



November 10, 2022

Consolidated Financial Results for the Second Quarter Ended September 30, 2022 Terumo Corporation [IFRS]

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 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 5, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for Securities analysts, Institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	403,316	17.0	55,977	(15.0)	54,624	(16.3)	40,321	(19.3)	40,321	(19.3)	186,667	221.0
September 30, 2021	344,637	21.7	65,857	57.5	65,282	60.6	49,988	57.4	49,988	57.0	58,146	209.0

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	53.37	53.35
September 30, 2021	66.11	66.07

(Note) Adjusted operating profit September 2022: 70,429 million yen September 2021: 74,137 million yen

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2022	1,658,931	1,171,105	1,171,105	70.6
March 31, 2022	1,473,693	1,012,313	1,012,313	68.7

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	16.00	—	18.00	34.00
Fiscal year ending March 31, 2023	—	19.00			
Fiscal year ending March 31, 2023 (Forecast)			—	19.00	38.00

(Note) Revision from the dividend forecast, which is published in the most recent: Yes

The company revises second quarter-end and year-end dividends per share for the fiscal year ending March 2023 from 18yen to 19yen.

Please refer to the November 10, 2022 press release, “Terumo Revises Interim Dividend Distribution and Year-End Dividends Forecast for Fiscal Year Ending March 31, 2023.”

3. Consolidated Forecast for the Fiscal Year Ending March, 2023 (From April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Adjusted operating profit		Operating profit		Profit for the year attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March, 2023	775,000	10.2	151,000	12.3	132,000	13.8	100,000	12.6	133.88

(Note) Revision of forecast for the fiscal year ending March, 2023: None

The Company resolved to repurchase its own shares at the board of directors meeting held on May 12, 2022. Basic earnings per share is calculated by taking into consideration effects of the situation of acquisition of them.

- Assumed exchange rate for fiscal year ending March, 2023: USD1=JPY130, EUR1=JPY137

*Notes

(1) Changes in significant subsidiaries during the current quarterly consolidated cumulative period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
New — Company (Company Name) —, Excluded — Company (Company Name) —

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

(i) Number of outstanding shares at the end of the period (including treasury shares)

As of September 30, 2022	759,521,040 shares	As of March 31, 2022	759,521,040 shares
As of September 30, 2022	6,354,109 shares	As of March 31, 2022	3,194,976 shares
Six months ended September 30, 2022	755,432,665 shares	Six months ended September 30, 2021	756,100,350 shares

(ii) Treasury shares at the end of the period

(iii) Average number of shares during the period (cumulative quarterly)

* Quarterly financial statements are not subject to quarterly reviews by certified accountants or audit firms.

* Explanation on appropriate use of financial results forecasts and other special notes

1. Forward-looking statements, including earnings forecasts, contained in these disclosure materials are based on currently available information and assumptions believed to be reasonable by management. This is not a promise or guarantee by Terumo that it will achieve these goals. In addition, actual results may differ significantly due to several factors. For the assumptions that are the premise of the earnings forecast and the precautions for using the earnings forecast, refer to [Attachment], page 5, "1. Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (3) Forecasts, including the Consolidated Financial Results for the Fiscal Year Ending March 31, 2023".

2. Adjusted operating profit factors out amortization expense for intangible assets obtained during acquisitions and one-off income and expenses from operating profit. In addition, adjusted operating profit is consistent with segment profit. We are disclosing adjusted operating profit as we are using it as a performance indicator.

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1. Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

(1) Overview of Consolidated Business Results

In the first half of the current fiscal year (from April 1 to September 30, 2022), the Group's sales trended strongly in general amid the recovery in medical demand which had declined in the previous fiscal year due to the COVID-19 pandemic, as well as the positive impact by yen depreciation. Operating profit declined year on year due to the inflation on manufacturing cost.

Financial results for the first half are as follows:

(Unit: Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022	Growth (%)	Growth excluding impact of FX translations (%)
Revenue	344,637	403,316	17.0	5.1
Gross profit	186,244	206,992	11.1	2.0
Adjusted operating profit	74,137	70,429	(5.0)	(9.6)
Operating profit	65,857	55,977	(15.0)	(16.3)
Profit before tax	65,282	54,624	(16.3)	—
Profit for the period	49,988	40,321	(19.3)	—
Profit for the period attributable to owners of the parent	49,988	40,321	(19.3)	—

Revenue by geographic areas for the first half is as follows:

(Unit: Millions of yen)

Geographic areas	For the six months ended September 30, 2021	For the six months ended September 30, 2022	Growth (%)	Growth excluding impact of FX translations (%)
Japan	102,412	101,235	(1.1)	(1.1)
Europe	68,307	77,181	13.0	5.2
Americas	106,343	138,096	29.9	7.1
China	30,124	38,371	27.4	8.0
Asia and others	37,449	48,430	29.3	14.3
Overseas total	242,225	302,080	24.7	7.8
Total	344,637	403,316	17.0	5.1

Revenue

Revenue totaled ¥403.3 billion, an increase of 17.0% versus the same period in the previous fiscal year.

In Japan, overall revenue declined 1.1% year on year as the recovery in medical demand lagged due to the impacts of the seventh wave of COVID-19.

Revenue overseas increased 24.7% year on year driven by double digit growth at all three companies amid the recovery in medical demand. Revenue growth rate excluding the impacts of foreign exchange rates increased across all geographic regions, scoring the highest in Asia and others at 14.3%, with the comprehensive overseas growth rate reaching 7.8%.

Profit

Gross profit increased 11.1% year on year to ¥207.0 billion from the effects of increased revenue. However, due to rising the costs by inflation, gross profit % of sales declined.

Therefore, sales promotion activities have almost normalized after slowing during the COVID-19 pandemic in the previous fiscal year, resulting in adjusted operating profit 5.0% declined year on year to ¥70.4 billion.

Similarly, operating profit, profit before tax and profit for the period attributable to owners of the parent each declined.

Adjusted operating profit is a non-IFRS performance indicator that we disclose. Adjusted operating profit factors out amortization expense for intangible assets obtained during acquisitions and one-off income and expenses from operating profit. In addition, adjusted operating profit is consistent with segment profit.

Adjusted operating profit is being used as an indicator for corporate management to grasp earnings performance in each business as a part of our goal to achieve sustainable growth in the mid- to long-term. We believe this is also effective data for individuals using our financial statements to assess the Terumo Group's earnings.

Revenue results of the reportable segments are as follows:

The reportable segment which was previously named “General Hospital Company” was changed to “Medical Care Solutions Company” from the previous fiscal year. This change in name does not affect the segment information. In accordance with this change, the name of the reportable segment for the previous second quarter was also changed to “Medical Care Solutions Company”.

(Unit: Millions of yen)

Segment		For the six months ended September 30, 2021	For the six months ended September 30, 2022	Growth (%)	Growth excluding impact of FX translations (%)
Cardiac and Vascular Company	Revenue	194,341	235,405	21.1	6.1
	(Japan)	25,005	24,917	(0.4)	(0.4)
	(Overseas)	169,335	210,487	24.3	7.1
Medical Care Solutions Company	Revenue	91,961	93,805	2.0	(1.1)
	(Japan)	71,726	70,749	(1.4)	(1.4)
	(Overseas)	20,234	23,056	13.9	(0.1)
Blood and Cell Technologies Company	Revenue	58,210	73,980	27.1	11.6
	(Japan)	5,555	5,444	(2.0)	(2.0)
	(Overseas)	52,655	68,536	30.2	13.1

Cardiac and Vascular Company

Global revenue increased 21.1% over the same period of the previous fiscal year to ¥235.4 billion.

In Japan, overall revenue declined slightly year on year as the recovery in medical demand lagged due to the impacts of the seventh wave of COVID-19. Despite this, Vascular Graft division posted a substantial increase in revenue from the launch of a new product.

Overseas, revenue increased 24.3% year on year amid the recovery and growth of medical demand as well as strong sales across Cardiac and Vascular Company underpinned by the new product of Vascular Graft division.

Medical Care Solutions Company

Global revenue increased 2.0% over the same period of the previous fiscal year to ¥93.8 billion. In Japan, revenue was down slightly amid the lagging recovery in medical demand, despite the increase in Pharmaceutical Solutions division sales and sales of pharmaceuticals and adhesion barrier product of Hospital Care Solutions division. Overseas, revenue was strong, rising by 13.9%.

Blood and Cell Technologies Company

Global revenue increased 27.1% to ¥74.0 billion. In Japan, sales declined year on year, impacted by the lagging recovery in medical demand. Overseas, sales were jumped 30.2% year on year, driven by the recovery in transfusion demand in Asia and others and strong demand for therapeutic apheresis systems in Europe and North America.

Furthermore, we began selling our plasma donation system in the United States in the second quarter.

(2) Overview of Consolidated Statement of Financial Position

Total assets stood at ¥1,658.9 billion, an increase of ¥185.2 billion. This was mainly owing to an increase in property, plant and equipment of ¥34.5 billion and goodwill and intangible assets of ¥68.1 billion due to the impacts of yen weakness in foreign exchange rates as well as investment in manufacturing facility and new IT systems.

Total liabilities came to ¥487.8 billion, an increase of ¥26.4 billion. This was mainly attributed to the increase in bonds and borrowings of ¥13.7 billion and other current liabilities of ¥6.8 billion due to the aforementioned foreign exchange rates impact.

Total equity was ¥1,171.1 billion, an increase of ¥158.8 billion. This mainly reflects an increase from posting profit for the period of ¥40.3 billion, while the booking of other comprehensive income associated with the aforementioned foreign exchange rates impact resulted in a ¥146.3 billion increase, which offset the decrease of ¥14.4 billion from the acquisition of treasury shares and the decrease of ¥13.6 billion from dividends from retained earnings.

(3) Forecasts, including the Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

At present, we must continue to monitor risks such as uncertainty about subsequent waves of COVID-19 infections and other impacts caused by the infections, such as a drop in demand, supply chain disruptions, rising manufacturing costs, and reduced operation levels at the plants, etc. Nevertheless, we plan to focus on launch and expansion of highly value-added products and solutions that will boost the quality and efficiency of healthcare, along with further improvement to manufacturing costs, and effective use of selling, general and administrative expenses.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	(Unit: Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	205,251	212,550
Trade and other receivables	135,998	144,515
Other current financial assets	63	290
Inventories	198,536	235,316
Current tax assets	778	918
Other current assets	18,086	24,446
Sub-total	558,713	618,039
Assets held for sale	—	5,331
Total current assets	558,713	623,370
Non-current assets		
Property, plant and equipment	333,864	368,399
Goodwill and intangible assets	514,801	582,932
Investments accounted for using the equity method	4,133	3,725
Other non-current financial assets	25,937	41,665
Deferred tax assets	20,198	22,424
Other non-current assets	16,043	16,414
Total non-current assets	914,979	1,035,561
Total assets	1,473,693	1,658,931

	(Unit: Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	81,545	82,344
Bonds and borrowings	1,121	11,324
Other current financial liabilities	7,228	7,414
Current tax liabilities	14,104	19,951
Provisions	499	395
Other current liabilities	73,222	80,055
Sub-total	177,721	201,485
Liabilities directly associated with assets held for sale	—	776
Total current liabilities	177,721	202,261
Non-current liabilities		
Bonds and borrowings	224,875	228,344
Other non-current financial liabilities	30,297	31,172
Deferred tax liabilities	12,746	11,526
Retirement benefit liabilities	5,811	5,278
Provisions	113	136
Other non-current liabilities	9,813	9,106
Total non-current liabilities	283,658	285,564
Total liabilities	461,379	487,826
Equity		
Share capital	38,716	38,716
Capital surplus	51,921	51,923
Treasury shares	(6,229)	(20,428)
Retained earnings	846,978	876,498
Other components of equity	80,926	224,395
Total equity attributable to owners of the parent	1,012,313	1,171,105
Total equity	1,012,313	1,171,105
Total liabilities and equity	1,473,693	1,658,931

(2) Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income

(Condensed Consolidated Statement of Profit or Loss)

(Unit: Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Revenue	344,637	403,316
Cost of sales	158,393	196,323
Gross profit	186,244	206,992
Selling, general and administrative expenses	120,215	146,770
Other income	1,128	3,277
Other expenses	1,299	7,522
Operating profit	65,857	55,977
Finance income	439	929
Finance costs	1,342	1,978
Share of profit/(loss) of investments accounted for using the equity method	326	(303)
Profit before tax	65,282	54,624
Income tax expenses	15,294	14,303
Profit for the period	49,988	40,321
Attributable to:		
Owners of the parent	49,988	40,321
Total profit for the period	49,988	40,321
Earnings per share		
Basic earnings per share (yen)	66.11	53.37
Diluted earnings per share (yen)	66.07	53.35

(Condensed Consolidated Statement of Comprehensive Income)

	(Unit: Millions of yen)	
	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit for the period	49,988	40,321
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	265	1,889
Remeasurements of defined benefit plans	15	918
Total items that will not be reclassified to profit or loss	280	2,808
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	7,734	143,340
Cash flow hedges	64	452
Cost of hedging	78	(254)
Total items that are or may be reclassified subsequently to profit or loss	7,878	143,538
Total other comprehensive income/(loss) for the period	8,158	146,346
Total comprehensive income for the period	58,146	186,667
Attributable to:		
Owners of the parent	58,146	186,667
Total comprehensive income for the period	58,146	186,667

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

(3) Condensed Consolidated Statement of Changes in Equity

	(Unit: Millions of yen)						
	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Total equity
Balance as of April 1, 2021	38,716	51,829	(6,838)	775,078	(2,123)	856,662	856,662
Profit for the period	—	—	—	49,988	—	49,988	49,988
Other comprehensive income	—	—	—	—	8,158	8,158	8,158
Total comprehensive income	—	—	—	49,988	8,158	58,146	58,146
Acquisition of treasury shares	—	—	(1)	—	—	(1)	(1)
Disposal of treasury shares	—	(4)	30	—	(25)	0	0
Dividends	—	—	—	(11,340)	—	(11,340)	(11,340)
Transfer from other components of equity to retained earnings	—	—	—	15	(15)	—	—
Share-based payments	—	10	91	—	17	119	119
Conversion of convertible bonds	—	(8)	378	—	—	369	369
Total transactions with owners of the parent	—	(3)	499	(11,324)	(23)	(10,851)	(10,851)
Balance as of September 30, 2021	38,716	51,825	(6,338)	813,741	6,011	903,957	903,957

	(Unit: Millions of yen)						
	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Total equity
Balance as of April 1, 2022	38,716	51,921	(6,229)	846,978	80,926	1,012,313	1,012,313
Profit for the period	—	—	—	40,321	—	40,321	40,321
Other comprehensive income	—	—	—	—	146,346	146,346	146,346
Total comprehensive income	—	—	—	40,321	146,346	186,667	186,667
Acquisition of treasury shares	—	(9)	(14,405)	—	—	(14,415)	(14,415)
Disposal of treasury shares	—	20	83	—	(103)	0	0
Dividends	—	—	—	(13,613)	—	(13,613)	(13,613)
Transfer from other components of equity to retained earnings	—	—	—	2,812	(2,812)	—	—
Share-based payments	—	(8)	123	—	38	153	153
Total transactions with owners of the parent	—	2	(14,199)	(10,801)	(2,877)	(27,876)	(27,876)
Balance as of September 30, 2022	38,716	51,923	(20,428)	876,498	224,395	1,171,105	1,171,105

(4) Notes Pertaining to Condensed Consolidated Financial Statements

(i) Going concern assumption

Not applicable

(ii) Segment information

(1) General information on reportable segments

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

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

The three segments are Cardiac and Vascular Company, Medical Care Solutions Company, and Blood and Cell Technologies Company.

The segment which was previously stated as “General Hospital Company” has been changed to “Medical Care Solutions Company” from the fiscal year ended March 31, 2022. This change in name does not affect the segment information. In accordance with this change, the name of the reportable segment for the six months ended September 30, 2021 was also changed to “Medical Care Solutions Company”.

(2) Reportable segment information

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

For the six months ended September 30, 2021

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note)	Amount recorded on condensed consolidated financial statements
	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total		
Revenue						
Revenue from sales to external customers	194,341	91,961	58,210	344,513	124	344,637
Segment Profit (Adjusted operating profit)	50,782	13,440	11,755	75,978	(1,840)	74,137
(Adjustment item)						
Amortization of intangible assets acquired through business combinations	(3,623)	—	(4,146)	(7,769)	(144)	(7,913)
Non-recurring profit or loss						(366)
Operating profit						65,857
Finance income						439
Finance costs						(1,342)
Share of profit/(loss) of investment accounted for using the equity method						326
Profit before tax						65,282

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

- (1) ¥124 million adjustment to Revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.
- (2) ¥(1,840) million adjustment to segment profit consists of ¥(535) million for inventories and ¥(1,184) million for preparation expenses to comply with Medical Device Regulation in EU.

For the six months ended September 30, 2022

(Unit: Millions of yen)

	Reportable Segments				Adjustments (Note 1)	Amount recorded on condensed consolidated financial statements
	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total		
Revenue						
Revenue from sales to external customers	235,405	93,805	73,980	403,191	124	403,316
Segment Profit (Adjusted operating profit)	52,905	8,147	9,102	70,154	275	70,429
(Adjustment item)						
Amortization of intangible assets acquired through business combinations	(4,446)	—	(5,060)	(9,506)	(11)	(9,518)
Non-recurring profit or loss(Note 2)						(4,934)
Operating profit						55,977
Finance income						929
Finance costs						(1,978)
Share of profit/(loss) of investment accounted for using the equity method						(303)
Profit before tax						54,624

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

- (1) ¥124 million adjustment to Revenue from sales to external customers is mainly proceeds from outward temporary staffing that is not attributable to reportable segments.
- (2) ¥275 million adjustment to segment profit consists of ¥(1,524) million for preparation expenses to comply with Medical Device Regulation in EU and ¥(248) million for inventories.

(Note 2) ¥(4,934) million Non-recurring profit or loss mainly includes ¥(1,756) million for impairment loss of technologies, ¥(3,524) million for impairment loss of goodwill, ¥(985) million for business reorganization expenses and ¥1,333 million for the change in fair value of contingent consideration.

(iii) Assets held for sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows.

(Unit: Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets held for sale		
Inventories	—	1,127
Property, plant and equipment	—	262
Goodwill and intangible assets	—	3,940
Total	—	5,331
Liabilities directly associated with assets held for sale		
Other current liabilities	—	23
Deferred tax liabilities	—	753
Total	—	776

Assets held for sale and directly associated liabilities in the second quarter of the current fiscal year comprise Autologous Biologics business unit in Blood and Cell Technologies Company and Nutritious food and assets related to related products in Medical Care Solutions Company.

They have been classified as the held-for-sale category as the Group decided to sell them.

Regarding Autologous Biologics business unit, the Group entered into a transfer agreement with Globus Medical, Inc.

The disposal group classified as assets held for sale is measured at fair value less cost to sell as the fair value less cost to sell is less than the carrying amount.

The fair value has determined based on the expected selling price in the transfer agreement with Globus Medical, Inc. and this fair value has been classified as Level 3 in the hierarchy.

As a result, the impairment loss of ¥3,524 million recognized for goodwill and intangible assets was included in “Other expenses” in the Condensed Consolidated Statement of Profit or Loss.

The transfer of the business was completed on October 11, 2022.

Regarding Nutritious food, the Group entered into an asset transfer agreement with Mitsui Sugar Co., Ltd. (now known as Mitsui DM Sugar Co., Ltd.) and NUTRI Co., Ltd. As the fair value less cost to sell is greater than the carrying amount, the Group recognized no gain or loss arising from classification as asset held for sale in the second quarter of the current fiscal year.

The transfer of the assets is scheduled for early December 2022.

(iv) Impairment of non-financial assets

In the second quarter of the current fiscal year, an impairment loss of ¥1,756 million was recorded by reducing the carrying amounts of certain technologies in intangible assets to the recoverable amount because they were not expected to be used in the future.

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

Impairment loss arising from the Autologous Biologics business unit due to the classification into assets held for sale and directly associated liabilities are described in above (iii) “Assets held for sale”.

(v) Subsequent events

Significant capital investment

The Company resolved at the board of directors meeting held on November 10, 2022, to establish a new plant in Kofu Factory (Showa-cho, Nakakoma-gun, Yamanashi Prefecture) to prepare for the expansion of production in the future.

Total amount of capital investment based on this resolution is expected as ¥30.7 billion.

The impact of this capital investment on the consolidated financial results for the fiscal year ending March 31, 2023 is immaterial.