(775) million and "others" of ¥(1,532) million.

(Note 2) "Other non-recurring profit or loss" mainly includes acquisition related costs.

(Note 3) Amortization expenses of acquired intangible assets in business combination are included in "Amortization of acquired intangible assets".

For the fiscal year ended March 31, 2018

	Reporting Segment				(Unit: Millions of yen)	
	Cardiac and Vascular Company	General Hospital Company	Blood Management Company	Total	Adjustment amount	Amount recorded on consolidated financial statements
					(Note 1)	
Sales 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 acquired intangible assets	(6,068)	—	(8,386)	(14,455)	—	(14,455)
Other 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)
Pre-tax profit						106,630
Other items						
Depreciation and amortization	17,522	9,657	14,359	41,539	495	42,035
Capital expenditure	20,430	9,795	8,431	38,657	4,963	43,620

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

- (1) ¥228 million adjustment to Revenue from sales to external customers is proceeds from temporary staffing that is not attributable to reportable segments.
- (2) ¥(547) million segment profit in “Adjustments” includes, “inventories” of ¥315 million and “others” of ¥(862) million.

(Note 2) “Other non-recurring profit or loss” mainly includes acquisition related costs.

(Note 3) Amortization expenses of acquired intangible assets in business combination are included in “Amortization of acquired intangible assets”.

(Note) Main products belonging to each business segment

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

6. First-time adoption of IFRS

(1) Transition to financial reporting under IFRS

The Group presents consolidated financial statements that comply with IFRS from the fiscal year ended March 31, 2018. The most recent consolidated financial statements for fiscal year ended March 31, 2017 were prepared in accordance with generally accepted accounting principles in Japan (hereinafter "JGAAP"). The transition date was April 1, 2016.

In principle, IFRS 1 requires that companies adopting IFRS for the first time (hereinafter "First-time Adopter") apply the standards retrospectively. However, IFRS 1 provides certain mandatory exceptions and voluntary exemptions from the application of certain requirements under IFRS.

(2) Restrictions on retroactive application of other IFRS

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

(3) Exemptions of other IFRS

IFRS 1 provides certain mandatory exceptions and voluntary exemptions from the application of certain requirements under IFRS. The effects of the application of these requirements are adjusted in retained earnings or other components of equity at the date of transition. The exemptions that the Group applies in connection with the transition from JGAAP to IFRS were as follows:

(a) Business Combinations

IFRS 1 provides that the First-time Adopter may elect not to apply IFRS 3 Business Combination ("IFRS 3") retrospectively to past business combinations that occurred before the date of transition to IFRS. For retrospective application, all subsequent business combinations will be amended in accordance with IFRS 3.

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

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

(b) Deemed cost

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

(c) Exchange differences on translation of foreign operations

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

(d) Designation of previously recognized financial instruments

IFRS 1 provides that the First-time Adopter may determine the classification of financial instruments under IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRS. The Group designates equity securities as financial assets measured at fair value through other comprehensive income on the date of transition to IFRS.

(4) Adjustment from JGAAP to IFRS

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

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

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

(Unit: Millions of yen)

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

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current liabilities						Current liabilities
Notes and accounts payable - trade	36,294	18,413	777	55,485		Trade and other payables
	—	59,901	—	59,901		Bonds and borrowings
Short-term debt	61	(61)	—	—		
Current portion of long-term debt	19,839	(19,839)	—	—		
Lease obligations	256	134	53	444		Other current financial liabilities
Current portion of bonds payable	40,000	(40,000)	—	—		
Income taxes payable	9,778	1,562	—	11,341		Current tax liabilities
Deferred tax liabilities	56	(56)	—	—		
	—	115	—	115		Provisions
Provision for bonuses	5,869	(5,869)	—	—		
Provision for directors' bonuses	170	(170)	—	—		
Notes and accounts payable-facilities	5,451	(5,451)	—	—		
Other	51,057	(7,172)	(0)	43,884	G	Other current liabilities
Total current liabilities	168,835	1,506	830	171,172		Total current liabilities
Non-current liabilities						Non-current liabilities
	—	159,058	(1,885)	157,172	F	Bonds and borrowings
Convertible bonds with subscription rights to shares	100,184	(100,184)	—	—		Other non-current financial liabilities
Long-term debt	58,873	(58,873)	—	—		
Lease obligations	286	317	850	1,455	H	Other financial liabilities
Deferred tax liabilities	45,079	56	(5,587)	39,549	D	Deferred tax liabilities
Reserve for directors' retirement benefits	66	(66)	—	—		
Provision for directors' retirement benefits	8,656	—	1,599	10,256	E	Retirement benefit liabilities
Asset retirement obligations	230	—	—	230		Provisions
Other	7,925	(1,813)	3,211	9,323	G	Other non-current liabilities
Total non-current liabilities	221,304	(1,506)	(1,810)	217,987		Total non-current liabilities
Total liabilities	390,140	—	(980)	389,160		Total liabilities
Total Net Assets Section						Equity
Capital stock	38,716	—	—	38,716		Share capital
Capital surplus	50,928	—	1,550	52,478	F	Capital surplus
Treasury shares	(64,040)	—	—	(64,040)		Treasury stock
Retained earnings	419,573	—	39,690	459,264	J	Retained earnings
Accumulated other comprehensive income	66,074	183	(52,454)	13,803	E,H,I	Other components of equity
Stock subscription rights	183	(183)	—	—		
	511,435	—	(11,213)	500,221		Equity attributable to the owners of the parent
Non-controlling interests	109	—	—	109		Non-controlling interest
Total net assets	511,544	—	(11,213)	500,331		Total equity
Total liabilities and net assets	901,685	—	(12,194)	889,491		Total liabilities and equity

Notes on reconciliations of Equity as of April 1, 2016

Recognition and measurement differences

- A Adjustment to property, plant and equipment
The Group elects to use the fair value of certain property, plant and equipment on the IFRS transition date of the parent company as deemed cost. In addition, upon adoption of IFRS, the Group has revised the estimate of useful lives and residual values. As a result, there is a difference between the carrying amount of property, plant and equipment under JGAAP and the carrying amount under IFRS.
- B Adjustment to intangible assets
Certain development expenses that have been treated as expense under JGAAP are capitalized under IFRS if they meet the requirements for capitalization.
- C Adjustment to deferred assets
Under JGAAP start-up cost was capitalized as deferred assets. Under IFRS, the start-up cost is expensed as incurred.
- D Adjustment to deferred tax assets and deferred tax liabilities
Under JGAAP, deferred tax assets were calculated using the effective tax rate of the seller for the tax effect associated with the elimination of unrealized gains and losses, but IFRS calculates using the effective tax rate of the purchaser. In addition, deferred tax assets or deferred tax liabilities are recorded for temporary differences arising as a result of adjusting the differences to other IFRSs. Deferred tax assets have increased or decreased as a result of considering the recoverability of deferred tax assets based on IFRS.
- E Adjustment to post-employment benefits
Under JGAAP, actuarial gains and losses were recognized in other comprehensive income as incurred, and were recognized in profit or loss from the following of incurrence year, amortized on a straight-line method over a certain number of years no longer than the average remaining service period of employees. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings.
Retirement benefit liabilities are recalculated based on the provisions of IFRS and any adjustments arising from such differences are reflected in the retained earnings. As a result of the recalculation based on IFRS regulations, significant assumptions relating to mortality rates differ between JGAAP and IFRS.
- F Adjustment to bonds and borrowings
Under JGAAP, convertible bonds with stock acquisition rights were recognized as a lump-sum amount, the consideration relating to the bond were not separated from the consideration related to the stock acquisition right. In IFRS, the liability component and the equity component are classified as a compound financial instrument. As a result, the amount measured as an equity element was deducted from bonds and borrowings, and the same amount is recorded as capital surplus.
- G Adjustment to government grants
Under JGAAP, revenue was recognized lump-sum when the government grant was received. Under IFRS, revenue deferred and a fixed amount of revenue is recognized over the useful life of the asset by recognizing incurred liabilities in other current liabilities or non-current liabilities.
- H Adjustment to interest rate swap special method
Under JGAAP, interest rate swaps were accounted for using special method if it fulfilled certain requirements. Under IFRS, the interest rate swap is accounted for using the cash flow hedge and the fair value of the hedge instrument is recognized in the consolidated statement of financial position.
- I Adjustment to foreign operations
The Group has elected to apply the exemption under IFRS 1 and transferred the total cumulated amount of foreign currency translation to the retained earnings as of the transition date.
- J Adjustment to retained earnings
Adjustment to retained earnings due to differences in recognition and measurement are as follows:

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

Reclassification

The Group made reclassification in conformity with IFRS requirements, of which the significant ones are listed below:

- Under JGAAP, the Group included short-term time deposits with deposit terms exceeding three months in cash and deposits, but under IFRS they are included in other current financial assets.
- Under JGAAP, allowance for doubtful debts (current assets) are separately listed. Under IFRS, allowance for doubtful debts are included in trade and other receivables as loss allowance.
- Financial assets and liabilities are presented in accordance with IFRS disclosure requirements
- Deferred tax assets and deferred tax liabilities recorded as current items under JGAAP are reclassified as non-current assets/liabilities under IFRS.
- Under JGAAP, short-term borrowings and long-term borrowings scheduled for repayment within 1 year, and bonds scheduled for redemption within 1 year are included in bonds and borrowings. In addition, long-term debt and convertible bond type bonds with stock acquisition rights are included in corporate bonds and borrowings (non-current liabilities).

Reconciliations of Equity as of March 31, 2017

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

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

(Unit: Millions of yen)

Accounts under JGAAP	JGAAP	Adjustment allocation of acquisition consideration	Reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Current liabilities							Current liabilities
Notes and accounts payable - trade	38,451	—	21,923	777	61,152		Trade and other payables
Short-term debt	—	—	127,853	—	127,853		Bonds and borrowings
Current portion of long-term debt	120,000	—	(120,000)	—	—		
Lease obligations	7,853	—	(7,853)	—	—		
Income taxes payable	231	—	84	54	370		Other current financial liabilities
Deferred tax liabilities	9,688	—	1,427	—	11,115		Current tax liabilities
Provision for bonuses	23	—	(23)	—	—		
Provision for directors' bonuses	—	—	212	—	212		Provisions
Notes and accounts payable-facilities	6,317	—	(6,317)	—	—		
Asset retirement obligation	190	—	(190)	—	—		
Other	7,059	—	(7,059)	—	—		
Total current liabilities	72	—	(72)	—	—		
	58,502	256	(9,418)	93	49,433	H	Other current liabilities
	248,389	256	566	925	250,137		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	—	—	210,713	(378)	210,335	G,J	Bonds and borrowings
Convertible bonds with subscription rights to shares	30,000	—	(30,000)	—	—		
Long-term debt	100,135	—	(100,135)	—	—		
Lease obligations	80,578	—	(80,578)	—	—		
Deferred tax liabilities	230	—	9,928	565	10,724	I	Other non-current financial liabilities
Reserve for directors' retirement benefits	47,501	(782)	23	(6,648)	40,093	E	Deferred tax liabilities
Provision for directors' retirement benefits	14	—	(14)	—	—		
Asset retirement obligations	6,803	—	—	1,846	8,650	F	Retirement benefit liabilities
Other	84	—	—	—	84		Provisions
Total non-current liabilities	18,113	—	(10,504)	3,103	10,712	H	Other non-current liabilities
Total liabilities	283,462	(782)	(566)	(1,510)	280,602		Total non-current liabilities
	531,851	(526)	—	(584)	530,739		Total liabilities
Total Net Assets Section							Equity
Capital stock	38,716	—	—	—	38,716		Share capital
Capital surplus	50,928	—	—	1,550	52,478	G	Capital surplus
Treasury shares	(108,225)	—	—	—	(108,225)		Treasury stock
Retained earnings	459,261	—	—	54,317	513,578	L	Retained earnings
Accumulated other comprehensive income	48,464	—	307	(53,898)	(5,126)	F,I,J,K	Other components of equity
Stock subscription rights	307	—	(307)	—	—		

	489,452	—	—	1,968	491,421	Total equity attributable to the owners of the parent
Non-controlling interests	101	—	—	—	101	Non-controlling interest
Total net assets	489,554	—	—	1,968	491,522	Total equity
Total liabilities and net assets	1,021,405	(526)	—	1,383	1,022,262	Total liabilities and equity

Notes on reconciliations of Equity as of March 31, 2017

Recognition and measurement of differences

- A Adjustment to property, plant and equipment
The Group elects to use the fair value of certain property, plant and equipment on the IFRS transition date of the parent company as deemed cost. In addition, upon adoption of IFRS, the Group has revised the estimate of useful lives and residual values. As a result, there is a difference between the carrying amount of property, plant and equipment under JGAAP and the carrying amount under IFRS.
- B Adjustment to goodwill
Under JGAAP, goodwill was amortized on the straight-line basis over the period during which the effect of such goodwill lasts but does not exceed 20 years after recognition. Under IFRS, goodwill is not amortized
- C Adjustment to intangible assets
Certain development expenses that have been treated as expense under JGAAP are capitalized under IFRS if they meet the requirements for capitalization.
- D Adjustment to deferred assets
Under JGAAP start-up cost were capitalized as deferred assets. Under IFRS, the start-up cost is expensed as incurred.
- E Adjustment to deferred tax assets and deferred tax liabilities
Under JGAAP, deferred tax assets were calculated using the effective tax rate of the seller for the tax effect associated with the elimination of unrealized gains and losses, but IFRS calculates using the effective tax rate of the purchaser. In addition, deferred tax assets or deferred tax liabilities are recorded for temporary differences arising as a result of adjusting the differences to other IFRSs. Deferred tax assets have increased or decreased as a result of considering the recoverability of deferred tax assets based on IFRS.
- F Adjustment to post-employment benefits
Under JGAAP, actuarial gains and losses were recognized in other comprehensive income as incurred, and were recognized in profit or loss from the following of incurrence year, amortized on a straight-line method over a certain number of years no longer than the average remaining service period of employees. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings.
Retirement benefit liabilities are recalculated based on the provisions of IFRS and any adjustments arising from such differences are reflected in the retained earnings. As a result of the recalculation based on IFRS regulations, significant assumptions relating to mortality rates differ between JGAAP and IFRS.
- G Adjustment to bonds and borrowings
Under JGAAP, convertible bonds with stock acquisition rights were recognized as a lump-sum amount, the consideration relating to the bond were not separated from the consideration related to the stock acquisition right. In IFRS, the liability component and the equity component are classified as a compound financial instrument. As a result, the amount measured as an equity element was deducted from bonds and borrowings, and the same amount is recorded as capital surplus.
- H Adjustment to government grants
Under JGAAP, revenue was recognized lump-sum when the government grant was received. Under IFRS, revenue deferred and a fixed amount of revenue is recognized over the useful life of the asset by recognizing incurred liabilities in other current liabilities or non-current liabilities.
- I Adjustment to interest rate swap special method
Under JGAAP, interest rate swaps were accounted for using special method if it fulfilled certain requirements. Under IFRS, the interest rate swap is accounted for using the cash flow hedge and the fair value of the hedge instrument is recognized in the consolidated statement of financial position.
- J Adjustment to integrated treatment of cross currency interest rate swap (special treatment/ allocation treatment)
Under JGAAP, interest rate currency swaps that fulfill the requirements for integrated treatment (exceptional treatment, allocation treatment) were treated as one unit. Under IFRS, cross currency interest rate swap is accounted for using the cash flow hedge method and the fair value of the hedging instrument is recognized in the

consolidated statement of financial position.

K Adjustment to foreign operations
The Group has elected to apply the exemption under IFRS 1 and transferred the total cumulated amount of foreign currency translation to the retained earnings as of the transition date.

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

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

Reclassification presentation

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

- Under JGAAP, the Group included short-term time deposits with deposit terms exceeding three months in cash and deposits, but under IFRS they are included in other current financial assets.
- Under JGAAP, allowance for doubtful debts (current assets) are separately listed. Under IFRS, allowance for doubtful debts are included in trade and other receivables as loss allowance.
- Financial assets and liabilities are presented in accordance with IFRS disclosure requirements
- Deferred tax assets and deferred tax liabilities recorded as current items under JGAAP are reclassified as non-current assets/liabilities under IFRS.
- Under JGAAP, short-term borrowings and long-term borrowings scheduled for repayment within 1 year, and bonds scheduled for redemption within 1 year are included in bonds and borrowings. In addition, long-term debt and convertible bond type bonds with stock acquisition rights are included in corporate bonds and borrowings (non-current liabilities).

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

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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

Notes on adjustment to profit or loss and comprehensive income for the fiscal year ended March 31, 2017

[Difference in recognition and measurement]

- A Property, plant and equipment
Under JGAAP, property, plant and equipment is depreciated in the same way as Japanese tax law and the residual value and useful life are based on Japanese tax law provisions. Under IFRS, property, plant and equipment is depreciated based on residual value and estimated useful life. As a result, cost of sales decreased by ¥121 million and selling, general and administrative expenses increased by ¥38 million.
- B Goodwill
Under JGAAP, goodwill was amortized on the straight-line basis over the period during which the effect of such goodwill lasts but does not exceed 20 years after recognition. Under IFRS, goodwill is not amortized, resulting in a decrease of ¥ 11,247 million in selling, general and administrative expenses.
- C Deferred assets
Under JGAAP, the start-up costs that were capitalized as deferred assets are treated as expenses when incurred by IFRS. As a result, other expenses decreased by ¥1,111 million.
- D Equity financial instruments
Under JGAAP, the Group recognizes gains or losses on sales of investment securities in profit or loss. Under IFRS, equity instruments are required to be designated as fair value through other comprehensive income and fair value changes are recognized in other comprehensive income, resulting in a decrease in finance income by ¥15,792 million. In addition, income taxes on the gain on sale are included in other comprehensive income, resulting in a decrease in income tax expenses by ¥2,823 million.
- E Remeasurement of defined benefit plan
Under JGAAP, incurred actuarial gains or losses are allocated proportionally using straight-line method over a fixed number of years within the average remaining service period of employees and a proportional amount is expensed in the following period. Under IFRS, actuarial gains or losses are recognized as other comprehensive income and immediately transferred to retained earnings.

[Reclassification]

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

Note on Reconciliation of Cash Flows for the fiscal year ended March 31, 2017

There are no significant differences between the disclosed consolidated statement of cash flows under JGAAP and the disclosed consolidated statement of cash flows under IFRS.