To Our Shareholders:

Disclosure on the Internet accompanying
the Notice of Convocation of the 101st Annual General Meeting of Shareholders

[Business Report]
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The content of this document is posted on the website of Terumo Corporation ("the Company") (http://www.terumo.co.jp/), pursuant to laws and regulations and Article 15 of the Articles of Incorporation of the Company.

Terumo Corporation
(Securities Code: 4543)

[Business Report]

1. Matters Concerning Stock Acquisition Rights Issued by the Company

(1) Overview of Stock Acquisition Rights Held by the Company's Directors and Audit and Supervisory Board Members as of March 31, 2016

	First issue of stock acquisition rights	Second issue of stock acquisition rights	Third issue of stock acquisition rights
Date of resolution of issuance	August 1, 2013	August 6, 2014	August 7, 2015
Number of stock acquisition rights	19,007	17,385	16,869
Number of holders	7 directors*	9 directors*	10 directors*
Class and number of shares to be issued upon exercise of stock acquisition rights	38,014 shares of common stock	34,770 shares of common stock	33,738 shares of common stock
Issue price	¥4,180	¥4,610	¥5,616
Exercise price	¥1	¥1	¥1
Period for exercise of stock acquisition rights	From August 23, 2013 to August 22, 2043	From August 28, 2014 to August 27, 2044	From August 26, 2015 to August 25, 2045

*Excluding independent directors, directors who serve as Audit/Supervisory Committee Members, and non-executive directors

(2) Overview of Stock Acquisition Rights Allotted to the Company's Employees etc.

	First issue of stock acquisition rights	Second issue of stock acquisition rights	Third issue of stock acquisition rights
Date of resolution of issuance	August 1, 2013	August 6, 2014	August 7, 2015
Number of stock acquisition rights	4,764	10,290	9,182
Number of employees to whom the stock acquisition rights were allotted	6 executive officers	26 executive officers	26 executive officers
Class and number of shares to be issued upon exercise of stock acquisition rights	9,528 shares of common stock	20,580 shares of common stock	18,364 shares of common stock
Issue price	¥4,180	¥4,610	¥5,616
Exercise price	¥1	¥1	¥1
Period for exercise of stock acquisition rights	From August 23, 2013 to August 22, 2043	From August 28, 2014 to August 27, 2044	From August 26, 2015 to August 25, 2045

(3) Other Important Matters Concerning Stock Acquisition Rights (as of March 31, 2016)

Details of the stock acquisition rights granted with respect to the euro-yen convertible bond-type bonds with subscription rights to shares issued in accordance with the resolution of the Board of Directors on November 18, 2014 are as stated below:

	Due in 2019	Due in 2021
Number of stock acquisition rights	5,000	5,000
Class and number of shares to be issued upon exercise of stock acquisition rights	12,849,836 shares of common stock	12,849,836 shares of common stock
Exercise price	¥3,891.1	¥3,891.1
Exercise period	From December 18, 2014 to November 20, 2019	From December 18, 2014 to November 22, 2021
Balance of bonds with subscription	¥50.0 billion	¥50.0 billion

rights to shares		

2. Basic Policies Regarding the Company's Control

The Company has established the Basic Policies regarding the Company's Control stated below.

(1) Basic Policy Regarding Persons Who Control Decisions on the Company's Financial and Business Policies

The Company does not reject the notion that the transfer of managerial control may vitalize business and the economy. However, in the event of any attempt to make a large-scale purchase of shares, in principle it should be left to the judgment of the Company's shareholders whether such a purchase is to be accepted. At the same time, the Company acknowledges that the prudent judgment of shareholders is essential for determining the impact of such large-scale purchase of shares and related proposals that have a bearing on corporate value and shareholders' common interests, considering the business, business plans, past investment behavior, and other information concerning the purchaser. Accordingly, the Company considers that necessary and sufficient information, opinions, proposals, etc. should be provided to the Company's shareholders by both the large-scale purchaser and the Company's Board of Directors, as well as necessary and sufficient time to review such information.

In accordance with this basic policy, the Board of Directors of the Company has specified procedures in the countermeasures for attempts of large-scale purchase of the Company's shares and any large-scale purchaser is required to comply with these procedures. In the event that a large-scale purchaser does not comply with the procedures or in the event that, even if a large-scale purchaser complies with the procedures, it is clear that the large-scale purchase would cause irrevocable damage to the Company or is substantially detrimental to corporate value or shareholders' common interests, the Company's Board of Directors intends to implement certain measures.

(2) Measures to Realize the Business Policies

i) Measures to enhance the Company's corporate value and advance shareholders' common interests

a. Corporate mission and basic approach for management

Since its foundation in 1921, guided by the corporate mission of "Contributing to Society through Healthcare," the Company has been striving to promote the progress of healthcare and enhance safety as a leader in the Japanese medical devices industry, while at the same time endeavoring to enhance corporate value and advance shareholders' common interests. As a result of management true to the founding spirit, the Company has established the brand and business foundation in Japan and abroad and supplies high-quality medical devices to customers in over 160 countries around the world.

b. Concrete initiatives

The market environment surrounding the global medical devices industry is at a turning point owing to the slowing market growth and initiatives to curtail healthcare costs in developed countries, and downward pressure on prices in emerging-market countries. However, the Company believes the business segments in which Terumo operates will continue to offer opportunities for growth. For example, intravascular intervention is no longer limited to the arteries of the heart and is also applied to those in the brain and the legs, as well as other parts of the body. Furthermore, in the blood management business, in addition to blood transfusion, demand for therapeutic apheresis for immune disorders is growing. In the general hospital business, there are growing needs for safety products that help prevent medical errors and reduce the risk of infections. There are also increasing needs for needles, etc. whose use involves less discomfort. Aiming to seize such opportunities and thus continue contributing to society through healthcare, Terumo is working to achieve sustainable and profitable growth and create innovation through development of products attuned to the needs of healthcare professionals with the goal of establishing a greater global presence.

ii) The Company's social mission

As a leading enterprise in the field of medical devices, the Company has established relationships of trust with medical professionals over the long term and contributed to society through healthcare. The Company believes that the fulfillment of its social responsibility hinges on ensuring the stable supply of excellent products, services, and systems of high quality and vigorously tackling various social issues related to healthcare from the viewpoints of patients and healthcare professionals in order to contribute to their resolution. In accordance with this policy, the Company continues its effort to fulfill a vital role in global healthcare systems through supply of products and quality assurance that ensure safety and reliability in the healthcare field.

In the event of an attempt to purchase the Company's shares that is inimical to the stable supply and/or quality of the Company's products, people's health may be seriously affected and their lives may be placed in jeopardy. Through stable management of the Company over the long term to ensure such an eventuality never arises, the Company maintains and enhances the confidence of society and healthcare professionals in the Company while contributing to corporate value and advancing shareholders' common interests.

iii) Strengthening of corporate governance

Measures concerning corporate governance are stated on Pages 31-34 of the Notice of Convocation of the 101st Annual General Meeting of Shareholders.

(3) Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Who Are Inappropriate in View of the Basic Policies

As measures to secure and enhance the Company's corporate value and advance shareholders' common interests, for the purpose of preventing any purchase substantially detrimental to the Company's corporate value and shareholders' common interests, the Company introduced countermeasures for attempts to make large-scale purchases of the Company's shares (takeover defense measures) following the approval by shareholders at the 93rd Annual General Meeting of Shareholders held on June 27, 2008. Then, the Company renewed the takeover defense measures following the approval by shareholders at the 96th Annual General Meeting of Shareholders held on June 29, 2011 and following the approval by shareholders at the 99th Annual General Meeting of Shareholders held on June 24, 2014. For details, please refer to the press release posted on the Company's website at http://www.terumo.com/about/pressrelease/policy_for_acquisitions.html.

(4) The Company's Board of Directors' View Concerning Specific Measures and the Reason

The sound implementation of the growth strategy for realizing the Company's long-term goal described in (2) above leads to securing and enhancing the Company's corporate value and advancing shareholders' common interests, and is in accordance with the Company's basic policies.

The objective of the Current Plan described in (3) above is to secure opportunities for shareholders to carefully consider whether they should accept attempts to make large-scale purchases of the Company's shares by requiring large-scale purchasers to provide necessary information in advance and securing a certain period of time for consideration. Thus, the Board of Directors considers that the Current Plan is in accordance with the Company's basic policies. Moreover, the Board of Directors considers that the Plan is not detrimental to shareholders' common interests and is not for the purpose of maintaining the positions of the Company's officers because a) the Plan was disclosed in advance in order to enhance predictability for shareholders, investors, and large-scale purchasers, b) the Plan was approved by shareholders at the Annual General Meeting of Shareholders held on June 24, 2014, and c) in order to prevent use of the Plan for the purpose of management's self-protection, an independent committee is to be set up and the Company's Board of Directors is required to make a decision on implementation of countermeasures in accordance with the recommendation of the independent committee.

[Consolidated Financial Statements and Non-consolidated Financial Statements]

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

1) Consolidated subsidiaries

• Number of consolidated subsidiaries: 82

• Names of principal consolidated subsidiaries:

Terumo Europe N.V.

Terumo Americas Holding, Inc.

Terumo Medical Corporation

Terumo Cardiovascular Systems Corporation

MicroVention, Inc.

Terumo (Philippines) Corporation

Terumo Medical Products (Hangzhou) Co., Ltd.

Terumo BCT Holding Corporation

Terumo BCT, Inc.

• The following company is newly included in the scope of consolidation effective from the fiscal year ended March 31, 2016:

MicroVention Medical Technology (Hangzhou) Co., Ltd.

Changchun Terumo Medical Products Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation because it was dissolved during the fiscal year ended March 31, 2016.

2) Non-consolidated subsidiaries

• Number of non-consolidated subsidiaries: 2

• Names of non-consolidated subsidiaries:

Terumo Business Support Corporation

TERUMO HUMAN CREATE CORPORATION

• Reason for exclusion from the scope of consolidation:

The non-consolidated subsidiaries are excluded from the scope of consolidation because the types and nature of their business are significantly different from those of the Company and with respect to their total assets, net sales, net income or loss, retained earnings, etc., their impact on consolidated financial statements is negligible.

(2) Application of the equity method

1) Non-consolidated subsidiaries and affiliates to which the equity method is applied

• Number of non-consolidated subsidiaries to which the equity method is applied: 2

• Names of non-consolidated subsidiaries to which the equity method is applied:

Terumo Business Support Corporation

TERUMO HUMAN CREATE CORPORATION

• Number of affiliates to which the equity method is applied: 5

• Names of affiliates to which the equity method is applied:

Terumo BSN K.K.

Olympus Terumo Biomaterials Corporation.

Weigao Terumo Medical Products Co., Ltd.

Shanghai Angiocare Medical Technology Co., LTD.

Quirem Medical B.V.

Quirem Medical B.V. is newly included in affiliates from the fiscal year ended March 31, 2016, because the Company newly acquired stock of this company.

The equity method is applied to all affiliates.

(3) Accounting standards

1) Standards and methods for valuation of principal assets

i) Securities

Available-for-sale securities

- Securities with fair value

  Stated at market value based on the quoted market price, etc., at fiscal year-end

  (Valuation difference is reported as a separate component of net assets. The cost of sales is calculated principally using the moving-average method.)

- Securities without fair value

  Stated at cost using the moving-average method

ii) Derivatives

Stated at fair value

iii) Inventories

Inventories held for sale in the ordinary course of business

Stated principally at cost using the weighted-average method

(Balance sheet amounts are calculated by writing down their net realizable value when there is evidence of deterioration in value.)

2) Depreciation method for principal depreciable assets

i) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

Principal useful lives are as follows:

Buildings and structures:	3-60 years
Machinery, equipment and vehicles:	4-15 years

ii) Intangible assets (excluding lease assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (principally five years).

Goodwill is amortized by the straight-line method over 10-20 years based on the estimated period for each acquired business during which the excess earning power is maintained.

Customer relationship is amortized by the straight-line method over the estimated useful life (principally 20 years).

iii) Lease assets

Finance leases that do not transfer the ownership of the leased assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

3) Standards of accounting for principal allowances and provisions

i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover possible losses on notes and accounts receivable. The Company and its domestic consolidated subsidiaries record an estimated irrecoverable amount based on the historical write-off rate for ordinary receivables and based on assessment of recoverability of individual receivables for specific doubtful accounts. Overseas consolidated subsidiaries record an amount deemed necessary principally based on assessment of recoverability of individual receivables.

ii) Provision for bonuses

The Company and its domestic consolidated subsidiaries provide reserve for payment of bonuses to employees based on the amount of estimated employees' bonuses at the fiscal year-end.

iii) Provision for directors' bonuses

Reserve for payment of bonuses to directors is provided based on the amount of estimated directors' bonuses at the fiscal year-end.

iv) Provision for directors' retirement benefits

Reserve for payment of directors' retirement benefits is provided in accordance with the former internal rules in the projected benefit obligation corresponding to the length of service of each eligible director and corporate auditor from his/her appointment to the conclusion of the Annual General Meeting of Shareholders held on June 29, 2006.

4) Other significant matters for preparation of consolidated financial statements

• Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Terumo Medical Products (Hangzhou) Co., Ltd., Terumo Medical (Shanghai) Co., Ltd., and Terumo (China) Holding Co., Ltd. have a year-end balance sheet date of December 31 and their most recent accounting periods ended December 31, 2015.

Financial statements of these subsidiaries as of March 31, 2016 were prepared for consolidation purposes.

• Treatment of deferred assets

Business commencement expenses: Amortized by a straight-line method over five years.

• Hedge accounting

i) Method of hedge accounting

The Company principally adopts the deferral method of hedge accounting. Interest rate swaps that meet certain criteria are accounted for by the special method provided by the accounting standards.

ii) Hedging instruments and hedged items

Hedging instruments:	Forward exchange contracts, interest rate swaps
Hedged items:	Monetary assets and liabilities denominated in foreign currencies, forecast transactions denominated in foreign currencies, long-term loans payable

iii) Hedging policy

Based on the Company's policy of managing risks according to risk types, the Company hedges risks arising from changes in foreign currency exchange rates and interest rates.

iv) Method of assessment of hedge effectiveness

The Company assesses hedge effectiveness by comparing the cumulative changes in cash flows from hedged items or changes in fair value of hedged items and corresponding changes in hedging instruments every half year.

With respect to interest rate swaps, assessment of hedge effectiveness is omitted because they meet the criteria for accounting by the special method.

• Accounting standard for liabilities relating to retirement benefits

When calculating retirement benefit obligations, the benefit formula basis is used for attributing projected retirement benefits to certain periods up to the fiscal year ended March 31, 2016.

Prior service cost is principally charged to income by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees at the time of recognition.

Actuarial gains and losses are principally charged to income ratably by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees at the time of recognition in each fiscal year commencing with the following fiscal year.

• Consumption taxes

With respect to the Company and consolidated subsidiaries in Japan, transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Accounting for consumption taxes is not applicable to consolidated subsidiaries outside Japan.

(4) **Notes on changes in accounting policies**

(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 fiscal 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 fiscal year ended March 31, 2016, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs upon the finalization of provisional accounting treatment in the consolidated financial statements for the fiscal year containing the date of the business combinations. In addition, the Company has changed the presentation of net income, etc. and changed the presentation of minority interests to non-controlling interests.

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 fiscal 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 fiscal 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 fiscal year ended March 31, 2016 all increased by 188 million yen.

Because the cumulative impact was reflected in net assets at the beginning of the fiscal year ended March 31, 2016, in the consolidated statement of changes in net assets, the beginning balance of capital surplus and the beginning balance of retained earnings decreased by 1,175 million yen and 1,220 million yen, respectively.

Net assets per share decreased by 6.08 yen and net income per share increased by 0.50 yen.

2. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 315,668 million yen

3. Notes to the Consolidated Statements of Income

(1) Impairment loss

The Terumo Group divided assets into groups based on the smallest unit for which income and expenditure can be comprehended for business management purposes belonging to each individual business unit, namely, the Cardiac and Vascular Company, General Hospital Company and Blood Management Company. Assets for which a decision was made regarding dormant assets, disposal of assets and abolition of business have been divided into groups individually. Headquarters assets, R&D facilities, dormitory and company-offered houses are categorized into assets for common use, since these assets do not generate cash flow.

As a result of decisions on necessity of impairment and recognition of impairment based on the foregoing asset division, the assets of the Cardiac and Vascular Company were considered unlikely to earn profits or generate any effect as initially projected and recoverable values fell below book values, and therefore, an impairment loss (¥876 million) was posted in extraordinary loss.

The Company's former Fukuoka Branch Office became an idle asset because of relocation and will be sold. Accordingly, the carrying amount was reduced to the recoverable value.

Application	Location	Type	Amount (Millions of yen)
Cardiac and Vascular Company Manufacturing facilities, etc.	USA (Michigan and other)	Machinery, equipment and vehicles, Construction in progress, etc.	876
Idle asset	Fukuoka Prefecture, Japan	Buildings and structures; land	134

*Breakdown of impairment losses (Millions of yen)

•Cardiac and Vascular Company manufacturing facilities, etc.

Construction in progress: 601

Machinery, equipment and vehicles: 207

Buildings and structures: 43

Other: 23

In the management unit for income and expenditure in the Cardiac and Vascular Company, the recoverable value of buildings and land is determined by the net sale value calculated based on the appraisal amount obtained from the real estate appraiser, and any other assets' recoverable value is estimated to be zero.

•Idle asset

Land :115

Buildings and structures: 18

The recoverable value is the net realizable value computed based on the estimated sales value.

4. Notes to the Consolidated Statement of Changes in Net Assets

(1) Total number of shares issued

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Shares issued				
Common stock	379,760	―	―	379,760
Total	379,760	―	―	379,760

(2) Number of treasury stock

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Treasury stock				
Common stock	931	15,859	―	16,790
Total	931	15,859	―	16,790

(Note) (Reason for the change)

The breakdown of the change in the number of shares is as follows:

Increase due to the purchase of treasury stock based on the resolution of the Board of Directors:

15,857 thousand shares

Increase due to the purchase of shares of less than one unit of shares: 1 thousand shares

(3) Dividends from surplus

1) Payment of dividends

Resolution	Types of shares	Dividends paid (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2015	Common stock	6,061	16	March 31, 2015	June 25, 2015
Meeting of the Board of Directors held on November 5, 2015	Common stock	7,139	19	September 30, 2015	December 7, 2015
Total		13,200			

2) Dividends whose record date falls during fiscal 2015 but whose effective date is in the next fiscal year

At the Annual General Meeting of Shareholders to be held on June 24, 2016, the following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders to be held on June 24, 2016	Common stock	7,259	20	March 31, 2016	June 27, 2016

The source of dividends will be retained earnings.

5. Notes to Financial Instruments

(1) Overview of financial instruments

1) Policies for using financial instruments

The Group secures funds through bank borrowings and issuance of bonds by managing direct and indirect finance effectively in response to the changing business environment, based on the investment plan for operating the principal business of manufacturing and sales of medical products and equipment, including pharmaceuticals. Excess cash is temporarily invested in a portfolio that emphasizes the safety of the principal. The Group enters into derivative transactions for the purpose of hedging the risk of interest rate fluctuations and foreign exchange fluctuations, and not for speculative purposes.

2) Description of financial instruments used and their exposure to risks

Notes and accounts receivable, which are trade receivables, are exposed to customer credit risk. Because the Group operates globally, the Group has trade receivables denominated in foreign currencies, which are also exposed to the risk of foreign exchange fluctuations. The Group utilizes forward exchange contracts within the balance of trade receivables to hedge the risk of foreign exchange fluctuations.

Investment securities mainly consist of the shares of business partners held for business and capital alliances, and are exposed to the risk of fluctuations in quoted prices.

Most notes and accounts payable, which are trade payables, have a short maturity of one year or less. Although certain trade payables related to imports of raw materials are denominated in foreign currencies, the amount of such trade payables denominated in foreign currencies is within the balance of accounts receivable denominated in the same foreign currencies.

Long-term loans payable and bonds payable are for the purpose of financing a part of the acquisition of CaridianBCT Holding Corp. for the previous fiscal year and for capital investment. Long-term loans payable with variable interest rates are exposed to the risk of interest rate fluctuations, which is hedged by employing interest rate swaps. Long-term loans payable denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations.

Regarding derivatives, the Group enters into forward exchange contracts as hedges against the risk of fluctuations in foreign currency exchange rates associated with trade receivables and payables denominated in foreign currencies and forecast transactions denominated in foreign currencies and interest rate swaps as hedges against the risk of fluctuations in interest rates associated with loans payable. For more information on the use of hedge accounting, including hedging instruments, hedged items, the hedging policy, and the method of assessment of hedge effectiveness, please refer to “1. Basis for Preparation of Consolidated Financial Statements, (3) Accounting standards, 4) Other significant matters for preparation of consolidated financial statements, • Hedge accounting.”

3) Risk management policies and procedures related to financial instruments

• Management of credit risk (risk associated with default by counterparties)

The Company adheres to the receivables management process. Regarding trade receivables, each of the in-house companies regularly monitors the situations of major accounts in accordance with the receivable management process. As well as managing the balances and due dates of trade receivables for each counterparty, each of the in-house companies also seeks to identify any signs of potential irrecoverability arising from deterioration of financial conditions of counterparties, and reviews the adequacy of collateral in order to prevent default losses. The Company’s consolidated subsidiaries have a similar receivable management process in place.

The Company limits counterparties to its derivative transactions to financial institutions with high creditworthiness, and, accordingly, is exposed to little or no counterparty credit risk.

• Management of market risk (risk of fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward exchange contracts for the purpose of hedging their exposure to the risk of exchange rate fluctuations associated with trade receivables and payables denominated in foreign currencies and forecast transactions denominated in foreign currencies, which are analyzed on a monthly basis by currency. The Company utilizes interest rate swaps for the purpose of hedging its exposure to the risk of interest rate fluctuations associated with long-term loans payable with variable interest rates.

Regarding investment securities, the Company regularly monitors their fair value and financial conditions of the issuers (business partners) and reviews the holding on a continuous basis, taking into consideration the relationships with the business partners.

The Company enters into derivative transactions in accordance with its Derivative Transactions Management Policy, which specifies the authority and limits 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 responsible for the Treasury Department and the Board of Directors.

The Company’s consolidated subsidiaries manage derivative transactions in accordance with the Company’s Derivative Transactions Management Policy.

• Management of liquidity risk associated with financing (risk that the Company will not be able to meet its financial obligations as they fall due)

The Treasury Department prepares and updates the Company’s cash flow plan in a timely manner based on reports from each department of the Company to ensure that the Company maintains sufficient liquidity.

4) Supplementary information on fair values of financial instruments

Fair values of financial instruments are estimated based on quoted market prices as well as amounts calculated using a reasonable valuation technique when there is no available quoted market price. Accordingly, the fair values are subject to change if different assumptions are used for calculation.

(2) Fair values of financial instruments

Carrying amounts and fair values of the financial instruments and the differences between carrying amounts and fair values as of March 31, 2016 are as follows. Financial instruments whose fair values are extremely difficult to identify are not included in the table below. (See Note 2.)

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Difference
(1) Cash and deposits	149,672	149,672	—
(2) Notes and accounts receivable-trade	104,426	104,426	—
(3) Investment securities Available-for-sale securities	28,875	28,875	—
(4) Notes and accounts payable-trade	(36,294)	(36,294)	—
(5) Short-term loans payable	(61)	(61)	—
(6) Notes and accounts payable-facilities	(5,451)	(5,451)	—
(7) Current portion of bonds	(40,000)	(40,128)	(128)
(8) Convertible bond-type bonds with subscription rights to shares	(100,184)	(121,050)	(20,866)
(9) Long-term loans payable (*1)	(78,713)	(79,406)	(693)
(10) Derivatives (*2)	262	262	—

(*1) Balance including current portion of long-term loans payable

(*2) The amount represents a net amount of receivables and payables arising from derivative transactions.

(*3) Figures in parentheses are recorded as liabilities on the consolidated balance sheets.

Note 1: Method for calculating fair values of financial instruments and matters concerning investment securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable-trade

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

(3) Investment securities

The fair value is estimated based on quoted market prices.

(4) Notes and accounts payable-trade, (5) Short-term loans payable, and (6) Notes and accounts payable-facilities

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

(7) Current portion of bonds and (8) Convertible bond-type bonds with subscription rights to shares

The fair value is estimated based on quoted market prices.

(9) Long-term loans payable

The fair value is based on the present value calculated by discounting the total amount of principal and interest (*) by the interest rate to be applied to new borrowings for the same amount of principal.

(*) Long-term loans payable associated with interest rate swaps that qualify for the special method are measured by discounting the total amount of principal and interest by the rate of the interest rate swaps.

(10) Derivatives

The Company uses forward exchange contracts as hedges for trade receivables and payables denominated in foreign currencies and interest rate swaps as hedges against the risk of fluctuations in interest rates associated with long-term loans payable.

Interest rate swaps that qualify for the special method are accounted for as part of hedged long-term payables, and therefore, the fair value of such interest rate swaps is included in the fair value of the corresponding long-term payables.

Note 2: Financial instruments whose fair values are extremely difficult to identify

(Millions of yen)

	Amount recorded on the consolidated balance sheet
Unlisted stocks, etc.	3,909
Stocks of unlisted subsidiaries and affiliates other than the above	4,939

The financial instruments are not included in “(3) Investment securities, Available-for-sale securities” because it is extremely difficult to identify their fair values as no quoted market price is available and it is impossible to estimate their future cash flows.

Note 3: Repayment schedule for bonds payable, long-term loans payable and lease obligations after the consolidated balance sheet date

(Millions of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Bonds payable	40,000	—	—	—	—	—
Convertible bond-type bonds with subscription rights to shares	—	—	—	50,000	—	50,000
Long-term loans payable	19,839	7,887	47,887	—	—	3,098
Lease obligations	256	173	49	30	22	9
Total	60,096	8,061	47,937	50,030	22	53,108

6. Notes to Per Share Information

(1) Net assets per share: 1,408.53 yen

(2) Net income per share: 135.14 yen

7. Notes to Significant Subsequent Events

(Issuance of bonds)

In accordance with the resolution of the Board of Directors made on April 5, 2016, the Company issued unsecured straight bonds whose payment date is April 19, 2016 under the following terms and conditions.

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

i) Total amount of issue:	10,000 million yen
ii) Issue price:	100 yen per face value 100 yen
iii) Interest rate:	0.080% per annum
iv) Payment date:	April 19, 2016
v) Maturity date:	April 19, 2021
vi) Redemption method:	Redemption of 100% of the principal in a lump sum
vii) Usage of the fund:	To be used for repayment of borrowings due February 28, 2017 and partly for redemption of bonds

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

i) Total amount of issue:	10,000 million yen
ii) Issue price:	100 yen per face value 100 yen
iii) Interest rate:	0.170% per annum
iv) Payment date:	April 19, 2016
v) Maturity date:	April 19, 2023
vi) Redemption method:	Redemption of 100% of the principal in a lump sum
vii) Usage of the fund:	To be used for repayment of borrowings due February 28, 2017 and partly for redemption of bonds

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

i) Total amount of issue:	10,000 million yen
ii) Issue price:	100 yen per face value 100 yen
iii) Interest rate:	0.240% per annum
iv) Payment date:	April 19, 2016
v) Maturity date:	April 17, 2026
vi) Redemption method:	Redemption of 100% of the principal in a lump sum
vii) Usage of the fund:	To be used for repayment of borrowings due February 28, 2017 and partly for redemption of bonds

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

- Securities with fair value

  Stated at market value based on the quoted market price, etc., at fiscal year-end

  (Valuation difference is reported as a separate component of net assets. The cost of sales is calculated using the moving-average method.)

- Securities without fair value

  Stated at cost using the moving-average method

2) Derivatives

Stated at fair value

3) Inventories

Inventories held for sale in the ordinary course of business

Principally, stated at cost using the weighted-average method

(Balance sheet amounts are calculated by writing down their net realizable value when there is evidence of deterioration in value.)

(2) Depreciation method for noncurrent assets

1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

Principal useful lives are as follows:

Buildings:	3-50 years
Machinery and equipment:	4-15 years

2) Intangible assets (excluding lease assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (principally 5 years).

3) Lease assets

Finance leases that do not transfer the ownership of the leased assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(3) Standards of accounting for allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover possible losses on notes and accounts receivable. The Company records an estimated irrecoverable amount based on the historical write-off rate for ordinary receivables and based on assessment of recoverability of individual receivables for specific doubtful accounts.

2) Provision for bonuses

The Company provides reserve for payment of bonuses to employees based on the amount of estimated employees' bonuses at the fiscal year-end.

3) Provision for directors' bonuses

Reserve for payment of bonuses to directors is provided based on the amount of estimated directors' bonuses at the fiscal year-end.

4) Provision for retirement benefits

The Company provides reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at fair value at the fiscal year-end.

Prior service cost is principally charged to income by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

Actuarial gains and losses are principally charged to income by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

5) Provision for directors' retirement benefits

Reserve for payment of directors' retirement benefits is provided in accordance with the former internal rules in the projected benefit obligation corresponding to the length of service of each eligible director and corporate auditor from his/her appointment to the conclusion of the Annual General Meeting of Shareholders held on June 29, 2006.

(4) Other significant matters for preparation of non-consolidated financial statements

1) Significant hedge accounting

i) Method of hedge accounting

The Company principally adopts the deferral method of hedge accounting. Interest rate swaps that meet certain criteria are accounted for by the special method provided by the accounting standards.

ii) Hedging instruments and hedged items

Hedging instruments:	Forward exchange contracts, interest rate swaps
Hedged items:	Monetary assets and liabilities denominated in foreign currencies, forecast transactions denominated in foreign currencies, long-term loans payable

iii) Hedging policy

Based on the Company's policy of managing risks according to risk types, the Company hedges risks arising from changes in foreign currency exchange rates and interest rates.

iv) Method of assessment of hedge effectiveness

The Company assesses hedge effectiveness by comparing the cumulative changes in cash flows from hedged items or changes in fair value of hedged items and corresponding changes in hedging instruments every half year.

With respect to interest rate swaps, assessment of hedge effectiveness is omitted because they meet the criteria for accounting by the special method.

2) Consumption taxes

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

2. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 210,325 million yen

(2) Guarantee obligations

Guarantee obligations for subsidiaries' borrowings from financial institutions

Terumo BCT Holding Corporation: 26,259 million yen

Terumo (Philippines) Corporation: 1,126 million yen

Guarantee obligations associated with the receipt of a subsidy from the Scottish government by a subsidiary

Vascutek Limited: 48 million yen

(3) Monetary receivables and monetary obligations to subsidiaries and affiliates

Short-term monetary receivables: 44,740 million yen

Long-term monetary receivables: 54,066 million yen

Short-term monetary obligations: 32,532 million yen

3. Notes to the Non-consolidated Statement of Income

(1) Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Sales: 101,870 million yen

Purchase: 35,632 million yen

Other: 2,469 million yen

Amount of transactions other than business transactions: 6,730 million yen

4. Notes to the Non-consolidated Statement of Changes in Net Assets

(1) Number of treasury stock

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Treasury stock				
Common stock	931	15,859	—	16,790
Total	931	15,859	—	16,790

(Note) (Reason for the change)

The breakdown of the change in the number of shares is as follows:

Increase due to the purchase of treasury stock based on the resolution of the Board of Directors:
15,857 thousand shares

Increase due to the purchase of shares of less than one unit of shares: 1 thousand shares

5. Notes to Deferred Tax Accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by major cause

	(Millions of yen)
Deferred tax assets	
Provision for retirement benefits	2,978
Research and development expenses	1,282
Provision for bonuses	1,718
Accounts payable-other and accrued expenses	1,597
Impairment loss	907
Loss on valuation of investment securities	2,542
Shares of subsidiaries and associates	2,758
Other	1,482
Subtotal of deferred tax assets	15,266
Valuation allowance	(5,634)
Total deferred tax assets	9,632
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	(1,479)
Cost difference	(148)
Valuation difference on available-for-sale securities	(4,084)
Reserve for advanced depreciation	(307)
Other	(221)
Total deferred tax liabilities	(6,242)
Net deferred tax assets	3,390

(2) Breakdown of major causes for the significant difference between the effective statutory tax rate and the actual effective tax rate after application of deferred tax accounting

	(%)
Effective statutory tax rate	33.1
(Adjustment)	
Permanent difference-expenses (entertainment expenses etc.)	0.6
Permanent differences-income (dividend income etc.)	(4.6)
Tax credit for research and development	(2.6)
Increase (decrease) of valuation allowance	3.0
Transfer pricing taxation adjustment	1.9
Effect from change in tax rate	0.5
Other	(0.2)
Actual effective tax rate after application of deferred tax accounting	31.7

(3) Revision of Amounts of Deferred Tax Assets and Liabilities due to Changes in Rates of Corporate Taxes, etc.

Following the establishment of the "Act on Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) by the Diet on March 29, 2016, income tax rates will be reduced from the fiscal years starting on and after April 1, 2016.
As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from the previous fiscal year's rate of 33.1% to 30.9% for temporary difference scheduled to be eliminated in the fiscal year starting on April 1, 2016 or in the fiscal year starting on April 1, 2017 and to 30.6% for temporary difference scheduled to be eliminated in the fiscal year starting on April 1, 2018.
Due to this change in the tax rate, the amount of deferred tax assets (amount after deducting the amount of deferred tax liabilities) decreased by 113 million yen, income taxes-deferred increased by 332 million yen, and valuation difference on available-for-sale securities increased by 218 million yen.

6. Notes concerning Related Party Transactions

(1) Subsidiaries

(Millions of yen)

Type	Company name	Ownership of voting rights	Relationship with the related party	Transactions	Transaction amount	Account	Balance at the end of the fiscal year
Subsidiary	Terumo Europe N.V.	100% directly owned by the Company	Interlocking directorate Sales of the Company's products Borrowing	Sales of the Company's products	20,462	Accounts receivable-trade	10,287
				Borrowing of funds	14,461	Short-term loans payable	14,291
				Repayment of loans	9,298		
Subsidiary	Terumo Medical Corporation	100% directly owned by the Company	Interlocking directorate Sales of the Company's products	Sales of the Company's products	28,816	Accounts receivable - trade	10,532
Subsidiary	Terumo Americas Holding, Inc.	100% directly owned by the Company	Interlocking directorate Lending	Collection of funds	3,978	Long-term loans receivable from subsidiaries and affiliates	11,643
Subsidiary	Terumo BCT Holding Corp.	100% directly owned by the Company	Interlocking directorate	Debt guarantee	26,259	—	—

Subsidiary	Terumo BCT Vietnam Co., Ltd.	100% directly owned by the Company	Lending	Lending of funds	—	Long-term loans receivable from subsidiaries and affiliates	7,369
Subsidiary	Terumo Yamaguchi Corporation	100% directly owned by the Company	Interlocking directorate Lending	Lending of funds	—	Long-term loans receivable from subsidiaries and affiliates	16,862
Subsidiary	Terumo Yamaguchi D&D Corporation	100% indirectly owned by the Company	Interlocking directorate Lending	Lending of funds	4,300	Short-term loans receivable	92
						Long-term loans receivable from subsidiaries and affiliates	10,238

Notes: Terms of transactions and the policy for determining the terms of transactions

1. Transaction prices and other terms of transactions with subsidiaries and affiliates are determined through negotiations with the Company.
2. Transaction amounts do not include consumption taxes because the Company applies the tax exclusion method for accounting of consumption taxes. Year-end balances include consumption taxes.
3. Interest rates of loans payable are determined reasonably, taking into consideration market interest rates.
4. Interest rates of loans receivable are determined reasonably, taking into consideration market interest rates.
5. The Company provides debt guarantee to Terumo BCT Holding Corp. for its bank borrowings. The Company receives guarantee charges at 0.3% per annum.

7. Notes to Per Share Information

(1) Net assets per share: 1,289.68 yen

(2) Net income per share: 122.68 yen

8. Notes to Significant Subsequent Events

Descriptions are omitted because the notes would be the same as “7. Notes to Significant Subsequent Events” in Notes to Consolidated Financial Statements.