Terumo Corporation

Consolidated Financial Statements

For the fiscal year ended March 31, 2025

Independent auditor's report

To the Board of Directors of Terumo Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Terumo Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management judgment as to whether an impairment loss should be recognized on goodwill allocated to the Blood and Cell Technologies Company

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position, the Group recognized Goodwill and intangible assets of ¥545,243 million. As	The primary audit procedures we performed to assess the appropriateness of management's judgment as to whether an impairment loss should be recognized on

described in Note 12 “Goodwill and intangible assets, (3) Impairment test of goodwill” to the consolidated financial statements, goodwill of ¥166,253 million was allocated to the Blood and Cell Technologies Company, which represented approximately 9% of total assets in the consolidated financial statements. The amount primarily consists of goodwill arising from the acquisition of 100% of the shares of Caridian BCT Holding Corp. (now known as Terumo BCT Holding Corp.). As described in Note 3 “Material accounting policies, (10) Impairment of non-financial assets” to the consolidated financial statements, goodwill is tested for impairment whenever there is any indication of impairment, and at a certain time in each fiscal year regardless of whether there is any indication of impairment. An impairment loss is recognized when the carrying amount of a cash-generating unit (“CGU”) to which goodwill has been allocated is greater than its recoverable amount. In the current fiscal year, the Company used the value in use as the recoverable amount in the impairment testing on goodwill allocated to the Blood and Cell Technologies Company. The future cash flows used to measure the value in use were estimated based on the medium-term business plan of the Blood and Cell Technologies Company prepared by management. The forecasts for future growth and market share of the Blood and Cell Technologies Company involved a high degree of uncertainty, and management’s judgement on these assumptions had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the terminal growth rates and discount rates used to calculate the value in use required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on goodwill allocated to the Blood and Cell Technologies Company was one of the most significant matters in our audit of the consolidated financial statements	goodwill allocated to the Blood and Cell Technologies Company are set forth below. (1) Internal control testing We tested the design and operating effectiveness of certain of the Group’s internal controls related to the measurement of the value in use used in the impairment testing on CGUs to which goodwill has been allocated. In this assessment, we obtained an understanding of the process for developing a business plan of the Blood and Cell Technologies Company and focused on internal controls over management’s approval of the business plan. (2) Assessment of the reasonableness of the estimated value in use The procedures we performed to assess the appropriateness of key assumptions used in preparing the medium-term business plan of the Blood and Cell Technologies Company, which formed the basis for the estimate of future cash flows, included the following: ● assessed the appropriateness of the sales growth forecast of the Blood and Cell Technologies Company, by comparing it with market growth rates published by external research firms; and ● assessed the feasibility of the sales growth forecast of the Blood and Cell Technologies Company that reflected current sales promotion measures and projected market shares by analysing the causes of variances between the sales growth forecast that reflected past sales promotion measures and projected market shares used in the past medium-term business plan, and actual results achieved against the plan. In addition, the procedures we performed involving valuation specialists within our domestic network firms to assess the terminal growth rates and discount rates, included the following: ● assessed the appropriateness of the calculation models used to estimate the terminal growth rates and discount rates considering the nature of the valuation subject matter and the requirements of accounting standards; and ● assessed the appropriateness of input data used to estimate the terminal growth rates and discount rates by comparing it with relevant market data published by an external organization related to the main countries within the regions in which the Blood and Cell Technologies Company operates.

for the current fiscal year, and accordingly, a key audit matter.	

Appropriateness of the Group's determination of the accounting period in which revenue is recognized

The key audit matter	How the matter was addressed in our audit
The Group is primarily involved in the sales of medical products and equipment to domestic and overseas customers. The amount of the Group's revenue reported in the Group's consolidated statement of profit or loss was ¥1,036,171 million for the current fiscal year, which was mainly from sales of those products and equipment. As described in Note 3. "Material accounting policies, (15) Revenue" to the consolidated financial statements, with regard to the sales of the Group's products and equipment, the Group recognizes revenue at the time of delivery since the customer obtains control over the product or equipment and the performance obligation is satisfied at the time of delivery. The application of the revenue recognition criteria involves a potential risk that sales are recognized prematurely in an inappropriate accounting period before the delivery of a product or equipment to a customer has been completed, because of the following reasons: ● As revenue is one of the key indicators on which management and users of the financial statements are focused, and the consolidated financial forecast is announced to external investors, the sales department may be under pressure to achieve the forecast; and ● The time period from the shipment from a warehouse to the delivery to the customer varies depending on the geographical location of each customer. We, therefore, determined that our assessment of the appropriateness of the Group's determination of the accounting period in which revenue is recognized was one of the most significant matters in our audit of the consolidated financial statements for the	The primary audit procedures we performed to assess the appropriateness of the Group's determination of the accounting period in which revenue is recognized, which focused on the Company and certain significant consolidated subsidiaries that were identified mainly based on the materiality of their revenue amounts, are set forth below. We involved the component auditors of certain significant consolidated subsidiaries and performed the audit procedures set out below, including the direction and supervision of the component auditors and the review of their work. (1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the process of recognizing revenue related to the sales of medical products and equipment. In this assessment, we focused our testing on the following: ● controls to ensure that a person in charge, other than the individual who has entered sales data on the sales system, confirms the consistency between the data and supporting vouchers and approves the recognized sales; ● controls to ensure that sales data agrees to the contents of sales orders, invoices and customer receipts of products; and ● controls to investigate reasons for variances, if any, in inventory data between the Group's logistics system and the external warehouses' systems. (2) Assessment of whether revenue is recognized in the appropriate accounting period The procedures we performed to assess whether revenue is recognized in the appropriate accounting period, included the following: ● assessed the appropriateness of the Group's determination of the accounting period in which revenue is recognized for sales in the final month

current fiscal year, and accordingly, a key audit matter.	of the fiscal year by examining the existence of any unusual transactions through a sales projection-to-actual result comparison and a trend analysis; ● assessed the appropriateness of the Group's determination of the accounting period in which revenue is recognized for sales recorded immediately before the end of the fiscal year by tracing them to customer receipts of products and/or other supporting documents; and ● assessed the appropriateness of revenue initially recognized for sales during the fiscal year for which negative sales were recorded subsequent to the end of the fiscal year, by performing a multifaceted analysis including confirmation as to whether there was a large amount of returns post year end and a trend analysis of monthly revenue.

Other Information

Other information comprises information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We did not perform any work on other information as we determined that no such information existed.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 671 million yen and 199 million yen, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Tani

Designated Engagement Partner

Certified Public Accountant

Yuichi Watanabe

Designated Engagement Partner

Certified Public Accountant

Hirotaka Matsuo

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 23, 2025

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Notes	As of March 31, 2024	As of March 31, 2025
Assets			
Current assets			
Cash and cash equivalents	6	204,883	221,872
Trade and other receivables	7	178,710	176,854
Other current financial assets	8,32,33	26,158	388
Inventories	9	286,599	294,385
Current tax assets		1,337	3,218
Other current assets	10	24,426	26,776
Total current assets		722,116	723,496
Non-current assets			
Property, plant and equipment	11	415,845	431,078
Goodwill and intangible assets	12	588,225	545,243
Investments accounted for using the equity method		2,410	1,927
Other non-current financial assets	8,32,33	36,368	40,925
Deferred tax assets	19	19,977	31,077
Other non-current assets	10,21	46,458	54,645
Total non-current assets		1,109,286	1,104,897
Total assets		1,831,402	1,828,393

(Unit: Millions of yen)

	Notes	As of March 31, 2024	As of March 31, 2025
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	14	93,770	91,029
Bonds and borrowings	15,32,33	156,870	15,000
Other current financial liabilities	16,17,32,33	7,837	7,834
Current tax liabilities		26,467	23,836
Provisions		213	242
Other current liabilities	20	93,992	103,022
Total current liabilities		379,152	240,965
Non-current liabilities			
Bonds and borrowings	15,32,33	74,978	159,838
Other non-current financial liabilities	16,17,32,33	30,824	32,401
Deferred tax liabilities	19	3,025	5,835
Retirement benefit liabilities	21	5,939	6,388
Provisions		112	617
Other non-current liabilities	20	10,279	13,809
Total non-current liabilities		125,159	218,891
Total liabilities		504,311	459,857
Equity			
Share capital	22	38,716	38,716
Capital surplus	22	51,752	51,725
Treasury shares	22	(12,436)	(14,866)
Retained earnings	22	954,679	1,016,160
Other components of equity	22	294,379	276,800
Total equity attributable to owners of the parent		1,327,090	1,368,535
Total equity		1,327,090	1,368,535
Total liabilities and equity		1,831,402	1,828,393

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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Revenue	5,25	921,863	1,036,171
Cost of sales		442,688	475,501
Gross profit		479,174	560,670
Selling, general and administrative expenses	26	344,979	381,648
Other income	28	10,304	6,592
Other expenses	28	4,404	27,944
Operating profit		140,096	157,668
Finance income	29	3,529	3,624
Finance costs	29	2,775	6,247
Share of profit/(loss) of investments accounted for using the equity method		(20)	(470)
Profit before tax		140,829	154,574
Income tax expenses	19	34,455	37,595
Profit for the year		106,374	116,978
Attributable to:			
Owners of the parent		106,374	116,978
Total profit for the year		106,374	116,978
Earnings per share			
Basic earnings per share (yen)	31	71.50	79.01
Diluted earnings per share (yen)	31	71.47	78.99

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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit for the year		106,374	116,978
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	30	2,487	589
Remeasurements of defined benefit plans	30	16,022	4,861
Total items that will not be reclassified to profit or loss		18,509	5,451
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	30	133,977	(15,675)
Cash flow hedges	30	296	(9)
Cost of hedging	30	(341)	56
Total items that are or may reclassified subsequently to profit or loss		133,932	(15,628)
Total other comprehensive income/(loss) for the year		152,442	(10,176)
Total comprehensive income for the year		258,816	106,802
Attributable to:			
Owners of the parent		258,816	106,802
Total comprehensive income for the year		258,816	106,802

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

Details of the tax effect in relation to other comprehensive income are presented in Note 30 “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						Total equity
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2023		38,716	51,759	(11,539)	874,272	157,855	1,111,063	1,111,063
Profit for the year		-	-	-	106,374	-	106,374	106,374
Other comprehensive income		-	-	-	-	152,442	152,442	152,442
Total comprehensive income		-	-	-	106,374	152,442	258,816	258,816
Acquisition of treasury shares		-	(7)	(11,100)	-	-	(11,107)	(11,107)
Disposal of treasury shares		-	(109)	194	-	(84)	0	0
Cancellation of treasury shares		-	(9,788)	9,788	-	-	-	-
Dividends	23	-	-	-	(32,020)	-	(32,020)	(32,020)
Transfer from retained earnings to capital surplus		-	9,866	-	(9,866)	-	-	-
Transfer from other components of equity to retained earnings	22	-	-	-	15,919	(15,919)	-	-
Share-based payments	24	-	32	219	-	86	338	338
Total transactions with owners of the parent		-	(7)	(896)	(25,967)	(15,917)	(42,789)	(42,789)
Balance as of March 31, 2024		38,716	51,752	(12,436)	954,679	294,379	1,327,090	1,327,090
Profit for the year		-	-	-	116,978	-	116,978	116,978
Other comprehensive income		-	-	-	-	(10,176)	(10,176)	(10,176)
Total comprehensive income		-	-	-	116,978	(10,176)	106,802	106,802
Acquisition of treasury shares		-	(32)	(30,003)	-	-	(30,036)	(30,036)
Disposal of treasury shares		-	(256)	532	-	(276)	0	0
Cancellation of treasury shares		-	(26,872)	26,872	-	-	-	-
Dividends	23	-	-	-	(35,626)	-	(35,626)	(35,626)
Transfer from retained earnings to capital surplus		-	27,069	-	(27,069)	-	-	-
Transfer from other components of equity to retained earnings	22	-	-	-	7,199	(7,199)	-	-
Share-based payments	24	-	65	168	-	72	306	306
Total transactions with owners of the parent		-	(27)	(2,429)	(55,497)	(7,402)	(65,356)	(65,356)
Balance as of March 31, 2025		38,716	51,725	(14,866)	1,016,160	276,800	1,368,535	1,368,535

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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities			
Profit before tax		140,829	154,574
Depreciation and amortization		76,745	85,449
Impairment losses	13	3,415	22,461
Share of the (profit)/loss of investments accounted for using the equity method		20	470
Increase/(decrease) in retirement benefit assets or liabilities		769	104
Interest and dividend income		(2,518)	(3,492)
Interest expenses		2,065	2,017
Foreign exchange (gain)/loss		780	892
(Gain)/loss on sale and disposal of property, plant and equipment		173	(681)
Gain on sale of shares of subsidiaries and affiliates		(1,335)	-
(Increase)/decrease in trade and other receivables		(16,420)	(4,613)
(Increase)/decrease in inventories		(9,211)	(11,593)
Increase/(decrease) in trade and other payables		(4,996)	1,839
Others		(319)	12,813
Sub-total		189,998	260,242
Interest and dividend income received		3,307	3,561
Interest expenses paid		(1,295)	(1,708)
Income taxes paid		(45,681)	(51,292)
Net cash provided by operating activities		146,330	210,802
Cash flows from investing activities			
Payments into time deposits		(1,331)	(213)
Proceeds from withdrawal of time deposits		4	1,392
Payments for purchase of property, plant and equipment		(60,727)	(68,617)
Proceeds from sale of property, plant and equipment		762	2,594
Payments for purchase of intangible assets		(18,047)	(13,748)
Proceeds from government grants		-	976
Payments for purchase of financial instruments		(4,936)	(8,769)
Proceeds from sale of financial instruments		6	4,291
Payments for acquisition of shares of subsidiaries, affiliates and other businesses		(559)	(479)
Proceeds from sale of shares of subsidiaries and affiliates		2,921	-
Proceeds from liquidation of subsidiaries and associates		-	92
Proceeds from business transfer and other		433	-
Net cash used in investing activities		(81,472)	(82,481)
Cash flows from financing activities			
Proceeds from long-term borrowings	18	-	29,969
Repayments of long-term borrowings	18	(1,325)	(160,278)
Proceeds from issue of corporate bonds	18	-	69,826
Payments for redemption of corporate bonds	18	(10,000)	-
Repayments of lease liabilities	18	(7,632)	(8,029)

Payments for purchase of treasury shares	(11,111)	(30,051)
Payments for dividends	(32,010)	(35,622)
Proceeds from settlement of derivatives	-	25,420
Net cash used in financing activities	(62,079)	(108,766)
Effect of exchange rate changes on cash and cash equivalents	14,782	(2,565)
Net increase/(decrease) in cash and cash equivalents	17,560	16,989
Cash and cash equivalents at the beginning of the year	187,322	204,883
Cash and cash equivalents at the end of the year	204,883	221,872

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 fiscal year ended March 31, 2025 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, and operates based on an in-house company system classified by product groups. 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 1-2-1 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 312 of the ordinance.

The consolidated financial statements were approved for publication by Hikaru Samejima, Chief Executive Officer, on June 23, 2025.

(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 “Material 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 (hereinafter 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 the amendments to standards below from the fiscal year ended March 31, 2025. There is no material impact of adopting these amendments to standards on the Group’s consolidated financial statements for the fiscal year ended March 31, 2025.

Standard/Interpretation		Outline of the new standards, interpretations and amendments
IAS 1	Presentation of Financial Statements	Clarification of requirements for classifying liabilities as current or non-current Amendment of requirement to disclose information about non-current liabilities with covenants

(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 that will be affected.

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.

Regarding forecast financial results, in the environment where medical demand will continue to rise and supply chain disruption risks will ease, while raw material prices will remain elevated and tariff policies in the United States remain fluid, making the future uncertain, the Group is factoring in the improvement in productivity at plants, cost reduction measures, and other measures appropriate to the market environment in making accounting estimates, such as for the impairment test of goodwill.

(a) Evaluation of inventories

Inventories are measured at historical costs. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are measured based on 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.

Details of the amount of write-down of inventories are described in Note 9 "Inventories".

(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 "Material 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 are not yet available for use, are amortized based on the estimated useful lives over which the asset's future economic benefits are expected to flow to the Group. There is a risk of an increase in amortization costs caused by changes in the estimated useful lives of intangible assets due to external factors, such as changes in business environment.

Details of the estimates of useful lives of intangible assets are described in Note 3 "Material 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 indefinite 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 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 "Material 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 benefit 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 in subsequent reporting periods.

Details of the amounts of defined benefit liabilities and plan assets, and actuarial assumptions are described in Note 21 “Post-employment benefits”.

(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 directors, executives and employees is measured at fair value, which is calculated using the Black-Scholes-Merton model (hereinafter referred to as the “Black-Scholes 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.

The nature and amounts of the share option scheme are described in Note 24 “Share-based payments”.

(f) Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable income 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 income based on the Group’s business plan to determine whether it is probable that taxable income will be available.

The timing and amounts of expected taxable income may be affected by the uncertainty over future economic conditions. Where the actual timing and amounts of taxable income 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.

The nature and amounts of deferred tax assets are described in Note 19 “Income taxes”.

(g) Fair value of financial instruments

The Group uses valuation techniques utilizing inputs that are unobservable in the market when assessing the fair value of financial instruments. Fair value calculated based on valuation techniques utilizing unobservable inputs is subject to assumptions such as reasonable base rate and selection of calculation model. 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 33 “Fair value of financial instruments”.

(6) Early application of standards and interpretations

There are no standards and interpretations early applied from the fiscal year ended March 31, 2025.

(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, 2025 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 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	March 31, 2027	Amendments to the classification, measurement and disclosure of financial instruments (IFRS 9 and IFRS 7) ・Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features ・Derecognition of a financial liability settled through electronic transfer ・Disclosure regarding investments in equity instruments designated at fair value through other comprehensive income
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	This new standard on presentation and disclosure in financial statements replaces the current IAS 1 Presentation of Financial Statements

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

The Group is evaluating the effect of adopting these standards on the Group's consolidated financial statements, and currently the impacts cannot be estimated.

3. Material accounting policies

The material accounting policies used in the preparation of the consolidated financial statements are described below. The Group has applied the accounting policies consistently in all the reporting periods presented in these consolidated financial statements unless otherwise noted.

(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.

Inter-group balances and transactions, and unrealized gains and losses arising from inter-group 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 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 amounts 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 associates are adjusted to comply with 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 assumed, 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 net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

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 into 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 or 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. However, the trade receivables that do not contain a significant financing component are measured at the transaction price 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 other 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 a financial asset. When determining whether changes in the risk of a default occur 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 fair value less transaction costs that are directly attributable to the financial liabilities.

(b) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured according to the following classifications:

(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. 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 hedging instruments for 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 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 other comprehensive income is immediately 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 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 measured at the lower of cost or net realizable value. Cost of inventories is mainly calculated by using the weighted average cost formula 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 measured 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 in which they are 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 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 using the straight-line method over their estimated useful lives. 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
・ Furniture, fixtures, and equipment 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

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 measured 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 measures intangible assets using the cost model. Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets recognized through a business combination are initially measured at fair value at the acquisition date.

Expenditures on research activities are recognized in profit or loss in the period in which they are 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 or sell 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 those with indefinite useful lives are amortized over their respective estimated useful lives, and measured 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.

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

・ Capitalized development costs	mainly 20 years
・ Software	5 - 10 years
・ Customer relationships	mainly 20 years
・ Technologies	10 - 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

(a) Leases as a lessee

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. It is determined that the contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, the Group measures the right-of-use asset at cost and lease liability at the present value of the lease payments that are not paid at that date as a lessee. The cost of the right-of-use asset is initially measured at the amount of the initial measurement of the lease liability, together with adjustments for any initial direct costs and any advance lease payments. Right-of-use assets and lease liabilities are included in “Property, plant and equipment” and “Other financial liabilities”, respectively, in the Consolidated Statement of Financial Position. After the initial measurement of a right-of-use asset and a lease liability, depreciation of the right-of-use asset and interest expense on the lease liability are recognized.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lessee’s incremental borrowing rate is used for measurement of the lease liability related to a right-of-use asset. A right-of-use asset is depreciated by the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases which have a lease term of 12 months or less and leases for which the underlying asset is of low value. The Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(b) Leases as a lessor

Leases are classified as either operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The classification of a lease as either a finance lease or an operating lease is determined based on the substance of the transaction rather than the form of the contract.

For contracts that contain a lease component along with one or more additional lease components or non-lease components, the consideration in the contract is allocated in accordance with IFRS 15 “Revenue from Contracts with Customers.”

・ Operating Leases

Revenue from operating leases is presented in “(15) Revenue (b) Revenue from operating leases (lessor).”

(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) Non-current assets held for sale

When the carrying amount of non-current assets (or disposal groups) is expected to be recovered principally through a sale transaction rather than continuing use, the non-current assets (or disposal groups) are classified as held for sale.

To be classified as held for sale, the sale of the non-current asset (or disposal group) should be highly probable and the assets (or disposal groups) must be available for immediate sale in their present condition, and classification as held for sale is only made if management of the Group is committed to a plan to sell the assets and the sale is expected to be completed within one year. Once classified as held for sale, the non-current assets (or disposal groups) are measured at the lower of their carrying amount or fair value less costs to sell and the Group shall not depreciate (or amortize) the assets while they are classified as held for sale.

(12) 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 is calculated based on the market yield of high quality corporate bonds at 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.

(13) Share-based payments

(a) Stock option plan

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.

(b) Restricted stock compensation plan

The Group has introduced a restricted stock compensation plan as an equity-settled share-based performance-related payment plan for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and executive officers. The consideration for services received is measured at the fair value of the Company's shares at the grant date and is recognized as an expense over the vesting period (from the grant date to vesting date) in the Consolidated Statement of Profit or Loss. The corresponding amount is recognized as an increase in equity in the Consolidated Statement of Financial Position.

(14) 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 sites and removal of harmful materials related to fixed assets.

(15) Revenue

(a) Revenue from contracts with customers

Regarding contracts with customers, except for interest and dividend income and similar items accounted for under IFRS 9, the Group recognizes revenue by applying the following steps based on IFRS 15:

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. For the sales of these products, the performance obligation is to deliver the products and equipment to the customer based on the contract with the customer.

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.

The Group collects consideration from contracts with customers for product sales mainly from one month to six months from when products are delivered to customers. Since the Group receives the consideration within one year, the contracts do not contain a significant financing component.

(b) Revenue from operating leases (lessor)

Revenue from operating leases is recognized by allocating the total lease payments over the lease term.

(16) 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 grants 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 lives of the assets on a systematic basis and unrecognized grant receivables are recognized as deferred income in liabilities.

(17) 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 as incurred 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 or 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.

(18) 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 (refunded from) the taxation authorities on the current year’s taxable income(loss). 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 income.

(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 an asset or a liability in a transaction other than a business combination, affects neither the accounting profit nor the taxable profit (loss), and does not give rise to equal taxable and deductible temporary differences;
・ 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 income will be available against which the temporary difference can be utilized;
・ 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 income 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 income 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 income 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.

The Group has applied the temporary exception to IAS 12 "Income Taxes", revised on May 23, 2023, and has not recognized and disclosed any deferred tax assets or liabilities with respect to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules issued by the Organization for Economic Cooperation and Development.

(19) 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.

(20) Segment information

An operating segment is a component of an entity that engages in business activities that earn revenue and incur 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 business resources and evaluate performance.

(21) Capital

(a) Share capital and capital surplus

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 cancellation of the Company’s treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized in equity.

(22) 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, construction and production 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.

(23) 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

There is no material business combination for the fiscal year ended March 31, 2024 and 2025.

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 the Cardiac and Vascular Company, the Medical Care Solutions Company, and the Blood and Cell technologies Company.

Therefore, the Group consists of three reportable segments, the Cardiac and Vascular Company, the Medical Care Solutions Company, and the Blood and Cell Technologies Company, which are organized by the product groups based on the in-house company system.

Main products of each reportable segment are as follows:

Reportable Segments	Sub-segments	Main Products
Cardiac and Vascular Company	Terumo Interventional Systems	Angiographic guidewires, Angiographic catheters, Introducer sheaths, Vascular closure devices, PTCA balloon catheters, Coronary stents, Self-expanding peripheral stents, IVUS, Imaging catheters and others
	Terumo Neuro	Coils, Stents and Intrasaccular devices for treating cerebral aneurysm, Embolization systems, Aspiration catheters and Clot retrievers for treating ischemic stroke, and others
	Terumo Cardiovascular	Oxygenators, Cardio-pulmonary bypass systems and others
	Terumo Aortic	Artificial vascular grafts, Stent grafts and others

Reportable Segments	Sub-segments	Main Products
Medical Care Solutions Company	Hospital Care Solutions	Syringes, Infusion pumps, Syringe pumps, Infusion lines, I.V. solutions, Peritoneal dialysis fluid, Pain management products, Adhesion barriers and others
	Life Care Solutions	Blood glucose monitoring systems, Disposable needles for pen-injectors, Insulin patch pumps, Blood pressure monitors, Digital thermometers and others
	Pharmaceutical Solutions	Contract manufacturing of prefilled syringes, Devices to pharmaceutical companies for use in drug kits (Prefillable syringes, Needles for pharmaceutical packaging business) and others
Blood and Cell Technologies Company	-	Blood bags, Component collection systems, Automated blood processing systems, Pathogen reduction systems, Centrifugal apheresis systems, Cell expansion systems, Plasma donation system and others

(2) Reportable segment information

Revenue and operating results of the reportable 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 “Material Accounting Policies”.

For the fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Reportable Segments					
	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total	Adjustments (Note 1)	Amount recorded on consolidated financial statements
Revenue						
Revenue from sales to external customers	555,716	197,569	168,328	921,614	248	921,863
Segment Profit (Adjusted operating profit)	123,850	19,789	16,394	160,034	(3,249)	156,785
(Adjustment items)						
Amortization of intangible assets acquired through business combinations	(9,553)	-	(10,642)	(20,195)	167	(20,028)
Non-recurring profit or loss (Note 2)						3,339
Operating profit						140,096
Finance income						3,529
Finance costs						(2,775)
Share of profit/(loss) of investment accounted for using the equity method						(20)
Profit before tax						140,829
Other items						
Depreciation and amortization (Note 3)	37,361	16,769	20,697	74,828	1,916	76,745
Increase in property, plant and equipment and intangible assets	41,536	15,634	17,256	74,427	3,999	78,426

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

(1) ¥248 million adjustment to Revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.

(2) ¥(3,249) million adjustment to Segment profit mainly includes ¥(1,370) million for inventories and ¥(2,831) million for preparation expenses to comply with the Medical Device Regulation in the EU.

(Note 2) ¥3,339 million non-recurring profit or loss mainly consists of ¥3,385 million for settlement received, ¥1,335 million for gain on sale of shares of subsidiaries and affiliate, which is related to the sale of shares of Olympus Terumo Biomaterials Corporation, ¥(2,338) million for business reorganization expenses and ¥453 million for the change in fair value of contingent consideration.

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

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Reportable Segments					
	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total	Adjustments (Note 1)	Amount recorded on consolidated financial statements
Revenue						
Revenue from sales to external customers	624,357	211,235	200,280	1,035,873	298	1,036,171
Segment Profit (Adjusted operating profit)	154,682	22,993	26,482	204,158	(712)	203,445
(Adjustment items)						
Amortization of intangible assets acquired through business combinations	(10,145)	-	(11,233)	(21,378)	(151)	(21,530)
Non-recurring profit or loss (Note 2)						(24,247)
Operating profit						157,668
Finance income						3,624
Finance costs						(6,247)
Share of profit/(loss) of investment accounted for using the equity method						(470)
Profit before tax						154,574
Other items						
Depreciation and amortization (Note 3)	42,412	19,600	23,950	85,962	(513)	85,449
Increase in property, plant and equipment and intangible assets	43,583	18,465	17,801	79,849	2,634	82,484

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

(1) ¥ 298 million adjustment to Revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.

(2) ¥(712) million adjustment to Segment profit mainly includes ¥2,305 million for inventories and ¥(2,437) million for preparation expenses to comply with the Medical Device Regulation in the EU.

(Note 2) ¥(24,247) million Non-recurring profit or loss mainly consists of ¥(17,858) million for impairment losses, which includes impairment losses from item (1) to (5) of note “13. Impairment of non-financial assets”, and ¥(7,521) million for business reorganization expenses, which includes ¥(3,155) million related to item (5) of note “13. Impairment of non-financial assets” and ¥(1,615) million associated with business reorganization in the Terumo Cardiovascular division.

(Note 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 are as follows:

(a) Revenue

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Americas	327,982	395,653
(including USA)	(279,941)	(342,898)
Japan	211,121	217,206
Europe	191,498	218,287
China	79,412	84,968
Asia and others	111,847	120,054
Total	921,863	1,036,171

(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, 2024	As of March 31, 2025
Americas	671,811	635,440
(including USA)	(631,230)	(595,472)
Japan	195,113	212,099
Europe	67,798	62,761
China	24,865	23,114
Asia and others	47,786	46,031
Total	1,007,375	979,447

(Note) Non-current assets are classified by country or region based on the Company and its subsidiaries' location. Financial assets, deferred tax assets and retirement benefit 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, 2024	As of March 31, 2025
Cash and demand deposits	204,883	221,872
Total	204,883	221,872

The ending balances of cash and cash equivalents in the Consolidated Statement of Financial Position on March 31, 2024 and 2025 are the same as the ending balances of cash and cash equivalents in the Consolidated Statement of Cash Flows.

There are no material cash and cash equivalents which have restrictions on withdrawal as of March 31, 2024 and 2025.

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, 2024	As of March 31, 2025
Trade receivables	169,950	168,582
Accounts receivable-other	8,759	8,271
Total	178,710	176,854

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, 2024	As of March 31, 2025
Other current financial assets:		
Financial assets measured at fair value through profit or loss		
Derivative assets	24,687	55
Other	26	56
Financial assets measured at amortized cost		
Time deposits	1,444	275
Other	-	1
Total	26,158	388
Other non-current financial assets:		
Financial assets measured at fair value through profit or loss		
Shares	-	2,612
Other	8,781	11,356
Financial assets measured at fair value through other comprehensive income		
Shares	12,600	11,884
Other	7,253	7,744
Financial assets measured at amortized cost		
Other	7,732	7,327
Total	36,368	40,925

(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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Dividend income	106	34

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, 2024	As of March 31, 2025
Cuorips Inc.	1,958	4,404
Toho Holdings Co., Ltd.	445	544
Dai-ichi Life Insurance Company, Limited	268	316
Orchestra BioMed Holdings, Inc.	323	259
Alfresa Holdings Corporation	188	178
Hokuyaku Takeyama Holdings, Inc.	122	124
Medipal Holdings Corporation	100	101
Medius Holdings Co., Ltd.	56	68
Win-Partners Co., Ltd.	61	66
Mitsubishi UFJ Financial Group, Inc.	3,017	-
TOWA Corporation	1,183	-
Suzuken Co., Ltd.	142	-

(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 capital efficiency or effective utilization.

The fair value at derecognition, cumulative gains or losses recognized in other comprehensive income, and dividend income for the fiscal years ended March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Fair value on the derecognition date	16	4,291
Cumulative gain/(loss) on the derecognition date	(137)	3,410
Dividend income	0	97

(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 ¥ (102) million and ¥ 2,337 million for the years ended March 31, 2024 and 2025, respectively.

9. Inventories

The breakdown of inventories is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Merchandise and finished products	169,637	177,525
Work-in-progress	33,449	33,342
Raw materials and others	83,511	83,517
Total	286,599	294,385

The amount of write-down of inventories recognized as an expense in the Consolidated Statement of Profit or Loss is ¥ 12,108 million and ¥ 6,722 million for the years ended March 31, 2024 and 2025, respectively.

10. Other assets

The breakdown of other assets is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Other current assets:		
Prepaid expenses	12,985	14,342
Other	11,441	12,433
Total	24,426	26,776
Other non-current assets:		
Retirement benefit assets	43,153	51,520
Long-term prepaid expenses	3,304	3,125
Total	46,458	54,645

11. Property, plant and equipment

(1) Movements in carrying amount

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

Acquisition cost, accumulated depreciation and accumulated impairment losses

As of April 1, 2023

(Unit: Millions of yen)

	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	23,685	294,115	364,955	71,215	89,559	843,529
Accumulated depreciation and accumulated impairment loss	(1,890)	(159,417)	(259,146)	(51,275)	(929)	(472,660)
Carrying amount	21,794	134,697	105,809	19,939	88,629	370,869

As of March 31, 2024

(Unit: Millions of yen)

	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	27,784	329,465	420,301	77,580	91,686	946,819
Accumulated depreciation and accumulated impairment loss	(2,252)	(178,035)	(291,132)	(56,386)	(3,167)	(530,974)
Carrying amount	25,532	151,430	129,168	21,194	88,519	415,845

As of March 31, 2025

(Unit: Millions of yen)

	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Acquisition cost	27,324	335,692	451,125	82,246	98,698	995,087
Accumulated depreciation and accumulated impairment loss	(2,395)	(187,530)	(305,483)	(61,421)	(7,178)	(564,009)
Carrying amount	24,928	148,161	145,642	20,824	91,520	431,078

Carrying amount

(Unit: Millions of yen)

	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Construction in progress	Total
Balance as of April 1, 2023	21,794	134,697	105,809	19,939	88,629	370,869
Additions	5	6,053	9,379	899	50,688	67,026
Depreciation	(338)	(13,794)	(23,912)	(6,156)	-	(44,201)
Reclassification from construction in progress	2,613	15,141	29,314	5,077	(52,146)	-
Impairment losses	-	-	-	-	(2,149)	(2,149)
Sales and disposals	(80)	(372)	(780)	(42)	(79)	(1,355)
Exchange differences on translation of foreign operations	1,383	10,602	9,456	812	7,842	30,098
Other	153	(898)	(98)	664	(4,265)	(4,444)
Balance as of March 31, 2024	25,532	151,430	129,168	21,194	88,519	415,845
Additions	500	9,053	11,500	1,864	58,163	81,081
Depreciation	(377)	(14,566)	(27,565)	(6,400)	-	(48,911)
Reclassification from construction in progress	202	6,173	36,438	5,453	(48,268)	-
Impairment losses	-	(791)	(1,144)	(1,212)	(5,208)	(8,357)
Sales and disposals	(790)	(349)	(666)	(141)	(350)	(2,297)
Exchange differences on translation of foreign operations	(137)	(1,032)	(2,296)	(59)	(190)	(3,717)
Other	-	(1,755)	207	127	(1,144)	(2,564)
Balance as of March 31, 2025	24,928	148,161	145,642	20,824	91,520	431,078

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

(Note 2) The impairment losses are included in “Selling, general and administrative expenses”, “Cost of sales” and “Other expenses” in the Consolidated Statement of Profit or Loss. Details of the impairment losses are presented in Note 13 “Impairment of non-financial assets”.

(Note 3) There is no restriction on the ownership of property, plant and equipment, except for right-of-use assets.

(Note 4) The above carrying amounts include property, plant and equipment leased under operating leases as lessor. The amounts as of March 31, 2024 and March 31, 2025 are stated in Note 17, “Leases.”

(2) Details of carrying amount of right-of-use assets

The breakdown of right-of-use assets is as follows:

As of March 31, 2024

(Unit: Millions of yen)

	Classification of underlying assets				
	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Total
Carrying amount of right-of-use assets	4,365	25,416	2,915	378	33,076

(Note) The increase in right-of-use assets for the fiscal year ended March 31, 2024 is ¥ 6,633 million.

As of March 31, 2025

(Unit: Millions of yen)

	Classification of underlying assets				
	Land	Buildings and structures	Machinery and vehicles	Furniture, fixtures, and equipment	Total
Carrying amount of right-of-use assets	4,253	26,278	3,906	504	34,943

(Note) The increase in right-of-use assets for the fiscal year ended March 31, 2025 is ¥11,815 million.

12. Goodwill and intangible assets

(1) Movements in carrying amount

The amount of acquisition cost, accumulated amortization and accumulated impairment losses and the movements in carrying amounts of goodwill and intangible assets are as follows:

Acquisition cost, accumulated amortization and accumulated impairment losses

As of April 1, 2023

(Unit: Millions of yen)

	Goodwill	Intangible assets					Total
		Capitalized development costs	Software	Customer relationships	Technologies	Other	
Acquisition cost	267,705	71,721	107,975	147,621	152,524	24,799	772,348
Accumulated amortization and accumulated impairment loss	-	(13,663)	(51,009)	(87,977)	(72,661)	(8,825)	(234,137)
Carrying amount	267,705	58,057	56,966	59,644	79,863	15,973	538,210

As of March 31, 2024

(Unit: Millions of yen)

	Goodwill	Intangible assets					Total
		Capitalized development costs	Software	Customer relationships	Technologies	Other	
Acquisition cost	302,347	87,189	123,332	167,361	172,685	28,951	881,867
Accumulated amortization and accumulated impairment loss	-	(21,072)	(59,733)	(108,229)	(92,736)	(11,869)	(293,641)
Carrying amount	302,347	66,116	63,599	59,132	79,949	17,081	588,225

As of March 31, 2025

(Unit: Millions of yen)

	Goodwill	Intangible assets					Total
		Capitalized development costs	Software	Customer relationships	Technologies	Other	
Acquisition cost	295,102	80,406	134,793	165,275	170,554	25,442	871,574
Accumulated amortization and accumulated	(1,882)	(22,691)	(73,757)	(115,269)	(101,988)	(10,741)	(326,331)

impairment loss							
Carrying amount	293,219	57,714	61,035	50,005	68,565	14,701	545,243

Carrying amount

(Unit: Millions of yen)

	Goodwill	Intangible assets					Total
		Capitalized development costs	Software	Customer relationships	Technologies	Other	
Balance as of April 1, 2023	267,705	58,057	56,966	59,644	79,863	15,973	538,210
Additions	-	-	12,265	-	-	885	13,151
Internally developed	-	4,882	-	-	-	-	4,882
Amortization	-	(3,291)	(9,815)	(8,128)	(9,996)	(1,311)	(32,544)
Impairment losses	-	(1,266)	-	-	-	-	(1,266)
Sale and disposal	-	-	(95)	-	-	(172)	(267)
Exchange differences on translation of foreign operations	34,418	7,735	4,042	7,616	10,082	1,686	65,582
Other	222	-	235	-	-	20	478
Balance as of March 31, 2024	302,347	66,116	63,599	59,132	79,949	17,081	588,225
Additions	-	-	9,588	-	-	511	10,100
Internally developed	-	3,118	-	-	-	-	3,118
Amortization	-	(4,054)	(11,912)	(8,578)	(10,610)	(1,382)	(36,538)
Impairment losses	(5,600)	(6,252)	(844)	-	-	(1,406)	(14,104)
Sale and disposal	-	-	(124)	-	-	(65)	(189)
Exchange differences on translation of foreign operations	(3,526)	(579)	(335)	(547)	(773)	(127)	(5,890)
Other	-	(633)	1,065	-	-	90	522
Balance as of March 31, 2025	293,219	57,714	61,035	50,005	68,565	14,701	545,243

(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) The impairment losses are included in "Selling, general and administrative expenses" and "Other expenses" in the Consolidated Statement of Profit or Loss. Details of the impairment losses are presented in Note 13 "Impairment of non-financial assets".

(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 mainly 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 ¥557,097 million, ¥56,650 million and ¥47,951 million as of April 1, 2023, March 31, 2024 and March 31, 2025, respectively. The remaining amortization period as of March 31, 2025 is 6 years and the amortization method is the straight-line method.

Technologies were mainly generated by the acquisition of vascular closure 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 and related businesses amounting to ¥10,658 million. Technologies relating to the transfer of business by St. Jude Medical, Inc. (US) mainly relate to the vascular closure device “Angioseal”, and the carrying amounts were ¥46,940 million, ¥46,439 million and ¥39,191 million as of April 1, 2023, March 31, 2024 and March 31, 2025, respectively. The remaining amortization period as of March 31, 2025 is 6 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 relate to the component blood collection device “Trima”, and the carrying amounts were ¥14,426 million, ¥14,312 million, and ¥12,115 million as of April 1, 2023, March 31, 2024 and March 31, 2025, respectively. The remaining amortization period as of March 31, 2025 is 6 years and the amortization method is the straight-line method. Technologies relating to the acquisition of Bolton Medical, Inc. (US) and two other companies and related businesses mainly relate to the stent grafts used in the treatment of aortic aneurysms “Relayplus”, and the carrying amounts were ¥8,879 million, ¥9,349 million and ¥8,522 million as of April 1, 2023, March 31, 2024 and March 31, 2025, respectively. The remaining amortization period as of March 31, 2025 is 12 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, 2024	As of March 31, 2025
Cardiac and Vascular Company	Terumo Interventional Systems	81,182	74,710
	Terumo Neuro	41,394	40,878
	Terumo Aortic	11,398	11,376
Blood and Cell Technologies Company	Blood and Cell Technologies Company	168,371	166,253
	Total	302,347	293,219

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. In principle, a five-year cash flow forecast period is used to calculate the value in use. For a period exceeding five years, a growth rate estimated based on the relevant GDP growth rate is used. As presented in Note 13 “Impairment of non-financial assets (4) Deterioration of profitability in the Terumo Interventional Systems division in China”, the cash flow forecast period used for the impairment is nine years. 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 the 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 10.6-11.0% and 10.7-11.9%, and the terminal value growth rate is 1.7-2.1% and 1.8-2.2% as of March 31, 2024 and March 31, 2025, respectively.
For the Blood and Cell Technologies 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 9.9% and 10.0%, and the terminal value growth rate is 2.2% and 2.2% as of March 31, 2024 and March 31, 2025, respectively.
An impairment loss on goodwill was recognized in the current fiscal year. Details are presented in Note 13 “Impairment of non-financial assets”.
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 the Cardiac and Vascular Company, the value in use excluding the cash-generating unit which recorded impairment loss on goodwill 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 and Cell Technologies Company increases by 3.4% and 5.3%, or the terminal value growth rate decreases by 5.4% and 9.8% as of March 31, 2024 and March 31, 2025, 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. Impairment of non-financial assets

In the fiscal year ended March 31, 2024, impairment losses of ¥3,415 million were recorded mainly as follows:

(1) Closure of manufacturing facilities
In the fiscal year ended March 31, 2024, ¥1,860 million of impairment loss for property, plant and equipment in the Blood and Cell Technologies Company was recorded due to the decision not to put certain manufacturing facilities into operation.
The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment loss for construction in progress is included in “Cost of sales” in the Consolidated Statement of Profit or Loss.

(2) Termination of development project
In the fiscal year ended March 31, 2024, ¥1,266 million of impairment loss in the Blood and Cell Technologies Company was recorded due to the decision to terminate further development of a certain project.
The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment loss for capitalized development costs is included in “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

In the fiscal year ended March 31, 2025, impairment losses of ¥22,461 million recorded are mainly as follows:

(1) Termination of development project in the Terumo Interventional Systems division in the Americas
An impairment loss of ¥6,211 million was recorded due to the decision to terminate further development of a certain project in the Cardiac and Vascular Company.
The recoverable amount was measured based on the value in use, and the value was determined to be zero. The breakdown of the impairment loss is ¥5,007 million for capitalized development costs, ¥609 million for construction in progress and ¥593 million for goodwill. The impairment loss is included in "Other expenses" in the Consolidated Statement of Profit or Loss.

(2) Termination of business in the Terumo Interventional Systems division in Europe
An impairment loss of ¥5,290 million was recorded due to the decision to terminate certain business in the Cardiac and Vascular Company.
The recoverable amount was measured based on the value in use, and the value was determined to be zero.
The main breakdown of the impairment loss is ¥3,124 million for goodwill, ¥1,406 million for other intangible assets

and ¥543 million for software. The impairment loss is included in "Other expenses" in the Consolidated Statement of Profit or Loss.

(3) Termination of new contract manufacturing project with pharmaceutical company

An impairment loss of ¥2,486 million for manufacturing facilities was recorded due to the decision to terminate the new contract manufacturing project with a pharmaceutical company in the Blood and Cell Technologies Company.

The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment loss recorded mainly in construction in progress is included in “Other expenses” in the Consolidated Statement of Profit or Loss.

(4) Deterioration of profitability in the Terumo Interventional Systems division in China

An impairment loss of ¥1,882 million was recorded due to the deterioration of profitability in certain business in the Cardiac and Vascular Company.

The recoverable amount was measured based on the value in use, reflecting past experience and external information, and calculated by discounting the estimated future cash flows based on the business plan for the next nine years approved by management, considering sales forecasts and market share. The cash flow forecast period exceeds five years. The business plan is created by aggregating individual product sales plans, which consider current market size and competitive landscape. Therefore, the Group evaluates that the cash flow forecast is reliable and accurately projected over a long-term period based on past experience. The impairment loss for goodwill is included in "Other expenses" in the Consolidated Statement of Profit or Loss.

(5) Closure of plant in the Terumo Interventional Systems division in Europe

An impairment loss of ¥1,545 million was recorded due to the decision to close a certain plant in the Cardiac and Vascular Company.

The recoverable amount was measured based on the value in use, and the value was determined to be zero. The main breakdown of the impairment loss is ¥891 million for machinery and equipment and ¥627 million for construction in progress. The impairment loss is included in "Other expenses" in the Consolidated Statement of Profit or Loss.

(6) Termination of development project in the Terumo Cardiovascular division in the Americas

An impairment loss of ¥1,244 million was recorded due to the decision to terminate further development of a certain project in the Cardiac and Vascular Company.

The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment loss for capitalized development costs is included in “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

14. Trade and other payables

The breakdown of trade and other payables is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Notes and accounts payable	49,306	52,393
Accounts payable-other	31,567	25,120
Equipment-related notes payable and other payables	12,896	13,515
Total	93,770	91,029

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

15. 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, 2024	As of March 31, 2025	Average interest rate (%)	Repayment due date
Current liabilities:				
Current portion of long-term borrowings	156,870	15,000	0.280	June 2025
Total	156,870	15,000		
Non-current liabilities:				
Bonds (Note 3)	19,978	89,855	-	-
Long-term borrowings (excluding borrowings due within one year)	55,000	69,983	0.323	April 2026 - June 2027
Total	74,978	159,838		

(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 below (2) Details of bonds.

(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, 2024	As of March 31, 2025	Rate (%)	Guarantee	Redemption due date
Terumo Corporation	7th unsecured bonds	April 19, 2016	9,991	9,995	0.240	Nil	April 17, 2026
〃	9th unsecured bonds	April 26, 2017	9,987	9,991	0.255	Nil	April 26, 2027
〃	10th unsecured bonds	April 25, 2024	-	39,937	0.519	Nil	April 23, 2027
〃	11th unsecured bonds	April 25, 2024	-	29,930	0.686	Nil	April 25, 2029
Total			19,978	89,855			

(3) Pledged assets

There are no assets pledged for bonds and borrowings.

16. Other financial liabilities

The breakdown of other financial liabilities is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Other financial liabilities (current):		
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	34	10
Contingent consideration	451	272
Lease liabilities	7,350	7,550
Total	7,837	7,834
Other financial liabilities (non-current):		
Financial liabilities measured at fair value through profit or loss		
Contingent consideration	1,022	320
Financial liabilities measured at amortized cost		
Guarantee deposit	450	512
Lease liabilities	29,350	31,569
Total	30,824	32,401

17. Leases

(1) Leases as a lessee

(a) Nature of leases

The Group leases mainly offices, land, company housing, transportation vehicles, warehouses and IT equipment.

(b) Right-of-use assets

The breakdown of carrying amount of right-of-use assets and the amount of increase are presented in Note 11 "Property, plant and equipment".

(c) Lease liabilities

The maturity analysis of lease liabilities is presented in Note 32 "Financial instruments - (4) Liquidity risk".

(d) Amounts recognized in profit or loss

The lease-related amounts recognized in profit or loss are as follows:

(Unit: Millions of yen)

Expense items	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Depreciation of right-of-use assets as the underlying asset		
Land	329	365
Buildings and structures	4,949	5,270
Equipment and transportation vehicles	1,032	1,537
Furniture, fixtures, and equipment	196	173
Total	6,507	7,348
Finance costs		
Interest expense on lease liability	710	915
Lease expenses		
Short-term lease expenses	427	879
Lease expenses for which the underlying asset is of low value (excluding short-term lease portion)	491	461
Total	919	1,341

(e) Amount recognized as cash outflow

The total cash outflow for leases is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Total cash outflow for leases	9,261	10,286

(f) Options to extend and terminate leases

The Group has various contract terms as each company is responsible for lease management and negotiates lease terms individually.

Some lease contracts include options to extend or terminate a lease. Options to extend and terminate a lease are mainly included in lease contracts for properties such as the Group’s offices and company housing. These options are used when necessary for utilizing the properties in business operations.

(2) Leases as a lessor

Operating leases

(a) Nature of leases

The Group leases mainly medical equipment under operating leases.

(b) Revenue from lease contracts

The revenue from lease contracts as a lessor is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Lease income	489	421
Lease income relating to variable lease payments (Note)	1,762	3,842

(Note) Income relating to variable lease payments that do not depend on an index or a rate.

(c) Maturity analysis of lease payments receivable

The maturity analysis of undiscounted lease payments receivable is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Within 1 year	429	364
1 to 2 years	328	274
2 to 3 years	244	196
3 to 4 years	140	147
4 to 5 years	23	85
Over than 5 years	-	28
Total of undiscounted lease payments receivable	1,167	1,097

(Note) Variable lease payments receivable that do not depend on an index or a rate are not included.

(d) Carrying amounts of underlying assets

The carrying amounts of property, plant and equipment subject to operating leases are as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Machinery and vehicles	14,406	25,846

18. Movements in liabilities from financing activities

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

(Unit: Millions of yen)

	Long-term borrowings	Bonds	Derivative liabilities(assets) held for hedging liabilities arising from financing activities	Lease liabilities
Balance as of April 1, 2023	201,968	29,969	(12,676)	34,731
Cash flow from financing activities	(1,325)	(10,000)	-	(7,632)
Changes in foreign exchange rates	11,186	-	-	3,021
New lease contracts	-	-	-	6,633
Changes in fair value	-	-	(11,918)	-
Other	40	8	-	(52)
Balance as of March 31, 2024	211,870	19,978	(24,595)	36,701
Cash flow from financing activities	(130,308)	69,826	25,420	(8,029)
Changes in foreign exchange rates	3,403	-	-	(1,148)
New lease contracts	-	-	-	11,815
Changes in fair value	-	-	(824)	-
Other	17	50	-	(218)
Balance as of March 31, 2025	84,983	89,855	-	39,120

19. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by origination is as follows:

（Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Retirement benefit liabilities	2,923	3,017
Property, plant and equipment	13,232	16,453
Write-down of inventories	3,373	2,909
Accrued bonuses	6,420	7,789
Tax losses carry forward	2,939	3,172
Accrued expenses	7,914	7,613
Unrealized profit	17,888	20,912
Research and development expenses	18,929	19,702
Other	5,091	4,886
Subtotal of deferred tax assets	78,714	86,458
Deferred tax liabilities		
Retirement benefit assets	(9,876)	(10,628)
Property, plant and equipment	(16,666)	(19,796)
Intangible assets	(28,564)	(24,623)
Other	(6,655)	(6,168)
Subtotal of deferred tax liabilities	(61,762)	(61,216)
Net deferred tax assets (liabilities)	16,951	25,241

Movements in deferred tax assets and deferred tax liabilities are as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	11,588	16,951
Amount in deferred tax expenses	14,755	11,177
Amount in other comprehensive income	(8,595)	(3,357)
Other	(796)	470
Ending balance	16,951	25,241

(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 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, 2024	As of March 31, 2025
Deductible temporary differences	69,781	79,795
Tax loss carryforwards	25,787	27,244
Tax credit carryforwards	1,220	1,201

The breakdown of tax loss carryforwards for which no deferred tax asset is recognized by expiration date is as follows:

(Unit: Millions of yen)

Expiration date	As of March 31, 2024	As of March 31, 2025
Within 1 year	-	-
1 to 4 years	39	38
Over than 4 years	25,748	27,206
Total	25,787	27,244

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 ¥ 587,438 million, and ¥ 591,325 million, as of March 31, 2024 and March 31, 2025, respectively.

(3) Income tax expenses

The breakdown of income tax expenses is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Current tax expenses	49,211	48,773
Deferred tax expenses	(14,755)	(11,177)
Total	34,455	37,595

(4) Income tax recognized in other comprehensive income

The details of income taxes recognized in other comprehensive income are presented in Note 30 “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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Statutory effective tax rate	31.5	31.5
Permanent non-deductible items (such as entertainment expenses)	2.4	3.3
Tax credits for research and development expenses	(2.2)	(4.3)
Difference in tax rate applied to foreign subsidiaries	(8.2)	(7.0)
Other	1.0	0.8
Actual tax rate	24.5	24.3

20. Other liabilities

The breakdown of other liabilities is as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Other current liabilities:		
Accrued expenses	51,657	53,876
Accrued bonuses	24,273	29,048
Accrued consumption tax	2,342	2,937
Other	15,718	17,160
Total	93,992	103,022
Other non-current liabilities:		
Deferred income	1,518	1,814
Other long-term employee benefit obligations	7,679	7,767
Other	1,081	4,227
Total	10,279	13,809

Deferred income includes government grants received for purchasing property, plant and equipment. These government grants are not associated with unfulfilled conditions or other contingent events.

21. 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 retirement benefit plans. The benefit amount is calculated based on the accumulated number of points granted, which are determined by job grade. 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 retirement 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 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, Labor 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 retirement benefit liabilities and assets 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, 2024	As of March 31, 2025
Defined benefit liabilities (funded)	104,579	96,700
Fair value of plan assets	(143,996)	(143,584)
Total	(39,416)	(46,883)
Defined benefit liabilities (unfunded)	2,202	1,752
Net defined benefit liabilities	(37,214)	(45,131)
Balances in the Consolidated Statement of Financial Position:		
Retirement benefit liabilities	5,939	6,388
Retirement benefit assets	(43,153)	(51,520)
Net amounts of retirement benefit assets and liabilities	(37,214)	(45,131)

(Note) "Retirement benefit assets" are included in "Other non-current assets" in the Consolidated Statement of Financial Position.

(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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	110,016	106,782
Service cost	3,569	3,567
Interest cost	2,258	2,477
Remeasurements:		
Actuarial (gains)/losses arising from changes in demographic assumptions	(399)	206
Actuarial (gains)/losses arising from changes in financial assumptions	(5,296)	(9,494)
Amendment to actual result	688	326
Benefits paid from plan	(7,288)	(5,136)
Exchange differences on translation of foreign operations	3,036	(151)
Other	197	(124)
Ending balance	106,782	98,452

(d) Maturity analysis of the defined benefit obligation

Japan

The weighted average duration of the defined benefit obligation is 15 years and 16 years as of March 31, 2025 and 2024, respectively.

Overseas

The weighted average duration of the defined benefit obligation is 10 years and 11 years as of March 31, 2025 and 2024, respectively.

(e) Movements in the fair value of plan assets

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

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Fair value of plan assets at the beginning of the year	124,947	143,996
Interest income	2,361	3,028
Remeasurements		
Return on plan assets	18,428	(1,248)
Contributions from employer	2,692	2,912
Benefits paid from plan	(7,076)	(4,970)
Exchange differences on translation of foreign operations	2,544	(86)
Other	98	(47)
Fair value of plan assets at the end of the year	143,996	143,584

The estimated amount of contributions to the defined benefit plans for the next year (from April 1, 2025 to March 31, 2026) is ¥3,197million.

(f) Components of plan assets

The Fund related to the defined benefit plan is independent of 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, 2024	As of March 31, 2025	As of March 31, 2024	As of March 31, 2025
Shares (Domestic)	19,088	10,901	19,372	13,338
Shares (Overseas)	8,442	3,969	19,867	12,763
Bonds (Domestic)	-	-	36,742	37,951
Bonds (Overseas)	4,749	3,926	10,083	19,240
Cash and cash equivalents	3,552	14,411	-	-
Other	3,690	3,792	18,407	23,289
Total	39,522	37,001	104,473	106,583

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, 2024		As of March 31, 2025	
	Japan	Overseas	Japan	Overseas
Discount rate	1.74	5.13	2.44	5.40

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 ¥ 6,380 million and ¥ 5,359 million as of March 31, 2024 and March 31, 2025, respectively.
If the discount rate decreases by 0.5%, the defined benefit obligation will increase by ¥ 7,612 million and ¥ 6,392 million as of March 31, 2024 and March 31, 2025, 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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Service cost	3,569	3,567
Interest cost	2,258	2,477
Interest income	(2,361)	(3,028)
Total	3,465	3,016

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 ¥ 7,578 million and ¥ 8,083 million for the years ended March 31, 2024 and March 31, 2025, 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.

22. 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, 2023	3,038,000,000	747,682,540
Increase/decrease during the year (Note 3)	-	(2,333,900)
As of March 31, 2024	3,038,000,000	745,348,640
Increase/decrease during the year (Note 4,5)	2,862,000,000	735,211,040
As of March 31, 2025	5,900,000,000	1,480,559,680

(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) Decrease is due to cancellation of treasury shares.

(Note 4) The Company amended Article 6 of its Articles of Incorporation effective on April 1, 2024. As a result, the number of authorized shares has increased by 2,862,000,000 shares to 5,900,000,000 shares.

(Note 5) Increase and decrease in the number of outstanding shares is due to the stock split effective April 1, 2024, (increase of 745,348,640 shares) and the cancellation of treasury shares (decrease of 10,137,600 shares).

The Japanese Corporate Law (hereinafter referred to as “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

Movements in the number of treasury shares are as follows:

	Number of shares (shares)
As of April 1, 2023	3,074,907
Increase during the year (Note1)	2,335,162
Decrease during the year (Note1)	(2,444,867)
As of March 31, 2024	2,965,202
Increase during the year (Note2)	13,105,470
Decrease during the year (Note2)	(10,462,459)
As of March 31, 2025	5,608,213

(Note 1) Increase in the number of treasury shares for the fiscal year ended March 31, 2024 (2,335,162 shares) is due to purchase of shares according to the resolution of Board of Directors (2,333,900 shares), purchase of shares of less than one standard unit (667 shares), and acquisition of restricted stock without consideration (595 shares).

Decrease in the number of treasury shares for the fiscal year ended March 31, 2024 (2,444,867 shares) is due to the cancellation of treasury shares (2,333,900 shares), the exercise of stock options (51,588 shares), and disposal of shares as restricted stock compensation (59,379 shares).

(Note 2) Increase in the number of treasury shares for the fiscal year ended March 31, 2025 (13,105,470 shares) is due to the stock split effective April 1, 2024 (2,965,202 shares), purchase of shares according to the resolution of Board of Directors (10,137,600 shares), purchase of shares of less than one standard unit (1,370 shares), and acquisition of restricted stock without consideration (1,298 shares).

Decrease in the number of treasury shares for the fiscal year ended March 31, 2025 (10,462,459 shares) is due to the cancellation of treasury shares (10,137,600 shares), the exercise of stock options (242,840 shares), and disposal of shares as restricted stock compensation (82,019 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

Movements in other components of equity for the fiscal year ended March 31, 2024 and March 31, 2025 are as follows:

(Unit: Millions of yen)

	Share subscription right	Remeasurements of defined benefit plans	Changes in financial assets measured at fair value through other comprehensive income	Cash flow hedges	Cost of hedging	Exchange differences on translation of foreign operations	Total
As of April 1, 2023	662	-	1,856	(287)	284	155,339	157,855
Other comprehensive income	-	16,022	2,487	296	(341)	133,977	152,442
Disposal of treasury shares	(84)	-	-	-	-	-	(84)
Transfer from other components of equity to retained earnings	-	(16,022)	102	-	-	-	(15,919)
Share-based payment transactions	86	-	-	-	-	-	86
As of March 31, 2024	664	-	4,446	9	(56)	289,316	294,379
Other comprehensive income	-	4,861	589	(9)	56	(15,675)	(10,176)
Disposal of treasury shares	(276)	-	-	-	-	-	(276)
Transfer from other components of equity to retained earnings	-	(4,861)	(2,337)	-	-	-	(7,199)
Share-based payment transactions	72	-	-	-	-	-	72
As of March 31, 2025	460	-	2,698	-	-	273,641	276,800

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 24 “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.

23. Dividends

(1) Dividend payments

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

For the fiscal year ended March 31, 2024

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 27, 2023	Ordinary share	15,636	21	March 31, 2023	June 28, 2023
Board of Directors' meeting held on November 14, 2023	Ordinary share	16,383	22	September 30, 2023	December 4, 2023

For the fiscal year ended March 31, 2025

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 26, 2024	Ordinary share	16,332	22	March 31, 2024	June 27, 2024
Board of Directors' meeting held on November 7, 2024	Ordinary share	19,294	13	September 30, 2024	December 3, 2024

(Note) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. The amounts of "Dividends per share" with a record date prior to March 31, 2024 are based on the number of shares before the share split.

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

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

For the fiscal year ended March 31, 2024

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 26, 2024	Ordinary share	16,332	22	March 31, 2024	June 27, 2024

(Note) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. The above amounts are based on the number of shares before the share split.

For the fiscal year ended March 31, 2025

Resolution (Scheduled)	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting held on June 24, 2025	Ordinary share	19,174	13	March 31, 2025	June 25, 2025

24. Share-based payments

(1) Stock option plans

(a) Nature 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, 2017 and 2018 can be exercised from the day immediately after the director retires. Stock option B and stock options issued on and after 2019 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 fiscal years ended March 31, 2024 and March 31, 2025 are shown below. The two-for-one stock splits on April 1, 2014, April 1, 2019 and April 1, 2024 are reflected in the amounts shown below.

	Stock options (2013)	Stock options (2014)	Stock options (2015)	Stock options Type A (2016)
Grantees	Directors -7 people Senior executives - 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 190,168 shares	Ordinary shares 221,400 shares	Ordinary shares 208,408 shares	Ordinary shares 101,560 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 Fellows - 4 people	Directors - 6 people	Company executives - 27 people Fellows - 4 people	Directors - 5 people
Number of stock options by type of stock	Ordinary shares 112,368 shares	Ordinary shares 90,824 shares	Ordinary shares 104,936 shares	Ordinary shares 65,472 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)	Stock options (2019)	Stock options (2020)	Stock options (2021)
Grantees	Company executives - 28 people Fellows - 5 people	Company executives - 8 people Fellows - 4 people	Company executives - 9 people Fellows - 3 people	Company executives - 8 people Fellows - 3 people
Number of stock options by type of stock	Ordinary shares 83,392 shares	Ordinary shares 27,200 shares	Ordinary shares 24,880 shares	Ordinary shares 16,896 shares
Grant date	August 29, 2018	August 1, 2019	August 5, 2020	August 3, 2021
Duration of service	Not applicable	Not applicable	Not applicable	Not applicable
Exercise period	From August 30, 2018 to August 29, 2048	From August 2, 2019 to August 1, 2049	From August 6, 2020 to August 5, 2050	From August 4, 2021 to August 3, 2051

	Stock options (2022)	Stock options (2023)	Stock options (2024)
Grantees	Group executives – 9 people Fellows - 3 people	Group executives – 9 people Fellows - 3 people Senior Business Executives in the group companies- 2 people	Group executives – 12 people Fellows - 2 people
Number of stock options by type of stock	Ordinary shares 37,024 shares	Ordinary shares 40,736 shares	Ordinary shares 32,384 shares
Grant date	July 15, 2022	August 2, 2023	August 2, 2024
Duration of service	Not applicable	Not applicable	Not applicable
Exercise period	From July 16, 2022 to July 15, 2052	From August 3, 2023 to August 2, 2053	From August 3, 2024 to August 2, 2054

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

	For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2025	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Beginning balance	603,832	1	541,392	1
Granted	40,736	1	32,384	1
Exercised	(103,176)	1	(242,840)	1
Expired	-	-	(888)	1
Closing balance	541,392	1	330,048	1
Ending balance of unexercised grants	125,720	1	82,312	1

(Note 1) The weighted average share prices at the day when the options were exercised during the period are ¥1,950 and ¥2,707 for the fiscal years ended March 31, 2024 and 2025, respectively.

(Note 2) The weighted average remaining contractual lives of outstanding stock options as of the reporting date are 23.9 years and 23.8 years as of March 31, 2024 and 2025, respectively.

(Note 3) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. Number of shares, weighted average exercise price and weighted average share prices have been calculated on the assumption that the share split had been carried out at the beginning of the previous fiscal year.

(c) 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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
	Stock options (2023)	Stock options (2024)
Fair value (yen)	2,123	2,300
Share price on grant date (yen)	2,262.5	2,464.5
Exercise price (yen)	1	1
Expected volatility (%)	27.773	27.605

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
	Stock options (2023)	Stock options (2024)
Expected remaining life (years)	7.2	7.7
Expected dividend	20 yen/share	22 yen/share
Risk free rate (%)	0.391	0.740

(Note) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. Fair value, share price on grant date and expected dividend have been calculated on the assumption that the share split had been carried out at the beginning of the previous fiscal year.

(d) Amounts recorded in the Consolidated Statement of Profit or Loss

The amount of stock-based compensation expense included in "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss is ¥86 million and ¥72 million for the fiscal years ended March 31, 2024 and 2025, respectively.

(2) Restricted stock compensation plan

(a) Nature of the restricted stock compensation plan

The Company has introduced a restricted stock compensation plan (hereinafter "the Plan") so that the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and officers, such as Group Executive Officers and Executive Officers (hereinafter "Eligible Directors") who live in Japan may share benefits and risks of stock price movements with shareholders and further enhance their motivation in contributing to increases in stock prices and improvement of enterprise value. Eligible Directors make in-kind contributions by claims for monetary remuneration provided by the Company according to the Plan, and the Company issues and disposes the Company's common stock to Eligible Directors.

The Company enters into a restricted stock allotment agreement (hereinafter "Allotment Agreement") with Eligible Directors, and Eligible Directors are not allowed to transfer, pledge or dispose of the Company's common stock granted during a certain period stipulated in the Allotment Agreement (hereinafter "Transfer Restriction Period") (hereinafter "Transfer Restriction"). The Transfer Restriction is lifted for all the stocks held by Eligible Directors at the expiration of the Transfer Restriction, under the condition that Eligible Directors continuously hold a position of the Company's director for a certain period. However, if the Eligible Directors resign 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, transfer restriction on the Stock will be lifted at the time of resignation. On the other hand, in principle, stocks held by Eligible Directors are to be acquired by the Company without any payment upon the occurrence of specified events.

(b) Number of shares granted during the year and fair values

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Grant date	July 13, 2023	July 11, 2024
Number of shares granted (shares)	118,758	82,019
Fair value at grant date (yen)	2,145.5	2,820.5
Transfer Restriction Period (years)	30	30
Measurement method for fair value	Measured based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date when the Board of Directors adopted a resolution.	Measured based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date when the Board of Directors adopted a resolution.

(Note) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. Number of shares granted and fair value at grant date have been calculated on the assumption that the share split had been carried out at the beginning of the previous fiscal year.

(c) Amounts recorded in the Consolidated Statement of Profit or Loss

Expense related to the Plan was ¥252 million and ¥233 million for the fiscal years ended March 31, 2024 and 2025, respectively, which was recorded in “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

25. Revenue

(1) Breakdown of revenue

The Group mainly comprises three reportable segments being the “Cardiac and Vascular Company”, the “Medical Care Solutions Company” and the “Blood and Cell Technologies 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 fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total	Adjustments	Amount recorded on consolidated financial statements
Americas	241,864	13,858	72,259	327,982	-	327,982
Japan	53,662	144,656	12,553	210,872	248	211,121
Europe	138,427	13,524	39,546	191,498	-	191,498
China	64,902	4,090	10,420	79,412	-	79,412
Asia and others	56,858	21,440	33,548	111,847	-	111,847
Total	555,716	197,569	168,328	921,614	248	921,863
Revenue recognized from contracts with customers	555,716	197,080	166,551	919,348	248	919,597
Revenue recognized from other sources	-	489	1,776	2,266	-	2,266

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total	Adjustments	Amount recorded on consolidated financial statements
Americas	279,437	17,787	98,428	395,653	-	395,653
Japan	53,985	150,111	12,811	216,908	298	217,206
Europe	158,226	14,983	45,078	218,287	-	218,287
China	69,746	4,413	10,809	84,968	-	84,968
Asia and others	62,962	23,939	33,152	120,054	-	120,054
Total	624,357	211,235	200,280	1,035,873	298	1,036,171
Revenue recognized from contracts with customers	624,357	210,813	196,421	1,031,592	298	1,031,890
Revenue recognized from other sources	-	421	3,859	4,281	-	4,281

(Note) Revenue recognized from other sources includes lease income based on IFRS 16. The amount of revenue recognized from other sources is presented separately and reclassified from revenues recognized from contracts with customers due to its increased materiality from the fiscal year ended March 31, 2025. To reflect this change in presentation, the amount of the previous fiscal year has been reclassified.

The Cardiac and Vascular Company sells products related to Interventional Systems, Neuro, Cardiovascular and Aortic.
The Medical Care Solutions Company sells products related to Hospital Care Solutions, Life Care Solutions and Pharmaceutical Solutions.
The Blood and Cell Technologies Company sells products related to Blood and Cell Technologies.
“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, 2023	As of March 31, 2024
Contract assets	1,257	1,839
Contract liabilities	2,764	4,529

(Unit: Millions of yen)

	As of April 1, 2024	As of March 31, 2025
Contract assets	1,839	2,231
Contract liabilities	4,529	5,946

The contract assets primarily relate to the Group's rights to consideration for performance obligation satisfied but not billed at the reporting date. In particular, some consolidated subsidiaries provide a bundle of maintenance services and consumable goods or other products. The revenue related to the maintenance services is recognized over the contract period, but portions that are unbilled as of the reporting date are considered contract assets as rights to consideration for performance obligations. 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 or provision of maintenance services. The contract liabilities are recognized when payments are received from customers, and reclassified to revenue when the Group satisfies a performance obligation based on the contract such as delivery of products. The amount of revenue recognized during the fiscal years ended March 31, 2024 and 2025 that was included in the contract liability balance as of April 1, 2023 and 2024 was immaterial.

Furthermore, the amount of revenue recognized during the fiscal years ended March 31, 2024 and 2025 from performance obligations satisfied in each previous period 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 fiscal year ended March 31, 2025 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.

26. Selling, general and administrative expenses

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

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Employee benefit expenses	143,606	162,450
Promotion expenses	20,119	21,257
Depreciation and amortization	25,002	27,891
Freight expenses	19,328	22,286
Research and development expenses	69,060	74,224
Travel expenses	12,727	14,468
Other	55,134	59,070
Total	344,979	381,648

27. Employee benefit expenses

The employee benefit expenses included in the Consolidated Statement of Profit or Loss are ¥ 246,654 million and ¥ 275,058 million for the years ended March 31, 2024 and March 31, 2025, 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.

28. Other income and other expenses

(1) Other income

The breakdown of other income is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Gain on sale of fixed assets	559	1,473
Subsidy income	1,631	1,116
Changes in fair value of contingent consideration	453	621
Settlement received	3,385	74
Gain on sales of shares of subsidiaries and affiliates	1,335	-
Other	2,939	3,305
Total	10,304	6,592

(2) Other expenses

The breakdown of other expenses is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Impairment losses (Note)	-	17,858
Business reorganization cost	2,338	7,521
Loss on disposal of fixed assets	732	792
Other	1,332	1,772
Total	4,404	27,944

(Note) The details of impairment losses are presented in Note 13 "Impairment of non-financial assets".

29. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	2,411	3,360
Dividend income		
Equity instruments designated as financial assets measured at fair value through other comprehensive income	106	132
Changes in fair value of contingent consideration	-	55
Other	1,011	76
Total	3,529	3,624

(2) Finance costs

The breakdown of finance costs is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Interest expense		
Financial liabilities measured at amortized cost	1,355	1,101
Lease liabilities	710	915
Foreign exchange loss	586	4,205
Changes in fair value of contingent consideration	123	25
Total	2,775	6,247

30. Other comprehensive income

The breakdown of each item of other comprehensive income and the related tax effect is as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
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	3,690	1,077
Tax effect	(1,203)	(487)
After tax effect adjustment	2,487	589
Remeasurements of defined benefit plans:		
Amount in current year	23,435	7,713
Tax effect	(7,413)	(2,852)
After tax effect adjustment	16,022	4,861
Sub-total	18,509	5,451
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:		
Amount in current year	133,977	(15,675)
Cash flow hedges:		
Amount in current year	16,255	6,643
Reclassification adjustment	(15,823)	(6,657)
Amount before tax	432	(13)
Tax effect	(135)	4
After tax effect adjustment	296	(9)
Cost of hedging		
Amount in current year	20	378
Reclassification adjustment	(518)	(299)
Amount before tax	(497)	79
Tax effect	156	(22)
After tax effect adjustment	(341)	56
Sub-total	133,932	(15,628)
Total of other comprehensive income	152,442	(10,176)

31. 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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit for the year attributable to owners of the parent (millions of yen)	106,374	116,978
Profit for the year adjustments	-	-
Profit for the year used to calculate diluted earnings per share (millions of yen)	106,374	116,978
Weighted average number of ordinary shares (shares)	1,487,841,999	1,480,540,916
Increase in the number of ordinary shares	-	-
Stock option plan (shares)	561,416	394,721
Weighted average number of ordinary shares after dilution (shares)	1,488,403,415	1,480,935,637
Basic earnings per share (yen)	71.50	79.01
Diluted earnings per share (yen)	71.47	78.99

(Note1) 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 common stock outstanding during the year.

(Note2) The Company conducted a two-for-one share split of its common stock effective on April 1, 2024. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the share split had been carried out at the beginning of the previous fiscal year.

32. 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 mainly credit ratings for financial soundness and flexibility of capital as appropriate, and mainly return on invested capital (“ROIC”) and return on equity attributable to owners of the parent (“ROE”) for capital efficiency.

(Unit: %)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
ROIC	7.1	7.5
ROE	8.7	8.7

ROIC: Operating profit after-tax for the year / (Interest bearing debt + Total equity) (average of the beginning and end of the periods)

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

The Group is not subject to significant regulatory 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 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 for trade receivables 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. The carrying amount of total trade receivables and movements in loss allowance are as follows:

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Trade receivables	172,511	171,146

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	(1,786)	(2,561)
Increases	(944)	(825)
Decreases (intended use)	88	315
Decreases (reversal)	258	467
Other	(177)	40
Ending balance	(2,561)	(2,563)

(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 Group 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 as of March 31, 2024 and 2025, respectively. The contractual amounts shown in the table below are undiscounted cash flows.

As of March 31, 2024

(Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	93,770	-	-	93,770
Bonds and borrowings	160,147	75,399	-	235,547
Lease liabilities	7,924	21,293	10,177	39,395
Other financial liabilities	454	1,186	945	2,586
Derivative financial liabilities				
Other financial liabilities	(25,126)	-	-	(25,126)

(Note) Derivative financial assets and derivative financial liabilities are presented on a net basis.

As of March 31, 2025

(Unit: Millions of yen)

	Within 1 year	1-5 years	Over 5 years	Total
Non-derivative financial liabilities				
Trade and other payables	91,029	-	-	91,029
Bonds and borrowings	15,741	161,309	-	177,050
Lease liabilities	8,176	24,891	8,791	41,858
Other financial liabilities	273	839	-	1,113
Derivative financial liabilities				
Other financial liabilities	(44)	-	-	(44)

(Note) Derivative financial assets and derivative financial liabilities are presented on a net basis.

(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 stabilize future cash flows arising from the borrowings denominated in foreign currency, the Group manages risk by entering 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. The Group aims to mitigate the risk by offsetting it through 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 ¥(34) million and ¥73 million for the fiscal years ended March 31, 2024 and 2025, respectively. The impact on profit before tax that would result from 1% appreciation of the Japanese yen against Euro is ¥(148) million and ¥(210) million for the fiscal years ended March 31, 2024 and 2025, respectively. The impact on profit before tax that would result from 1% appreciation of the U.S. dollar against Euro is ¥(227) million and ¥(312) million for the fiscal years ended March 31, 2024 and 2025, 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 equal 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, 2024		As of March 31, 2025	
	Carrying amount		Carrying amount	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Foreign currency forward contracts	91	34	55	10

(Unit: Millions of yen)

	As of March 31, 2024			As of March 31, 2025		
	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						
AUD	1,407	-	21	958	-	(4)
THB	2,935	-	55	2,470	-	14
KRW	601	-	(5)	791	-	14
TWD	940	-	(13)	965	-	19
Total	5,885	-	57	5,185	-	44

2. Derivative transactions to which hedge accounting is applied

Information is omitted because derivative transactions were immaterial.

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 raises funds from financial institutions or markets, and is exposed to the risk of fluctuation of future cash flows resulting from the risk of interest rate fluctuation.

In order to stabilize cash flows, the Group mitigates the potential increase in future interest payments caused by rising interest rates through fixed rate borrowings, and reduces the risk of fluctuations in interest payments by entering into interest rate swap transactions.

(b) Sensitivity analysis of interest rate risk

With respect to long-term borrowings with floating rates exposed to interest rate risk, the Group uses mainly 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.

(c) Derivatives (Cross-currency interest rate swaps)

Details of cash flow hedge related to 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, 2024				As of March 31, 2025			
	Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate risk and Currency risk								
Cross-currency interest rate swaps	-	71,858	24,595	-	-	-	-	-

(Note) 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.

Cross-currency interest rate swaps

The Group has 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, 2024	As of March 31, 2025
Carrying amount (millions of yen)	24,595	-
Contractual amount (millions of yen)	71,858	-
Maturity date	April 2024	-
Accounts for hedging instruments in the statement of financial position	Other financial assets	-
Hedge ratio (Note 1)	1	-
Changes in fair value of hedging instruments for measurement of hedge ineffectiveness	16,744	-
Changes in fair value of hedged item for measurement of hedge ineffectiveness (Note 2)	(16,255)	-
Hedging interest rate (fixed interest rate) (%)	0.1550	-

(Note 1) The borrowings with floating rates are hedged by cross-currency interest rate swaps with the same or closely aligned 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 fiscal year ended March 31, 2024

(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	16,255	(15,825)	20	(518)	Finance income and Finance costs

For the fiscal year ended March 31, 2025

(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	6,643	(6,657)	378	(299)	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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	(285)	9
Changes in fair value		
Risks of foreign exchange rate and interest rate	16,255	6,643
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	(15,825)	(6,657)
Tax effect arising from changes in the period	(135)	4
Ending balance	9	-

(2) Cost of hedging

(Unit: Millions of yen)

Cost of hedging	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	284	(56)
Changes in fair value		
Risks of foreign exchange rate and interest rate	20	378
Reclassification to profit or loss		
Risks of foreign exchange rate and interest rate	(518)	(299)
Tax effect arising from changes in the period	156	(22)
Ending balance	(56)	-

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

Nature 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 within 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.

33. Fair value of financial instruments

(1) Classification of fair value hierarchy

Fair value is classified into the following three levels 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, 2024

(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	-	24,687	-	24,687
Other	-	8,060	747	8,808
Financial assets measured at fair value through other comprehensive income				
Shares	7,966	-	4,634	12,600
Other	-	-	7,253	7,253
Total	7,966	32,748	12,635	53,349
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	34	-	34
Contingent consideration	-	-	1,474	1,474
Total	-	34	1,474	1,509

As of March 31, 2025

(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	-	55	-	55
Shares	-	-	2,612	2,612
Other	-	7,849	3,562	11,412
Financial assets measured at fair value through other comprehensive income				
Shares	6,064	-	5,819	11,884
Other	-	-	7,744	7,744
Total	6,064	7,905	19,740	33,709
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	10	-	10
Contingent consideration	-	-	592	592
Total	-	10	592	603

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 fiscal years ended March 31, 2024 and 2025.

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. The fair value of unlisted stocks is measured using available data, such as earnings forecast of the investee, and applying evaluation methods based on discounted future cash flows and is categorized into level 3.

(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 cross-currency interest rate swaps is measured based on observable market data such as interest rate. Therefore, foreign currency forward contracts and cross-currency interest rate swaps are categorized as level 2.

(c) Contingent consideration

For the fiscal year ended March 31, 2024

Contingent consideration arising from business combinations resulted from the acquisitions of the large bore vascular closure business from Medeon Biodesign, Inc. and Quirem Medical B.V., which became a 100% subsidiary of the Company by additional acquisition of shares during the fiscal year ended March 31, 2022.

The contingent consideration for the acquisition of the business from Medeon Biodesign, Inc. is based on the completion of the development, the period of FDA approval, the achievement of certain performance indicators and other factors. According to the achievement of milestones, a payment of up to USD5 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 Quirem Medical B.V. is based on the acquisition of CE marking certification for the development of next-generation microspheres and achievement of specific performance indicators. According to the achievement of milestones, a maximum payment of USD20 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 fiscal year ended March 31, 2025
The fair value of contingent consideration arising from business combinations 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.

c. Movements in financial assets and financial liabilities classified as level 3
The movements in financial assets classified as level 3 are as follows:

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	7,201	12,635
Total gains or losses		
Profit or loss (Note 1)	1	36
Other comprehensive income (Note 2)	944	(1,560)
Additions	4,949	8,639
Sales	-	(10)
Transfer from level 3 (Note 3)	(461)	-
Ending balance	12,635	19,740
Gains or losses recognized in profit or loss attributable to the change in unrealized gains or losses relating to those assets held at the end of the reporting period (Note 1)	1	36

(Note 1) Gains or losses recognized in profit or loss are included in “Finance income” in the Consolidated Statement of Profit or Loss.
(Note 2) Gains or losses recognized in other comprehensive income are included in “Changes in financial assets measured at fair value through other comprehensive income” and “Exchange differences on translation of foreign operations” in the Consolidated Statement of Comprehensive Income.
(Note 3) Transfer from level 3 is transfer to level 1 due to the listing of shares held.

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

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance	1,693	1,474
Settlements	(125)	(250)
Changes in fair value (Note 2)	(293)	(628)
Exchange differences on translation of foreign operations	199	(2)
Ending balance	1,474	592
Gains or losses recognized in profit or loss attributable to the change in unrealized gains or losses relating to those liabilities held at the end of the reporting period (Note 3)	81	11

(Note 1) The financial liabilities are contingent consideration arising from business combinations.

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

(Note 3) Gains or losses recognized in profit or loss are included in “Other expenses” and “Finance costs” in the Consolidated Statement of Profit or Loss.

(3) Financial assets and financial liabilities that are not measured at fair value on a recurring basis but for which the fair value is disclosed

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, 2024		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	19,978	19,876	89,855	88,623
Long-term borrowings	211,870	211,417	84,983	84,062

(Note) The above table includes current portion of long-term borrowings.

b. Fair value measurements of financial instruments

The valuation techniques for fair value measurement for the financial liabilities 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 the total amount of principal and interest for the remaining borrowing period, 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 is measured using quoted prices. Although corporate bonds have quoted prices, they are not traded in active markets. Therefore, the fair value of corporate bonds is classified as level 2.

34. Significant subsidiaries

(1) Significant subsidiaries

The table below includes the details of significant subsidiaries as of March 31, 2025. 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, 2024	As of March 31, 2025
Terumo Europe N.V.	Belgium	Manufacture and sale of products related to the Cardiac and Vascular Company and the Medical Care Solutions Company	100	100
Terumo Americas Holding, Inc.	U.S.	Supervision of American subsidiaries	100	100
Terumo Medical Corp.	U.S.	Manufacture and sale of products related to the Cardiac and Vascular Company and the Medical Care Solutions Company	100	100
MicroVention, Inc.	U.S.	Manufacture and sale of products related to the Cardiac and Vascular Company	100	100
Terumo BCT Holding Corp.	U.S.	Supervision of Terumo BCT Group subsidiaries	100	100
Terumo BCT, Inc.	U.S.	Manufacture and sale of products related to the Blood and Cell Technologies Company	100	100
Terumo BCT Europe N.V.	Belgium	Manufacture and sale of products related to the Blood and Cell Technologies Company	100	100
Terumo (China) Holding Co., Ltd.	China	Supervision of China subsidiaries	100	100
Terumo Medical (Shanghai) Co., Ltd.	China	Sales of products related to the Cardiac and Vascular Company and the Medical Care Solutions Company	100	100
Terumo Asia Holdings Pte. Ltd.	Singapore	Supervision of Asian subsidiaries (excluding China)	100	100

(2) Material non-controlling interests in subsidiaries

There are no material non-controlling interests in subsidiaries.

35. 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 fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Remuneration and bonuses	513	546
Share-based payments	124	124
Total	638	670

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

36. Commitments

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

(Unit: Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment	39,343	27,455
Intangible assets	142	358
Total	39,485	27,814

37. Contingent liabilities

There are no contingent liabilities as of March 31, 2025.

38. Material subsequent events

Acquisition of significant assets

The Group has reached an agreement with WuXi Biologics to acquire drug product (DP) plant owned by WuXi Biologics' located in Leverkusen, Germany for 150 million Euro (approximately 24.6 billion yen). The purchase agreement was signed on May 14, 2025, and we aim to complete the acquisition in the fiscal year ending March 31, 2026.

The Group develops containers such as prefilled syringes and drug delivery devices using materials suitable for pharmaceuticals. The Group also engages in the CDMO business for combination products of pharmaceuticals and medical devices, leveraging advanced manufacturing technologies. The Group positions the globalization of the CDMO business as one of its future growth strategies.

The Group aims to expand production capacity and strengthen its global responsiveness by utilizing the newly acquired DP plant as its first overseas CDMO production base, which will accelerate the global expansion of the CDMO business.

Overview of the DP plant to be acquired from WuXi Biologics is as follows.

Location: Leverkusen, North Rhine-Westphalia, Germany

Site area of the plant: 13,000 m2

Description of business: CDMO business for vial products (as of May 2025)