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To Our Shareholders:

Disclosure on the Internet accompanying
the Notice of Convocation of the 102nd Annual General Meeting of Shareholders

[Business Report]
Matters concerning Stock Acquisition Rights Issued by the Company
Basic Policies regarding the Company's Control

[Consolidated Financial Statements and Non-consolidated Financial Statements]
Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements

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, 2017

	Date of resolution of issuance	Number of stock acquisition rights	Number of holders	Types and number of shares to be issued upon exercise of stock acquisition rights	Issue price	Exercise price	Period for exercise of stock acquisition rights
First issue of stock acquisition rights	August 1, 2013	13,517	6 directors*	27,034 shares of common stock	4,180 yen	1 yen	From August 23, 2013 to August 22, 2043
Second issue of stock acquisition rights	August 6, 2014	17,385	9 directors*	34,770 shares of common stock	4,610 yen	1 yen	From August 28, 2014 to August 27, 2044
Third issue of stock acquisition rights	August 7, 2015	16,869	10 directors *	33,738 shares of common stock	5,616 yen	1 yen	From August 26, 2015 to August 25, 2045
Fourth issue of stock acquisition rights	August 4, 2016	12,695	9 directors*	25,390 shares of common stock	8,166 yen	1 yen	From August 26, 2016 to August 25, 2046

*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.

	Date of resolution of issuance	Number of stock acquisition rights	Number of employees to whom the stock acquisition rights were allotted	Types and number of shares to be issued upon exercise of stock acquisition rights	Issue price	Exercise price	Period for exercise of stock acquisition rights
First issue of stock acquisition rights	August 1, 2013	4,764	6 executive officers	9,528 shares of common stock	4,180 yen	1 yen	From August 23, 2013 to August 22, 2043
Second issue of stock acquisition rights	August 6, 2014	10,290	26 executive officers	20,580 shares of common stock	4,610 yen	1 yen	From August 28, 2014 to August 27, 2044
Third issue of stock acquisition rights	August 7, 2015	9,182	26 executive officers	18,364 shares of common stock	5,616 yen	1 yen	From August 26, 2015 to August 25, 2045
Fourth issue of stock acquisition rights	August 4, 2016	14,046	33 executive officers and fellows	28,092 shares of common stock	7,960 yen	1 yen	From August 26, 2016 to August 25, 2046

(3) Other Important Matters Concerning Stock Acquisition Rights (as of March 31, 2017)

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:

	Number of stock acquisition rights	Types and number of shares to be issued upon exercise of stock acquisition rights	Exercise price	Exercise period	Balance of bonds with subscription rights to shares
Due in 2019	5,000	12,883,277 shares of common stock	3,881.0 yen	From December 18, 2014 to November 20, 2019	50.0 billion yen
Due in 2021	5,000	12,883,277 shares of common stock	3,881.0 yen	From December 18, 2014 to November 22, 2021	50.0 billion yen

2. Basic Policies Regarding the Company's Control

At the meeting of the Board of Directors held on May 10, 2017, a decision was made to revise the Basic Policies regarding the Company's Control at the conclusion of the Annual General Meeting of Shareholders of the Company to be held on June 27, 2017 and not to renew the Company's "Policy for Large-Scale Acquisitions of Terumo Shares (Takeover Defense Measures)" described in (3) below. Thus, the takeover defense measures will expire at the conclusion of this Annual General Meeting of Shareholders.

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 32-43 of the Notice of Convocation of the 102nd 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: 96

• 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 companies are newly included in the scope of consolidation effective from the fiscal year ended March 31, 2017:

Terumo Middle East FZE

Terumo Taiwan Medical Co., Ltd. (Taiwan)

Terumo BCT Italia S.R.L.

Sequent Medical, Inc.

Sequent Medical GmbH

Terumo Capital Management Pte. Ltd.

Terumo Puerto Rico L.L.C.

Kalila Medical, Inc.

Terumo Poland Sp. z.o.o.

Bolton Medical, Inc.

Bolton Medical Espana S.L.U.

Bolton Medical S.R.L.

Bolton Medical S.A.S.

Terumo BCT Asia Pte. Ltd.

TERUMO HUMAN CREATE CORPORATION

TERUMO HUMAN CREATE CORPORATION, formerly a non-consolidated subsidiary to which the equity method was applied, is newly included in the scope of consolidation effective from the fiscal year ended March 31, 2017, because of increased materiality.

Cardian BCT México. Import S.A. de C.V., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation because of the merger with Terumo BCT Mexico, S.A. de C.V. during the fiscal year ended March 31, 2017.

2) Non-consolidated subsidiaries

- Number of non-consolidated subsidiaries: 1
- Name of non-consolidated subsidiary:

  Terumo Business Support Corporation
- Reason for exclusion from the scope of consolidation:

  The non-consolidated subsidiary is excluded from the scope of consolidation because the type and nature of its business are significantly different from those of the Company and with respect to its total assets, net sales, net income or loss, retained earnings, etc., its 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: 1
- Name of non-consolidated subsidiary to which the equity method is applied:

  Terumo Business Support 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 Corp.

  Weigao Terumo Medical Products Co., Ltd.

  Shanghai Angiocare Medical Technology Co., LTD.

  Quirem Medical B.V.

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 5 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).

Developed technology is amortized by the straight-line method over the estimated useful life (principally 14 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, 2016.
Financial statements of these subsidiaries as of March 31, 2017 were prepared for consolidation purposes.

• Treatment of deferred assets

Business commencement expenses: Amortized by a straight-line method over 5 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. Interest rate and currency swaps that meet certain criteria are accounted for by the integrated accounting treatment (designated treatment and special accounting treatment).

ii) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, interest rate swaps, interest rate and currency swaps

Hedged items: Monetary assets and liabilities denominated in foreign currencies, forecast transactions denominated in foreign currencies, long-term loans payable, loans payable denominated in foreign currencies

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 that meet the criteria for accounting by the special method and interest rate and currency swaps that meet the criteria for accounting by the integrated accounting treatment, assessment of hedge effectiveness is omitted.

• 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.

2. Additional Information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

3. Notes to Changes in Presentation

(Consolidated Balance Sheet)

"Developed technology," which was included in "Other" of "Intangible assets" for the previous fiscal year, is presented as a separate line item because of increased monetary materiality from the fiscal year ended March 31, 2017. "Developed technology" and "Other" for the previous fiscal year amounted to 28,017 million yen and 28,038 million yen, respectively.

(Consolidated Statement of Income)

Certain manufacturing subsidiaries previously presented personnel expenses and other expenses of indirect departments as selling, general and administrative expenses. These expenses are presented as cost of sales from the fiscal year ended March 31, 2017. With the Mid- to Long-term Growth Strategy implemented from fiscal 2017 onward, Terumo seeks to further deepen global management. To this end, Terumo overhauled the global production system and reviewed the scope of business of each operation. As a result, materiality of various expenses of indirect operations of certain manufacturing subsidiaries has increased. Therefore, in order to more appropriately present the Group's gross profit and selling, general and administrative expenses, the change was made to include these expenses into cost of sales so that they directly correspond to net sales. Cost of sales included in selling, general and administrative expenses in the consolidated statement of income for the previous fiscal year amounted to 2,044 million yen.

"Amortization of business commencement expenses," which was included in "Other" of "Non-operating expenses" for the previous fiscal year, is presented as a separate line item because of increased monetary materiality from the fiscal year ended March 31, 2017. "Amortization of business commencement expenses" and "Other" for the previous fiscal year amounted to 278 million yen and 1,567 million yen, respectively.

4. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 323,064 million yen

5. Notes to the Consolidated Statements of Income

(1) Gain on sale of investment securities

Of the gain on sale of investment securities, 15,791 million yen was attributable to the sale of shares of Olympus Corporation held by the Company.

6. 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	16,790	11,001	10	27,781
Total	16,790	11,001	10	27,781

(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: 11,000 thousand shares

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

Decrease due to exercise of stock options: 10 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, 2016	Common stock	7,259	20	March 31, 2016	June 27, 2016
Meeting of the Board of Directors held on November 10, 2016	Common stock	7,259	20	September 30, 2016	December 7, 2016
Total		14,518			

2) Dividends whose record date falls during fiscal 2016 but whose effective date is in the next fiscal year

At the Annual General Meeting of Shareholders to be held on June 27, 2017, 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 27, 2017	Common stock	7,743	22	March 31, 2017	June 28, 2017

The source of dividends will be retained earnings.

(4) Matters concerning stock subscription rights as of March 31, 2017 (excluding those for which the first date of the exercise period has not arrived yet)

	Types of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights
First issue of stock acquisition rights	Common stock	36,562 shares
Second issue of stock acquisition rights	Common stock	55,350 shares
Third issue of stock acquisition rights	Common stock	52,102 shares
Fourth issue of stock acquisition rights	Common stock	53,482 shares
Euro-yen convertible bond-type bonds with subscription rights to shares due in 2019	Common stock	12,883,277 shares
Euro-yen convertible bond-type bonds with subscription rights to shares due in 2021	Common stock	12,883,277 shares

7. 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 cost for prior years 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, which is hedged by employing currency swaps.

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, interest rate swaps as hedges against the risk of fluctuations in interest rates associated with loans payable, and currency swaps as hedges against the risk of foreign exchange fluctuations. 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 and currency swaps for the purpose of hedging its exposure to the risk of foreign exchange 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, 2017 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	105,388	105,388	—
(2) Notes and accounts receivable-trade	109,508	109,508	—
(3) Investment securities Available-for-sale securities	5,116	5,116	—
(4) Notes and accounts payable-trade	(38,451)	(38,451)	—
(5) Short-term loans payable	(120,000)	(120,000)	—
(6) Notes and accounts payable-facilities	(7,059)	(7,059)	—
(7) Bonds payable	(30,000)	(29,779)	221
(8) Convertible bond-type bonds with subscription rights to shares	(100,135)	(114,600)	(14,465)
(9) Long-term loans payable (*1)	(88,431)	(88,462)	(31)
(10) Derivatives (*2)	(632)	(632)	—

(*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) Bonds payable 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 or interest rate and currency swaps are measured by discounting the total amount of principal and interest treated as an integral part of interest rate swaps or interest rate and currency swaps by the reasonably estimated rate applicable to similar borrowings.

(10) Derivatives

The Company uses forward exchange contracts as hedges for trade receivables and payables denominated in foreign currencies, interest rate swaps as hedges against the risk of fluctuations in interest rates and interest rate and currency swaps as hedges against the risk of foreign exchange fluctuations associated with long-term loans payable. Interest rate swaps that qualify for the special method and interest rate and currency swaps that qualify for integrated accounting treatment 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.	2,854
Stocks of unlisted subsidiaries and affiliates other than the above	4,491

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	—	—	—	—	10,000	20,000
Convertible bond-type bonds with subscription rights to shares	—	—	50,000	—	50,000	—
Long-term loans payable	7,853	47,853	—	—	30,668	2,056
Lease obligations	231	117	52	34	14	11
Total	8,084	47,971	50,052	34	90,682	22,068

8 Notes to Per Share Information

(1) Net assets per share: 1,389.70 yen

(2) Net income per share: 150.15 yen

9. Notes to Significant Subsequent Events

(Significant borrowings)

In accordance with the resolution of the Board of Directors made on February 9, 2017, the Company concluded a syndicated loan contract on March 29, 2017, for which Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. act as arrangers and The Bank of Tokyo-Mitsubishi UFJ, Ltd. acts as an agent, and made a borrowing on April 28, 2017.

1) Purpose and usage

Fund for acquisition of St. Jude Medical's vascular closure device business and acquisition of stock of Kalila Medical, Inc.

2) Lenders

Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., etc.

3) Loan amount

i) 620 million US dollars, base rate + spread

ii) 48.0 billion yen, fixed rate

4) Loan execution date

April 28, 2017

5) Due date

April 30, 2024

6) Collateral asset

None

7) Financial covenants

- After the financial closing at March 31, 2017, the amount of net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at 75% or more of whichever is higher between the amount of net assets on the consolidated balance sheet at the end of the fiscal year immediately prior to the fiscal year in question or the amount of net assets on the consolidated balance sheet at March 31, 2016.
- In the two consecutive fiscal years after the financial closing at March 31, 2017, the amount of ordinary income or loss on the consolidated statement of income for each fiscal year shall not be a negative figure for two consecutive years. The first judgment related to compliance with this covenant shall be executed for the fiscal year ending March 31, 2018 and the fiscal year immediately prior to that fiscal year.

8) Other

The risk of foreign exchange fluctuations and the risk of interest rate fluctuations are hedged.

(Issuance of bonds)

In accordance with the resolution of the Board of Directors made on March 30, 2017, the Company issued unsecured straight bonds whose payment date is April 26, 2017 under the following terms and conditions.

1) Terumo Corporation Series 8 Unsecured Straight Bonds (with inter-bond pari passu clause) (3-year bonds)

i) Total amount of issue:	10,000,200,000 yen
ii) Issue price:	100.002 yen per face value 100 yen
iii) Interest rate:	0.001% per annum
iv) Payment date:	April 26, 2017
v) Maturity date:	April 24, 2020
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 by May 31, 2017

2) Terumo Corporation Series 9 Unsecured Straight Bonds (with inter-bond pari passu clause) (10-year bonds)

i) Total amount of issue:	10,000,000,000 yen
ii) Issue price:	100 yen per face value 100 yen
iii) Interest rate:	0.255% per annum
iv) Payment date:	April 26, 2017
v) Maturity date:	April 26, 2027
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 by May 31, 2017

10. Notes on Business Combinations

(Business combination through acquisition)

1) Acquisition of stock of Sequent Medical, Inc., a US-based company (made it a subsidiary of Terumo)

(1) Overview of the business combination

i) Name of the acquired company and its business

Name of the acquired company: Sequent Medical, Inc.

Business: Development, manufacture, and sale of aneurysm embolization devices

ii) Reasons for the business combination

As a new growth strategy for the future, Terumo is seeking to expand its global presence in a business field where it can expect to achieve growth and strengthen its competitiveness. Neurovascular treatment is a key area along with catheter treatment and this acquisition will accelerate the growth of the Terumo Group.

iii) Date of the business combination

July 14, 2016

iv) Legal form of the merger

Stock acquisition with cash as consideration

v) Name of the company after the business combination

No change of the name

vi) Percentage of voting rights acquired by Terumo

100%

vii) Primary reason for determining that Terumo is the acquiring company

The Company acquired the stock of Sequent Medical, Inc. with cash as consideration.

(2) Period of the acquired company's financial results included in the consolidated financial statements

From July 14, 2016 to March 31, 2017

(3) Acquisition cost and breakdown of consideration

Consideration for the acquisition:	(Note) Cash:	36,973 million yen
Acquisition cost		36,973 million yen

Note: The consideration for the acquisition includes a conditional consideration (at fair value) of 7,811 million yen. Moreover, the above conditional consideration is recognized based on the Generally Accepted Accounting Principles of the United States (US GAAP).

(4) Principal expenses related to the acquisition and their amounts

Advisory expenses etc.: 332 million yen

(5) Amount and cause of the resulting goodwill and the applicable amortization method and period

i) Amount of goodwill

20,750 million yen

ii) Causes of goodwill

Goodwill arose from expected excess earning power in the future due to business development.

iii) Amortization method and period

To be amortized by the straight-line method over 20 years

(6) Amounts of assets acquired and liabilities assumed on the business combination date and their breakdown

(Millions of yen)

Current assets	4,060
Noncurrent assets	18,778
Total assets	22,838
Current liabilities	1,832
Noncurrent liabilities	4,783
Total liabilities	6,615

(7) The contents of the conditional consideration specified in the business combination agreement and the accounting policy for their future treatment

i) Contents of the conditional consideration

Terumo is to pay additional consideration according to the achievements of specific milestones following the business combination.

ii) The objective of the accounting process going forward

The variable portion of the above-mentioned conditional consideration is recognized based on the US GAAP.

(8) Monetary amounts distributed to intangible assets other than goodwill, breakdown by their principal classification, and amortization period

Classification	Amount (Millions of yen)	Amortization period
Developed technology	10,206	20 years
In-process research and development	7,717	20 years

(9) The approximate amount of the impact on the consolidated statement of income for the fiscal year ended March 31, 2017 based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2017 and the calculation method

Descriptions are omitted because the amount of the impact is insignificant.

2) Acquisition through transfer of St. Jude Medical, Inc.'s vascular closure devices business and acquisition of the stock of Kalila Medical, Inc. (a subsidiary of Abbott Laboratories)(made them subsidiaries of Terumo)

(1) Overview of the business combination

i) Name of the counterparty for business transfer and name of the acquired company and its business

Name of the counterparty for business transfer business acquisition: St. Jude Medical, Inc.

Name of the acquired company: Kalila Medical, Inc.

Business: Business related to the Angio-Seal and FemoSeal femoral artery closure devices*1 and the Vado catheter introducer kit for use in the heart

*1 Femoral artery closure devices: Devices for catheter procedures in the leg that stop bleeding at the site where the catheter is inserted upon the conclusion of the operation. Compared to simply applying pressure with a finger, these devices are expected to reduce the risk of bleeding at the puncture site, which is a complication of catheterization procedures.

ii) Reasons for the business combination

Terumo develops a range of vascular access devices, such as introducer sheaths and guide wires, and has a large share of the global market. As a result of this acquisition, Terumo acquired Angio-Seal, a leading vascular closure device, thus creating a stream of vascular access devices*2 extending from centesis*3 to hemostasis. Terumo expects that the acquisition will enhance its presence in the United States, which is the largest market for medical devices.

Terumo plans to maximize the value of the acquired business by capitalizing on its good fit with its existing business and will contribute to the spread of safe and efficient catheterization procedures.

*2 Vascular access devices: products such as introducer sheaths, which make an entry to insert a catheter into a blood vessel, guide wires, which make a path to the lesioned area, and devices to stop bleeding at the end of surgery. These medical products are invariably used in catheter procedures.

*3 Centesis: puncturing a vein when making an entry for the purpose of inserting a catheter.

iii) Date of the business combination

January 20, 2017

iv) Legal form of the merger

Business transfer and stock acquisition with cash as consideration

v) Name of the company after the business combination

No change of the name

vi) Percentage of voting rights acquired by Terumo

100% of Kalila Medical, Inc.

vii) Primary reason for determining that Terumo is the acquiring company

The Company acquired the business and stock with cash as compensation.

(2) Period of the acquired business's financial results included in the consolidated financial statements

From January 20, 2016 to March 31, 2017

(3) Acquisition cost and breakdown of consideration

Consideration for the acquisition:	Cash:	130,061 million yen
Acquisition cost		130,061 million yen

Note: The consideration for the acquisition includes a conditional consideration (at fair value) of 1,093 million yen. Moreover, the above conditional consideration is recognized based on the Generally Accepted Accounting Principles of the United States (US GAAP).

(4) Principal expenses related to the acquisition and their amounts

Advisory expenses: 1,620 million yen

(5) Amount and cause of the resulting goodwill and the applicable amortization method and period

i) Amount of goodwill

50,476 million yen

ii) Causes of goodwill

Goodwill arose from expected excess earning power in the future due to business development.

iii) Amortization method and period

To be amortized by the straight-line method over 20 years

(6) Amounts of assets acquired and liabilities assumed on the business combination date and their breakdown

(Millions of yen)

Current assets	2,706
Noncurrent assets	77,759
Total assets	80,466
Current liabilities	116
Noncurrent liabilities	765
Total liabilities	881

(7) The contents of the conditional consideration specified in the business combination agreement and the accounting policy for their future treatment

i) Contents of the conditional consideration

Terumo is to pay additional consideration according to the achievement of specific milestones following the business combination.

ii) The objective of the accounting process going forward

The variable portion of the above-mentioned conditional consideration is recognized based on the US GAAP.

(8) Monetary amounts distributed to intangible assets other than goodwill, breakdown by their principal classification, and amortization period

Classification	Amount (Millions of yen)	Amortization period
Developed technology	74,495	14 years
Customer relationships	1,061	10 years
Trademark right	1,612	18 years

(9) Allocation of acquisition cost

At March 31, 2017, fair values of assets and liabilities were under review and allocation of the acquisition cost was not completed. Therefore, provisional accounting treatment was carried out based on the reasonable information available at that time.

(10) The approximate amount of the impact on the consolidated statement of income for the fiscal year ended March 31, 2017 based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2017 and the calculation method

Net sales: 21,899 million yen

Operating income: 532 million yen

(Method of calculation of the approximate amount)

The approximate amount of the impact is calculated as the difference between the sales and profit or loss amounts calculated based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2017 and the sales and profit or loss amounts on the consolidated statement of income of Terumo.

Audit verification is not received for this note.

3) Acquisition of Bolton Medical, Inc. and two other companies (made them subsidiaries of Terumo) and acquisition of a related business

(1) Overview of the business combination

i) Name of the acquired companies and their business

Name of the acquired company: Bolton Medical, Inc. and two other companies, and related assets
Business: Manufacturing and sales of stent grafts used in the treatment of aortic aneurysms

ii) Reasons for the business combination

Terumo manufactures and sells artificial blood vessels and stent grafts, which are devices for treating aortic aneurysms. Terumo has acquired the stocks of the above-mentioned companies and related assets in order to expand its stent graft product lineup and gain the opportunity to enter the American market, the largest market for blood-vessel-related medical treatments, to achieve further growth of the business.

iii) Date of the business combination

March 31, 2017

iv) Legal form of the merger

Stock acquisition and business transfer with cash as consideration

v) Name of the company after the business combination

No change of the name

vi) Percentage of voting rights acquired by Terumo

100% of Bolton Medical, Inc. and two other companies

vii) Primary reason for determining that Terumo is the acquiring company

The Company acquired the stocks with cash as compensation.

(2) Period of the acquired companies' financial results included in the consolidated statement of income

Only the balance sheets of the acquired companies are consolidated for the fiscal year ended March 31, 2017. Financial results of the acquired companies are not reflected in the consolidated statement of income.

(3) Acquisition cost and breakdown of consideration

Consideration for the acquisition:	Cash:	18,990 million yen
Acquisition cost		18,990 million yen

Note: The above acquisition cost is a provisional amount. The actual amount may be different from the above due to price adjustment etc.

(4) Principal expenses related to the acquisition and their amounts

Advisory expenses: 479 million yen

(5) Amount and cause of the resulting goodwill and the applicable amortization method and period

i) Amount of goodwill

14,371 million yen

Identification of identifiable assets and liabilities and estimation of fair values at the date of business combination have not been completed yet because the period of time from the date of business combination to the financial closing date was short.

Therefore, allocation of the acquisition cost is not completed and thus the above amount is a provisional amount.

ii) Causes of goodwill

Goodwill arose from expected excess earning power in the future due to business development.

iii) Amortization method and period

To be amortized by the straight-line method over the estimated benefit period. The amortization period is to be determined in view of the result of the allocation of acquisition cost.

(6) Amounts of assets acquired and liabilities assumed on the business combination date and their breakdown

(Millions of yen)

Current assets	4,411
Noncurrent assets	4,525
Total assets	8,936
Current liabilities	2,509
Noncurrent liabilities	1,808
Total liabilities	4,318

(7) Allocation of acquisition cost

At March 31, 2017, fair values of assets and liabilities were under review and allocation of the acquisition cost was not completed. Therefore, provisional accounting treatment was carried out based on the reasonable information available at that time.

(8) The approximate amount of the impact on the consolidated statement of income for the fiscal year ended March 31, 2017 based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2017 and the calculation method

Descriptions are omitted because the amount of the impact is difficult to calculate reasonably.

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).

Goodwill is amortized by the straight-line method over 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 (10 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. Interest rate and currency swaps that meet certain criteria are accounted for by the integrated accounting treatment (designated treatment and special accounting treatment).

ii) Hedging instruments and hedged items

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

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 that meet the criteria for accounting by the special method and interest rate and currency swaps that meet the criteria for accounting by the integrated accounting treatment, assessment of hedge effectiveness is omitted.

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: 214,769 million yen

(2) Guarantee obligations

Guarantee obligations for subsidiaries' borrowings from financial institutions

Terumo BCT Holding Corporation:	18,808 million yen

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

Vascutek Limited:	121 million yen

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

Short-term monetary receivables:	50,958 million yen
Long-term monetary receivables:	35,676 million yen
Short-term monetary obligations:	49,461 million yen

3. Notes to the Non-consolidated Statement of Income

(1) Amount of transactions with subsidiaries and affiliates

Amount of business transactions	
Sales:	101,390 million yen
Purchase:	44,707 million yen
Other:	2,228 million yen
Amount of transactions other than business transactions:	20,775 million yen

(2) Gain on sales of investment securities

Of the gain on sales of investment securities, 15,791 million yen was attributable to the sale of shares of Olympus Corporation held by the Company.

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	16,790	11,001	10	27,781
Total	16,790	11,001	10	27,781

(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: 11,000 thousand shares

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

Decrease due to exercise of stock options: 10 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	2,691
Research and development expenses	1,600
Provision for bonuses	1,818
Accounts payable-other and accrued expenses	1,427
Impairment loss	1,100
Loss on valuation of investment securities	750
Shares of subsidiaries and associates	2,727
Other	3,050
Total deferred tax assets	15,167
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	(1,479)
Cost difference	(146)
Valuation difference on available-for-sale securities	(436)
Reserve for advanced depreciation	(287)
Other	(189)
Total deferred tax liabilities	(2,538)
Net deferred tax assets	12,629

(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	30.9
(Adjustment)	
Permanent difference-expenses (entertainment expenses etc.)	0.4
Permanent differences-income (dividend income etc.)	(6.8)
Tax credit for research and development	(2.5)
Increase (decrease) of valuation allowance	(7.1)
Other	(0.2)
Actual effective tax rate after application of deferred tax accounting	14.7

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	26,729	Accounts receivable-trade	13,667
				Borrowing of funds	316	Short-term loans payable	10,629
				Repayment of loans	3,144		
Subsidiary	Terumo Medical Corporation	100% indirectly owned by the Company	Interlocking directorate Sales of the Company's products	Sales of the Company's products	25,368	Accounts receivable - trade	2,405
Subsidiary	Terumo Americas Holding, Inc.	100% directly owned by the Company	Interlocking directorate	Subscription to new shares	68,826	—	—
Subsidiary	MicroVention, Inc.	100% indirectly owned by the Company	Interlocking directorate Lending	Lending of funds	7,527	Short-term loans receivable	546
						Long-term loans receivable from subsidiaries and affiliates	10,055
Subsidiary	Terumo BCT Holding Corp.	100% indirectly owned by the Company	Interlocking directorate	Debt guarantee	18,808	—	—
Subsidiary	Terumo BCT Vietnam Co., Ltd.	100% directly owned by the Company	Interlocking directorate Lending	Lending of funds	—	Short-term loans receivable	1,121
						Long-term loans receivable from subsidiaries and affiliates	6,215

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 Yamaguchi Corporation	100% directly owned by the Company	Interlocking directorate Lending	Collection of funds	1,540	Short-term loans receivable	7,315
						Long-term loans receivable from subsidiaries and affiliates	8,007
Subsidiary	Terumo Yamaguchi D&D Corporation	100% indirectly owned by the Company	Interlocking directorate Lending	Collection of funds	92	Short-term loans receivable	2,645
						Long-term loans receivable from subsidiaries and affiliates	7,593
Subsidiary	Terumo Capital Management Pte. Ltd.	100% directly owned by the Company	Interlocking directorate Borrowing	Borrowing of funds	11,416	Short-term loans payable	11,679
				Subscription to new shares	11,332	—	—
Subsidiary	Terumo Puerto Rico L.L.C.	100% directly owned by the Company	Interlocking directorate	Subscription to new shares	104,677	—	—

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. Transaction amounts do not include foreign currency translation gains or losses. Year-end balances include foreign currency translation gains or losses.
4. Interest rates of loans payable are determined reasonably, taking into consideration market interest rates.
5. Interest rates of loans receivable are determined reasonably, taking into consideration market interest rates.
6. Terumo subscribed to new shares issued by subsidiaries.
7. 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:	1,306.38 yen
(2) Net income per share:	181.63 yen

8. Notes to Significant Subsequent Events

Descriptions are omitted because the notes would be the same as “9. Notes to Significant Subsequent Events” in Notes to Consolidated Financial Statements.