TERUMO®

Financial Information 2013

Annual Report 2013

Consolidated Balance Sheets

Terumo Corporation and subsidiaries
March 31, 2013 and 2012

Assets	Millions of yen 2013	2012
Current Assets:		
Cash and deposits (Notes 2 and 17)	**¥ 78,201**	¥ 78,767
Notes and accounts receivable—trade (Note 17)		
Notes	**1,111**	1,089
Accounts	**93,897**	90,711
	95,008	91,800
Less: allowance for doubtful accounts	**(1,220)**	(1,240)
Notes and accounts receivable—trade, net	**93,788**	90,560
Inventories (Note 3)	**85,180**	69,281
Deferred tax assets (Note 8)	**11,258**	9,708
Other current assets (Note 22)	**18,528**	8,552
Total current assets	**286,955**	256,868
Property, Plant and Equipment:		
Land	**21,827**	21,298
Buildings and structures	**136,828**	129,841
Machinery, equipment and vehicles	**236,217**	215,720
Lease assets (Note 16)	**1,611**	2,490
Construction in progress	**17,794**	15,244
	414,277	384,593
Less: accumulated depreciation	**(269,452)**	(252,838)
Net property, plant and equipment	**144,825**	131,755
Investments and Other Assets:		
Investment securities, including investment securities of unconsolidated subsidiaries and affiliates (Notes 4 and 17)	**30,305**	20,387
Goodwill	**149,322**	138,809
Customer relationships (Note 13)	**90,707**	83,759
Deferred tax assets (Note 8)	**5,154**	6,997
Other assets (Note 7)	**63,764**	53,945
Total investments and other assets	**339,252**	303,897
Total Assets	**¥ 771,032**	¥ 692,520

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen	
	2013	2012
Current Liabilities:		
Short-term debt (Notes 5 and 17)	¥ 18,046	¥ 60,000
Current portion of long-term debt (Notes 5 and 17)	3,762	—
Notes and accounts payable—trade (Notes 17 and 22)		
Notes	1,821	1,700
Accounts	35,694	32,221
Total notes and accounts payable—trade	37,515	33,921
Lease obligations	277	423
Income taxes payable (Note 8)	2,609	11,840
Accrued expenses	25,802	20,665
Asset retirement obligations (Note 19)	420	840
Other current liabilities (Notes 8, 17, 18 and 22)	27,413	30,309
Total current liabilities	115,844	157,998
Noncurrent Liabilities:		
Bonds payable (Notes 6 and 17)	80,000	80,000
Long-term debt (Notes 5 and 17)	78,712	50,000
Lease obligations	439	1,000
Provision for retirement benefits (Note 7)	1,248	1,538
Provision for directors' retirement benefits	199	202
Asset retirement obligations (Note 19)	156	154
Deferred tax liabilities (Note 8)	49,659	44,737
Other noncurrent liabilities	6,866	4,354
Total noncurrent liabilities	217,279	181,985
Total liabilities	333,123	339,983
Contingencies (Note 20)		
Net Assets (Note 15)**:**		
Capital stock		
Authorized 840,000,000 shares in 2013 and 2012:		
issued 189,880,260 shares in 2013 and 2012	38,716	38,716
Capital surplus	52,104	52,104
Retained earnings	329,189	290,529
Less: treasury stock, at cost (Note 14)	(9)	(4)
Total shareholders' equity	420,000	381,345
Valuation difference on available-for-sale securities	7,458	(52)
Deferred gains or losses on hedges	—	2
Foreign currency translation adjustments	10,099	(29,023)
Total accumulated other comprehensive income	17,557	(29,073)
Minority interests	352	265
Total net assets	437,909	352,537
Total Liabilities and Net Assets	¥771,032	¥692,520

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Terumo Corporation and subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Net Sales (Note 22)	¥402,294	¥386,686
Cost of Sales (Note 22)	196,606	182,047
Gross profit	205,688	204,639
Selling, General and Administrative Expenses (Notes 9, 10 and 22)	152,472	141,590
Operating income	53,216	63,049
Other Income (Expenses):		
Interest and dividends income	592	684
Royalty income	124	149
Equity in earnings of affiliates	177	57
Gain on sales of property, plant and equipment (Note 11)	78	224
Reversal of loss on natural disaster	—	156
Gain on transfer of businesses	892	—
Subsidy income	876	295
Interest expense	(1,304)	(738)
Foreign exchange gains (losses)	1,258	(990)
Loss on disposal of inventories	(678)	(1,729)
Impairment loss (Note 13)	—	(221)
Loss on disposal of property, plant and equipment (Note 12)	(543)	(240)
Loss on sales of investment securities (Note 4)	—	(1,562)
Loss on valuation of investment securities (Note 4)	—	(7,754)
Loss on sales of golf club memberships	—	(5)
Loss on valuation of golf club memberships	(3)	—
Environmental expenses	(391)	(407)
Other, net (Note 22)	(2,009)	(1,318)
	(931)	(13,399)
Income before income taxes and minority interests	52,285	49,650
Income Taxes (Note 8):		
Current	7,179	24,929
Deferred	(1,961)	496
	5,218	25,425
Income before minority interests	47,067	24,225
Minority Interests in Income	53	58
Net income	¥ 47,014	¥ 24,167

	Yen	
Net Income per Common Stock:		
Basic	¥ 247.60	¥ 127.28
Cash Dividends per Common Stock	44.00	39.00

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Terumo Corporation and subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Income before Minority Interests	**¥47,067**	¥24,225
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	**7,510**	1,868
Deferred gains or losses on hedges	**(2)**	(3,610)
Foreign currency translation adjustments	**39,157**	1,253
Share of other comprehensive income of associates accounted for using equity method	**3**	2
Total other comprehensive income (Note 24)	**46,668**	(487)
Comprehensive Income	**¥93,735**	¥23,738

	Millions of yen	
Attributable to:		
Shareholders of Terumo Corporation	**¥93,648**	¥23,727
Minority interests	**87**	11

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Terumo Corporation and subsidiaries
Years ended March 31, 2013 and 2012

	Thousands	Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2011	189,881	¥38,716	¥59,031	¥342,966	¥(76,880)	¥(1,920)	¥ 3,612	¥(30,322)	¥254	¥335,457
Dividends from surplus				(6,646)						(6,646)
Net income				24,167						24,167
Purchase of treasury stock	(2)				(9)					(9)
Retirement of treasury stock			(6,927)	(69,958)	76,885					—
Net changes of items other than shareholders' equity						1,868	(3,610)	1,299	11	(432)
Balance at March 31, 2012	189,879	38,716	52,104	290,529	(4)	(52)	2	(29,023)	265	352,537
Dividends from surplus				**(8,354)**						**(8,354)**
Net income				**47,014**						**47,014**
Purchase of treasury stock	**(1)**				**(5)**					**(5)**
Net changes of items other than shareholders' equity						**7,510**	**(2)**	**39,122**	**87**	**46,717**
Balance at March 31, 2013	**189,878**	**¥38,716**	**¥52,104**	**¥329,189**	**¥ (9)**	**¥ 7,458**	**—**	**¥ 10,099**	**¥352**	**¥437,909**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Terumo Corporation and subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	¥ 52,285	¥ 49,650
Depreciation and amortization	24,603	21,259
Impairment loss	—	221
Amortization of goodwill	7,952	7,576
Equity in losses (earnings) of affiliates	(177)	(57)
Increase (decrease) in provision for retirement benefits	(535)	144
Increase (decrease) in provision for directors' retirement benefits	(3)	(384)
Increase (decrease) in allowance for doubtful accounts	(96)	522
Increase (decrease) in provision for directors' bonuses	(18)	(17)
Interest and dividends income	(592)	(684)
Interest expense	1,304	738
Foreign exchange losses (gains)	(2,977)	712
Reversal of loss on natural disaster	—	(156)
Subsidy income	(876)	(295)
Gain on transfer of businesses	(892)	—
Loss (gain) on disposal of property, plant and equipment	543	240
Loss (gain) on sales of property, plant and equipment	(78)	(224)
Loss (gain) on sales of investment securities	—	1,562
Loss (gain) on valuation of investment securities	—	7,754
Loss on sales of golf club membership	—	5
Loss on valuation of golf club memberships	3	—
Environmental expenses	391	407
Decrease (increase) in notes and accounts receivable—trade	986	(8,961)
Decrease (increase) in inventories	(10,590)	(7,370)
Increase (decrease) in notes and accounts payable—trade	3,925	289
Other, net	(79)	4,338
Subtotal	75,079	77,269
Interest and dividends income received	842	909
Interest expenses paid	(1,330)	(675)
Income taxes paid	(24,322)	(20,214)
Settlement paid	—	(1,384)
Proceed from subsidy	1	295
Net cash provided by (used in) operating activities	50,270	56,200
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(561)	(6,263)
Proceeds from withdrawal of time deposits	2,803	2,597
Purchase of property, plant and equipment	(25,715)	(21,132)
Proceeds from sales of property, plant and equipment	322	296
Purchase of intangible assets	(6,759)	(3,133)
Payment for settlement of asset retirement obligations	(420)	(560)
Purchase of investment securities	(1,074)	(4)
Proceeds from sales of investment securities	—	1,146
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(956)	(220,078)
Proceeds from transfer of businesses	1,373	—
Other, net	(307)	(51)
Net cash provided by (used in) investing activities	(31,294)	(247,182)
Net Cash Provided by (Used in) Financing Activities		
Proceeds from short-term debt	1,264	—
Repayments on short-term debt	(1,279)	—
Net increase (decrease) in short-term debt	(42,000)	60,000
Repayments of finance lease obligations	(579)	(363)
Proceeds from long-term debt	28,613	50,000
Proceeds from issuance of bonds	—	80,000
Purchase of treasury stock	(5)	(9)
Cash dividends paid	(8,354)	(6,646)
Net cash provided by (used in) financing activities	(22,340)	182,982
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,736	(867)
Net Increase (Decrease) in Cash and Cash Equivalents	1,372	(8,867)
Cash and Cash Equivalents at Beginning of the Year	73,794	82,661
Cash and Cash Equivalents at End of the Year (Note 2)	¥ 75,166	¥ 73,794

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

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

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

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries, except for an immaterial subsidiary. All significant intercompany balances, transactions and unrealized profits have been eliminated in consolidation. Investments in affiliated companies with 20% to 50% ownership and the immaterial subsidiary not consolidated are stated at their underlying net equity value.

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

(c) Foreign Currency Translation

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

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

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

(d) Cash and Cash Equivalents

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

(e) Investments

The accounting standard for financial instruments requires the Company to classify its securities into one of the following four categories: trading, held-to-maturity, available-for-sale securities or securities of unconsolidated subsidiaries and affiliates. Based on the classification, all securities are classified as either available-for-sale securities or securities of unconsolidated subsidiaries or affiliates and included in investment securities.

To comply with the accounting standard for financial instruments, available-for-sale securities with a market value are carried at market value. The difference, net of tax, between the acquisition cost and the carrying value of available-for-sale securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in a separate component of net assets. Available-for-sale securities without a market value are principally carried at cost. The cost of available-for sale securities sold is principally computed based on the moving average method.

(f) Inventories

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

(g) Property, Plant and Equipment

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

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

(Change in the method of computing depreciation of property, plant and equipment)
Depreciation of property, plant and equipment of the Company and its domestic subsidiaries had been computed by the declining-balance method (except for buildings excluding accompanying fixtures acquired on or after April 1, 1998 and leased assets to which the straight-line method is applied); however, effective from the year ended March 31, 2012, the straight-line method is applied to all property, plant and equipment.

Since the year ended March 31, 2010, the Company has been making significant new capital investments in the Ashitaka Factory, the Fujinomiya Factory and the Kofu Factory. The investments mainly consist of a new building and production machinery and equipment for the Ashitaka Factory, a new building and production machinery and equipment for the Fujinomiya Factory, and production machinery and equipment and expansion of the related fixtures accompanying the building for the Kofu Factory.

These new production machinery and equipment have gradually been placed into operations since the year ended March 31, 2010, and started full-scale operations from the year ended March 31, 2012. Accordingly, the Company reevaluated the method of computing depreciation, as the operations of new production machinery and equipment, in the year ended March 31, 2012 began to have a large impact. The Company reviewed the historical trend of manufacturing outputs of products similar to those planned to be manufactured in the new facilities and assessed the production forecast in the future.

As a result, the Company confirmed that the past production outputs of similar products were stable for a long period and the future outputs of new products are expected to steadily increase.

On the other hand, the Company also reviewed the total output from the existing production facilities per factory, as well as the historical trend of the cost of repairs, and assessed the future forecast. As a result, the Company confirmed that the total manufacturing outputs are expected to be stable for a long period and the cost of repair on the production facilities will incur evenly for a long period.

Additionally, the straight-line method is adopted by all overseas manufacturing subsidiaries of the Company, and due to the acquisition of CaridianBCT Holding Corp. on April 2011, the importance of overseas production facilities has increased in the year ended March 31, 2012. In light of the said situation, from the year ended March 31, 2012, in order to better reflect the actual usage of property, plant and equipment of the Company and its subsidiaries, it was determined that it is more appropriate to apply the straight-line method to production machinery and equipment, and buildings, accompanying fixtures and structures used as manufacturing sites of the Company.

Furthermore, due to their quantitative insignificance, it was also decided to apply the straight-line depreciation method to production machinery and equipment of the Company's domestic subsidiaries, and other property, plant and equipment of the Company unrelated to manufacturing, which had been depreciated using the declining-balance method.

As a result, gross profit increased by ¥3,418 million and operating income and income before income taxes and minority interests increased by ¥4,247 million for the year ended March 31, 2012, as compared to the amounts that would have been reported without the change in the method of computing depreciation.

The effects on segment information are described in Note 21.

(h) Allowance for Doubtful Accounts

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

(i) Goodwill

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

(j) Intangible Assets

Intangible assets are amortized on a straight-line basis.

Customer relationships is mainly amortized over 20 years which is the estimated useful life.

(k) Income Taxes

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

(l) Retirement Benefits

The Company and certain subsidiaries have contributory and noncontributory defined benefit plans for employees that provide for pension or lump-sum benefit payments. The provision for retirement benefits for employees is provided based on the projected retirement benefit obligation and plan assets at fair value.

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

(m) Leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated over lease terms, as applicable. However, the Company and domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of leased assets to the lessee as operating leases with disclosure of certain "as if capitalized" information.

(n) Derivatives and Hedge Accounting

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

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

Derivatives are stated at fair value.

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

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

(o) Appropriation of Retained Earnings

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

(p) Consumption Taxes

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

(q) Net Income and Cash Dividends per Common Stock

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

Diluted net income per common stock for the years ended March 31, 2013 and 2012 is not presented since the Company had no securities with dilutive effect to net income per share.

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

(r) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(s) Reclassification

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

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

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

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Accounting for net income attributable to minority interests

(u) Accounting Periods of Consolidated Subsidiaries

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

(v) Accounting Standards for Accounting Changes and Error Corrections

Effective from April 1, 2011, the Company and its domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Statement No. 24) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No. 24).

(w) New Accounting Pronouncements

On May 17, 2012, the Accounting Standard Board of Japan (ASBJ) issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which amend certain aspects of the current accounting standard for retirement benefits.

(i) Treatment in the balance sheet
Under the amended rule, unrecognized actuarial gains and losses and past service costs would be recognized within accumulated other comprehensive income as part of net assets, after adjusting for tax effects, and the funded status of the plan would be recorded as a liability or asset without any adjustments.

(ii) Treatment in the statement of income and the statement of comprehensive income
The amended rule would not change how to recognize

actuarial gains and losses and past service costs in profit or loss. However, actuarial gains and losses and past service costs that arose in the current year but yet to be recognized in profit or loss shall be included in other comprehensive income, and then actuarial gains and losses and past service costs to be recognized in current-year profit or loss would be reclassified from accumulated other comprehensive income.

This accounting standard and the guidance will be effective for the end of annual periods beginning on or after April 1, 2013. The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2. CASH FLOW INFORMATION

The reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Cash and deposits	**¥78,201**	¥78,767
Time deposits with maturities exceeding 3 months	**(3,035)**	(4,973)
Cash and cash equivalents	**¥75,166**	¥73,794

In the year ended March 31, 2013, the Company's subsidiary acquired 100% of outstanding shares of Medservice Sp.z.o.o. The acquisition was accounted for under the purchase method.

A breakdown of assets and liabilities of the newly consolidated subsidiary for the year ended March 31, 2013 at the date of initial consolidation, was as follows:

Medservice Sp.z.o.o.

	Millions of yen
	2013
Current assets	**¥ 697**
Noncurrent asset	**130**
Goodwill	**768**
Current liabilities	**(615)**
Noncurrent liabilities	**(24)**
Acquisition cost	**956**
Cash and cash equivalents of the subsidiary	**0**
Net cash payments for acquisition of the subsidiary	**¥ 956**

In the year ended March 31, 2013, the Company transferred its domiciliary oxygen system business and domiciliary infusion pump business. A breakdown of assets and liabilities of those businesses at the time of transfer for the year ended March 31, 2013, was as follows:

	Millions of yen
	2013
Current assets	**¥1,992**
Noncurrent assets	**170**
Total Assets	**2,162**
Current liabilities	**(1,010)**
Noncurrent liabilities	**(170)**
Total liabilities	**(1,180)**
Gain on transfer of businesses	**892**
Considerations received	**1,874**
Cash and cash equivalents of the transferred businesses	**(501)**
Net cash proceeds from transfer of businesses	**¥1,373**

In the year ended March 31, 2012, the Company acquired 100% of outstanding shares of CaridianBCT Holding Corp., Harvest Technologies Corp. and Onset Medical Corp. The acquisitions were accounted for under the purchase method.

A breakdown of assets and liabilities of the newly consolidated subsidiaries for the year ended March 31, 2012 at the date of initial consolidation, was as follows:

i) CaridianBCT Holding Corp.

	Millions of yen
	2012
Current assets	¥ 18,488
Noncurrent assets	138,277
Goodwill	124,427
Current liabilities	(8,602)
Noncurrent liabilities	(47,582)
Foreign currency translation adjustment	(6,900)
Acquisition cost of the subsidiary	218,108
Cash and cash equivalents of the subsidiary	(4,792)
Payment in previous year	(183)
Net: Payments for acquisition of the subsidiary	¥213,133

ii) Harvest Technologies Corp.

	Millions of yen
	2012
Current assets	¥ 692
Noncurrent assets	6,188
Goodwill	3,341
Current liabilities	(628)
Noncurrent liabilities	(3,744)
Acquisition cost of the subsidiary	5,849
Cash and cash equivalents of the subsidiary	(63)
Net: Payments for acquisition of the subsidiary	¥ 5,786

iii) Onset Medical Corp.

	Millions of yen
	2012
Current assets	¥ 85
Noncurrent assets	621
Goodwill	663
Current liabilities	(32)
Noncurrent liabilities	(175)
Acquisition cost of the subsidiary	1,162
Cash and cash equivalents of the subsidiary	(3)
Net: Payments for acquisition of the subsidiary	¥1,159

3. INVENTORIES

Inventories at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen	
	2013	2012
Merchandise and finished goods	**¥54,346**	¥44,045
Work in process	**9,265**	6,629
Raw materials and supplies	**21,569**	18,607
	¥85,180	¥69,281

4. INVESTMENT SECURITIES

Investment securities at March 31, 2013 and 2012 include available-for-sale securities.

The original cost, carrying amount (market value) and gross unrealized holding gain (loss) for marketable available-for-sale securities are summarized as follows:

	Millions of yen			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Gross amount (market value)
2013:				
Available-for-sale securities:				
Equity securities	**¥19,188**	**¥8,240**	**¥(710)**	**¥26,718**
Others	**—**	**—**	**—**	**—**
	¥19,188	**¥8,240**	**¥(710)**	**¥26,718**

	Millions of yen			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Gross amount (market value)
2012:				
Available-for-sale securities:				
Equity securities	¥19,186	¥2,471	¥(3,684)	¥17,973
Others	—	—	—	—
	¥19,186	¥2,471	¥(3,684)	¥17,973

Gross gain and loss on investment securities which were sold in the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		
	2013		
	Sales price	Gross gain	Gross loss
Equity securities	**¥—**	**¥—**	**¥—**
Others	**—**	**—**	**—**
	¥—	**¥—**	**¥—**

	Millions of yen		
	2012		
	Sales price	Gross gain	Gross loss
Equity securities	¥1,146	¥—	¥1,562
Others	—	—	—
	¥1,146	¥—	¥1,562

The balances of investment securities of unconsolidated subsidiaries and the affiliates at March 31, 2013 and 2012 were ¥3,390 million and ¥2,234 million, respectively.

The Company recognized a valuation loss on available-for-sale securities of ¥7,754 million in the year ended March 31, 2012.

The Company generally recognizes a full valuation loss on available-for-sale securities whose fair value at the end of the year are less than 50% of their original cost. For those available-for-sale securities whose fair value are more than 30% but less than 50% below their original costs, a valuation loss is recognized at the amount considered necessary taking into consideration future prospects of recovery in value.

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2013 was unsecured bank borrowings in the amount of ¥18,046 million. The weighted-average interest rates applicable to the bank borrowings was 0.3% at March 31, 2013.

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

In order to facilitate efficient working capital management, the Company maintains committed lines of credit with four banks. The amount of unused credit available for immediate borrowing under these lines as of March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Total amount of committed lines	**¥15,000**	¥15,000
Amount borrowed	**—**	—
Amount available for borrowing	**¥15,000**	¥15,000

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen	
	2013	2012
Unsecured loans, principally from banks:		
Due 2014, weighted-average interest rate of 1.86%	**¥ 3,762**	¥ —
Due 2015 to 2019, weighted-average interest rate of 1.09%	**78,712**	50,000
Total long-term debt	**¥82,474**	¥50,000

The aggregate of annual maturities of long-term debt at March 31, 2013 are as follows:

	Millions of yen
2014	**¥ 3,762**
2015	**4,250**
2016	**4,241**
2017	**17,054**
2018 and thereafter	**53,167**
	¥82,474

6. BONDS PAYABLE

The Company has issued the following bonds:

					Millions of yen	
	Issuance date	Interest rate	Security	Maturity date	2013	2012
3rd series unsecured straight bonds	March 2, 2012	0.4%	Unsecured	March 2, 2015	¥40,000	¥40,000
4th series unsecured straight bonds	March 2, 2012	0.5%	Unsecured	March 2, 2017	¥40,000	¥40,000

The aggregate of annual maturities of bonds payable at March 31, 2013 are as follows:

	Millions of yen
2014	**¥ —**
2015	**40,000**
2016	**—**
2017	**40,000**
2018 and thereafter	**—**
	¥80,000

7. RETIREMENT BENEFITS

The Company and certain subsidiaries have defined benefit pension plans.

The plan's funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Employee retirement benefits:		
Projected benefit obligation	**¥(85,362)**	¥(72,344)
Plan assets at fair value	**62,614**	52,826
Retirement benefit trust at fair value	**8,865**	7,657
Projected benefit obligation in excess of plan assets	**(13,883)**	(11,861)
Unrecognized actuarial loss	**16,116**	15,367
Unrecognized prior service cost	**(2,680)**	(4,235)
Prepaid pension cost in other assets	**801**	809
Provision for retirement benefits	**¥ (1,248)**	¥ (1,538)

Retirement benefit expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen	
	2013	2012
Service cost for benefits earned, net of employee contributions	**¥ 2,818**	¥ 2,788
Interest cost on retirement benefit obligation	**1,721**	1,656
Expected return on plan assets	**(1,781)**	(1,735)
Amortization of unrecognized actuarial loss	**2,420**	2,825
Amortization of unrecognized prior service cost	**(1,554)**	(1,479)
Retirement benefit expenses	**¥ 3,624**	¥ 4,055

The Company has established a retirement benefit trust.

Several consolidated overseas subsidiaries have defined contribution plans, which provide retirement benefits for their employees who meet certain eligibility requirements. Expenses under the plans for the years ended March 31, 2013 and 2012 were ¥1,619 million and ¥1,259 million, respectively.

Service cost does not include the amounts contributed by employees with respect to welfare pension funds plans.

Actuarial assumptions and basis for the calculation of retirement benefits are as follows:

	2013
Method of the benefit attribution	**"Benefit/year-of-service" approach**
Discount rate	**Mainly 1.2%**
Expected rate of return on plan assets	**Mainly 2.5%**
Amortization period of unrecognized prior service cost	**Mainly 10 Years**
Amortization period of unrecognized actuarial gain or loss	**Mainly 10 Years**

	2012
Method of the benefit attribution	"Benefit/year-of-service" approach
Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.5%
Amortization period of unrecognized prior service cost	Mainly 10 Years
Amortization period of unrecognized actuarial gain or loss	Mainly 10 Years

8. INCOME TAXES

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax, which in the aggregate resulted in a statutory tax rate of 38.0% and 40.5% in the years ended March 31, 2013, and 2012, respectively.

A reconciliation between the Japanese statutory effective income tax rate and the effective income tax rate calculated as a percentage of income before income taxes and minority interests for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen	
	2013	2012
Japanese statutory effective income tax rate	**38.0%**	40.5%
Increase (reduction) in income taxes resulting from:		
Expenses not deductible for tax purposes	**1.1**	0.7
Dividends income, non-taxable	**(34.7)**	(0.2)
Income of foreign subsidiaries taxed at lower rate than Japanese normal tax rate	**(3.7)**	(3.8)
Amortization of goodwill	**5.7**	6.1
Transfer pricing adjustment	**—**	3.2
Changes in tax rates	**—**	1.6
Deferred tax effect on unrealized profit	**3.7**	—
Other	**(0.1)**	3.1
Effective income tax rate after adoption of tax-effect accounting	**10.0%**	51.2%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2013 and 2012 are presented below:

	Millions of yen	
	2013	2012
Deferred tax assets:		
Provision for retirement benefits	¥ 6,428	¥ 6,098
Research and development expenses	2,260	1,824
Unrealized profit in inventories and property, plant and equipment	1,141	2,252
Accrued expenses	4,762	5,181
Valuation difference on available-for-sale securities	—	1,162
Loss on valuation of investment securities	2,970	2,971
Inventories	1,005	979
Net operating loss carryforwards	3,380	672
Other	4,096	4,066
Total gross deferred tax assets	26,042	25,205
Less: valuation allowance	(4,792)	(3,982)
Net deferred tax assets	21,250	21,223
Deferred tax liabilities:		
Gain on contribution of securities to retirement benefit trust	(1,912)	(1,912)
Intangible assets	(48,956)	(44,749)
Other	(3,665)	(2,617)
Total gross deferred tax liabilities	(54,533)	(49,278)
Net deferred tax assets (liabilities)	¥(33,283)	¥(28,055)

Deferred tax liabilities-current included in "Other current liabilities" were ¥35 million and ¥23 million as of March 31, 2013 and 2012.

(Adjustment of deferred tax assets and liabilities for the enacted changes in tax laws and rates)
On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and further to 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥946 million as of March 31, 2012 and deferred tax expense recognized for the year ended March 31, 2012 increased by ¥787 million.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Promotion and advertising expenses	¥12,495	¥12,031
Salaries and allowances	53,206	48,611
Freight and packing expenses	10,177	10,039
Research and development expenses	27,129	24,322
Depreciation and amortization	18,258	17,444

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2013 and 2012 were ¥27,129 million and ¥24,322 million, respectively.

11. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

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

	Millions of yen	
	2013	2012
Machinery, equipment and vehicles	**¥35**	¥ 16
Land	**43**	208
	¥78	¥224

12. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

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

	Millions of yen	
	2013	2012
Buildings and structures	**¥222**	¥ 35
Machinery, equipment and vehicles	**321**	205
	¥543	¥240

13. IMPAIRMENT LOSS

In the year ended March 31, 2012, the Company and subsidiaries recognized ¥221 million of impairment loss on the following group of assets:

	Location	Classification
2012:	U.S.A.	Customer relationship

The Company and subsidiaries group their fixed assets by business groups for which its income and expenditures are continuously managed, such as General Hospital Business segment, Catheter and Cardiovascular Business segment, Blood Management Business segment and Home Healthcare Business segment. Idle assets and assets to be disposed of due to termination of some operations or business segments are relinquished, the assets are each grouped into an asset group.

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

In the year ended March 31, 2012, Terumo BCT, Inc. resolved the termination of Alliance Agreement with Beckman Coulter, Inc.. As a result, the company and subsidiaries recognized ¥221 million of impairment loss.

14. TREASURY STOCK

At March 31, 2013 and 2012, the Company holds 3 thousand and 1 thousand shares of the treasury stock for an aggregate cost of ¥9 million and ¥4 million, respectively.

The annual shareholders' meeting held on June 29, 2004 approved that, in accordance with Japanese Commercial Code Article 211-3, the Company changed the Article of Incorporation so that the Company may acquire its common stock to be held in treasury based on decision on Board of Directors.

15. NET ASSETS

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

Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting.

Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings which are potentially available for dividends.

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

Dividends applicable to the years ended March 31, 2013 and 2012 are as follows:

YEAR ENDED MARCH 31, 2013

Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 28, 2012	Common stock	4,177	22.00	March 31, 2012	June 29, 2012
Board of Directors meeting held on October 30, 2012	Common stock	4,177	22.00	September 30, 2012	December 7, 2012

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Funds of dividends	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 26, 2013	Common stock	4,177	Retained earnings	22.00	March 31, 2013	June 27, 2013

YEAR ENDED MARCH 31, 2012

Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 29, 2011	Common stock	3,418	18.00	March 31, 2011	June 30, 2011
Board of Directors meeting held on October 27, 2011	Common stock	3,228	17.00	September 30, 2011	December 7, 2011

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Funds of dividends	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 28, 2012	Common stock	4,177	Retained earnings	22.00	March 31, 2012	June 29, 2012

16. LEASES

The Company and its subsidiaries lease, primarily system server and network equipment under various lease arrangements. As described in "Summary of Significant Accounting Policies, (m) Leases," financing lease arrangements entered into prior to April 1, 2008 that did not transfer the ownership of leased property to the lessee are continued to be accounted for as if they were operating leases.

Proforma amounts of such financing leases accounted for as operating leases at March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Acquisition costs	¥79	¥ 430
Less: accumulated depreciation	74	(383)
Net book value	¥ 5	¥ 47

Acquisition costs include the interest component since the amount of future minimum lease payments as compared to the year-end balance of property, plant and equipment is not significant.

Future minimum payments required under such finance leases at March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Within one year	¥ 5	¥42
Over one year	—	5
	¥ 5	¥47

The lease expenses for such finance leases for the years ended March 31, 2013 and 2012 amounted to ¥48 million and ¥100 million, respectively.

The depreciation amount calculated by straight-line method over the lease terms without residual value were ¥48 million and ¥100 million, respectively, for the years ended March 31, 2013 and 2012.

Future lease payments include the interest component since the amount of future minimum lease payments as compared to the carrying amount of leased machinery and equipment is not significant.

The minimum rental commitments under noncancellable operating leases at March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Within one year	¥ 290	¥318
Over one year	730	580
	¥1,020	¥898

17. FINANCIAL INSTRUMENTS

1. Qualitative information on financial instruments

(A) POLICIES FOR USING FINANCIAL INSTRUMENTS

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

(B) DESCRIPTION OF FINANCIAL INSTRUMENTS USED AND THEIR EXPOSURES TO RISKS

Trade receivables, including notes and accounts receivable, are exposed to customer credit risk, and trade receivables in foreign currencies are also affected by foreign exchange rate fluctuations. The Company and subsidiaries utilize forward exchange contracts and foreign-currency denominated payables to hedge their exposures to foreign exchange fluctuations related to foreign-currency denominated trade receivables. Investment securities mainly consist of the shares of business partners held for business and capital alliances, and are exposed to the risk of stock price fluctuations. Short-term debt was issued to finance a part of acquisition funds of CaridianBCT Holding Corp. and long-term debt and bonds payable were issued to finance a part of acquisition funds of CaridianBCT Holding Corp. and capital expenditures in property, plant, and equipment. Long-term debt with variable interest rates is exposed to the risk of interest rate fluctuations, and interest rate swaps are used for certain long-term debt in order to hedge its risk. A part of long-term debt is denominated in foreign currencies, and is therefore exposed to a foreign currency rate fluctuation risk.

On the other hand, most trade payables, including notes and accounts payable, have a short maturity of one year or less. Though a portion of trade payables arising from imports of raw materials are denominated in foreign currencies, the amount of such foreign-currency denominated trade payables is within the balance of accounts receivable denominated in the same foreign currencies.

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

(C) POLICIES AND PROCEDURES FOR MANAGING THE RISKS

i. Management of Credit Risk

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

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

ii. Management of Market Risk

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

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

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

iii. Management of Funding and Liquidity Risk

The Accounting Department administers liquidity risk management by forecasting and updating the Company's cash flow plan according to reports from each Department in the Company.

(D) SUPPLEMENTAL INFORMATION ON FAIR VALUES

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

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

The notional amount of derivative transactions disclosed in Note 18 "Foreign Exchange Risk Management" itself does not reflect the impact of market risks the Company is exposed to.

2. Fair value of financial instruments

The book carrying amount of the financial instruments included in the consolidated balance sheet and their fair value at March 31, 2013 and 2012 are as follows:

	Millions of yen		
	Carrying Amount	Fair value	Difference
2013:			
Assets:			
Cash and deposits	**¥ 78,201**	**¥ 78,201**	**¥ —**
Notes and accounts receivable—trade	**95,008**	**95,008**	**—**
Investment securities			
Available-for-sale securities	**26,718**	**26,718**	**—**
Total	**¥199,927**	**¥199,927**	**¥ —**
Liabilities:			
Notes and accounts payable—trade	**¥ 37,515**	**¥ 37,515**	**¥ —**
Short-term debt	**18,046**	**18,046**	**—**
Notes and accounts payable—facilities included in other current liabilities	**6,625**	**6,625**	**—**
Bonds payable	**80,000**	**80,512**	**512**
Long-term debt*1	**82,474**	**83,066**	**592**
Total	**¥224,660**	**¥225,764**	**¥1,104**
Derivatives:*2			
Total	**¥ (914)**	**¥ (914)**	**¥ —**

	Millions of yen		
	Carrying Amount	Fair value	Difference
2012:			
Assets:			
Cash and deposits	¥ 78,767	¥ 78,767	¥ —
Notes and accounts receivable—trade	91,800	91,800	—
Investment securities			
Available-for-sale securities	17,973	17,973	—
Total	¥188,540	¥188,540	¥ —
Liabilities:			
Notes and accounts payable—trade	¥ 33,921	¥ 33,921	¥ —
Short-term debt	60,000	60,000	—
Notes and accounts payable—facilities included in other current liabilities	7,027	7,027	—
Bonds payable	80,000	80,040	40
Long-term debt	50,000	49,852	(148)
Total	¥230,948	¥230,840	¥(108)
Derivatives:*2			
Total	¥ (292)	¥ (292)	¥ —

(*1) Long-term debt includes current portion.
(*2) The amount represents a net amount of assets (liabilities).

Assets:
Cash and deposits, Notes and accounts receivable—trade
The carrying amount approximates fair value because of short maturity of these instruments.
Investment securities
The fair value is estimated based on quoted market prices. Please refer to Note 4 Investment Securities.

Liabilities:
Notes and accounts payable—trade, Short-term debt, Notes and accounts payable—facilities
The carrying amount approximates fair value because of short maturity of these instruments.

Bonds payable
The fair value is estimated based on quoted market prices.
Long-term debt
The fair value is based on the present value of the total of principal and interest*3 discounted at an interest rate to be applied if similar new debt were issued.

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

Derivatives:
Please refer to Note 18 Foreign Exchange Risk Management.

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

	Millions of yen	
	2013	2012
Unlisted stocks	**¥ 197**	¥ 180
Investment securities of unconsolidated subsidiaries and affiliates	**3,390**	2,234

The amount of maturities within one year from the year-end is ¥78,767 million of Cash and deposit and ¥91,800 million of Notes and accounts receivable—trade as of March 31, 2012.

The amount of maturities within one year from the year-end is ¥78,201 million of Cash and deposit and ¥95,009 million of Notes and accounts receivable—trade as of March 31, 2013.

18. FOREIGN EXCHANGE RISK MANAGEMENT

At March 31, 2013 and 2012, outstanding foreign currency exchange contracts are used for the translation of hedged trade receivables and payables. The Company is required to disclose certain information with respect to derivatives. Contract amounts and fair value of forward exchange contracts at March 31, 2013 and 2012 are set forth below.

Derivatives not designated as hedges: Foreign currency forward contracts	Millions of yen	
	2013	2012
Sell		
Contract amount	**¥6,081**	¥4,832
Fair value	**(900)**	(286)
Unrealized gain (loss)	**(900)**	(286)
Buy		
Contract amount	**¥ 768**	¥ 888
Fair value	**(14)**	(9)
Unrealized gain (loss)	**(14)**	(9)
Net amount of unrealized gain (loss) by sell and buy	**¥ (914)**	¥ (295)

Derivatives designated as qualified hedging instrument: Foreign currency forward contracts	Millions of yen	
	2013	2012
Sell		
Contract amount	**¥—**	¥659
Fair value	**—**	3
Buy		
Contract amount	**¥—**	¥ —
Fair value	**—**	—
Total amount of fair value	**¥—**	¥ 3

Derivatives designated as qualified hedging instrument: Interest rate swaps	Millions of yen	
	2013	2012
National amount	**¥20,000**	¥20,000
Fair value	**(*1)**	(*1)

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

19. ASSET RETIREMENT OBLIGATIONS

For asset retirement obligations, the amount recorded in the consolidated balance sheet are as follows:

(A) NATURE OF ASSET RETIREMENT OBLIGATIONS

The Company recognizes asset retirement obligations for the costs of building demolition work and soil clean up under a real estate sales agreement for the headquarters' land.

(B) CALCULATION METHOD OF THE ASSET RETIREMENT OBLIGATIONS

The period to retirement was estimated either 1 year or 10 years from the acquisition, and the obligations are discounted at a rate of 1.36% (for other than those with one-year life) to calculate the amount of asset retirement obligations.

(C) CHANGE IN ASSET RETIREMENT OBLIGATIONS

	Millions of yen	
	2013	2012
Balance at beginning of the year	**¥ 993**	¥1,552
Changes in estimate obligations	**—**	—
Accretion due to the passage of time	**3**	2
Decrease due to settlement of asset retirement obligations	**(420)**	(560)
Balance at end of the year	**¥ 576**	¥ 994

20. CONTINGENCIES

The Company and subsidiaries had no significant contingent liabilities at March 31, 2013 and 2012.

21. SEGMENT INFORMATION

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

The Company is organized into business units, called the internal companies, which are classified according to product groups. Each internal company headquarters plans comprehensive business strategies for its products in Japan and overseas, and conducts its own business activities.

Accordingly, the Company has three reportable segments on the basis of the internal companies; General Hospital Business, Cardiac & Vascular Business, and Blood Management Business. Effective from the year ended March 31, 2013, the Company integrated the Consumer Healthcare Business segment into the General Hospital Business segment. The segment results for the year ended March 31, 2012 have been restated to give effect to the current segment structure after this reorganization.

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

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

(A) REPORTABLE SEGMENTS

Reportable segment information for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Sales:		
General Hospital Business	**¥157,811**	¥154,279
Cardiac & Vascular Business	**169,737**	160,606
Blood Management Business	**74,746**	71,801
	402,294	386,686
Adjustment	**—**	—
	¥402,294	¥386,686
Segment income (loss):		
General Hospital Business	**¥ 23,281**	¥ 27,267
Cardiac & Vascular Business	**23,641**	30,797
Blood Management Business	**2,005**	3,515
	48,927	61,579
Adjustment	**4,289**	1,470
	¥ 53,216	¥ 63,049
Segment assets:		
General Hospital Business	**¥168,316**	¥156,352
Cardiac & Vascular Business	**219,297**	198,664
Blood Management Business	**308,322**	258,109
	695,935	613,125
Adjustment	**75,097**	79,395
	¥771,032	¥692,520
Depreciation and amortization:		
General Hospital Business	**¥ 7,766**	¥ 6,660
Cardiac & Vascular Business	**5,891**	5,101
Blood Management Business	**10,477**	9,233
	24,134	20,994
Adjustment	**469**	265
	¥ 24,603	¥ 21,259
Amortization of goodwill:		
General Hospital Business	**¥ —**	¥ —
Cardiac & Vascular Business	**1,767**	1,683
Blood Management Business	**6,185**	5,893
	7,952	7,576
Adjustment	**—**	—
	¥ 7,952	¥ 7,576

	Millions of yen	
	2013	2012
Capital expenditures:		
General Hospital Business	**¥ 12,795**	¥ 12,103
Cardiac & Vascular Business	**12,868**	9,254
Blood Management Business	**6,564**	4,508
	32,227	25,865
Adjustment	**936**	755
	¥ 33,163	¥ 26,620

The adjustment to segment income (loss) consists of ¥(2,268) million for Inventories and ¥3,738 million for other for the year ended March 31, 2012.

The adjustment to segment income (loss) consists of ¥584 million for Inventories and ¥3,705 million for other for the year ended March 31, 2013.

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

As Described in "Summary of Significant Accounting Policies (g) Property, Plant and Equipment," effective from the year ended March 31, 2012, the Company and its domestic subsidiaries changed the method of computing depreciation from the declining-balance method to the straight-line method.

As a result, segment income increased by ¥2,441 million in the General Hospital Business, ¥1,417 million in the Cardiac & Vascular Business and ¥387 million in the Blood Management Business.

(RELEVANCE INFORMATION)

(a) INFORMATION OF EACH GOODS AND SERVICES:

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

(b) INFORMATION ON GEOGRAPHIC AREA

	Millions of yen	
	2013	2012
Sales to customers recognized by sales destination:		
Japan	**¥185,914**	¥190,469
Europe	**75,394**	71,765
North and South America	**87,941**	79,071
Asia and Others	**53,045**	45,381
	¥402,294	¥386,686
Property, plant and equipment:		
Japan	**¥ 99,276**	¥ 96,951
Europe	**9,240**	7,202
North and South America	**19,126**	15,151
Asia and Others	**17,183**	12,451
	¥144,825	¥131,755

The sales to customers in North and South America consist of ¥66,443 million for the United States of America and ¥12,628 million for other for the year ended March 31, 2012.

The property, plant and equipment of North and South America consists of ¥14,496 million for the United States of America and ¥655 million for other for the year ended March 31, 2012.

The sales to customers in North and South America consist of ¥73,066 million for the United States of America and ¥14,875 million for other for the year ended March 31, 2013.

The property, plant and equipment of North and South America consists of ¥18,116 million for the United States of America and ¥1,010 million for other for the year ended March 31, 2013.

(c) INFORMATION ON MAJOR EXTERNAL CUSTOMERS

There were no sales to a single external customer exceeding 10% of consolidated net sales for the year ended March 31, 2013.

(d) INFORMATION ON IMPAIRMENT LOSS BY REPORTABLE SEGMENTS

	Millions of yen	
	2013	2012
Impairment loss:		
General Hospital Business	**¥—**	¥ —
Cardiac & Vascular Business	**—**	—
Blood Management Business	**—**	221
	—	221
Adjustment	**—**	—
	¥—	¥221

(e) INFORMATION ON GOODWILL BY REPORTABLE SEGMENTS

	Millions of yen	
	2013	2012
Balance at end of the year		
General Hospital Business	**¥ —**	¥ —
Cardiac & Vascular Business	**22,397**	22,429
Blood Management Business	**126,925**	116,379
	149,322	138,809
Adjustment	**—**	—
	¥149,322	¥138,809

22. BALANCES AND TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANY

Balances as of March 31, 2013 and 2012 and transactions for the years ended March 31, 2013 and 2012 with unconsolidated subsidiaries and affiliated company are summarized as follows:

	Millions of yen	
	2013	2012
Other current assets:		
Terumo Business Support Corporation	**¥ 5**	¥ 4
Terumo Human Create Corporation	**1**	2
Terumo BSN K.K.	**40**	19
Accounts payable and other current liabilities:		
Terumo Business Support Corporation	**¥ 30**	¥ 32
Terumo Human Create Corporation	**128**	127
Terumo BSN K.K.	**183**	235
Olympus Terumo Biomaterials Corp.	**6**	4

	Millions of yen	
	2013	2012
Income from other services:		
Terumo BSN K.K.	**¥ 21**	¥ 24
Purchase:		
Terumo BSN K.K.	**¥1,071**	¥1,207
Olympus Terumo Biomaterials Corp.	**23**	13
Insurance and other expenses:		
Terumo Business Support Corporation	**¥1,137**	¥1,024
Terumo Human Create Corporation	**1,414**	1,250

23. BUSINESS COMBINATION

Acquisition of CaridianBCT Holding Corp.

a. Summary of acquisition

1. Acquired Company
   Name: CaridianBCT Holding Corp.
   Business line: Manufacture and sales of blood transfusion equipment and related disposable supplies
2. Purpose of the acquisition
   With this acquisition, the Company is expected to report annual consolidated net sales of approximately ¥70 billion in the blood transfusion business attaining the global leader position in blood transfusion. The acquisition of CaridianBCT is highly complementary with the Company, in that by combining its current product lines in whole blood collection with CaridianBCT's highly value-added Automated Collections and Therapeutic Systems, the Company will be able to meet a wider range of demand for blood transfusion technologies around the world. Geographically, the Company will enhance its operational platforms in the United States, Europe and Latin America, in which CaridianBCT has a strong presence.
3. Acquisition date
   April 13, 2011
4. Legal form of business combination
   Stock acquisition
5. Name of combined entity
   CaridianBCT Holding Corp.
6. Percentage of voting rights acquired
   Percentage of voting rights owned prior to acquisition: 0%
   Percentage of voting rights after acquisition: 100%
7. Primary basis for determination of the acquiring company
   The Company acquired 100% of voting rights of the acquired company in exchange of cash.

b. Period in which operating results of the acquired company are included in the consolidated financial statements
From April 1, 2011 to March 31, 2012

c. Cost of acquisition

	Millions of yen
Consideration transferred:	
Fair value of the shares in CaridianBCT Holding Corp. on the date of business combination	¥216,792
Expense directly related to the acquisition:	
Advisory fees and others	1,316
Acquisition cost	¥218,108

d. Information about goodwill

1. Amount of goodwill: ¥124,427 million
2. Basis for recognition: As the cost of acquisition exceeded the net amount allocated to assets acquired and assumed liabilities, the excess has been recognized as goodwill.
3. Amortization method and amortization period
   Straight-line method for 20 years

e. Total assets acquired and liabilities assumed on the date of business combination and a breakdown of components thereof:

	Millions of yen
Current assets	¥ 18,488
Noncurrent assets	138,277
Total assets	¥156,765
Current liabilities	¥ (8,602)
Noncurrent liabilities	(47,582)
Total liabilities	¥ (56,184)

f. The cost of acquisition allocated to intangible fixed assets other than goodwill and amortization periods by main components

Main components	Millions of yen	Amortization period (years)
Customer relationships	¥89,574	20
Developed technology	23,291	20
In-process R&D	9,600	useful life

24. OTHER COMPREHENSIVE INCOME

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

	Millions of yen	
	2013	2012
Valuation difference on available-for-sale securities:		
Increase (decrease) during the year	**¥ 8,743**	¥(7,303)
Reclassification adjustments	**—**	9,316
Sub-total, before tax	**8,743**	2,013
Tax (expense) or benefit	**(1,233)**	(145)
Sub-total, net of tax	**7,510**	1,868
Deferred gains or losses on hedges:		
Increase (decrease) during the year	**(349)**	2,239
Reclassification adjustments	**346**	45
Acquisition adjustment	**—**	(8,351)
Sub-total, before tax	**(3)**	(6,067)
Tax (expense) or benefit	**1**	2,457
Sub-total, net of tax	**(2)**	(3,610)
Foreign currency translation adjustments:		
Increase (decrease) during the year	**39,157**	1,253
Reclassification adjustments	**—**	—
Sub-total, before tax	**39,157**	1,253
Tax (expense) or benefit	**—**	—
Sub-total, net of tax	**39,157**	1,253
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the year	**3**	2
Reclassification adjustments	**—**	—
Sub-total, before tax	**3**	2
Tax (expense) or benefit	**—**	—
Sub-total, net of tax	**3**	2
Total other comprehensive income	**¥46,668**	¥ (487)

KPMG

Independent Auditor's Report

To the Board of Directors of Terumo Corporation :

We have audited the accompanying consolidated financial statements of Terumo Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended , and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Terumo Corporation and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 27, 2013
Tokyo, Japan

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