To Our Shareholders:

 Disclosure on the Internet accompanying the Notice of Convocation of the 105th 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]
  Consolidated Statements of Changes in Equity
  Notes to Consolidated Financial Statements
  Non-consolidated Statements of Changes in Net Assets
  Notes to Non-consolidated Financial Statements

The content of this document is posted on the website of Terumo Corporation ("the Company") (https://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)
### (1) Overview of Stock Acquisition Rights Held by the Company’s Directors as of March 31, 2020

<table>
<thead>
<tr>
<th>Date of resolution of issuance</th>
<th>Issue price of stock acquisition rights</th>
<th>Exercise price</th>
<th>Period for exercise of stock acquisition rights</th>
<th>Number of holders *1</th>
<th>Number of stock acquisition rights</th>
<th>Types and number of shares to be issued upon exercise of stock acquisition rights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First issue of stock acquisition rights</strong></td>
<td><strong>August 1, 2013</strong></td>
<td><strong>1,046 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 23, 2013 to August 22, 2043</strong></td>
<td><strong>3 directors</strong></td>
<td><strong>3,493</strong></td>
</tr>
<tr>
<td><strong>Second issue of stock acquisition rights</strong></td>
<td><strong>August 6, 2014</strong></td>
<td><strong>1,153 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 28, 2014 to August 27, 2044</strong></td>
<td><strong>4 directors</strong></td>
<td><strong>3,443</strong></td>
</tr>
<tr>
<td><strong>Third issue of stock acquisition rights</strong></td>
<td><strong>August 7, 2015</strong></td>
<td><strong>1,405 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 26, 2015 to August 25, 2045</strong></td>
<td><strong>5 directors</strong></td>
<td><strong>4,144</strong></td>
</tr>
<tr>
<td><strong>Fourth issue of stock acquisition rights</strong></td>
<td><strong>August 4, 2016</strong></td>
<td><strong>A-Type 2,042 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 26, 2016 to August 25, 2046</strong></td>
<td><strong>4 directors</strong></td>
<td><strong>4,499</strong></td>
</tr>
<tr>
<td><strong>Fourth issue of stock acquisition rights</strong></td>
<td><strong>August 4, 2016</strong></td>
<td><strong>B-Type 1,991 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 26, 2016 to August 25, 2046</strong></td>
<td><strong>1 director</strong></td>
<td><strong>355</strong></td>
</tr>
<tr>
<td><strong>Fifth issue of stock acquisition rights</strong></td>
<td><strong>August 3, 2017</strong></td>
<td><strong>A-Type 1,953 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 25, 2017 to August 24, 2047</strong></td>
<td><strong>4 directors</strong></td>
<td><strong>9,989</strong></td>
</tr>
<tr>
<td><strong>Fifth issue of stock acquisition rights</strong></td>
<td><strong>August 3, 2017</strong></td>
<td><strong>B-Type 1,917 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 25, 2017 to August 24, 2047</strong></td>
<td><strong>1 director</strong></td>
<td><strong>360</strong></td>
</tr>
<tr>
<td><strong>Sixth issue of stock acquisition rights</strong></td>
<td><strong>August 8, 2018</strong></td>
<td><strong>A-Type 2,933 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 30, 2018 to August 29, 2048</strong></td>
<td><strong>4 directors</strong></td>
<td><strong>7,661</strong></td>
</tr>
<tr>
<td><strong>Sixth issue of stock acquisition rights</strong></td>
<td><strong>August 8, 2018</strong></td>
<td><strong>B-Type 2,902 yen</strong></td>
<td><strong>1 yen</strong></td>
<td><strong>From August 30, 2018 to August 29, 2048</strong></td>
<td><strong>1 director</strong></td>
<td><strong>396</strong></td>
</tr>
</tbody>
</table>

**Notes:**
1. Excluding independent directors and non-executive directors.
2. Stock acquisition rights held by directors who serve as Audit/Supervisory Committee Members were granted to them while they were employees of the Company.
### (2) Overview of Stock Acquisition Rights Allotted to the Company’s Employees, etc.

<table>
<thead>
<tr>
<th>Date of resolution of issuance</th>
<th>Issue price of stock acquisition rights</th>
<th>Exercise price</th>
<th>Period for exercise of stock acquisition rights</th>
<th>Number of holders</th>
<th>Number of stock acquisition rights</th>
<th>Types and number of shares to be issued upon exercise of stock acquisition rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seventh issue of stock acquisition rights</td>
<td>July 11, 2019</td>
<td>3,061 yen</td>
<td>1 yen</td>
<td>From August 2, 2019 to August 1, 2049</td>
<td>12 executive officers and fellows</td>
<td>3,400</td>
</tr>
</tbody>
</table>

### (3) Other Important Matters Concerning Stock Acquisition Rights (as of March 31, 2020)

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

<table>
<thead>
<tr>
<th>Remaining number of stock acquisition rights</th>
<th>Types and number of shares to be issued upon exercise of stock acquisition rights</th>
<th>Exercise price</th>
<th>Exercise period</th>
<th>Balance of bonds with stock acquisition rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in 2021</td>
<td>740</td>
<td>3,855,773 shares of common stock</td>
<td>1,919.2 yen</td>
<td>From December 18, 2014 to November 22, 2021</td>
</tr>
</tbody>
</table>

Notes: The Company conducted a two-for-one stock split for its common stock, effective April 1, 2019.
2. Basic Policies Regarding the Company’s Control

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

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

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

In accordance with this basic policy, the Board of Directors of the Company will take measures deemed to be appropriate against those who intend to conduct a large-scale purchase, etc. to the extent permissible under the Financial Instruments and Exchange Act, Companies Act, other laws and regulations and the Company’s Articles of Incorporation, including requesting the provision of necessary and sufficient information for shareholders to properly judge the necessity of large-scale purchases, etc. and disclosing information in a timely and appropriate manner, in order to secure the Company’s corporate value and the common interests of the shareholders.

(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 32-44 of the Notice of Convocation of the 105th Annual General Meeting of Shareholders.

(3) 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.
## Consolidated Statements of Changes in Equity
Fiscal Year 2019 (From April 1, 2019 to March 31, 2020)

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Capital surplus</th>
<th>Treasury stock</th>
<th>Retained earnings</th>
<th>Other components of equity</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at April 1, 2019</strong></td>
<td>38,716</td>
<td>52,029</td>
<td>(32,381)</td>
<td>646,223</td>
<td>(6,553)</td>
<td>698,034</td>
<td>78</td>
<td>698,113</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>85,211</td>
<td>–</td>
<td>85,211</td>
<td>(173)</td>
<td>85,037</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(25,795)</td>
<td>(25,795)</td>
<td>4</td>
<td>(25,790)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>85,211</td>
<td>(25,795)</td>
<td>59,415</td>
<td>(169)</td>
<td>59,246</td>
</tr>
<tr>
<td><strong>Acquisition of treasury stock</strong></td>
<td>–</td>
<td>–</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Disposal of treasury stock</strong></td>
<td>–</td>
<td>–</td>
<td>89</td>
<td>(21)</td>
<td>(67)</td>
<td>0</td>
<td>–</td>
<td>0</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(20,507)</td>
<td>–</td>
<td>(20,507)</td>
<td>–</td>
<td>(20,507)</td>
</tr>
<tr>
<td><strong>Transfer from other components of equity to retained earnings</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(4,950)</td>
<td>4,950</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Changes in shares of subsidiaries due to capital increase</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td><strong>Share-based payments</strong></td>
<td>–</td>
<td>(50)</td>
<td>120</td>
<td>82</td>
<td>41</td>
<td>194</td>
<td>–</td>
<td>194</td>
</tr>
<tr>
<td><strong>Conversion of convertible bonds</strong></td>
<td>–</td>
<td>(120)</td>
<td>18,072</td>
<td>(272)</td>
<td>–</td>
<td>17,679</td>
<td>–</td>
<td>17,679</td>
</tr>
<tr>
<td><strong>Total transaction with owners of the Company</strong></td>
<td>–</td>
<td>(170)</td>
<td>18,278</td>
<td>(25,668)</td>
<td>4,924</td>
<td>(2,636)</td>
<td>159</td>
<td>(2,476)</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2020</strong></td>
<td>38,716</td>
<td>51,858</td>
<td>(14,103)</td>
<td>705,765</td>
<td>(27,423)</td>
<td>754,813</td>
<td>69</td>
<td>754,883</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Standards for preparation of consolidated financial statements

The Group's consolidated financial statements are prepared in accordance with the specified International Financial Reporting Standards (hereinafter referred to as "IFRS"), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. Some of the disclosure items required under IFRS for the consolidated financial statements have been omitted, based on the provisions of the latter part of the same paragraph.

(2) Scope of consolidation

• Number of consolidated subsidiaries: 101
• 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.

Terumo Global Reinsurance, Inc. was newly included in the scope of consolidation as it was newly incorporated in the fiscal year ended March 31, 2020.

(3) Application of the equity method

• 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.
  Wego Terumo Medical Products Co., Ltd.
  Shanghai Angiocare Medical Technology Co., LTD.
  Quirem Medical B.V.
(4) Accounting standards

1) Standards and methods for valuation of financial assets and financial liabilities

i) Recognition and measurement of financial assets

a. Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. This classification is determined on initial recognition. All financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition, except for the financial assets measured at fair value through profit or loss.

Trade and other receivables are initially recognized when the transaction occurs. Other financial assets other than trade and other receivables are initially recognized when the Group becomes a contractual party to the contract provisions of the financial instrument.

The Group classifies its financial assets as those measured at amortized cost if both of the following conditions are met and does not designate those assets as financial assets measured at fair value through profit or loss,

• the financial assets are held within a business model with an objective of collecting contractual cash flows; and
• the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets not classified as those measured at amortized cost are measured at fair value through profit or loss.

On initial recognition, the Group may irrevocably designate financial assets measured on an asset-by-asset basis as fair value through profit or loss or at fair value through comprehensive income and apply the designation consistently.

There are no debt investments that are classified as the financial assets measured at fair value through other comprehensive income in the reporting period.

b. Subsequent measurement

After initial recognition, financial assets are subsequently measured according to the following classifications:

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value

Financial assets measured at fair value are measured at fair value.

The changes in fair value of those financial assets are recognized in the profit or loss.

However, as for equity securities designated as the financial assets measured at fair value through other comprehensive income, the changes in fair value are recognized in other comprehensive income. Dividends that arise from equity instruments measured at fair value
through other comprehensive income are recognized as "finance income" in the profit or loss unless investment cost can only be partially recovered.

ii) Impairment of financial assets
As for the financial assets measured at amortized cost, a loss allowance provision is recognized based on the expected credit losses.
The Group evaluates whether the credit risk on a financial asset has significantly increased since initial recognition at the end of the reporting period. If the credit risk on a financial asset has not significantly increased since initial recognition, a loss allowance provision is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial asset has significantly increased since initial recognition, a loss allowance provision is measured at an amount equal to the lifetime expected credit losses.
The Group judges whether or not there is any significant increase in credit risk of a company based on changes in the default risk. The Group determines the risk based on the following:
• Significant changes in credit rating by external credit rating organization
• Information on past due payment
The loss allowance provision for trade and other receivables is measured at an amount equal to the lifetime expected credit losses.
The expected credit loss on a financial instrument is measured at the present value of the differences between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The loss allowance provision for expected credit losses on a financial asset is recognized in profit or loss. The reversal of loss allowance provision for expected credit losses is recognized in profit or loss.

iii) Derecognition of financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

iv) Recognition and measurement of financial liabilities
a. Initial recognition and measurement
The Group, on initial recognition, classifies financial liabilities into financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. Financial liabilities are initially recognized when the Group becomes a party to the contract. At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. Even though all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are recognized at cost less transaction costs that are directly attributable to the financial liabilities.
b. Subsequent measurement

Subsequent measurement after initial recognition of financial liabilities is measured as follows according to its classification:

(i) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Gains or losses arising from the cease of amortization of the financial liability under the effective interest rate method are recognized in profit or loss.

(ii) Financial liabilities measured at fair value through profit or loss

The net gains or losses arising from the financial liabilities measured at fair value through profit or loss, including interest expenses, are recognized in profit or loss.

v) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or has expired.

vi) Compound instruments

Compound financial instruments issued by the Group are convertible bonds with stock acquisition rights that are convertible to capital upon the call of the holders. The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the equity and liability components of the compound financial instrument in proportion to their initial carrying values.

Subsequently, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method; the equity component is not remeasured.

vii) Derivatives and hedge accounting

The Group uses derivatives to hedge foreign exchange risk and interest rate risk. Derivatives mainly consist of forward exchange contracts, interest rate swaps, and cross currency interest rate swaps. These derivatives are initially measured at the fair value when the derivative contracts are entered into. Subsequently, the derivatives are remeasured at the fair value at the end of each reporting period. The changes in fair value of derivatives are generally recognized in profit or loss.

The Group designates certain derivatives as cash flow hedges to hedge against the exposure to variability in cash flows that is attributable to the risk of foreign currency exchange rates and interest rate fluctuations, or a highly probable forecasted transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationships to which hedge accounting is applied, between hedging instruments and hedged items, along with the risk management objectives and strategies. The documentation includes the hedging instrument, the hedged item, the nature of the risk being hedged, and how to assess whether the
hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the risks to be hedged. The Group evaluates the hedge effectiveness in every reporting period. Specifically, when a hedging relationship meets all of the following hedge effective requirements, the hedge relationship is assessed as highly effective:

- there is an economic relationship between the hedged item and the hedging instrument resulting in an offset;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group adjusts the hedge ratio of the hedging relationships in the hedge accounting so that it meets the qualifying criteria again. The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria.

The hedges that meet the requirements for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument that are designated as cash flow hedges, is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss.

The Group uses interest rate currency swap for hedging. The Group designates the portion excluding the currency basis spread portion as the hedging instrument and recognizes any changes in the fair value of the currency basis spread portion through other comprehensive income in owner's equity.

The cumulative cash flow hedge reserve recognized previously in the other comprehensive income of equity for the hedging gain or loss and the cost of hedging are reclassified to profit or loss in the same period when the hedged forecast cash flows affect profit or loss.

Hedge accounting is discontinued prospectively if the hedge no longer meets the criteria for hedge accounting due to the expiration or sale of the hedge instrument. If the future cash flow is still expected to occur, the accumulated gains or losses recognized in other comprehensive income continues to be recognized in other comprehensive income. If the forecasted transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2) Basis and method of valuation for inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined mainly by using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion includes the allocated fixed and variable manufacturing overhead.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
3) Property, plant and equipment
   i) Recognition and measurement

   Property, plant and equipment is measured using the cost model and stated at costs less accumulated
depreciation and impairment losses.

   Costs include costs directly attributable to the acquisition of property, plant and equipment; the
initial estimated costs related to removing the asset and restoring the site.

   Each part of an item of property, plant and equipment with a cost that is significant in relation to the
total cost of the item is depreciated separately.

   Subsequent cost incurred after acquisition is included in the asset's carrying amount or recognized as
a separate asset, as appropriate, only when it is probable that future economic benefits associated
with the asset will flow to the Group and the cost of the asset can be measured reliably. Repair and
maintenance of an asset are recognized as expenses during the financial period in which they are
incurred.

   Property, plant, and equipment is derecognized on disposal or when no future economic benefits are
expected from its use or disposal. Gains or losses arising from the derecognition of property, plant
and equipment are recognized as profit or loss at the difference between the net disposal proceeds, if
any, and the carrying amount of the asset at the time of derecognition. Gains or losses arising from
derecognition of property, plant and equipment are recorded in "Other income" or "Other expenses"
of the consolidated statements of profit or loss.

   ii) Depreciation

   Property, plant and equipment other than land and construction in progress is depreciated mainly
using the straight-line method over their estimated useful lives. Land and construction in progress
are not depreciated.

   The estimated useful lives of property, plant and equipment are as follows.
   
   - Buildings and structures       3-60 years
   - Machinery and vehicles         4-15 years
   - Tools, furniture and fixtures  2-20 years

   The depreciation methods, useful lives, and residual values of property, plant and equipment are
reviewed at the end of each fiscal year. Changes in depreciation methods, useful lives, and residual
values are applied prospectively as changes of accounting estimates.
4) Goodwill and intangible assets

i) Goodwill

Goodwill arising from business combination transactions are recognized as intangible assets. Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquisition, and the fair value of the Group's previously held equity interest in the acquisition over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized and is tested for impairment annually and whenever there is an indication that they may be impaired. Impairment losses on goodwill is recognized in profit or loss and is not reversed in subsequent periods. Goodwill is stated at cost determined at the acquisition date, less any accumulated impairment losses.

ii) Intangible assets

a. Recognition and measurement

The Group recognizes intangible assets other than goodwill using the cost model. Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination other than goodwill are measured at fair value at the acquisition date. Expenditures on research activities are recognized as profit or loss when incurred. Expenditures on development activities which can be demonstrated to have met the following conditions are recognized as an asset. Where expenditures on development activities does not meet the following conditions, the expenditures are recognized in profit or loss in the period in which it is incurred.

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, expenditures on development activities that are capitalized as an asset are measured at cost less accumulated amortization and impairment losses.
b. Amortization

After initial recognition, other than goodwill and intangible assets with indefinite useful lives, intangible assets are stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized from the date when the intangible asset becomes available for use. The intangible assets, other than intangible assets with indefinite useful lives, are amortized on a straight-line basis over their estimated useful lives. Goodwill is not amortized.

The estimated useful lives of major intangible assets are as follows:

- Development costs: mainly 20 years
- Software: 5-10 years
- Technologies: 10-20 years
- Customer relationships: mainly 20 years

Useful lives, amortization methods, and residual values are reviewed at the end of each reporting period. Changes in depreciation methods, useful lives, and residual values are applied prospectively as changes of accounting estimates.

5) Leases

As stated in “(5) Changes in accounting policies,” the Group has adopted IFRS 16 Leases from the fiscal year ended March 31, 2020. IFRS 16 does not require a lessee to classify its leases into a finance lease or an operating lease but introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Upon the adoption of IFRS 16, the Group assesses whether a contract is a lease or contains a lease when entering into a contract. If a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, it is determined to be a lease or contains a lease.

As a lessee, the Group measures right-of-use assets at cost and lease liabilities at the present value of total future lease payments at the beginning of the lease term. The cost of right-of-use assets are initially measured by adjusting the initially measured amount of lease liabilities for initial direct costs and prepaid lease payments, etc. On the consolidated statements of financial position, right-of-use assets are included in property, plant and equipment while lease liabilities are included in other current financial liabilities. After recognizing right-of-use assets and lease liabilities, the Group records depreciation of right-of-use assets and interest expenses for lease liabilities.

The Group estimates the lease term of right-of-use assets by adding to the non-cancelable lease term the period that it is reasonably certain that the extension option will be exercised or the termination option will not be exercised. The discount rate applied to lease liabilities for said right-of-use assets is the incremental borrowing rate of the lessee. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or the lease term.

However, The Group does not recognize right-of-use assets or lease liabilities for leases with a lease term of 12 months or less and for leases with low-value underlying assets, and recognizes lease
payments related to these leases as expenses on a straight-line basis over the lease term or any other standard basis.

6) Impairment of non-financial assets

At the end of each reporting period, the Group determines whether there is any indication that non-financial assets (excluding inventories and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment when there is any indication of impairment, and at a certain time in a fiscal year, regardless of whether there is any indication of impairment. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash generating units or group of cash generating units expected to obtain synergies from the business combination.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statements of profit or loss when the carrying amount of assets or CGU is greater than the expected recoverable amount of assets or CGU. Impairment losses recognized in respect of CGU are allocated first, to reduce the carrying amount of any goodwill allocated to the CGU (group of units) and then, to reduce the carrying amount of other assets in the CGU (group of units) on a pro rata basis.

Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods. For assets other than goodwill, a reversal of an impairment loss is recognized, to the extent that the reversal does not exceed the carrying amount that would have been determined had no impairment loss been recognized, net of depreciation and amortization.
7) Standards of accounting for principal allowances and provisions

Provisions are recognized when the Group has legal or constructive obligations due to past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability. Unwinding of the discount over time is recognized in finance cost.

Asset retirement obligation

The Group has recognized a provision for asset retirement obligation, which are recognized and measured by estimating asset retirement obligations individually and specifically taking into account the status of each property based on expected usable years, determined in light of past records of restoration and useful lives of inside fixtures in offices and other places, in preparation for obligations for restoration of rental offices, buildings and stores and removal of harmful materials related to noncurrent assets.

8) Employee benefits

i) Post-retirement benefits

a. Defined contribution plan

The contribution obligation of the defined contribution plan is recognized as an expense when the related service is offered. The prepayment of the contribution amount is recognized as an asset to the extent that the contribution amount is returned or the future payment amount decreases.

b. Defined benefit plan

The defined benefit plan is a defined benefit plan other than the defined contribution plan. Assets or liabilities recognized in the consolidated statements of financial position related to the defined benefit pension plan are calculated by deducting the fair value of the assets from the present value of the defined benefit liabilities as of the end of the reporting period. Defined benefit plan obligations are calculated every year using the projected unit credit increase method. The discount rate is calculated based on the market yield of the high quality corporate bonds on the reporting date, which is generally the same as the Group's defined benefit liabilities and is of the same currency as the expected payment. Past service cost is recognized in profit or loss when incurred. The Group recognizes remeasurement of the net defined benefit liabilities (assets) in other comprehensive income when remeasurements occur and immediately reclassified from other capital components to retained earnings.

ii) Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when the service is rendered. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.
9) Revenue

For contracts with customers excluding interest and dividend income based on IFRS 9 Financial Instruments, the Group recognizes revenue by applying the following five-step model in accordance with IFRS 15 Revenue from Contracts with Customers:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is primarily engaged in manufacture and sales of medical devices and medical supplies. For the sales of these products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer less discounts, rebates, returned products and other items. If the consideration in a contract with a customer includes variable consideration, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group receives consideration in contracts for product sales mainly within one year or less from when products are delivered to customers. The contracts do not contain a significant financing component.

If the Group controls a good promised to a customer before it is transferred, it is deemed that the Group is conducting transactions as the principal, and revenue is recognized in the gross amount of consideration to which the Group expects to be entitled in exchange for the specified good transferred.

10) Foreign currency translation

i) Functional currency and presentation currency

The separate financial statements of each group company are prepared in their functional currency. The consolidated financial statements are prepared in the Company's functional currency, Japanese yen, which is also its presentation currency.

ii) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of each group companies at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured. Exchange differences arising from foreign currency translation are recognized in profit or loss, except for exchange differences arising from
financial assets measured through other comprehensive income and cash flow hedges that are recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

iii) Foreign operations

The assets and liabilities of the Group's foreign operations are translated into Japanese yen at the exchange rate at the end of each reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the period unless the exchange rate fluctuates significantly during the period. Exchange differences arising from the translation of the financial statements of foreign operations are recognized in the other comprehensive income, and subsequently transferred to profit and loss during the period in which foreign operations are disposed.

11) 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.
(5) Changes in accounting policies

The Group has adopted IFRS 16 *Leases* (issued in January 2016) (hereinafter referred to as “IFRS 16”) from the fiscal year ended March 31, 2020. Accounting policies under IFRS 16 are stated in “(4) Accounting standards 5) Leases.” As a transitional measure upon the adoption of IFRS 16, the Group recognizes the cumulative effect of applying this standard at the date of initial application. Furthermore, with the transition to IFRS 16, the Group has chosen the practical expedient in IFRS 16: C3 to carry forward the interpretation under the previous standard in IAS 17 and IFRIC 4 “Determining Whether an Arrangement Contains a Lease” on whether or not a contract contains a lease. Exemptions have been applied to the recognition of short-term leases and leases of low-value assets. As a result, right-of-use assets, etc. of 29,391 million yen and lease liabilities of 29,391 million yen have been recorded on the consolidated statements of financial position as of April 1, 2019. This mainly reflects the recording of lease payments that were previously classified as operating leases under IAS 17 under assets and liabilities upon the application of IFRS 16. Retained earnings at the beginning of the fiscal year will not be impacted when recognizing lease liabilities, as right-of-use assets are recognized in the same amount as lease liabilities (provided that prepaid lease payments and future lease payments are adjusted). The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 1.54%.

2. Notes to the Consolidated Statements of Financial Position

(1) Loss allowance provision deducted directly from assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>1,427 million yen</td>
</tr>
</tbody>
</table>

(2) Accumulated depreciation on property, plant and equipment

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>362,739 million yen</td>
</tr>
</tbody>
</table>
3. Notes to the Consolidated Statements of Changes in Equity

(1) Total number of shares issued

<table>
<thead>
<tr>
<th></th>
<th>Number of shares at the beginning of the fiscal year</th>
<th>Increase during the fiscal year</th>
<th>Decrease during the fiscal year</th>
<th>Number of shares at the end of the fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>759,521</td>
<td>-</td>
<td>-</td>
<td>759,521</td>
</tr>
<tr>
<td>Total</td>
<td>759,521</td>
<td>-</td>
<td>-</td>
<td>759,521</td>
</tr>
</tbody>
</table>

(Note) The Company conducted a two-for-one stock split for its common stock, effective April 1, 2019.

(2) Number of treasury stock

<table>
<thead>
<tr>
<th></th>
<th>Number of shares at the beginning of the fiscal year</th>
<th>Increase during the fiscal year</th>
<th>Decrease during the fiscal year</th>
<th>Number of shares at the end of the fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>16,618</td>
<td>1</td>
<td>9,382</td>
<td>7,236</td>
</tr>
<tr>
<td>Total</td>
<td>16,618</td>
<td>1</td>
<td>9,382</td>
<td>7,236</td>
</tr>
</tbody>
</table>

(Note) The Company conducted a two-for-one stock split for its common stock, effective April 1, 2019.

(Reason for the change)

Increase due to the purchase of shares of less than one unit of stock: 1 thousand shares
Decrease due to exercise of stock options: 45 thousand shares
Decrease due to disposal for restricted stock remuneration: 61 thousand shares
Decrease due to the conversion of convertible bonds with stock acquisition rights: 9,274 thousand shares

(3) Dividends from surplus

1) Payment of dividends

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Types of shares</th>
<th>Total dividends paid (Millions of yen)</th>
<th>Dividends per share (yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual General Meeting of Shareholders held on</td>
<td>Common stock</td>
<td>10,029</td>
<td>27</td>
<td>March 31, 2019</td>
<td>June 24, 2019</td>
</tr>
<tr>
<td>June 21, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting of the Board of Directors held on</td>
<td>Common stock</td>
<td>10,478</td>
<td>14</td>
<td>September 30, 2019</td>
<td>December 4, 2019</td>
</tr>
<tr>
<td>November 7, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>20,507</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note) The Company conducted a two-for-one stock split for its common stock, effective April 1, 2019, and regarding the dividend whose record date was March 31, 2019, the amount of
dividend before the stock split is described. Regarding the dividend whose record date was September 30, 2019, the effect after the stock split is taken into consideration in the description.

2) Dividends whose record date is in the current fiscal 2019 but whose effective date is in the next fiscal year

At the Annual General Meeting of Shareholders to be held on June 25, 2020, the following resolutions are expected to be made.

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Types of shares</th>
<th>Total dividends paid (Millions of yen)</th>
<th>Dividends per share (yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual General Meeting of Shareholders to be held on June 25, 2020</td>
<td>Common stock</td>
<td>10,531</td>
<td>14</td>
<td>March 31, 2020</td>
<td>June 26, 2020</td>
</tr>
</tbody>
</table>

The source of dividends will be retained earnings.

(4) Matters concerning stock acquisition rights as of March 31, 2020 (excluding those for which the first date of the exercise period has not arrived yet)

<table>
<thead>
<tr>
<th>Types of shares to be issued upon exercise of stock acquisition rights</th>
<th>Number of shares to be issued upon exercise of stock acquisition rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>First issue of stock acquisition rights</td>
<td>39,192 shares</td>
</tr>
<tr>
<td>Second issue of stock acquisition rights</td>
<td>53,736 shares</td>
</tr>
<tr>
<td>Third issue of stock acquisition rights</td>
<td>60,472 shares</td>
</tr>
<tr>
<td>Fourth issue of stock acquisition rights</td>
<td>66,268 shares</td>
</tr>
<tr>
<td>Fifth issue of stock acquisition rights</td>
<td>90,984 shares</td>
</tr>
<tr>
<td>Sixth issue of stock acquisition rights</td>
<td>71,320 shares</td>
</tr>
<tr>
<td>Seventh issue of stock acquisition rights</td>
<td>27,200 shares</td>
</tr>
<tr>
<td>Euro-yen denominated convertible bonds with stock acquisition rights due in 2021</td>
<td>3,855,773 shares</td>
</tr>
</tbody>
</table>

4. Notes to Financial Instruments

(1) Overview of financial instruments

1) Capital management

The Group's capital management policy is to maximize corporate value by pursuing growth opportunities which are greater than cost of capital, increasing asset efficiency through improvement of business operations, and build a financially sound, optimal capital structure.

The Group monitors financial indicators to maintain an optimal capital structure. The Group monitors credit ratings for financial soundness and flexibility of capital as appropriate, and the return on equity attributable to owners of the parent company (ROE).
2) **Financial risk management**

The Group is exposed to a variety of financial risks, such as credit risk, liquidity risk, market risks (foreign exchange risk, price risk, and interest rate risk) in its operations. The Group manages its risks to reduce these financial risks. Risk management is targeted at risks associated with business operations, and the Group's basic policy is not to enter into speculative transactions.

3) **Credit risk management**

Credit risk is the risk of financial loss due to counterparties' inability to fulfill their obligations. The Group regularly monitors the business conditions, sales turnovers, and the balance of trade receivables of all business counterparties by division in each business segment, and reviews the transactions according to the Group's internal policy for credit management, with the aim of identifying a deterioration of a customer's financial situation at an early stage to mitigate its credit risk exposure. As a result, there are no material trade receivables which have exceeded their due dates. With regards to derivative transactions, the Group only deals with highly creditworthy financial institutions. The credit risk of the Group is considered as low.

The Group is not exposed to excessive credit risk associated with a particular customer that requires exceptional management.

The Company's maximum exposure to credit risk are indicated in the carrying amount of the financial assets after impairment in the consolidated statements of financial position.

Trade receivables are categorized according to customers' credit risk features, and loss allowances measured based on the historical credit loss ratio and expected future economic conditions for each category based on the simplified approach.

4) **Liquidity risk management**

Liquidity risk is the risk facing difficulties in fulfilling obligations related to financial liabilities settled by cash or other financial assets, primarily from trade and other payables and borrowings. The Group procures necessary funds through bank borrowings and corporate bonds; however, these liabilities are exposed to liquidity risk arising from the failure to make payments when payments are due caused by financial situations, deterioration of the funding environment or other factors.

The Company creates and revises the procurement of funding schedule based on the annual business plan, understand and consolidate the liquidity on hand and the status of the interest-bearing debt, and reports to the Board of Directors on a timely basis. In addition, the Company monitors the ongoing prospect of funding needs and maintains sufficient margin for undrawn borrowing facilities.
5) Market risk management

The Group is exposed to market risks related to foreign currency exchange risk associated with the foreign currency-denominated transactions, the interest rate risk associated with capital operation, and the market price risk associated with the listed stocks held by the Group.

a. Foreign exchange risk

The Group is exposed to foreign exchange risk that arises from import and export transactions and overseas transactions denominated in foreign currencies. Foreign exchange risk arises from forecasted transactions such as future sales, financing and repayment, or assets and liabilities that have been already recognized.

The Group continuously monitors foreign exchange rates for the purpose of managing such risks. The Group has entered into foreign exchange forward contracts to hedge its exposure to the foreign exchange risk arising from forecasted transactions denominated in foreign currency or assets and liabilities denominated in foreign currency. In addition, in order to hedge future cash flows arising from the borrowings denominated in foreign currency, the Group has entered into currency swap contracts with the same maturity as the repayment period of the debt principal. Consequently, receivables and liabilities denominated in foreign currency have the risk of changes in the future cash flows arising from fluctuations in exchange rates, however, this risk is limited due to offsetting with forward foreign exchange contracts.

b. Interest rate risk

Interest rate risk is the risk arising from the changes in market interest rates affecting changes in the fair value or future cash flows of financial instruments. The Group's exposure to interest rate risk is mainly related to debts, such as bonds and borrowings, and receivables, such as interest-bearing deposits. The Group is exposed to the risk of fluctuation of future cash flows resulting from the risk of interest rate fluctuation on part of its funding borrowed from financial institutions at floating rates. In order to hedge its exposure to increase in future interest payments resulting from a rise in interest rates, the Group raises funds through issuance of corporate bonds with fixed interest rates or utilizes interest rate swaps to hedge interest rate risk associated with the variable interest rate on borrowings and make cash flows steady.

c. Price risk of equity securities

The price risk of equity securities is the risk arising from changes in market price affecting the changes in fair value or future cash flows of financial instruments (excluding changes arising from interest rate risk and foreign currency risk). The Group is exposed to price risk arising from the equity securities held. Shares held other than for trading purpose with observable market prices are reclassified mainly as financial assets measured at fair value through other comprehensive income.

To manage price risk arising from such equity securities, the Group makes policies in relation to the investment in such equity securities that is complied with in the Group. In addition, it is obligated to
report to and get approval from the Board of Directors on a timely basis regarding investment in equity securities. The Group reviews the economic rationale and purpose of equity securities held by the group from a mid-to-long term perspective, in addition, significant equity securities are regularly reviewed by the Board of Directors.

(2) Fair value measurements of financial instruments

The carrying amounts and fair values of financial instruments at March 31, 2020 are as follows. Financial instruments for which the carrying amount is reasonably approximate to fair value are not included in the table below.

<table>
<thead>
<tr>
<th>(Millions of yen)</th>
<th>Amounts at the end of the fiscal year (March 31, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
</tr>
<tr>
<td>Bonds (Note)</td>
<td>57,269</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>148,600</td>
</tr>
</tbody>
</table>

(Note) The above table includes current portion of bonds that are due within one year.

Fair value calculation method

a. Long-term borrowings

The fair value of the long-term borrowings with floating interest rates reflecting short-term interest rates, are measured at book value, considering the carrying amounts approximate to the fair value as the Company's credit conditions do not fluctuate significantly from implementation of the borrowings. The fair value of the long-term borrowings with fixed rates are measured at the present value of discounted cash flows, using an interest rate that would be used for a new borrowing.

b. Bonds

The fair value of corporate bonds excluding convertible bonds with stock acquisition rights is measured using quoted prices that are observable in markets that are not active markets. The fair value of convertible bonds with stock acquisition rights is measured by reference to similar bonds that do not have an equity conversion option.

5. Notes to Per Share Information

(1) Equity attributable to owners of the parent per share: 1,003.36 yen

(2) Earnings per share: 113.96 yen

6. Notes to Material Subsequent Events

Not applicable.
## Non-consolidated Statements of Changes in Net Assets

Fiscal Year 2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

<table>
<thead>
<tr>
<th>Capital stock</th>
<th>Shareholders’ equity</th>
<th>Valuation and translation adjustments</th>
<th>Subscription rights to shares</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital surplus</td>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Legal capital surplus</td>
<td>Legal retained earnings</td>
<td>Reserve for reduction entry</td>
<td>Reserve for special depreciation</td>
</tr>
<tr>
<td>Balance at the beginning of current period</td>
<td>38,716</td>
<td>52,103</td>
<td>3,297</td>
<td>559</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
<td>(20,507)</td>
</tr>
<tr>
<td>Profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of convertible bond-type bonds with subscription rights to shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of reserve for reduction entry</td>
<td></td>
<td></td>
<td>(34)</td>
<td></td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td>(34)</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>38,716</td>
<td>52,103</td>
<td>3,297</td>
<td>525</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treasury stock</th>
<th>Total shareholders’ equity</th>
<th>Valuation difference on available-for-sale securities</th>
<th>Total valuation and translation adjustments</th>
<th>Subscription rights to shares</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current period</td>
<td>(32,381)</td>
<td>621,102</td>
<td>3,052</td>
<td>3,052</td>
<td>772</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
<td>(20,507)</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>(3)</td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>209</td>
<td>271</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of convertible bond-type bonds with subscription rights to shares</td>
<td>18,072</td>
<td>17,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of reserve for reduction entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td></td>
<td></td>
<td>(587)</td>
<td>(587)</td>
<td>(26)</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>18,278</td>
<td>62,842</td>
<td>(587)</td>
<td>(587)</td>
<td>(26)</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>(14,103)</td>
<td>683,945</td>
<td>2,465</td>
<td>2,465</td>
<td>745</td>
</tr>
</tbody>
</table>
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 (5-10 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.
   On the non-consolidated balance sheet, the amount of pension assets exceeded the projected benefit obligations net of unrecognized actuarial gains and losses and unrecognized prior service costs. The exceeded amount is included in “other” in “investment and other assets” as prepaid pension expenses.

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: 225,860 million yen

(2) Guarantee obligations

Guarantee obligations for subsidiaries’ borrowings from financial institutions
Terumo BCT Holding Corporation: 3,017 million yen

Guarantee obligations associated with the receipt of a subsidy from the Scottish government by a subsidiary
Vascutek Limited: 115 million yen

(3) Monetary receivables and monetary obligations to subsidiaries and affiliates (excluding items shown by category)
Short-term monetary receivables: 102,537 million yen
Short-term monetary obligations: 145,754 million yen
3. Notes to the Non-consolidated Statements of Income

(1) Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Sales: 134,294 million yen
Purchase: 56,104 million yen
Other: 3,171 million yen

Amount of transactions other than business transactions: 31,491 million yen

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

(1) Number of treasury stock

<table>
<thead>
<tr>
<th></th>
<th>Number of shares at the beginning of the fiscal year</th>
<th>Increase during the fiscal year</th>
<th>Decrease during the fiscal year</th>
<th>Number of shares at the end of the fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>16,618</td>
<td>1</td>
<td>9,382</td>
<td>7,236</td>
</tr>
<tr>
<td>Total</td>
<td>16,618</td>
<td>1</td>
<td>9,382</td>
<td>7,236</td>
</tr>
</tbody>
</table>

(Note) The Company conducted a two-for-one stock split for its common stock, effective April 1, 2019.

(Reason for the change)

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

Increase due to the purchase of shares of less than one unit of shares: 1 thousand shares
Decrease due to exercise of stock options: 45 thousand shares
Decrease due to disposal for restricted stock remuneration: 61 thousand shares
Decrease due to the conversion of convertible bonds with stock acquisition rights: 9,274 thousand shares
5. Notes to Deferred Tax Accounting

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

(Millions of yen)

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for retirement benefits</td>
<td>1,644</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>3,582</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>1,629</td>
</tr>
<tr>
<td>Accounts payable-other and accrued expenses</td>
<td>1,240</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>1,079</td>
</tr>
<tr>
<td>Shares of subsidiaries and associates</td>
<td>2,866</td>
</tr>
<tr>
<td>Other</td>
<td>2,277</td>
</tr>
<tr>
<td><strong>Subtotal deferred tax assets</strong></td>
<td>14,320</td>
</tr>
<tr>
<td>Valuation allowance related to total deductible temporary differences</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Subtotal valuation allowance</strong></td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>14,313</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on contribution of securities to retirement benefit trust</td>
<td>(1,479)</td>
</tr>
<tr>
<td>Cost difference</td>
<td>(181)</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>(1,012)</td>
</tr>
<tr>
<td>Reserve for advanced depreciation</td>
<td>(231)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>(2,905)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>11,408</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th></th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective statutory tax rate</td>
<td>30.6</td>
</tr>
<tr>
<td>(Adjustment)</td>
<td></td>
</tr>
<tr>
<td>Permanent difference-expenses (entertainment expenses etc.)</td>
<td>0.4</td>
</tr>
<tr>
<td>Permanent differences-income (dividend income etc.)</td>
<td>(8.7)</td>
</tr>
<tr>
<td>Tax credit for research and development</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Actual effective tax rate after application of deferred tax accounting</strong></td>
<td>18.4</td>
</tr>
</tbody>
</table>
## 6. Notes concerning Related Party Transactions

### (1) Subsidiaries

<table>
<thead>
<tr>
<th>Type</th>
<th>Company name</th>
<th>Ownership of voting rights</th>
<th>Relationship with the related party</th>
<th>Transactions</th>
<th>Transaction amount</th>
<th>Account</th>
<th>Balance at the end of the fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Terumo Europe N.V.</td>
<td>100% directly owned by the Company</td>
<td>Interlocking directorate</td>
<td>Sales of the Company’s products</td>
<td>35,925</td>
<td>Accounts receivable-trade</td>
<td>17,311</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales of the Company’s products</td>
<td>Borrowing</td>
<td></td>
<td>Short-term loans payable</td>
<td>20,263</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo Medical Corporation</td>
<td>100% indirectly owned by the Company</td>
<td>Interlocking directorate</td>
<td>Sales of the Company’s products</td>
<td>29,466</td>
<td>Accounts receivable-trade</td>
<td>2,210</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Short-term loans receivable</td>
<td>589</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Long-term loans receivable from subsidiaries and affiliates</td>
<td>8,046</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>MicroVention, Inc.</td>
<td>100% indirectly owned by the Company</td>
<td>Interlocking directorate</td>
<td>Lending</td>
<td>9,294</td>
<td>Short-term loans receivable</td>
<td>8,644</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of funds</td>
<td>25,575</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Debt guarantee</td>
<td>3,017</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo BCT Holding Corp.</td>
<td>100% indirectly owned by the Company</td>
<td>Interlocking directorate</td>
<td>Lending</td>
<td>2,177</td>
<td>Short-term loans receivable</td>
<td>1,675</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of funds</td>
<td>7,451</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo BCT Vietnam Co., Ltd.</td>
<td>100% indirectly owned by the Company</td>
<td>Interlocking directorate</td>
<td>Repayment of funds</td>
<td>89,700</td>
<td>Short-term loans receivable</td>
<td>27,200</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of funds</td>
<td>79,750</td>
</tr>
<tr>
<td>Type</td>
<td>Company name</td>
<td>Ownership of voting rights</td>
<td>Relationship with the related party</td>
<td>Transactions</td>
<td>Transaction amount</td>
<td>Account</td>
<td>Balance at the end of the fiscal year</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>--------------</td>
<td>-------------------</td>
<td>---------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo Yamaguchi D&amp;D Corporation</td>
<td>100% indirectly owned by the Company</td>
<td>Interlocking directorate Lending</td>
<td>Lending of funds</td>
<td>39,250</td>
<td>Short-term loans receivable</td>
<td>13,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of funds</td>
<td>38,150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo Capital Management Pte. Ltd.</td>
<td>100% directly owned by the Company</td>
<td>Interlocking directorate Borrowing</td>
<td>Borrowing of funds</td>
<td>18,785</td>
<td>Short-term loans payable</td>
<td>76,639</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Terumo Global Reinsurance, Inc.</td>
<td>100% directly owned by the Company</td>
<td>Interlocking directorate Borrowing</td>
<td>Borrowing of funds</td>
<td>14,980</td>
<td>Short-term loans payable</td>
<td>14,980</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Subscription to new shares</td>
<td>15,043</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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: 912.44 yen
   (2) Net income per share: 87.31 yen

8. Notes to Material Subsequent Events
   Not applicable.