

Terumo Corporation
IFRS Financial Results for the Fiscal Year Ended
March 31, 2019

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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 2019 (From April 1, 2018 to March 31, 2019)

(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, 2019	599,481	2.0	106,637	(1.8)	102,709	(3.7)	79,287	(13.1)	79,470	(13.0)	98,914	46.2
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

	Basic Earnings per share	Diluted Earnings per share	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, 2019	108.70	104.97	12.7	9.3	17.8
Year ended March, 2018	129.56	121.03	17.5	10.1	18.5

(Notes) Equity in earnings of affiliates: March 2019: (162) million yen March 2018: (218) million yen
Adjusted operating profit: March 2019: 122,128 million yen March 2018: 124,929 million yen
Terumo Corporation (the "Company") conducted a two-for-one stock split for its common stock effectively on April 1, 2019. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.
During the year ended March 31, 2019, the Company finalized the provisional accounting treatment for the business combination which was carried out in the year ended March 31, 2018. As a result, the corresponding figures of the year ended March 31, 2018 reflect the finalization of the provisional accounting treatment.

(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, 2019	1,120,790	698,113	698,034	62.3	939.60
As of March 31, 2018	1,081,045	550,435	550,307	50.9	777.94

(Notes) The Company conducted a two-for-one stock split for its common stock effectively on April 1, 2019. Equity attributable to the owners of the parent per share has been calculated on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.
During the year ended March 31, 2019, the Company finalized the provisional accounting treatment for the business combination which was carried out in the year ended March 31, 2018. As a result, the corresponding figures of the year ended March 31, 2018 reflect the finalization of the provisional accounting treatment.

(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, 2019	93,571	(74,792)	(67,540)	122,982
Year ended March, 2018	114,562	(44,105)	(4,132)	167,832

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, 2018	—	23.00	—	27.00	50.00	17,645	19.3	3.4
Year ended March, 2019	—	27.00	—	27.00	54.00	20,035	24.8	3.1
Year ending March, 2020 (forecast)	—	14.00	—	14.00	28.00		25.7	

(Notes) The Company conducted a two-for-one stock split for its common stock effectively on April 1, 2019. For the years ended March 2018 and March 2019, the amounts of dividends before the stock split are recorded. For the second quarter and year-ended dividends in the year ended March 2020(forecast), the amounts of dividends are recorded in consideration of the effects after the stock split.

3. Consolidated Forecast for the Year Ending March, 2020 (From April 1, 2019 to March 31, 2020)

	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, 2019	308,000	8.1	59,500	7.6	52,000	9.3	38,500	11.7	51.82
Year ending March, 2020	635,000	5.9	124,000	1.5	109,000	2.2	81,000	1.9	109.03

(Notes) Assumed exchange rate for fiscal year ending March, 2020: USD1=JPY108, EUR1=JPY123
The Company split each share of common stock into two shares effectively on April 1 2019, and this forecast of Earnings per share have been calculated in consideration of this stock split.

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

4. Consolidated Financial Statements

① Consolidated Statements of Financial Position

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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

② Consolidated Statements of Profit or Loss

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Revenue	587,775	599,481
Cost of sales	268,442	272,984
Gross profit	319,333	326,497
Selling, general and administrative expenses	212,363	226,334
Other income	4,764	9,801
Other expenses	3,180	3,327
Operating profit	108,552	106,637
Finance income	1,089	2,111
Finance costs	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	15,429	23,422
Profit for the period	91,201	79,287
Attributable to:		
Owners of the parent	91,295	79,470
Non-controlling interests	(94)	(183)
Total profit for the period	91,201	79,287
Earnings per share		
Basic earnings per share (yen)	129.56	108.70
Diluted earnings per share (yen)	121.03	104.97

③ Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	For year ended March 31, 2018	For year ended March 31, 2019
Profit for the period	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	298	844
Remeasurement of defined benefit plan	(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	(24,395)	20,895
Cash flow hedges	2	(353)
Cost of hedging	607	8
Share of other comprehensive income/(loss) of investments accounted for using the equity method	(1)	—
Total items that are or may be reclassified subsequently to profit or loss	(23,787)	20,549
Other comprehensive income/(loss) for the period	(23,534)	19,627
Total comprehensive income for the period	67,666	98,914
Attributable to		
Owners of the parent	67,774	99,100
Non-controlling interests	(108)	(185)
Total comprehensive income for the period	67,666	98,914

(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, 2017	38,716	52,478	(108,225)	513,578	(5,126)	491,421	101	491,522
Profit for the period	—	—	—	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	—	—	—	(15,839)	—	(15,839)	—	(15,839)
Transfer from other components of equity to retained earnings	—	—	—	(50)	50	—	—	—
Change in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	447	447	—	447
Conversion of convertible bonds	—	(33)	6,576	(33)	—	6,509	—	6,509
Total transactions 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

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

⑤ Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	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 the loss/(gain) of investments accounted for using the equity method	218	162
(Decrease) /increase in retirement benefit liabilities	2,204	293
Interest and dividend income	(855)	(1,507)
Interest expenses	1,805	2,051
Foreign exchange (gain)/loss	616	(455)
(Gain)/Loss on disposal of property, plant and equipment	557	(489)
(Increase)/decrease in trade and other receivables	(9,256)	(5,935)
(Increase)/decrease 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 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 financial instruments	(572)	(1,200)
Proceeds from sale of financial instruments	—	524
Payments for business acquisition	(2,217)	—
Payment for acquisition of shares of subsidiaries due to changes in the scope of consolidation	—	(20,283)
Net cash used in investing activities	(44,105)	(74,792)
Cash flow from financing activities		
Repayment of short-term borrowings	(120,000)	—
Proceeds from long-term borrowings	119,638	—
Repayment of long-term borrowings	(7,759)	(47,764)
Proceeds from issue of corporate bonds	19,931	—
Proceeds from non-control interests	135	135
Finance lease payments	(232)	(346)
Payments for repurchase of treasury stock	(6)	(9)
Payments for dividends	(15,839)	(19,555)
Net cash provided by 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

5. Business Combination

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

① Name of the acquired company and its business

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

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

② Main objectives for the business combination

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

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

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

③ Acquisition date

December 29, 2018

④ Legal form of the acquisition

Stock acquisition with cash as consideration

⑤ Percentage of voting rights acquired 100%

(2) Amounts and breakdown of consideration for the acquisition

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

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

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

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

(Unit: Millions of yen)

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

(Note 1) Consideration for 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 was 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

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

(Note 3) Goodwill

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

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

(4) Cash flow information

Payment for acquisition of shares is as follows:

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

(5) Revenue and net profit of the acquired company

Disclosure is omitted because the impact on the Consolidated Statement of Profit or Loss for the year ended March 31,2018 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.

6. Segment information

Reportable segment information

(1) Main products belonging to each reportable segment

Reportable segments	Sub-segments	Main products
Cardiac and Vascular Company	Interventional Systems (TIS)	Angiographic guidewires, Angiographic catheters, Introducer sheaths, Vascular closure devices, PTCA balloon catheters, Coronary stents, Self-expanding peripheral stents, IVUS, Imaging catheters, etc.
	Neurovascular	Coils and stents for treating cerebral aneurysm, Aspiration catheters and clot retrievers for treating ischemic stroke, etc.
	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 products, Nutritious food, Adhesion barriers, Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, etc.
	Alliance	Contract manufacturing of prefilled syringes, Devices to pharmaceutical companies for use in drug kits (Prefillable syringes, Needles for pharmaceutical packaging business) , etc.
Blood Management Company	—	Blood bags, Automated blood collection system, Automated blood component processing system, Pathogen reduction technology, Automated centrifugal apheresis system, Cell expansion system, etc.

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

For the 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)
Pre-tax profit						106,630
Other items						
Depreciation and amortization	17,522	9,657	14,359	41,539	495	42,035
Net increase of tangible and intangible noncurrent assets	22,494	9,795	8,431	40,721	4,963	45,685

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

- (1) ¥228 million adjustment to revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.
- (2) ¥(547) million adjustment to segment profit consists of ¥315 million for "inventories" and ¥(862) million for "others".

2. ¥ (1,921) million for “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. Depreciation and amortization includes amortization of intangible assets acquired through business combinations.

4. During the year ended March 31, 2019, the Company finalized the provisional accounting treatment for the business combination which was carried out in the year ended March 31, 2018. As a result, the corresponding figures of 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) (Adjustment item)	80,913	26,829	15,673	123,417	(1,288)	122,128
Amortization of intangible assets acquired through business combinations	(6,642)	—	(8,376)	(15,018)	384	(14,633)
Non-recurring profit or loss						(857)
Operating profit						106,637
Finance income						2,111
Finance costs						(5,876)
Share of profit/(loss) of investment accounted for using the equity method						(162)
Pre-tax profit						102,709
Other items						
Depreciation and amortization	20,206	9,711	13,479	43,398	636	44,035
Net increase of tangible and intangible noncurrent assets	35,018	12,325	7,422	54,767	6,078	60,845

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

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

〈Material subsequent events〉

The Company conducted a stock split effectively 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 will be conducted with the aim of increasing the liquidity of the Company’s stock and expanding its 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.

3. Increase in the number of shares due to the stock split

Common stock 379,760,520 shares