Annual Report 2016

Financial Information

Consolidated Balance Sheets

Terumo Corporation and subsidiaries
March 31, 2016 and 2015

	Millions of yen	
Assets	**2016**	2015
Current Assets:		
Cash and deposits (Notes 2 and 18)	**¥ 149,672**	¥ 129,679
Notes and accounts receivable—trade (Note 18)	**104,426**	104,944
Less: allowance for doubtful accounts	**(1,390)**	(1,458)
Notes and accounts receivable—trade, net	**103,035**	103,485
Marketable securities (Notes 2, 4 and 18)	**—**	50,000
Inventories (Note 3)	**96,454**	101,472
Deferred tax assets (Note 8)	**14,963**	13,949
Other current assets (Note 18 and 19)	**10,621**	13,871
Total current assets	**374,746**	412,458
Property, Plant and Equipment:		
Land	**23,297**	22,023
Buildings and structures	**167,612**	161,029
Machinery, equipment and vehicles	**233,310**	220,685
Other equipment and furniture	**43,683**	42,422
Leased assets	**2,141**	2,182
Construction in progress	**21,417**	39,029
	491,463	487,373
Less: accumulated depreciation	**(315,668)**	(308,877)
Net property, plant and equipment (Note 22)	**175,794**	178,496
Investments and Other Assets:		
Investment securities, including investments in unconsolidated subsidiaries and affiliates (Notes 4 and 18)	**37,724**	45,461
Goodwill (Note 22)	**143,707**	166,990
Customer relationships	**90,750**	103,217
Deferred tax assets (Note 8)	**3,436**	259
Retirement benefit assets (Note 7)	**—**	6,786
Other assets	**75,524**	78,402
Total investments and other assets	**351,143**	401,118
Total Assets	**¥ 901,685**	¥ 992,073

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2016	2015
Current Liabilities:		
Short-term debt (Notes 5 and 18)	**¥ 61**	¥ 364
Current portion of long-term debt (Notes 5 and 18)	**19,839**	5,417
Current portion of bonds payable (Notes 6 and 18)	**40,000**	—
Notes and accounts payable—trade (Note 18)	**36,294**	38,484
Lease obligations	**256**	208
Income taxes payable (Note 8)	**9,778**	19,714
Accrued expenses	**35,555**	35,841
Other current liabilities (Notes 8, 18 and 19)	**27,049**	29,916
Total current liabilities	**168,835**	129,947
Non-current Liabilities:		
Bonds payable (Notes 6 and 18)	**—**	40,000
Convertible bonds with subscription rights to shares (Notes 6 and 18)	**100,184**	100,233
Long-term debt (Notes 5 and 18)	**58,873**	79,141
Lease obligations	**286**	278
Retirement benefit liabilities (Note 7)	**8,656**	7,020
Provision for directors' retirement benefits	**66**	66
Asset retirement obligations	**230**	233
Deferred tax liabilities (Note 8)	**45,079**	50,013
Other non-current liabilities	**7,925**	11,615
Total non-current liabilities	**221,304**	288,602
Total liabilities	**390,140**	418,550
Contingencies (Note 20)		
Net Assets (Note 15):		
Capital stock	**38,716**	38,716
Authorized 1,519,000,000 shares in 2016 and 2015.		
Issued 379,760,520 shares in 2016 and 2015.		
Capital surplus	**50,928**	52,103
Retained earnings	**419,573**	383,317
Less: treasury stock, at cost (Note 14)	**(64,040)**	(3,035)
Total shareholders' equity	**445,178**	471,102
Unrealized gains (losses) on available-for-sale securities, net of taxes	**16,308**	16,910
Deferred gains (losses) on hedges, net of taxes	**(13)**	—
Foreign currency translation adjustments	**63,182**	89,043
Accumulated adjustments for retirement benefits, net of taxes (Note 7)	**(13,403)**	(3,611)
Total accumulated other comprehensive income	**66,074**	102,341
Stock subscription rights	**183**	78
Non-controlling interests	**109**	—
Total net assets	**511,544**	573,523
Total Liabilities and Net Assets	**¥ 901,685**	¥ 992,073

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Terumo Corporation and subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Net Sales	¥ 525,026	¥ 489,506
Cost of Sales	240,125	233,480
Gross profit	284,900	256,025
Selling, General and Administrative Expenses (Notes 9 and 10)	203,197	188,569
Operating income	81,703	67,456
Other Income (Expenses):		
Interest and dividend income	942	932
Royalty income	209	200
Equity in earnings (losses) of affiliates	328	(65)
Gain on sales of property, plant and equipment (Note 11)	4,917	692
Gain on sales of investment securities	793	559
Subsidy income	1,783	—
Gain on adjustment of accounts payable	—	2,030
Interest expense	(1,395)	(1,254)
Foreign exchange gains (losses)	(7,485)	6,598
Loss on disposal of inventories	(82)	(267)
Structural reform-related expenses	(222)	(797)
Loss on disposal of property, plant and equipment (Note 12)	(895)	(1,160)
Impairment loss (Note 13)	(1,010)	(1,625)
Settlement package	(1,656)	—
Loss on liquidation of subsidiaries	(102)	(597)
Restructuring loss	—	(5,607)
Loss on liquidation of businesses	—	(974)
Other, net	(907)	(2,071)
	(4,782)	(3,409)
Income before income taxes	76,920	64,046
Income Taxes (Note 8)**:**		
Current	27,718	29,954
Deferred	(1,427)	(4,378)
	26,290	25,575
Profit	50,630	38,470
Loss attributable to non-controlling interests	(46)	—
Profit attributable to owners of parent	¥ 50,676	¥ 38,470

	Yen	
Earnings per Common Stock:		
Basic	¥135.14	¥101.33
Diluted	126.36	99.12
Cash Dividends per Common Stock	¥39.00	¥30.50

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Terumo Corporation and subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Profit	**¥ 50,630**	¥ 38,470
Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities, net of taxes	**(602)**	5,640
Deferred gains (losses) on hedges, net of taxes	**(15)**	2
Foreign currency translation adjustments	**(25,864)**	45,665
Adjustments for retirement benefits, net of taxes	**(9,792)**	(795)
Share of other comprehensive income of affiliates accounted for using the equity method, net of taxes	**2**	1
Total other comprehensive income (Note 23)	**(36,272)**	50,515
Comprehensive Income	**¥ 14,358**	¥ 88,986

Comprehensive Income attributable to:	Millions of yen	
Owners of parent	**¥ 14,408**	¥ 88,986
Non-controlling interests	**(50)**	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 15)

Terumo Corporation and subsidiaries
Years ended March 31, 2016 and 2015

	Thousands	Millions of yen			
		Shareholders' equity			
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2014	189,874	¥ 38,716	¥ 52,103	¥ 353,601	¥ (24)
Cumulative effect of changes in accounting policies				2,258	
Beginning of period as restated	189,874	38,716	52,103	355,859	(24)
Dividends from surplus				(11,012)	
Profit attributable to owners of parent				38,470	
Purchase of treasury stock	(920)				(3,010)
Net changes of items other than shareholders' equity	189,874				
Balance at March 31, 2015	378,829	38,716	52,103	383,317	(3,035)
Cumulative effect of changes in accounting policies			(1,175)	(1,220)	
Beginning of period as restated	378,829	38,716	50,928	382,097	(3,035)
Dividends from surplus				**(13,200)**	
Profit attributable to owners of parent				**50,676**	
Purchase of treasury stock	**(15,859)**				**(61,004)**
Net changes of items other than shareholders' equity					
Balance at March 31, 2016	**362,969**	**¥ 38,716**	**¥ 50,928**	**¥ 419,573**	**¥ (64,040)**

See accompanying notes to consolidated financial statements.

	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of taxes	Stock subscription rights	Non-controlling interests	Total
Balance at March 31, 2014	¥ 11,270	¥ (2)	¥ 43,377	¥ (2,817)	¥ 20	¥ —	¥ 496,245
Cumulative effect of changes in accounting policies							2,258
Beginning of period as restated	11,270	(2)	43,377	(2,817)	20	—	498,504
Dividends from surplus							(11,012)
Profit attributable to owners of parent							38,470
Purchase of treasury stock							(3,010)
Net changes of items other than shareholders' equity	5,640	2	45,665	(795)	58		50,571
Balance at March 31, 2015	16,910	—	89,043	(3,611)	78	—	573,523
Cumulative effect of changes in accounting policies							(2,396)
Beginning of period as restated	16,910	—	89,043	(3,611)	78	—	571,126
Dividends from surplus							**(13,200)**
Profit attributable to owners of parent							**50,676**
Purchase of treasury stock							**(61,004)**
Net changes of items other than shareholders' equity	**(602)**	**(13)**	**(25,860)**	**(9,792)**	**105**	**109**	**(36,053)**
Balance at March 31, 2016	**¥ 16,308**	**¥ (13)**	**¥ 63,182**	**¥ (13,403)**	**¥ 183**	**¥ 109**	**¥ 511,544**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Terumo Corporation and subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes	**¥ 76,920**	¥ 64,046
Depreciation and amortization	**33,679**	30,363
Impairment loss	**1,010**	1,625
Amortization of goodwill	**10,995**	10,329
Equity in losses (earnings) of affiliates	**(328)**	65
Decrease (increase) in retirement benefit assets	**(6,890)**	1,135
Increase (decrease) in retirement benefit liabilities	**(220)**	(215)
Increase (decrease) in allowance for doubtful accounts	**(22)**	14
Increase (decrease) in provision for directors' bonuses	**28**	32
Interest and dividend income	**(942)**	(932)
Interest expense	**1,395**	1,254
Foreign exchange losses (gains)	**4,321**	(4,483)
Structural reform-related expenses	**222**	797
Gain on sales of property, plant and equipment	**(4,917)**	(692)
Loss on disposal of property, plant and equipment	**895**	1,160
Loss (gain) on sales of investment securities	**(793)**	(559)
Subsidy income	**(1,783)**	—
Gain on adjustment of accounts payable	**—**	(2,030)
Settlement package	**1,656**	—
Loss on liquidation of subsidiaries	**102**	597
Restructuring loss	**—**	5,607
Loss on liquidation of businesses	**—**	974
Decrease (increase) in notes and accounts receivable—trade	**(3,138)**	1,317
Decrease (increase) in inventories	**398**	(1,241)
Increase (decrease) in notes and accounts payable—trade	**(1,492)**	(801)
Other, net	**5,583**	(2,242)
Subtotal	**116,679**	106,121
Interest and dividend income received	**1,751**	1,165
Interest expenses paid	**(1,445)**	(1,282)
Income taxes paid	**(36,451)**	(31,001)
Payments for structural reform-related expenses	**(409)**	(382)
Subsidy income received	**1,783**	—
Payments for loss on liquidation of subsidiaries	**(83)**	(565)
Payments for restructuring loss	**(1,390)**	(515)
Payments for loss on liquidation of businesses	**(132)**	(179)
Payments for information system failure	**—**	(250)
Net cash provided by (used in) operating activities	**80,303**	73,110
Net Cash Provided by (Used in) Investing Activities		
Payments for time deposits	**(1,766)**	(1,201)
Proceeds from withdrawal of time deposits	**1,796**	1,505
Purchase of property, plant and equipment	**(28,209)**	(37,342)
Proceeds from sales of property, plant and equipment	**5,135**	1,168
Purchase of intangible assets	**(4,703)**	(3,683)
Purchase of investment securities	**(3,505)**	(429)

Proceeds from sales of investment securities	**10,802**	1,434
Collection of lease deposits	**39**	459
Payments for acquisition of businesses	**—**	(54)
Other, net	**(3,082)**	(2,276)
Net cash provided by (used in) investing activities	**(23,495)**	(40,421)
Net Cash Provided by (Used in) Financing Activities		
Proceeds from short-term debt	**—**	257
Repayments of short-term debt	**(298)**	(202)
Proceeds from long-term debt	**—**	3,018
Repayments of long-term debt	**(5,416)**	(4,963)
Proceeds from issuance of bonds with subscription rights to shares	**—**	100,250
Redemption of bonds	**—**	(40,000)
Proceeds from share issuance to non-controlling interests	**181**	—
Repayments of finance lease obligations	**(197)**	(214)
Purchase of treasury stock	**(61,004)**	(3,010)
Cash dividends paid	**(13,200)**	(11,012)
Net cash provided by (used in) financing activities	**(79,936)**	44,121
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(6,606)**	7,353
Net Increase in Cash and Cash Equivalents	**(29,734)**	84,164
Cash and Cash Equivalents at Beginning of the Year	**176,662**	92,498
Cash and Cash Equivalents at End of the Year (Note 2)	**¥ 146,927**	¥ 176,662

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Terumo Corporation and subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

Terumo Corporation (the "Company") and domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments on consolidation for four specified items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries, except for immaterial subsidiaries. All significant intercompany balances, transactions and unrealized profits have been eliminated in consolidation. Investments in affiliated companies and the immaterial subsidiaries not consolidated are stated at their underlying net equity value.

Assets and liabilities of subsidiaries are valued at their full fair value, including a portion, if any, attributable to non-controlling interests, at the time the Company acquires control of the respective subsidiary.

(c) Foreign Currency Translation

All short-term and long-term assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date.

Revenue and expense denominated in foreign currencies are translated into Japanese yen at their respective spot rates.

The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of the balance sheet date except for shareholders' equity, which is translated at historical rates. Differences arising from such translations are shown as "Foreign currency translation adjustments" in a separate component of net assets in the consolidated balance sheets.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at annual average exchange rates.

(d) Cash and Cash Equivalents

The Company considers cash and deposits, which can be withdrawn on demand without diminution of principal and with original maturities of three months or less, to be cash and cash equivalents.

(e) Investments

The accounting standards for financial instruments require the Company to classify its securities into one of the following four categories: trading, held-to-maturity, available-for-sale securities or investments in unconsolidated subsidiaries and affiliates. All of the Company's securities are classified as held-to-maturity securities, available-for-sale securities or investments in unconsolidated subsidiaries or affiliates and included in investment securities in the consolidated balance sheets.

In accordance with the accounting standards for financial instruments, available-for-sale securities with a market value are carried at market value. The difference, net of tax, between the acquisition cost and the carrying value of available-for-sale securities, including unrealized gains and losses, is recognized in "Unrealized gains (losses) on available-for-sale securities" in a separate component of net assets in the consolidated balance sheets. Available-for-sale securities without a market value are principally carried at cost. The cost of available-for sale securities sold is principally computed based on the moving average method.

(f) Inventories

Inventories are stated at cost, principally using the average method. Inventories are written down to their net realizable value when there is evidence of deterioration in value.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Routine maintenance and repairs and minor replacement costs are charged to expenses as incurred. Depreciation is computed by the straight-line depreciation method based on the following estimated useful lives:

Buildings and structures: 3–60 years

Machinery, equipment and vehicles : 4–15 years

(h) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to cover probable losses on notes and accounts receivable due to customer defaults at an estimated amount based on past collection experience for current receivables, and individual account by account analysis for specific overdue receivables.

(i) Goodwill

Goodwill, which represents the excess cost over the fair value of the net assets acquired at acquisition dates of investments in subsidiaries, is principally amortized over 10–20 years, which is the expected period to be benefited.

(j) Intangible assets

Intangible assets are amortized on a straight-line basis. Customer relationships are mainly amortized over 20 years which is the estimated useful life.

(k) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Retirement Benefits

The Company and certain subsidiaries have contributory and non-contributory defined benefit plans for employees that provide for pension or lump-sum benefit payments. In calculating retirement benefit obligations, the Company and subsidiaries allocate the projected retirement benefits to the period through the expected retirement period based on the benefit formula basis.

Prior service cost is amortized by the straight-line method over a period within the average remaining service years of employees (mainly 10 years) at the time of recognition. Actuarial gain and loss is amortized by the straight-line method over a period within the average remaining service years of employees (mainly 10 years) at the time of recognition, beginning from the fiscal year following the respective fiscal year of recognition.

The Company decided to abolish the directors' retirement benefit program on April 20, 2006. The payment of retirement benefits estimated on the abolished program according to the length of service of eligible directors and audit and supervisory board members through June 29, 2006 was approved at the Annual General Meeting of Shareholders for the year ended March 2006 which was held on June 29, 2006. The payments will be made at the time of each eligible person's retirement.

(m) Leases

Assets held under finance leases, except for certain immaterial leases, are capitalized and depreciated over the lease terms.

(n) Derivatives and Hedge Accounting

The Company, in general, adopts the deferral method of hedge accounting. Interest rate swaps that meet certain criteria are accounted for under the special method provided by the accounting standards as if the interest rates under the interest rate swaps were originally applied to underlying borrowings.

Derivative financial instruments held by the Company and subsidiaries include forward exchange contracts and interest rate swap contracts. Forward exchange contracts are utilized to hedge risks arising from changes in foreign exchange risk of monetary assets and liabilities and forecast transactions denominated in foreign currencies. Interest-rate swaps are utilized to manage interest-rate risk of long-term debt.

Derivatives are stated at fair value.

The Company has developed a hedging policy to control various aspects of derivative transactions, including authorization levels and transaction volumes. Based on this policy, the Company hedges, within certain limits, risks arising from changes in foreign currency exchange rates and interest rates. The Company reviews the effectiveness of all hedging instruments to take account of the cumulative cash flows and any changes in the market.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows from hedged items and corresponding changes in hedging derivative instruments every half year. With respect to interest rate swaps under the special method, the evaluation of hedge effectiveness is omitted.

(o) Appropriation of Retained Earnings

Under the Japanese Corporate Law, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the end of such financial period. The accounts for that period do not, therefore, reflect such appropriation.

(p) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(q) Earnings and Cash Dividends per Common Stock

Basic earnings per common stock is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding during the year.

Diluted earnings per common stock is computed similarly to the basic earnings per common stock except that the average of common shares outstanding is increased by the number of additional common shares that would have been outstanding had potentially dilutive common shares been issued.

Cash dividends per common stock are presented on an accruals basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(r) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(t) Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

ASBJ PITF No. 18 requires that accounting policies and procedures applied by a parent company and subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impact on profit is accounted for in accordance with Japanese GAAP unless the impact is not material.

(i) Goodwill not subject to amortization

(ii) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss

(iii) Capitalized expenditures for research and development activities

(iv) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets

(u) Accounting Periods of Consolidated Subsidiaries

The year end consolidated balance sheet date is March 31. Among the consolidated subsidiaries, Terumo Medical Products (Hangzhou) Co., Ltd., Terumo Medical (Shanghai) Co., Ltd. and TERUMO (China) Holdings Co., Ltd. have a year end balance sheet date of December 31, which is different from the year end consolidated balance sheet date. Financial statements of these subsidiaries for consolidation purposes were prepared as of the consolidated balance sheet date.

(v) Application of Accounting Standards regarding Business Combinations

The "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013; hereinafter the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013; hereinafter the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013; hereinafter the "Business Divestitures Accounting Standard") and other standards have been applied from the year ended March 31, 2016. Accordingly, the accounting method has been changed such that the difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after the beginning of the year ended March 31, 2016, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the period containing the date of the business combinations.

In addition, the Company has changed the presentation of net income and the term of "minority interests" has been changed to "non-controlling interests". To reflect these changes in presentation, the consolidated financial statements for the years ended March 31, 2016 and 2015 have been reclassified.

With respect to application of the Accounting Standards regarding Business Combinations, the transitional treatment as prescribed in article 58-2 (3) of the Business Combinations Accounting Standard, article 44-5 (3) of the Consolidation Accounting Standard and article 57-4 (3) of the Business Divestitures Accounting Standard was applied. The cumulative impact of the retroactive application of the new accounting policies over all past periods at the beginning of the year ended March 31, 2016 was reflected in capital surplus and retained earnings.

As a result of this change, as of the beginning of the year ended March 31, 2016, goodwill, capital surplus and retained earnings decreased by 3,135 million yen, 1,175 million yen and 1,220 million yen, respectively. Additionally operating income, ordinary income, and income before income taxes for the year ended March 31, 2016 each increased by 188 million yen.

Reflecting the cumulative impact on net assets at the beginning of the year ended March 31, 2016, in the consolidated statement of changes in net assets, capital surplus at the beginning of the year decreased by 1,175 million yen and retained earnings at the beginning of the year decreased by 1,220 million yen.

In addition, net assets per common stock as of March 31, 2016 decreased by 6.08 yen and basic earnings per common stock and diluted earnings per common stock for the year ended March 31, 2016 increased by 0.50 yen and 0.47 yen, respectively.

(w) New Accounting Pronouncements

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;

4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for type 2 or 3.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the new guidance on the consolidated financial statements.

2. CASH FLOW INFORMATION

The reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Cash and deposits	**¥149,672**	¥129,679
Time deposits with maturities exceeding 3 months	**(2,745)**	(3,017)
Negotiable deposits in Marketable securities	**—**	50,000
Cash and cash equivalents	**¥146,927**	¥176,662

3. INVENTORIES

Inventories at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen	
	2016	2015
Merchandise and finished goods	**¥59,132**	¥65,295
Work in process	**10,194**	10,228
Raw materials and supplies	**27,126**	25,948
	¥96,454	¥101,472

4. SECURITIES

Marketable securities and Investment securities include negotiable deposits and available-for-sale securities, respectively, at March 31, 2016 and 2015.

The original cost, carrying amount (market value) and unrealized holding gains (losses) for these securities are summarized as follows:

	Millions of yen			
	Original cost	Unrealized holding gains	Unrealized holding losses	Carrying amount (market value)
2016:				
Available-for-sale securities:				
Equity securities	**¥8,313**	**¥20,564**	**¥(2)**	**¥28,875**
	¥8,313	**¥20,564**	**¥(2)**	**¥28,875**

	Millions of yen			
	Original cost	Unrealized holding gains	Unrealized holding losses	Carrying amount (market value)
2015:				
Held-to-maturity securities:				
Negotiable deposits	¥50,000	¥ —	¥ —	¥50,000
Available-for-sale securities:				
Equity securities	18,319	21,563	(184)	39,698
	¥68,319	¥21,563	¥(184)	¥89,698

Realized gains and losses on investment securities which were sold in the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		
	Sales price	Realized gains	Realized losses
2016:			
Equity securities	**¥10,802**	**¥793**	**¥ —**
	¥10,802	**¥793**	**¥ —**

	Millions of yen		
	Sales price	Realized gains	Realized losses
2015:			
Equity securities	¥1,434	¥559	¥ —
	¥1,434	¥559	¥ —

The balances of investments in unconsolidated subsidiaries and affiliates at March 31, 2016 and 2015 were ¥4,939 million and ¥3,513 million, respectively.

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2016 included unsecured bank borrowings in the amount of ¥61 million. The weighted-average interest rates applicable to the bank borrowings was 12.3% at March 31, 2016.

As is customary in Japan, short-term debt is made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the banks.

There is no committed line of credit as of March 31, 2016 and 2015.

Long-term debt at March 31, 2016 and 2015 is summarized as follows:

	Millions of yen
	2016
Unsecured loans, principally from banks:	
Due 2017, weighted-average interest rate of 1.03%	**¥19,839**
Due 2018 to 2024, weighted-average interest rate of 1.24%	**58,873**
Total long-term debt	**¥78,713**

	Millions of yen
	2015
Unsecured loans, principally from banks:	
Due 2016, weighted-average interest rate of 1.86%	¥5,417
Due 2017 to 2019, weighted-average interest rate of 1.23%	79,141
Total long-term debt	¥84,558

The aggregate annual maturities of long-term debt at March 31, 2016 are as follows:

Year Ending March 31	Millions of yen
2017	**¥19,839**
2018	**7,887**
2019	**47,887**
2020	**—**
2021	**—**
2022 and thereafter	**3,098**
	¥78,713

6. BONDS PAYABLE

The Company has issued the following bonds:

	Issuance date	Interest rate	Security	Maturity date	Millions of yen	
					2016	2015
4th series unsecured straight bonds	March 2, 2012	0.504%	Unsecured	March 2, 2017	**¥40,000**	¥40,000
Convertible bonds with subscription rights to shares (maturing in 2019)	December 4, 2014	—	Unsecured	December 4, 2019	**50,184**	50,233
Convertible bonds with subscription rights to shares (maturing in 2021)	December 4, 2014	—	Unsecured	December 6, 2021	**50,000**	50,000

The aggregate annual maturities of unsecured straight bonds at March 31, 2016 is as follows:

Year Ending March 31	Millions of yen
2017	**¥40,000**
2018	**—**
2019	**—**
2020	**—**
2021	**—**
2022 and thereafter	**—**
	¥40,000

The aggregate annual maturities of convertible bonds with subscription rights to shares at March 31, 2016 is as follows:

Year Ending March 31	Millions of yen
2017	**¥ —**
2018	**—**
2019	**—**
2020	**50,000**
2021	**—**
2022 and thereafter	**50,000**
	¥100,000

7. RETIREMENT BENEFITS

The Company and certain subsidiaries have defined benefit corporate pension plans and the Company has established a retirement benefit trust.

In addition, certain overseas subsidiaries have also established defined contribution plans.

DEFINED BENEFIT PLANS

Movements in retirement benefit obligations are as follows:

	Millions of yen	
	2016	2015
Balance at April 1, 2015 and 2014	**¥97,351**	¥87,494
Cumulative effect of changes in accounting policies	**—**	(3,509)
Beginning of period as restated	**97,351**	83,985
Service cost	**2,969**	2,672
Interest cost	**1,606**	1,768
Actuarial gains or losses	**9,787**	10,235
Benefits paid	**(2,454)**	(2,344)
Foreign currency translation adjustment	**(1,294)**	1,208
Other	**167**	(173)
Balance at March 31, 2016 and 2015	**¥108,134**	¥97,351

Movements in plan assets are as follows:

	Millions of yen	
	2016	2015
Balance at April 1, 2015 and 2014	**¥97,117**	¥86,943
Expected return on plan assets	**2,924**	2,905
Actuarial gains or losses	**(5,924)**	7,983
Employer contributions	**8,658**	535
Benefits paid	**(2,332)**	(2,241)
Foreign currency translation adjustment	**(1,058)**	1,013
Other	**92**	(21)
Balance at March 31, 2016 and 2015	**¥99,477**	¥97,117

A reconciliation from the retirement benefit obligations and plan assets to retirement benefit liabilities (assets) is as follows:

	Millions of yen	
	2016	2015
Funded retirement benefit obligations	**¥107,108**	¥96,527
Plan assets	**(99,477)**	(97,117)
	7,630	(589)
Unfunded retirement benefit obligations	**1,026**	823
Total net liability for retirement benefits at March 31, 2016 and 2015	**¥8,656**	¥234
Retirement benefit liabilities	**¥8,656**	¥7,020
Retirement benefit assets	**—**	(6,786)
Total net liability for retirement benefits at March 31, 2016 and 2015	**¥8,656**	¥234

Retirement benefit costs consisted of the following:

	Millions of yen	
	2016	2015
Service cost	**¥2,969**	¥2,672
Interest cost	**1,606**	1,768
Expected return on plan assets	**(2,924)**	(2,905)
Net actuarial gains or losses amortization	**1,452**	1,348
Past service costs amortization	**(150)**	(150)
Other	**—**	95
Total retirement benefit costs for the year ended March 31, 2016 and 2015	**¥2,954**	¥2,829

The pre-tax amount recognized in adjustments for retirement benefits consisted of the following:

	Millions of yen	
	2016	2015
Past service costs	**¥150**	¥150
Net actuarial gains or losses	**13,998**	991
Total balance at March 31, 2016 and 2015	**¥14,148**	¥1,141

The pre-tax amount recognized in Accumulated adjustments for retirement benefits consisted of the following:

	Millions of yen	
	2016	2015
Past service costs that are yet to be recognized	**¥825**	¥975
Net actuarial gains or losses that are yet to be recognized	**(20,503)**	(6,504)
Total balance at March 31, 2016 and 2015	**¥(19,678)**	¥(5,529)

A breakdown of plan assets by category is as follows:

	2016	2015
Bonds	**55%**	50%
Equity securities	**40**	41
Cash and cash equivalents	**0**	3
Other	**5**	6
Total	**100%**	100%

16% and 14% of the total plan assets were held by a retirement benefit trust established to cover the corporate pension plan benefits at March 31, 2016 and 2015, respectively.

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

The principal actuarial assumptions at March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rate	**1.2%**	1.5%
Long-term expected rate of return	**3.0**	3.0

DEFINED CONTRIBUTION PLANS

Certain overseas subsidiaries have defined contribution plans, which provide retirement benefits for their employees who meet certain eligibility requirements. Contributions made to those plans for the year ended March 31, 2016 and 2015 were ¥2,818 million and ¥2,473 million, respectively.

8. INCOME TAXES

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax, which in the aggregate resulted in a statutory tax rate of 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The difference between the Japanese statutory income tax rate and the effective income tax rate for the year ended March 31, 2016 is not presented because the difference is less than 5% of the statutory tax rate. A reconciliation between the Japanese statutory income tax rate and the effective income tax rate calculated as a percentage of income before income taxes for the year ended March 31, 2015 is as follows:

	Millions of yen
	2015
Japanese statutory income tax rate	35.6%
Increase (decrease) in income taxes resulting from:	
Expenses not deductible for tax purposes	0.6
Dividend income, non-taxable	(0.2)
Income of foreign subsidiaries taxed at different rate to Japanese statutory tax rate	(1.7)
Amortization of goodwill	5.7
R&D tax credit	(2.5)
Valuation allowance	(0.5)
Changes in tax rates	1.4
Deferred tax effect on unrealized profit in inventories	0.9
Other	0.6
Effective income tax rate after adoption of tax-effect accounting	39.9%

The tax effects of temporary differences and net operating loss carryforwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2016 and 2015 are presented below:

	Millions of yen	
	2016	2015
Deferred tax assets:		
Retirement benefit liabilities	**¥10,088**	¥6,810
Research and development expenses	**1,282**	1,045
Unrealized profit in inventories and property, plant and equipment	**4,743**	3,953
Accrued expenses	**7,323**	7,553
Impairment loss	**4,244**	4,905
Loss on valuation of investment securities	**2,542**	2,695
Inventories	**2,346**	2,060
Net operating loss carryforwards	**3,589**	2,392
Other	**2,450**	3,748
Total gross deferred tax assets	**38,611**	35,165
Less: valuation allowance	**(5,259)**	(6,345)
Net deferred tax assets	**33,351**	28,819
Deferred tax liabilities:		
Gain on contribution of securities to retirement benefit trust	**(1,479)**	(1,562)
Intangible assets	**(48,753)**	(55,853)
Unrealized gains (losses) on available-for-sale securities	**(4,084)**	(4,376)
Other	**(5,769)**	(2,938)
Total gross deferred tax liabilities	**(60,087)**	(64,730)
Net deferred tax liabilities	**¥(26,735)**	¥(35,910)

Deferred tax liabilities-current included in “Other current liabilities” were ¥56 million and ¥105 million as of March 31, 2016 and 2015, respectively.

Adjustment of deferred tax assets and liabilities due to enacted changes in tax laws and rates

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting deferred tax assets), deferred income tax expense and unrealized gains on available-for-sale securities, net of taxes increased by ¥373 million, ¥320 million and ¥218 million, respectively, and accumulated adjustments for retirement benefits, net of taxes decreased by ¥270 million.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Promotion and advertising expenses	**¥17,177**	¥ 15,972
Salaries and allowances	**76,045**	70,504
Freight and packing expenses	**10,995**	11,035
Research and development expenses	**33,147**	29,360
Depreciation and amortization	**27,537**	25,070

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2016 and 2015 were ¥33,147 million and ¥29,360 million, respectively.

11. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

A breakdown of gain on sales of property, plant and equipment is as follows:

	Millions of yen	
	2016	2015
Buildings and structures	**¥237**	¥ 166
Machinery, equipment and vehicles	**172**	291
Land	**4,473**	175
Other	**33**	59
	¥4,917	¥692

12. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

A breakdown of loss on disposal of property, plant and equipment is as follows:

	Millions of yen	
	2016	2015
Buildings and structures	**¥88**	¥162
Machinery, equipment and vehicles	**138**	722
Construction in progress	**72**	160
Other	**595**	115
	¥895	¥1,160

13. IMPAIRMENT LOSS

The Company and subsidiaries group their fixed assets by the smallest identifiable operating unit for which its performance is continuously monitored, within the Cardiac and Vascular Company segment, General Hospital Company segment, or Blood Management Company segment. Idle assets and assets to be disposed of due to termination of operations or businesses are grouped on an individual asset-by-asset basis.

Assets belonging to the Headquarters and R&D center, company housing and dormitories are included in common assets due to the fact that they do not generate separately identifiable cash flows.

The Company and subsidiaries assessed fixed assets for possible impairment on the basis of the above asset groups. In the year ended March 31, 2016 and 2015, since the profitability or utility which was originally expected of certain asset groups deteriorated, their carrying amounts were reduced to the respective recoverable amounts. As a result, the Company and subsidiaries recognized a total of ¥876 million and ¥1,625 million in impairment loss on the following groups of assets for the years ended March 31, 2016 and 2015, respectively. In the year ended March 31, 2016, the former Fukuoka branch became idle due to relocation and the assets were determined to be sold. As a result, the asset carrying amounts were reduced to the recoverable amounts.:

	Use	Location	Classification
2016:	**Cardiac and Vascular Company Manufacturing facilities**	**Michigan, U.S.A. and others**	**Machinery, equipment and vehicles, Construction in progress and other assets**
	Idle assets	**Fukuoka Prefecture, Japan**	**Buildings and structures, and Land**

※Breakdown of impairment loss for the asset groups by fixed asset type is as follows (millions of yen):

・Cardiac and Vascular Company / Manufacturing facilities and others
¥876 (Construction in progress ¥601, Machinery, equipment and vehicles ¥207, Buildings and structures ¥43, Other ¥23)
・Idle assets
¥134 (Land ¥115, Buildings and structures¥18)

With respect to the asset groups within the Cardiac and Vascular Company segment, the recoverable amounts of buildings and land were measured at net selling prices based on a third party's appraisal, and the recoverable amounts of all other assets were deemed to be zero.

The recoverable amount was computed using the net selling price based on the estimated price if sold.

	Use	Location	Classification
2015:	Cardiac and Vascular Company Manufacturing facilities	Michigan, U.S.A. and others	Machinery, equipment and vehicles, Construction in progress and other assets

※Breakdown of impairment loss for the asset groups by fixed asset type is as follows (millions of yen):

・Cardiac and Vascular Company / Manufacturing facilities and others
¥1,625 (Construction in progress ¥622, Other assets (Investments and Other Assets) ¥373, Machinery, equipment and vehicles ¥322, Goodwill ¥54, Other ¥251)

With respect to the asset groups within the Cardiac and Vascular Company segment, the recoverable amounts of buildings and land were measured at net selling prices based on a third party's appraisal, and the recoverable amounts of all other assets were deemed to be zero.

14. TREASURY STOCK

At March 31, 2016 and 2015, the Company held 16,790 thousand and 931 thousand shares of treasury stock for an aggregate cost of ¥64,040 million and ¥3,035 million, respectively. The annual shareholders' meeting held on June 29, 2004 approved a change to the Company's Articles of Incorporation so that the Company may acquire its common stock to be held in treasury based on decision by the Board of Directors.

15. NET ASSETS

Under the Japanese Corporate Law ("the Law") and related regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus. In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and capitalized by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remain equal to or exceed 25% of common stock, they are available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law and related regulations.

Terumo Corporation executed a two-for-one stock split of its common shares effective April 1, 2014.

The total number and periodic changes in the number of share subscription rights of convertible bonds with subscription rights to shares for the year ended March 31, 2016 are summarized as follows:

Item	Convertible bond-type bonds with subscription rights to shares (maturing in 2019)	Convertible bond-type bonds with subscription rights to shares (maturing in 2021)
Class of stock	Common stock	Common stock
	(Thousands of shares)	(Thousands of shares)
Balance at March 31, 2015	12,843	12,843
Increase	—	—
Decrease	—	—
Balance at March 31, 2016	12,843	12,843

Dividends applicable to the years ended March 31, 2016 and 2015 are as follows:

YEAR ENDED MARCH 31, 2016

Dividends paid		Millions of yen	Yen		
Resolution	Class of shares	Total amount of dividends	Dividends per common stock	Record date	Effective date
Annual shareholders' meeting held on June 24, 2015	**Common stock**	**¥6,061**	**¥16.00**	**March 31, 2015**	**June 25, 2015**
Board of Directors meeting held on November 5, 2015	**Common stock**	**7,139**	**19.00**	**September 30, 2015**	**December 7, 2015**

Dividends resolved during the current period that will be effective after the period-end

		Millions of yen		Yen		
Resolution	Class of shares	Total amount of dividends	Funding of dividends	Dividends per common stock	Record date	Effective date
Annual shareholders' meeting held on June 24, 2016	**Common stock**	**¥7,259**	**Retained earnings**	**¥20.00**	**March 31, 2016**	**June 27, 2016**

YEAR ENDED MARCH 31, 2015

Dividends paid		Millions of yen	Yen		
Resolution	Class of shares	Total amount of dividends	Dividends per common stock	Record date	Effective date
Annual shareholders' meeting held on June 24, 2014	Common stock	¥5,506	¥29.00	March 31, 2014	June 25, 2014
Board of Directors meeting held on November 5, 2014	Common stock	5,506	14.50	September 30, 2014	December 8, 2014

Dividends resolved during the current period that will be effective after the period-end

		Millions of yen		Yen		
Resolution	Class of shares	Total amount of dividends	Funding of dividends	Dividends per common stock	Record date	Effective date
Annual shareholders' meeting held on June 24, 2015	Common stock	¥6,061	Retained earnings	¥16.00	March 31, 2015	June 25, 2015

Terumo Corporation executed a two-for-one stock split of its common stock effective April 1, 2014, but Dividends per stock has not been adjusted retrospectively.

16. STOCK OPTIONS

Stock options outstanding as of March 31, 2016 are as follows:

Stock Options	Grantees	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
		(Shares)		(Yen)	
2013 Stock Options	7 directors 6 employees	47,542	Aug 22, 2013	¥1	From Aug 23, 2013 to Aug 22, 2043
2014 Stock Options	9 directors 26 employees	55,350	Aug 27, 2014	¥1	From Aug 28, 2014 to Aug 27, 2044
2015 Stock Options	10 directors 26 employees	52,102	Aug 25, 2015	¥1	From Aug 26, 2015 to Aug 25, 2045

The stock option activity for the year ended March 31, 2016 is as follows:

	2013 Stock Option	2014 Stock Option
	(Shares)	(Shares)
Non-vested		
Outstanding at March 31, 2015	47,542	55,350
Granted	—	—
Canceled	—	—
Vested	—	—
Outstanding at March 31, 2016	47,542	55,350
Exercise price	¥1	¥1
Average stock price at exercise	—	—
Fair value at grant date	¥4,180	¥4,610

	2015 Stock Option
	(Shares)
Non-vested	
Outstanding at March 31, 2015	—
Granted	52,102
Canceled	—
Vested	—
Outstanding at March 31, 2016	52,102
Exercise price	¥1
Average stock price at exercise	—
Fair value at grant date	¥5,616

Terumo Corporation executed a two-for-one stock split of its common shares effective April 1, 2014.
The number of shares relating to the 2013 Stock Options were adjusted retrospectively to reflect the effect of the stock split.

ASSUMPTIONS USED TO MEASURE FAIR VALUE OF 2015 STOCK OPTIONS

Valuation method:	Black - Scholes option pricing model
Volatility of stock price:	31.48%
Estimated remaining outstanding period:	11.3 years
Estimated annual dividend (Yen):	¥30.5 per common stock
Risk-free interest rate:	0.47%

17. LEASES

(a)The Company and its subsidiaries lease primarily system servers and network equipment under various lease arrangements.

(b)The minimum commitments under non-cancellable operating leases at March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Within one year	**¥186**	¥389
Over one year	**699**	352
	¥885	¥742

18. FINANCIAL INSTRUMENTS

1. Qualitative information on financial instruments

(A) POLICIES FOR USE OF FINANCIAL INSTRUMENTS

The Company and subsidiaries secure funds through bank borrowings and issuance of bonds. Direct and indirect finance is managed effectively based on capital investment plans to operate the business of manufacturing and marketing medical equipment and healthcare products, considering changes in the business environment. Excess cash is temporarily invested in a portfolio that emphasizes the safety of principal. The Company and subsidiaries enter into derivative transactions for the purpose of hedging their exposures to foreign exchange fluctuations and interest rate fluctuations, and not for speculative purposes.

(B) DESCRIPTION OF FINANCIAL INSTRUMENTS AND THEIR EXPOSURE TO RISKS

Trade receivables, including notes and accounts receivable, are exposed to customer credit risk, and trade receivables in foreign currencies are also affected by foreign exchange rate fluctuations. The Company and subsidiaries utilize forward exchange contracts and foreign-currency denominated payables to hedge their exposures to foreign exchange fluctuations related to foreign-currency denominated trade receivables. Securities consist of negotiable deposits deposited in financial institutions which are highly creditworthy, and, accordingly, are exposed to no or little counterparty credit risk. Investment securities mainly consist of the shares of business partners held for business and capital alliances, and are exposed to the risk of stock price fluctuations. Most trade payables, including notes and accounts payable, have a short maturity of one year or less. While a portion of trade payables arising from imports of raw materials are denominated in foreign currencies, the amount of such foreign-currency denominated trade payables is within the balance of accounts receivable denominated in the same foreign currencies.

Long-term debt and bonds payable were issued to finance a part of the acquisition price of CaridianBCT Holding Corp. in a previous period and capital expenditure for property, plant, and equipment. Long-term debt with variable interest rates is exposed to the risk of interest rate fluctuations, and interest rate swaps are used for certain long-term debt in order to hedge this risk. A part of long-term debt is denominated in foreign currencies, and is therefore exposed to a foreign currency rate fluctuation risk.

The Company enters into forward exchange contracts to hedge against the risk of fluctuations in foreign currency exchange rates associated with certain trade receivables and payables in foreign currencies and forecast transactions in foreign currencies, and interest rate swaps to hedge against the risk of fluctuations in interest rates associated with debt with variable interest. For more information on the use of hedge accounting, including hedging instruments, hedged items and hedge policy, and the evaluation of hedge effectiveness, please refer to "1. Summary of Significant Accounting Policies" (n) Derivatives and Hedge Accounting.

(C) POLICIES AND PROCEDURES FOR MANAGING THE RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

i. Management of Credit Risk

The Company regularly monitors customer accounts under its receivable management process by managing the balances and due dates of each customer, identifying early signs of potential collection issues due to customers' deteriorated financial condition, and reviewing the adequacy of collateral in order to prevent default losses. Each of the Company's consolidated subsidiaries has a similar receivable management process in place.

The Company limits counterparties to its derivative transactions to financial institutions which are highly creditworthy and, accordingly, is exposed to no or little counterparty credit risk.

ii. Management of Market Risk

The Company and certain subsidiaries utilize forward exchange contracts for the purpose of hedging their exposures to exchange rate fluctuations arising from trade receivables and payables in foreign currencies and forecast transactions in foreign currencies, which are analyzed on a monthly basis by currency. The Company utilizes interest rate swaps for the purpose of hedging its exposures to interest rate fluctuations arising from long-term debt with variable interest.

For investment securities, the Company regularly monitors their fair value and the issuers' financial condition. Securities other than those held to maturity are continuously reviewed regarding their retention by considering the relationship with business partners.

The Company enters into derivative transactions under the corporate derivative management policy, which prescribes the authority and limitations on derivative transactions. In accordance with the policy, the Treasury Department executes and records derivative transactions and reconciles balances with the counterparties. The results of forward exchange transactions are reported monthly to the director in charge of the Treasury Department and the Board of Directors. The same management process is implemented by subsidiaries of the Company.

iii. Management of Funding and Liquidity Risk

The Treasury Department performs liquidity risk management by forecasting and updating the Company's cash flow plan according to reports from each Department of the Company.

(D) SUPPLEMENTAL INFORMATION ON FAIR VALUES

The fair value of financial instruments is estimated based on quoted market prices as well as amounts calculated using a reasonable valuation technique when there is no available market price.

Accordingly, the fair values are subject to change since certain assumptions are used in the calculation.

The notional amount of derivative transactions disclosed in Note 19 "Foreign Exchange Risk Management" itself does not reflect the impact of market risks the Company is exposed to.

2. Fair value of financial instruments

The carrying amount of financial instruments included in the consolidated balance sheets and their fair value at March 31, 2016 and 2015 are as follows:

	Millions of yen		
	Carrying Amount	Fair value	Difference
2016:			
Assets:			
Cash and deposits	**¥149,672**	**¥149,672**	**¥ —**
Notes and accounts receivable—trade	**104,426**	**104,426**	**—**
Investment securities			
Available-for-sale securities	**28,875**	**28,875**	**—**
Total	**¥282,973**	**¥282,973**	**¥ —**
Liabilities:			
Notes and accounts payable—trade	**¥36,294**	**¥36,294**	**¥ —**
Short-term debt	**61**	**61**	**—**
Notes and accounts payable—facilities included in other current liabilities	**5,451**	**5,451**	**—**
Bonds payable(*1)	**40,000**	**40,128**	**128**
Convertible bonds with subscription rights to shares	**100,184**	**121,050**	**20,866**
Long-term debt(*1)	**78,713**	**79,406**	**693**
Total	**¥260,705**	**¥282,392**	**¥21,686**
Derivatives:(*2)			
Total	**¥249**	**¥249**	**¥ —**

	Millions of yen		
	Carrying Amount	Fair value	Difference
2015:			
Assets:			
Cash and deposits	¥129,679	¥129,679	¥ —
Notes and accounts receivable—trade	104,944	104,944	—
Marketable securities	50,000	50,000	—
Investment securities			
Available-for-sale securities	39,698	39,698	—
Total	¥324,322	¥324,322	¥ —
Liabilities:			
Notes and accounts payable—trade	¥38,484	¥38,484	¥ —
Short-term debt	364	364	—
Notes and accounts payable—facilities included in other current liabilities	8,667	8,667	—
Bonds payable(*1)	40,000	40,260	260
Convertible bonds with subscription rights to shares	100,233	109,650	9,416
Long-term debt(*1)	84,558	84,888	329
Total	¥272,308	¥282,314	¥10,005
Derivatives:(*2)			
Total	¥28	¥28	¥ —

(*1) Bonds payable and long-term debt include current portion.

(*2) The amount represents the net amount of assets (liabilities).

Assets:

Cash and deposits, Notes and accounts receivable-trade, Marketable securities

The carrying amount approximates fair value because of the short maturity of these instruments.

Investment securities

The fair value is estimated based on quoted market prices. Please refer to Note 4 Securities.

Liabilities:

Notes and accounts payable—trade

Short-term debt, Notes and accounts payable—facilities included in other current liabilities

The carrying amount approximates fair value because of the short maturity of these instruments.

Bonds payable, Convertible bonds with subscription rights to shares

The fair value is estimated based on quoted market prices.

Long-term debt

The fair value is based on the present value of the total of principal and interest (*3) discounted at an interest rate to be applied if similar new debt were issued.

(*3) Long-term debt associated with interest rate swaps that qualify for the special method, are measured by discounting the total amount of principle and interest, at the interest rate of the swaps.

Derivatives:

Please refer to Note 19 Foreign Exchange Risk Management.

The following securities are not included within Investment securities in the above table since the fair values of these securities are difficult to estimate.

	Millions of yen	
	2016	2015
Unlisted stocks	**¥3,909**	¥2,250
Investments in unconsolidated subsidiaries and affiliates	**4,939**	3,513

The amount of assets with maturities within one year from the year-end is ¥149,672 million of Cash and deposits and ¥104,426 million of Notes and accounts receivable—trade as of March 31, 2016.

The amount of assets with maturities within one year from the year-end is ¥129,679 million of Cash and deposits, ¥104,944 million of Notes and accounts receivable—trade and ¥50,000 million of Marketable Securities (negotiable deposits) as of March 31, 2015.

19. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

At March 31, 2016 and 2015, outstanding foreign currency forward contract rates are used for the translation of hedged trade receivables and payables. Contract amounts and fair value of forward contracts at March 31, 2016 and 2015 are as follows:

Derivatives not designated as hedging instruments:	Millions of yen	
Foreign currency forward contracts	**2016**	2015
Sell		
Contract amount	**¥11,324**	¥3,833
Fair value	**268**	29
Unrealized gains (losses)	**268**	29
Buy		
Contract amount	**¥214**	¥194
Fair value	**(5)**	(0)
Unrealized gains (losses)	**(5)**	(0)
Net unrealized gains (losses)	**¥262**	¥28

Derivatives designated as qualified hedging instruments:	Millions of yen	
Foreign currency forward contracts	**2016**	2015
Sell		
Contract amount	**¥6,831**	¥ —
Fair value	**(13)**	—
Buy		
Contract amount	**¥ —**	¥ —
Fair value	**—**	—
Total fair value	**¥(13)**	¥ —

Derivatives designated as qualified hedging instruments:	Millions of yen	
Interest rate swaps	**2016**	2015
Notional amount	**¥20,000**	¥20,000
Fair value	**(*1)**	(*1)

(*1) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.

20. CONTINGENCIES

The Company and subsidiaries had no significant contingent liabilities at March 31, 2016 and 2015.

21. SUBSEQUENT EVENTS

(a) Issuance of bonds

Terumo Corporation issued unsecured straight bonds with a payment date of April 19, 2016 upon a resolution of the Board of Directors on April 5, 2016. The terms and conditions are as follows:

Terumo Corporation Series 5 Unsecured Straight Bonds (with inter-bond parri passu clause) (5-year Bonds)

1. Total amount of issue : 10 billion yen
2. Issue price : 100% of the principal amount
3. Interest rate : 0.080% per annum
4. Payment date : April 19, 2016
5. Maturity : April 19, 2021
6. Redemption : Lump-sum redemption at maturity
7. Use of funds : The funds will be used for repayment of the loan which will become due in February 2017 and a part of the redemption of corporate bonds.

Terumo Corporation Series 6 Unsecured Straight Bonds (with inter-bond parri passu clause) (7-year Bonds)

1. Total amount of issue : 10 billion yen
2. Issue price : 100% of the principal amount
3. Interest rate : 0.170% per annum
4. Payment date : April 19, 2016
5. Maturity : April 19, 2023
6. Redemption : Lump-sum redemption at maturity
7. Use of funds : The funds will be used for repayment of the loan which will become due in February, 2017 and a part of the redemption of corporate bonds.

Terumo Corporation Series 7 Unsecured Straight Bonds (with inter-bond parri passu clause) (10-year Bonds)

1. Total amount of issue : 10 billion yen
2. Issue price : 100% of the principal amount
3. Interest rate : 0.240% per annum
4. Payment date : April 19, 2016
5. Maturity : April 19, 2026
6. Redemption : Lump-sum redemption at maturity
7. Use of funds : The funds will be used for repayment of the loan which will become due in February 2017 and a part of the redemption of corporate bonds.

(b) Acquisition of shares

Terumo Corporation announced on June 12, 2016 that its consolidated subsidiary, Terumo Americas Holding, Inc., has entered into an agreement (hereafter "the acquisition") to purchase Sequent Medical, Inc. (California, United States), a privately-held firm developing a new medical device for aneurysm embolization.

Purpose of the acquisition

The acquisition is a key element in Terumo's new growth strategy to establish and expand its global presence in the neurovascular market and other rapidly growing markets. Terumo has also identified the cardiology and endovascular markets as potential areas for growth.

Overview

1.	Share transferee	:	Delphi BioInvestments VIII, L.P. Delphi Ventures VIII, LLC Domain Partners VIII, L.P. DP VIII Associates, L.P. Versant Venture Capital III, L.P. Versant Side Fund III, L.P. U.S. Venture Partners IX, L.P. and other shareholders
2.	Acquired company	:	Sequent Medical, Inc.
3.	Business activities	:	Development, manufacture, and sale of aneurysm treatment devices
4.	Capital stock	:	$5 million
5.	Acquisition date	:	July to August 2016
6.	Number of shares to be acquired	:	51,070,902 shares
7.	Acquisition price	:	The purchase price of $280 million will be paid at closing, with up to $100 million more to be paid based on the achievement of specific development or commercial milestones.
8.	Shareholding ratio	:	100%
9.	Payment method	:	Paid from cash reserves.

22. SEGMENT INFORMATION

Reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine the allocation of resources and assess segment performance.

The Company is organized into business units, called internal companies, which are classified according to product groups. Each internal company headquarters plans comprehensive business strategies for its products in Japan and overseas, and conducts its own business activities. As a result, the Company's reportable segments are based on these internal companies.

The accounting policies applied to the reportable segments are generally the same as those described in the summary of significant accounting policies except for inventories which are valued at the amount before adjustment to their net realizable value.

The Company uses operating income (loss) as the measure of segment income (loss).

(Note) Changes in segment classification

As a result of reclassification in performance management among overseas subsidiaries, "Harvest Technologies Corporation" and "Harvest Technologies GmbH" have been transferred from "Cardiac and Vascular Company" to "Blood Management Company" since October 1, 2014. "Segment information" has been adjusted retrospectively to reflect the effect of this change.

(A) REPORTABLE SEGMENTS

Reportable segment information as of and for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Sales:		
Cardiac and Vascular Company	**¥ 258,600**	¥ 226,944
General Hospital Company	**161,382**	161,462
Blood Management Company	**105,042**	101,099
	525,026	489,506
Adjustment	**—**	—
	¥ 525,026	¥ 489,506
Segment income (loss):		
Cardiac and Vascular Company	**¥ 61,616**	¥ 45,672
General Hospital Company	**22,613**	20,833

Blood Management Company	**(1,405)**	2,626
	82,824	69,132
Adjustment	**(1,121)**	(1,676)
	¥ 81,703	¥ 67,456
Segment assets:		
Cardiac and Vascular Company	**¥ 241,798**	¥ 241,401
General Hospital Company	**166,727**	196,842
Blood Management Company	**326,728**	382,438
	735,254	820,683
Adjustment	**166,431**	171,389
	¥ 901,685	¥ 992,073
Depreciation and amortization:		
Cardiac and Vascular Company	**¥ 9,181**	¥ 7,450
General Hospital Company	**9,938**	8,584
Blood Management Company	**13,752**	12,935
	32,872	28,970
Adjustment	**806**	1,392
	¥ 33,679	¥ 30,363
Amortization of goodwill:		
Cardiac and Vascular Company	**¥ 1,803**	¥ 1,764
General Hospital Company	**—**	—
Blood Management Company	**9,191**	8,564
	10,995	10,329
Adjustment	**—**	—
	¥ 10,995	¥ 10,329
Capital expenditures:		
Cardiac and Vascular Company	**¥ 15,526**	¥ 16,978
General Hospital Company	**8,507**	12,240
Blood Management Company	**7,218**	11,434
	31,252	40,653
Adjustment	**201**	788
	¥ 31,454	¥ 41,441

The adjustment to segment income (loss) consists of ¥(1,096) million for Inventories and ¥ (24) million for other items for the year ended March 31, 2016 and ¥(1,541) million for Inventories and ¥ (134) million for other items for the year ended March 31, 2015.

The adjustment to segment assets mainly includes Cash and deposits, Investment securities, Deferred tax assets and assets of administrative departments.

OTHER RELEVANT INFORMATION

(a) INFORMATION OF GOODS AND SERVICES:

Information of goods and services is omitted because the information is the same as that of the reportable segments.

(b) INFORMATION BY GEOGRAPHIC AREA

	Millions of yen	
	2016	2015
Sales to customers recognized by sales destination:		
Japan	**¥187,210**	¥183,146
Europe	**101,802**	104,600
North and South America	**143,462**	125,310
Asia and Others	**92,550**	76,448
	¥525,026	¥489,506
Property, plant and equipment:		
Japan	**¥106,223**	¥110,226
Europe	**9,754**	10,180
North and South America	**29,446**	25,687
Asia and Others	**30,369**	32,402
	¥175,794	¥178,496

Sales to customers in North and South America included ¥122,559 million and ¥104,396 million for the United States of America for the years ended March 31, 2016 and 2015, respectively.

The property, plant and equipment of North and South America included ¥19,714 million and ¥15,862 million for the United States of America as of March 31, 2016 and 2015, respectively.

(c) MAJOR EXTERNAL CUSTOMERS

There were no sales to a single external customer exceeding 10% of consolidated net sales for the years ended March 31, 2016 and 2015.

(d) IMPAIRMENT LOSS BY REPORTABLE SEGMENT

	Millions of yen	
	2016	2015
Impairment loss:		
Cardiac and Vascular Company	**¥876**	¥1,625
General Hospital Company	**—**	—
Blood Management Company	**—**	—
	876	1,625
Adjustment	**134**	—
	¥1,010	¥1,625

(e) GOODWILL BY REPORTABLE SEGMENT

	Millions of yen	
Balance at end of the year	**2016**	2015
Cardiac and Vascular Company	**¥14,997**	¥17,648
General Hospital Company	**—**	—
Blood Management Company	**128,710**	149,342
	143,707	166,990
Adjustment	**—**	—
	¥143,707	¥166,990

23. OTHER COMPREHENSIVE INCOME

Amounts reclassified to profit attributable to owners of parent in the current year that were recognized in other comprehensive income in the current or previous years and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	
	2016	2015
Unrealized gains (losses) on available-for-sale securities:		
Increase (decrease) during the year	**¥(100)**	¥8,408
Reclassification adjustments	**(793)**	(559)
Sub-total, before tax effect	**(893)**	7,848
Tax effect	**291**	(2,208)
Sub-total, net of tax	**(602)**	5,640
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	**15**	(0)
Reclassification adjustments	**(28)**	4
Sub-total, before tax effect	**(13)**	3
Tax effect	**(2)**	(1)
Sub-total, net of tax	**(15)**	2
Foreign currency translation adjustments:		
Increase (decrease) during the year	**(25,902)**	45,665
Reclassification adjustments	**38**	—
Sub-total, net of tax	**(25,864)**	45,665
Accumulated adjustments for retirement benefits:		
Increase (decrease) during the year	**(15,412)**	(2,364)
Reclassification adjustments	**1,263**	1,222
Sub-total, before tax effect	**(14,148)**	(1,141)
Tax effect	**4,356**	346
Sub-total, net of tax	**(9,792)**	(795)
Share of other comprehensive income of associates accounted for using the equity method:		
Increase (decrease) during the year	**2**	1
Total other comprehensive income	**¥(36,272)**	¥50,515

Independent Auditor's Report

To the Board of Directors of Terumo Corporation:

We have audited the accompanying consolidated financial statements of Terumo Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Terumo Corporation and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 21 to the consolidated financial statements.

1. Terumo Corporation issued unsecured straight bonds with a payment date of April 19, 2016 upon a resolution of the Board of Directors on April 5, 2016.
2. Terumo Corporation announced on June 12, 2016 that its consolidated subsidiary, Terumo Americas Holding, Inc., has entered into an agreement to purchase Sequent Medical, Inc. (California, United States).

KPMG AZSA LLC

June 27, 2016
Tokyo, Japan

<Appendix>
Segment Information
(Unaudited)

Segment Information by Region

Net Sales by Region

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	Proportion
Consolidated Net Sales	**386,686**	**402,294**	**467,359**	**489,506**	**525,026**	**100.0%**
% YoY	17.8%	4.0%	16.2%	4.7%	7.3%	
Japan	**190,469**	**185,913**	**189,041**	**183,146**	**187,210**	**35.7%**
% YoY	7.5%	-2.4%	1.7%	-3.1%	2.2%	
Europe	**71,765**	**75,394**	**96,892**	**104,600**	**101,802**	**19.4%**
% YoY	26.7%	5.1%	28.5%	8.0%	-2.7%	
Americas	**79,070**	**87,940**	**110,972**	**125,310**	**143,462**	**27.3%**
% YoY	38.8%	11.2%	26.2%	12.9%	14.5%	
Asia and Others	**45,381**	**53,045**	**70,452**	**76,448**	**92,550**	**17.6%**
% YoY	27.7%	16.9%	32.8%	8.5%	21.1%	
China out of Asia and Others	**13,279**	**17,435**	**24,065**	**24,539**	**33,235**	**6.3%**
% YoY	48.6%	31.3%	38.0%	2.0%	35.4%	

Overseas Sales (%)	**50.7%**	**53.8%**	**59.6%**	**62.6%**	**64.3%**

Note: Year-on-year sales growth rate is calculated at millions of yen.

Production in Overseas (%)

Overseas total	**40.4%**	**41.5%**	**43.4%**	**45.3%**	**44.6%**
Europe	**8.4%**	**8.2%**	**7.7%**	**7.1%**	**6.3%**
Americas	**22.7%**	**23.9%**	**26.0%**	**28.5%**	**28.2%**
Asia and Others	**9.3%**	**9.4%**	**9.7%**	**9.7%**	**10.1%**

Average Exchange Rates (yen)

USD	**79.08**	**82.91**	**100.17**	**109.76**	**120.15**
EUR	**109.02**	**106.78**	**134.21**	**138.69**	**132.60**

Net Sales and Operating Income by Reportable Segment

(Millions of yen)

		FY2014		FY2015		
			% / Net Sales		% / Net Sales	% YoY
Cardiac and Vascular Company	**Net Sales**	226,944	-	258,600	-	13.9%
	Operating Income (excl. amortization of goodwill and other intangibles)	47,437	20.9%	63,419	24.5%	33.7%
	Operating Income	45,672	20.1%	61,616	23.8%	34.9%
General Hospital Company	**Net Sales**	161,462	-	161,382	-	-0.1%
	Operating Income (excl. amortization of goodwill and other intangibles)	20,833	12.9%	22,613	14.0%	8.5%
	Operating Income	20,833	12.9%	22,613	14.0%	8.5%
Blood Management Company	**Net Sales**	101,099	-	105,042	-	3.9%
	Operating Income (excl. amortization of goodwill and other intangibles)	18,540	18.3%	16,944	16.1%	-8.6%
	Operating Income	2,626	2.6%	-1,405	-1.3%	-
Total	**Net Sales**	489,506	-	525,026	-	7.3%
	Operating Income (excl. amortization of goodwill and other intangibles)	86,811	17.7%	102,977	19.6%	18.6%
	Operating Income	69,132	14.1%	82,824	15.8%	19.8%
Adjustments	**Net Sales**	-	-	-	-	-
	Operating Income (excl. amortization of goodwill and other intangibles)	-1,676	-	-1,121	-	-
	Operating Income	-1,676	-	-1,121	-	-
Consolidated	**Net Sales**	489,506	-	525,026	-	7.3%
	Operating Income (excl. amortization of goodwill and other intangibles)	85,134	17.4%	101,855	19.4%	19.7%
	Operating Income	67,456	13.8%	81,703	15.6%	21.1%
(Average exchange rates)		(USD1=JPY109.76)		(USD1=JPY120.15)		
		(EUR1=JPY138.69)		(EUR1=JPY132.60)		

Note: Percentage except for Consolidated is calculated at millions of yen.

Net Sales by Business Segment (FY2014)

(Millions of yen)

		FY2014				
		Japan	Europe	Americas	Asia and others	Total
Cardiac and Vascular Company	**Terumo Interventional Systems**	34,600	45,250	44,755	28,921	153,528
	Neurovascular	2,252	6,540	6,840	5,267	20,900
	Cardiovascular Systems	9,397	5,512	19,506	4,758	39,175
	Vascular Graft	2,045	8,007	2,239	1,047	13,340
Cardiac and Vascular Company		48,296	65,310	73,341	39,995	226,944
General Hospital Company	**General Hospital Products**	48,737	7,485	7,349	14,959	78,531
	Drug & Device	52,812	4,306	1,246	157	58,522
	DM and Consumer Healthcare	20,740	908	7	2,752	24,408
General Hospital Company		122,290	12,699	8,603	17,869	161,462
Blood Management Company	**Blood Centers**	11,803	21,129	27,542	15,662	76,138
	Therapeutic Apheresis and Cell Collections	620	4,887	9,779	2,556	17,844
	Cell Processing	134	573	6,043	364	7,115
Blood Management Company		12,559	26,590	43,365	18,583	101,099
Total		183,146	104,600	125,310	76,448	489,506
% to Total		37.4%	21.4%	25.6%	15.6%	100.0%

(Average exchange rates) (USD1=JPY109.76)

(EUR1=JPY138.69)

Net Sales by Business Segment (FY2015)

(Millions of yen)

		FY2015				
		Japan	Europe	Americas	Asia and others	Total
Cardiac and Vascular Company	**Terumo Interventional Systems**	37,102	45,992	56,211	37,306	176,613
	Neurovascular	2,489	7,277	9,022	7,511	26,301
	Cardiovascular Systems	9,882	5,491	21,438	4,998	41,810
	Vascular Graft	2,079	7,923	2,721	1,150	13,875
Cardiac and Vascular Company		51,554	66,684	89,394	50,967	258,600
General Hospital Company	**General Hospital Products**	49,896	4,469	6,832	16,504	77,702
	Drug & Device	52,838	3,843	1,487	180	58,350
	DM and Consumer Healthcare	21,443	961	10	2,913	25,329
General Hospital Company		124,178	9,275	8,330	19,598	161,382
Blood Management Company	**Blood Centers**	10,680	20,333	26,839	18,599	76,453
	Therapeutic Apheresis and Cell Collections	680	4,728	11,949	2,923	20,282
	Cell Processing	115	780	6,948	462	8,306
Blood Management Company		11,477	25,842	45,737	21,985	105,042
Total		187,210	101,802	143,462	92,550	525,026
% to Total		35.7%	19.4%	27.3%	17.6%	100.0%

(Average exchange rates) (USD1=JPY120.15)

(EUR1=JPY132.60)

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