

Consolidated Balance Sheets

Terumo Corporation and subsidiaries
March 31, 2015 and 2014

Assets	Millions of yen	
	2015	2014
Current Assets:		
Cash and deposits (Notes 2 and 18)	¥ 129,679	¥ 95,619
Notes and accounts receivable—trade (Note 18)	104,944	101,520
Less: allowance for doubtful accounts	(1,458)	(1,394)
Notes and accounts receivable—trade, net	103,485	100,126
Marketable securities (Notes 2, 4 and 18)	50,000	—
Inventories (Note 3)	101,472	93,966
Deferred tax assets (Note 8)	13,949	12,341
Other current assets	13,871	8,934
Total current assets	412,458	310,986
Property, Plant and Equipment:		
Land	22,023	21,758
Buildings and structures	161,029	148,177
Machinery, equipment and vehicles	220,685	209,614
Other equipment and furniture	42,422	40,355
Leased assets	2,182	1,590
Construction in progress	39,029	27,975
	487,373	449,469
Less: accumulated depreciation	(308,877)	(291,714)
Net property, plant and equipment (Note 22)	178,496	157,755
Investments and Other Assets:		
Investment securities, including investments in unconsolidated subsidiaries and affiliates (Notes 4 and 18)	45,461	37,955
Goodwill (Note 22)	166,990	154,161
Customer relationships	103,217	93,969
Deferred tax assets (Note 8)	259	5,323
Retirement benefit assets (Note 7)	6,786	2,573
Other assets	78,402	70,092
Total investments and other assets	401,118	364,073
Total Assets	¥ 992,073	¥ 832,814

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen	
	2015	2014
Current Liabilities:		
Short-term debt (Notes 5 and 18)	¥ 364	¥ 260
Current portion of long-term debt (Notes 5 and 18)	5,417	4,652
Current portion of bonds payable (Notes 6 and 18)	—	40,000
Notes and accounts payable—trade (Note 18)	38,484	38,148
Lease obligations	208	226
Income taxes payable (Note 8)	19,714	18,402
Accrued expenses	35,841	30,934
Other current liabilities (Notes 8, 18 and 19)	29,916	28,315
Total current liabilities	129,947	160,937
Non-current Liabilities:		
Bonds payable (Notes 6 and 18)	40,000	40,000
Convertible bonds with subscription rights to shares (Notes 6 and 18)	100,233	—
Long-term debt (Notes 5 and 18)	79,141	76,770
Lease obligations	278	299
Retirement benefit liabilities (Note 7)	7,020	3,125
Provision for directors' retirement benefits	66	66
Asset retirement obligations	233	220
Deferred tax liabilities (Note 8)	50,013	47,796
Other non-current liabilities	11,615	7,355
Total non-current liabilities	288,602	175,632
Total liabilities	418,550	336,569
Contingencies (Note 20)		
Net Assets (Note 15):		
Capital stock	38,716	38,716
Authorized 1,519,000,000 shares and 840,000,000 shares in 2015 and 2014, respectively; Issued 379,760,520 shares and 189,880,260 shares in 2015 and 2014, respectively.		
Capital surplus	52,103	52,103
Retained earnings	383,317	353,601
Less: treasury stock, at cost (Note 14)	(3,035)	(24)
Total shareholders' equity	471,102	444,397
Unrealized gains (losses) on available-for-sale securities, net of taxes	16,910	11,270
Deferred gains (losses) on hedges, net of taxes	—	(2)
Foreign currency translation adjustments, net of taxes	89,043	43,377
Accumulated adjustments for retirement benefits, net of taxes (Note 7)	(3,611)	(2,817)
Total accumulated other comprehensive income	102,341	51,828
Stock subscription rights	78	20
Total net assets	573,523	496,245
Total Liabilities and Net Assets	¥ 992,073	¥ 832,814

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Terumo Corporation and subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Net Sales	¥ 489,506	¥ 467,360
Cost of Sales	233,480	225,348
Gross profit.....	256,025	242,012
Selling, General and Administrative Expenses (Notes 9 and 10)	188,569	176,723
Operating income.....	67,456	65,289
Other Income (Expenses):		
Interest and dividend income	932	799
Royalty income	200	117
Foreign exchange gains (losses)	6,598	3,250
Gain on sales of property, plant and equipment (Note 11)	692	743
Gain on sales of investment securities	559	—
Gain on transfer of businesses	—	667
Gain on adjustment of accounts payable	2,030	—
Settlement income.....	—	6,000
Interest expense	(1,254)	(1,543)
Equity in earnings (losses) of affiliates	(65)	133
Loss on disposal of inventories.....	(267)	(837)
Structural reform-related expenses.....	(797)	—
Loss on disposal of property, plant and equipment (Note 12)	(1,160)	(995)
Impairment loss (Note 13)	(1,625)	(15,351)
Loss on liquidation of subsidiaries	(597)	—
Restructuring loss	(5,607)	—
Directors' retirement benefits	—	(33)
Loss on liquidation of businesses.....	(974)	(740)
Loss on information system failure	—	(1,186)
Other, net.....	(2,071)	(3,405)
	(3,409)	(12,381)
Income before income taxes and minority interests	64,046	52,908
Income Taxes (Note 8):		
Current	29,954	26,637
Deferred.....	(4,378)	(7,856)
	25,575	18,781
Income before minority interests	38,470	34,127
Minority Interests in Income	—	31
Net income	¥ 38,470	¥ 34,096

	Yen	
Net Income per Common Stock:		
Basic	¥101.33	¥89.78
Diluted	¥99.12	¥89.78

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

Net Income per Common Stock has been adjusted retrospectively to reflect the effect of the stock split.

Cash Dividends per Common Stock	30.50	58.00
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See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Terumo Corporation and subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Income before Minority Interests	¥ 38,470	¥ 34,127
Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	5,640	3,811
Deferred gains (losses) on hedges	2	(2)
Foreign currency translation adjustments	45,665	33,234
Adjustments for retirement benefits	(795)	—
Share of other comprehensive income of associates accounted for using the equity method	1	(3)
Total other comprehensive income (Note 23)	50,515	37,040
Comprehensive Income	¥ 88,986	¥ 71,167

	Millions of yen	
Attributable to:		
Shareholders of Terumo Corporation	¥ 88,986	¥ 71,180
Minority interests	—	(13)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note15)

Terumo Corporation and subsidiaries
Years ended March 31, 2015 and 2014

	Thousands	Millions of yen										
	Number of shares of capital stock	Shareholders' equity				Accumulated other comprehensive income						Total
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Stock subscription rights	Minority interests	
Balance at March 31, 2013	189,877	¥ 38,716	¥ 52,103	¥ 329,189	¥ (9)	¥ 7,458	—	¥ 10,099	—	—	¥ 352	¥ 437,909
Dividends from surplus				(9,684)								(9,684)
Net income				34,096								34,096
Purchase of treasury stock	(3)				(15)							(15)
Net changes of items other than shareholders' equity						3,812	(2)	33,278	(2,817)	20	(352)	33,939
Balance at March 31, 2014	189,874	38,716	52,103	353,601	(24)	11,270	(2)	43,377	(2,817)	20	—	496,245
Cumulative effect of changes in accounting policies				2,258								2,258
Beginning of period as restated	189,874	38,716	52,103	355,859	(24)							498,504
Dividends from surplus				(11,012)								(11,012)
Net income				38,470								38,470
Purchase of treasury stock	(920)				(3,010)							(3,010)
Net changes of items other than shareholders' equity	189,874					5,640	2	45,665	(795)	58		50,571
Balance at March 31, 2015	378,829	¥ 38,716	¥ 52,103	¥ 383,317	¥ (3,035)	¥ 16,910	—	¥ 89,043	¥ (3,611)	¥ 78	—	¥ 573,523

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Terumo Corporation and subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	¥ 64,046	¥ 52,908
Depreciation and amortization	30,363	30,322
Impairment loss	1,625	15,351
Amortization of goodwill	10,329	9,559
Equity in losses (earnings) of affiliates	65	(133)
Increase (decrease) in provision for retirement benefits	—	(1,248)
Decrease (increase) in retirement benefit assets	1,135	(1,900)
Increase (decrease) in retirement benefit liabilities	(215)	1,506
Increase (decrease) in provision for directors' retirement benefits	—	(132)
Increase (decrease) in allowance for doubtful accounts	14	73
Increase (decrease) in provision for directors' bonuses	32	1
Interest and dividend income	(932)	(799)
Interest expense	1,254	1,543
Foreign exchange gains	(4,483)	(3,211)
Structural reform-related expenses	797	—
Gain on transfer of businesses	—	(667)
Gain on adjustment of accounts payable	(2,030)	—
Settlement income	—	(6,000)
Gain on sales of property, plant and equipment	(692)	(743)
Loss on disposal of property, plant and equipment	1,160	995
Loss (gain) on sales of investment securities	(559)	—
Loss on liquidation of subsidiaries	597	—
Restructuring loss	5,607	—
Directors' retirement benefits	—	33
Loss on liquidation of businesses	974	740
Loss on information system failure	—	1,186
Payment of cash contributions to retirement benefit trust	—	(3,600)
Decrease (increase) in notes and accounts receivable—trade	1,317	(507)
Decrease (increase) in inventories	(1,241)	(3,619)
Increase (decrease) in notes and accounts payable—trade	(801)	(1,096)
Other, net	(2,242)	4,850
Subtotal	106,121	95,412
Interest and dividend income received	1,165	1,020
Interest expenses paid	(1,282)	(1,522)
Income taxes paid	(31,001)	(2,876)
Payments for structural reform-related expenses	(382)	—
Settlement received	—	6,000
Payments for loss on liquidation of subsidiaries	(565)	—
Payments for restructuring loss	(515)	—
Payments for directors' retirement benefits	—	(33)
Payments for loss on liquidation of business	(179)	—
Payments for information system failure	(250)	(943)
Payments for environmental expenses	—	(798)
Net cash provided by (used in) operating activities	73,110	96,260

Net Cash Provided by (Used in) Investing Activities		
Payments for time deposits	(1,201)	(767)
Proceeds from withdrawal of time deposits	1,505	1,183
Purchase of property, plant and equipment	(37,342)	(39,933)
Proceeds from sales of property, plant and equipment	1,168	953
Purchase of intangible assets	(3,683)	(4,961)
Payments for settlement of asset retirement obligations	—	(420)
Purchase of investment securities	(429)	(1,824)
Proceeds from sales of investment securities	1,434	—
Collection of lease deposits	459	—
Payments for acquisition of businesses (Note 2)	(54)	(1,828)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 2)	—	(374)
Purchase of stock of subsidiaries	—	(1,519)
Proceeds from transfer of businesses (Note 2)	—	1,815
Other, net	(2,276)	(5,070)
Net cash provided by (used in) investing activities	(40,421)	(52,745)
Net Cash Provided by (Used in) Financing Activities		
Proceeds from short-term debt	257	253
Repayments of short-term debt	(202)	(49)
Net increase (decrease) in short-term debt	—	(18,000)
Proceeds from long-term debt	3,018	—
Repayments of long-term debt	(4,963)	(4,007)
Proceeds from issuance of bonds with subscription rights to shares	100,250	—
Redemption of bonds	(40,000)	—
Repayments of finance lease obligations	(214)	(284)
Purchase of treasury stock	(3,010)	(15)
Cash dividends paid	(11,012)	(9,684)
Net cash provided by (used in) financing activities	44,121	(31,786)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7,353	5,603
Net Increase in Cash and Cash Equivalents	84,164	17,332
Cash and Cash Equivalents at Beginning of the Year	92,498	75,166
Cash and Cash Equivalents at End of the Year (Note 2)	¥ 176,662	¥ 92,498

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Terumo Corporation and subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

Terumo Corporation (the “Company”) and domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange 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 five specified items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange 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 assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date.

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

consolidated balance sheets.

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

(d) Cash and Cash Equivalents

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

(e) Investments

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

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

(f) Inventories

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

(g) Property, Plant and Equipment

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

Buildings and structures: 3–60 years

Machinery, equipment and vehicles 4–15 years

(h) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to cover probable losses on notes and accounts receivable due to customer defaults

at an estimated amount based on past collection experience for current receivables, and individual account by account analysis for specific overdue receivables.

(i) Goodwill

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

(j) Intangible assets

Intangible assets are amortized on a straight-line basis.

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

(k) Income Taxes

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

(l) Retirement Benefits

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

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

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

(m) Leases

Assets held under finance leases, except for certain immaterial

leases, are capitalized and depreciated over the lease terms, as applicable.

(n) Derivatives and Hedge Accounting

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

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

Derivatives are stated at fair value.

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

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

(o) Appropriation of Retained Earnings

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

(p) Consumption Taxes

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

(q) Net Income and Cash Dividends per Common Stock

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

Cash dividends per share are presented on an accruals basis

and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(r) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(s) 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.

- (i) Goodwill not subject to amortization
- (ii) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
- (iii) Capitalized expenditures for research and development activities
- (iv) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
- (v) 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 purposes were prepared as of the

consolidated balance sheet date.

(v) Accounting Standard for Retirement Benefits

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting

Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line method to a benefit formula basis and the method of determining discount rates.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, retirement benefit assets and retained earnings increased by ¥3,509 million and ¥2,258 million at the beginning of the current fiscal year, respectively. In addition, operating income and income before income taxes and minority interests increased by ¥632 million in the current fiscal year, respectively.

Net assets per common stock, net income per common stock and diluted net income per common stock for the current fiscal year increased by ¥5.96, ¥1.67 and ¥1.63, respectively.

(w) New Accounting Pronouncements

- Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013)
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No.2, September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4, September 13, 2013)

(1) Summary

The above standards and guidance have been revised primarily in relation to:

- ① How changes of the investment in subsidiaries over which the Company continues to exert control should be treated by the Company when additional stock of a subsidiary is acquired.
- ② Treatment of acquisition related costs
- ③ Presentation of current net income and the change of minority interests to non-controlling interests
- ④ Provisional application of accounting treatments

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(3) Effects of the application of the standards

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

(a) 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, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Cash and deposits.....	¥129,679	¥95,619
Time deposits with maturities exceeding 3 months.....	(3,017)	(3,121)
Negotiable deposits in Marketable securities	50,000	—
Cash and cash equivalents.....	¥176,662	¥92,498

(b) In the year ended March 31, 2014, the Company's subsidiary acquired 100% of the outstanding shares of Terumo BCT Tibbi Cihazlar Dagitimve Hizmetleri A.S.. The acquisition was accounted for under the purchase method.

A breakdown of assets and liabilities of the newly consolidated subsidiary at the date of initial consolidation was as follows:

Terumo BCT Tibbi Cihazlar Dagitimve Hizmetleri A.S.

	Millions of yen
	2014
Current assets.....	¥635
Non-current assets	303
Goodwill.....	56
Current liabilities	(593)
Non-current liabilities	(13)
Foreign currency translation adjustment	(2)
Acquisition cost	386
Cash and cash equivalents of the subsidiary	(12)
Net cash payments for acquisition of the subsidiary	¥374

In the year ended March 31, 2014, the Company acquired the Estech CABG business. A breakdown of the assets and liabilities of this business at the time of acquisition was as follows:

	Millions of yen
	2014
Current assets.....	¥15
Non-current assets	1,400
Goodwill.....	463
Foreign currency translation adjustment	(50)
Net cash payments for acquisition of businesses	¥1,828

Since the respective amounts for the year ended March 31, 2015 are immaterial, details of assets and liabilities of new subsidiaries have been omitted.

In the year ended March 31, 2014, the Company sold the next generation implantable left ventricular assist system business. A breakdown of the assets and liabilities of this business at the time of transfer was as follows:

	Millions of yen
	2014
Non-current assets	¥961
Current liabilities	84
Gain on transfer of business	237
Net cash proceeds from transfer of business	¥1,282

3. INVENTORIES

Inventories at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen	
	2015	2014
Merchandise and finished goods	¥65,295	¥60,035
Work in process	10,228	10,262
Raw materials and supplies	25,948	23,669
	¥101,472	¥93,966

4. SECURITIES

Marketable securities and Investment securities include negotiable deposits and available-for-sale securities, respectively, at March 31, 2015 and 2014.

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

	Millions of yen			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Gross amount (market value)
2015:				
Securities held to maturity:				
Negotiable deposits	¥50,000	¥ —	¥ —	¥50,000
Available-for-sale securities:				
Equity securities	18,319	21,563	(184)	39,698
	¥68,319	¥21,563	¥(184)	¥89,698

	Millions of yen			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Gross amount (market value)
2014:				
Securities held to maturity	¥ —	¥ —	¥ —	¥ —
Available-for-sale securities:				
Equity securities	19,191	14,648	(1,210)	32,629
	¥19,191	¥14,648	¥(1,210)	¥32,629

Gross gain and loss on investment securities which were sold in the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		
	Sales price	Gross gain	Gross loss
2015:			
Equity securities	¥1,434	¥559	¥ —
	¥1,434	¥559	¥ —

	Millions of yen		
	Sales price	Gross gain	Gross loss
2014:			
Equity securities	¥ —	¥ —	¥ —
	¥ —	¥ —	¥ —

The balances of investments in unconsolidated subsidiaries and affiliates at March 31, 2015 and 2014 were ¥3,513 million and ¥3,419 million, respectively.

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2015 included unsecured bank borrowings in the amount of ¥364 million. The weighted-average interest rates applicable to the bank borrowings was 10.6% at March 31, 2015.

As is customary in Japan, short-term debt is made under

general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the banks.

There is no committed line of credit as of March 31, 2015. The amount of unused credit available for immediate borrowing under committed lines of credit with banks as of March 31, 2014 was as follows:

	Millions of yen	
	2015	2014
Total amount of committed lines	¥ —	¥15,000
Amount borrowed	—	—
Amount available for borrowing	¥ —	¥15,000

Long-term debt at March 31, 2015 and 2014 is summarized as follows:

	Millions of yen	
	2015	2014
Unsecured loans, principally from banks:		
Due 2016, weighted-average interest rate of 1.86%	¥5,417	¥4,652
Due 2017 to 2019, weighted-average interest rate of 1.23%	79,141	76,770
Total long-term debt	¥84,558	¥81,422

The aggregate annual maturities of long-term debt at March 31, 2015 are as follows:

Year Ending March 31	Millions of yen
2016	¥5,417
2017	19,012
2018	8,411
2019	48,411
2020	—
2021 and thereafter	3,304
	¥84,558

6. BONDS PAYABLE

The Company has issued the following bonds:

	Issuance date	Interest rate	Security	Maturity date	Millions of yen	
					2015	2014
3rd series unsecured straight bonds	March 2, 2012	0.352%	Unsecured	March 2, 2015	—	¥40,000
4th series unsecured straight bonds	March 2, 2012	0.504%	Unsecured	March 2, 2017	¥40,000	¥40,000
Convertible bonds						
with subscription rights to shares (maturing in 2019)	December 4, 2014	—	Unsecured	December 4, 2019	¥50,233	—
Convertible bonds						
with subscription rights to shares (maturing in 2021)	December 4, 2014	—	Unsecured	December 6, 2021	¥50,000	—

The aggregate annual maturities of unsecured straight bonds at March 31, 2015 is as follows:

Year Ending March 31	Millions of yen
2016	¥ —
2017	40,000
2018	—
2019	—
2020	—
2021 and thereafter	—
	¥40,000

The aggregate annual maturities of convertible bonds with subscription rights to shares at March 31, 2015 is as follows:

Year Ending March 31	Millions of yen
2016	¥ —
2017	—
2018	—
2019	—
2020	50,000
2021 and thereafter	50,000
	¥100,000

7. RETIREMENT BENEFITS

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

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

DEFINED BENEFIT PLANS

Movements in retirement benefit obligations are as follows:

	Millions of yen	
	2015	2014
Balance at April 1, 2014 and 2013	¥87,494	¥85,362
Cumulative effect of changes in accounting policies	(3,509)	—
Beginning of period as restated	83,985	85,362
Service cost	2,672	3,571
Interest cost	1,768	1,433
Actuarial gain (loss)	10,235	(2,491)
Benefits paid	(2,344)	(1,868)
Foreign currency translation adjustment	1,208	1,729
Other	(173)	(241)
Balance at March 31, 2015 and 2014	¥97,351	¥87,494

Movements in plan assets are as follows:

	Millions of yen	
	2015	2014
Balance at April 1, 2014 and 2013	¥86,943	¥71,479
Expected return on plan assets	2,905	2,456
Actuarial gain	7,983	5,712
Contributions paid by the employer	535	7,679
Benefits paid	(2,241)	(1,840)
Foreign currency translation adjustment	1,013	1,360
Other	(21)	97
Balance at March 31, 2015 and 2014	¥97,117	¥86,943

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

	Millions of yen	
	2015	2014
Funded retirement benefit obligations	¥96,527	¥86,790
Plan assets	(97,117)	(86,943)
	(589)	(153)
Unfunded retirement benefit obligations	823	705
Total net liability for retirement benefits at March 31, 2015 and 2014	¥234	¥552
Retirement benefit liabilities	¥7,020	¥3,125
Retirement benefit assets	(6,786)	(2,573)
Total net liability for retirement benefits at March 31, 2015 and 2014	¥234	¥552

Retirement benefit costs consisted of the following:

	Millions of yen	
	2015	2014
Service cost	¥2,672	¥3,571
Interest cost	1,768	1,433
Expected return on plan assets	(2,905)	(2,456)
Net actuarial loss amortization	1,348	2,332
Past service costs amortization	(150)	(1,555)
Other	95	—
Total retirement benefit costs for the year ended March 31, 2015 and 2014	¥2,829	¥3,325

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

	Millions of yen	
	2015	2014
Past service costs	¥(150)	¥ —
Net actuarial losses	1,291	—
Total balance at March 31, 2015 and 2014	¥1,141	¥ —

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

	Millions of yen	
	2015	2014
Past service costs that are yet to be recognized	¥975	¥1,125
Net actuarial losses that are yet to be recognized	(6,504)	(5,453)
Total balance at March 31, 2015 and 2014	¥(5,529)	¥(4,328)

A breakdown of plan assets by category is as follows:

	Millions of yen	
	2015	2014
Bonds	50%	43%
Equity securities	41	50
Cash and cash equivalents	3	1
Other	6	6
Total	100%	100%

14% and 19% of the total plan assets were held by a retirement benefit trust established to cover the corporate pension plan benefits at March 31, 2015 and 2014, respectively.

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

The principal actuarial assumptions at March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate.....	1.5%	1.2%
Long-term expected rate of return	3.0	3.0

DEFINED CONTRIBUTION PLANS

Certain overseas subsidiaries have defined contribution plans, which provide retirement benefits for their employees who meet certain eligibility requirements. Contributions made to those plans for the year ended March 31, 2015 and 2014 were ¥2,473 million and ¥901 million, respectively.

8. INCOME TAXES

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax, which in the aggregate resulted in a statutory tax rate of 35.6% and 38.0% for the year ended March 31, 2015 and 2014, respectively.

A reconciliation between the Japanese statutory 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, 2015 and 2014 is as follows:

	Millions of yen	
	2015	2014
Japanese statutory income tax rate	35.6%	38.0%
Increase (reduction) in income taxes resulting from:		
Expenses not deductible for tax purposes	0.6	0.9
Dividend income, non-taxable	(0.2)	(0.2)
Income of foreign subsidiaries taxed at different rate to Japanese statutory tax rate	(1.7)	(3.2)
Amortization of goodwill	5.7	6.8
R&D tax credit	(2.5)	(7.4)
Valuation allowance	(0.5)	1.5
Changes in tax rates	1.4	0.9
Deferred tax effect on unrealized profit in inventories	0.9	(3.4)
Other	0.6	1.6
Effective income tax rate after adoption of tax-effect accounting	39.9%	35.5%

The tax effects of temporary differences and net operating loss carry forwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2015 and 2014 are presented below:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Retirement benefit liabilities	¥6,810	¥7,639
Research and development expenses	1,045	858
Unrealized profit in inventories and property, plant and equipment	3,953	4,219
Accrued expenses	7,553	6,368
Impairment loss	4,905	5,455
Loss on valuation of investment securities	2,695	2,970
Inventories	2,060	1,793
Net operating loss carryforwards	2,392	1,742
Other	3,748	2,697
Total gross deferred tax assets	35,165	33,741
Less: valuation allowance	(6,345)	(6,279)
Net deferred tax assets	28,819	27,462
Deferred tax liabilities:		
Gain on contribution of securities to retirement benefit trust	(1,562)	(1,911)
Intangible assets	(55,853)	(50,620)
Unrealized gains (losses) on available-for-sale securities	(4,376)	(2,168)
Other	(2,938)	(2,989)
Total gross deferred tax liabilities	(64,730)	(57,688)
Net deferred tax liabilities	¥(35,910)	¥(30,226)

Deferred tax liabilities-current included in "Other current liabilities" were ¥105 million and ¥94 million as of March 31, 2015 and 2014.

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

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥284

million as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥730 million and Unrealized gains (losses) on available-for-sale securities increased by ¥446 million.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Promotion and advertising expenses	¥15,972	¥ 14,238
Salaries and allowances	70,504	63,829
Freight and packing expenses.....	11,035	10,547
Research and development expenses	29,360	30,130
Depreciation and amortization.....	25,070	22,748

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2015 and 2014 were ¥29,360 million and ¥ 30,130 million, respectively.

11. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

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

	Millions of yen	
	2015	2014
Buildings and structures	¥166	¥ 511
Machinery, equipment and vehicles.....	291	13
Land	175	212
Other.....	59	7
	¥692	¥743

12. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

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

	Millions of yen	
	2015	2014
Buildings and structures	¥162	¥126
Machinery, equipment and vehicles.....	722	496
Construction in progress	160	—
Other.....	115	373
	¥1160	¥995

13. IMPAIRMENT LOSS

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

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

The Company and subsidiaries assessed fixed assets for possible impairment on the basis of the above asset groups. In the year ended March 31, 2015 and 2014, since the profitability or utility which was originally expected of certain asset groups deteriorated, their carrying amounts were reduced to the respective recoverable amounts. As a result, the Company and subsidiaries recognized a total of ¥1,625 million and ¥15,351 million in impairment loss on the following groups of assets for the years ended March 31, 2015 and 2014, respectively:

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

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

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

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

	Use	Location	Classification
2014:	Cardiac & Vascular Company Manufacturing facilities	Michigan, U.S.A. and others	Machinery, equipment and vehicles, Buildings and structures and other assets
	General Hospital Company Manufacturing facilities	Shizuoka Prefecture, Japan and others	Machinery, equipment and vehicles and other assets
	Blood Management Company Manufacturing facilities	Colorado, U.S.A. and others	Machinery, equipment and vehicles, Other assets of Investments and Other Assets
	Common system of Headquarters	Tokyo Prefecture, Japan	Other assets of Investments and Other Assets

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

- Cardiac & Vascular Company / Manufacturing facilities and others
¥7,595 (Machinery, equipment and vehicles ¥3,136, Other assets (Investments and Other Assets) ¥1,893, Buildings and structures ¥875, Construction in progress ¥702, Goodwill ¥518, Other ¥471)
- General Hospital Company / Manufacturing facilities and others
¥3,454 (Machinery, equipment and vehicles ¥3,299, Other ¥155)
- Blood Management Company / Manufacturing facilities and others
¥1,966 (Machinery, equipment and vehicles ¥991, Other assets (Investments and Other Assets) ¥785, Other ¥190)
- Common system of Headquarters
¥2,336 (Other assets (Investments and Other Assets) ¥2,336)

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

With respect to the asset groups within General Hospital Company segment, the recoverable amounts were measured using the value-in-use based on estimated future cash flows discounted at a rate of 13.1%.

14. TREASURY STOCK

At March 31, 2015 and 2014, the Company held 931 thousand and 6 thousand shares of treasury stock for an aggregate cost of ¥3,035 million and ¥24 million, respectively.

The annual shareholders' meeting held on June 29, 2004

With respect to the asset groups within Blood Management Company segment, the recoverable amounts were measured using either the value-in-use based on estimated future cash flows discounted at a rate of 13.1%, or the net selling price.

With respect to the Common system of Headquarters, since its expected economic benefit became uncertain, an impairment loss was recognized as above.

approved a change to the Company's Articles of Incorporation so that the Company may acquire its common stock to be held in treasury based on decision by the Board of Directors.

15. NET ASSETS

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

shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remain equal to or exceed 25% of common stock, they are available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings which are potentially available for dividends.

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

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

The total number and periodic changes in the number of share subscription rights of convertible bonds with subscription rights to shares for the year ended March 31, 2015 are summarized as follows:

Item	Convertible bond-type bonds with subscription rights to shares (maturing in 2019)	Convertible bond-type bonds with subscription rights to shares (maturing in 2021)
Class of stock	Common stock	Common stock
	(Thousands of shares)	(Thousands of shares)
March 31, 2014	—	—
Increase	12,843	12,843
Decrease	—	—
March 31, 2015	12,843	12,843

Dividends applicable to the years ended March 31, 2015 and 2014 are as follows:

YEAR ENDED MARCH 31, 2015

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

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

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

YEAR ENDED MARCH 31, 2014

Dividends paid Resolution	Class of shares	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividends per share		
Annual shareholders' meeting held on June 26, 2013	Common stock	¥4,177	¥22.00	March 31, 2013	June 27, 2013
Board of Directors meeting held on November 6, 2013	Common stock	5,506	29.00	September 30, 2013	December 9, 2013

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

Resolution	Class of shares	Millions of yen	Funds of dividends	Yen	Record date	Effective date
		Total amount of dividends		Dividends per share		
Annual shareholders' meeting held on June 24, 2014	Common stock	¥5,506	Retained earnings	¥29.00	March 31, 2014	June 25, 2014

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

16. STOCK OPTION

Stock options outstanding as of March 31, 2015 are as follows:

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

The stock option activity for the year ended March 31, 2015 is as follows:

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

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

The number of shares relating to the 2013 Stock Option were adjusted retrospectively to reflect the effect of the stock split.

ASSUMPTIONS USED TO MEASURE FAIR VALUE OF 2014 STOCK OPTION

Valuation method	Black - Scholes option pricing model
Volatility of stock price	31.12%
Estimated remaining outstanding period	11.6 years
Estimated dividend (Yen)	¥29 per share
Risk-free interest rate	0.64%

17. LEASES

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

(b) The minimum rental commitments under non-cancellable operating leases at March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Within one year	¥389	¥363
Over one year	352	655
	¥742	¥1,018

18. FINANCIAL INSTRUMENTS

1. Qualitative information on financial instruments

(A) POLICIES FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Company enters into forward exchange contracts to hedge against the risk of fluctuations in foreign currency exchange rates associated with certain trade receivables and payables in foreign currencies and forecast transactions in

foreign currencies, and interest rate swaps to hedge against the risk of fluctuations in interest rates associated with debt with variable interest. For more information on the use of hedge accounting, 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 ASSOCIATED WITH FINANCIAL INSTRUMENTS

i. Management of Credit Risk

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

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

ii. Management of Market Risk

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

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

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

iii. Management of Funding and Liquidity Risk

The Treasury Department performs liquidity risk management by forecasting and updating the Company's cash flow plan according to reports from each Department 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 since certain assumptions are used in the calculation change.

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

2. Fair value of financial instruments

The carrying amount of financial instruments included in the consolidated balance sheets and their fair value at March 31, 2015 and 2014 are as follows:

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

	Millions of yen		
	Carrying Amount	Fair value	Difference
2014:			
Assets:			
Cash and deposits.....	¥95,619	¥95,619	¥ —
Notes and accounts receivable—trade	101,520	101,520	—
Investment securities			
Available-for-sale securities	32,629	32,629	—
Total	¥229,768	¥229,768	—
Liabilities:			
Notes and accounts payable—trade	¥38,148	¥38,148	—
Short-term debt.....	260	260	—
Notes and accounts payable—facilities included in other current liabilities	8,426	8,426	—
Bonds payable ^(*)	80,000	80,364	364
Long-term debt ^(*)	81,422	81,610	188
Total	¥208,256	¥208,808	¥552
Derivatives: ^(*)			

Total	¥(117)	¥(117)	¥ —
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(*1) Bonds payable and long-term debt include current portion.

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

Assets:

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

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

Investment securities

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

Liabilities:

Notes and accounts payable—trade

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

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

Bonds payable, Convertible bonds with subscription rights to
shares

The fair value is estimated based on quoted market prices.

Long-term debt

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

^(*) 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 19 Foreign Exchange Risk
Management.

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

	Millions of yen	
	2015	2014
Unlisted stocks	¥2,250	¥1,907
Investments in unconsolidated subsidiaries and affiliates	3,513	3,419

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

The amount of assets with maturities within one year from the year-end is ¥95,619 million of Cash and deposits and ¥101,520 million of
Notes and accounts receivable—trade as of March 31, 2014.

19. FOREIGN EXCHANGE RISK MANAGEMENT

At March 31, 2015 and 2014, outstanding foreign currency exchange contract rates are used for the translation of hedged trade
receivables and payables. Contract amounts and fair value of forward exchange contracts at March 31, 2015 and 2014 are as follows:

Derivatives not designated as hedging instruments:	Millions of yen	
	2015	2014
Foreign currency forward contracts		
Sell		
Contract amount	¥3,833	¥7,365
Fair value	29	(114)
Unrealized gain (loss)	29	(114)
Buy		
Contract amount	¥194	¥176
Fair value	(0)	1
Unrealized gain (loss)	(0)	1
Net unrealized gain (loss)	¥28	¥(113)

Derivatives designated as qualified hedging instrument:		Millions of yen	
Foreign currency forward contracts		2015	2014
Sell			
Contract amount		¥ —	¥613
Fair value		—	(4)
Buy			
Contract amount		¥ —	¥ —
Fair value		—	—
Total fair value		—	¥(4)

Derivatives designated as qualified hedging instruments:		Millions of yen	
Interest rate swaps		2015	2014
National amount		¥20,000	¥20,000
Fair value		(*)	(*)

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

20. CONTINGENCIES

The Company and subsidiaries had no significant contingent liabilities at March 31, 2015 and 2014.

21. SUBSEQUENT EVENTS

There are no significant subsequent events.

22. SEGMENT INFORMATION

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

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

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

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

(Note) Changes in segment classification

As a result of reclassification in performance management among overseas subsidiaries, "Harvest Technologies Corporation" and "Harvest Technologies GmbH" have been transferred from "Cardiac & Vascular Company" to "Blood Management Company" since October 1, 2014. This change caused an increase and decrease of ¥145 million in "Segment income" of "Cardiac & Vascular Company" and "Blood Management Company", respectively, for the previous fiscal year.

(Note) Changes in the name of segments

"Cardiac & Vascular Business", "General Hospital Business" and "Blood Management Business" changed their names to "Cardiac & Vascular Company", "General Hospital Company" and "Blood Management Company", respectively, from the first quarter of the fiscal year ended March 31, 2015. This change is reflected retrospectively.

(A) REPORTABLE SEGMENTS

Reportable segment information as of and for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Sales:		
Cardiac & Vascular Company	¥ 229,155	¥ 208,430
General Hospital Company.....	161,462	164,090
Blood Management Company	98,887	94,871
	489,506	467,392
Adjustment	—	(32)
	¥ 489,506	¥ 467,360
Segment income (loss):		
Cardiac & Vascular Company	¥ 45,625	¥ 42,095
General Hospital Company.....	20,833	20,798
Blood Management Company	2,673	4,135
	69,132	67,029
Adjustment	(1,676)	(1,740)
	¥ 67,456	¥ 65,289
Segment assets:		
Cardiac & Vascular Company	¥ 241,401	¥ 226,599
General Hospital Company.....	196,842	171,317
Blood Management Company	382,438	337,934
	820,683	735,851
Adjustment	171,389	96,963
	¥ 992,073	¥ 832,814
Depreciation and amortization:		
Cardiac & Vascular Company	¥ 7,450	¥ 8,554
General Hospital Company.....	8,584	8,661
Blood Management Company	12,935	12,245
	28,970	29,461
Adjustment	1,392	861
	¥ 30,363	¥ 30,322
Amortization of goodwill:		
Cardiac & Vascular Company	¥ 1,870	¥ 1,874
General Hospital Company.....	—	—
Blood Management Company	8,458	7,684
	10,329	9,559
Adjustment	—	—
	¥ 10,329	¥ 9,559
Capital expenditures:		
Cardiac & Vascular Company	¥ 16,978	¥ 22,000
General Hospital Company.....	12,240	13,038
Blood Management Company	11,434	10,583
	40,653	45,622
Adjustment	788	1,002
	¥ 41,441	¥ 46,624

The adjustment to segment income (loss) consists of ¥ (1,541) million for Inventories and ¥ (134) million for other items for the year ended March 31, 2015 and ¥(129) million for Inventories and ¥ (1,611) million for other items for the year ended March 31, 2014.

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

(RELEVANT INFORMATION)

(a) INFORMATION OF GOODS AND SERVICES

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

(b) INFORMATION ON GEOGRAPHIC AREA

	Millions of yen	
	2015	2014
Sales to customers recognized by sales destination:		
Japan	¥183,146	¥189,042
Europe	104,600	96,893
North and South America	125,310	110,973
Asia and Others	76,448	70,452
	¥489,506	¥467,360
Property, plant and equipment:		
Japan	¥110,226	¥105,401
Europe	10,180	10,712
North and South America	25,687	17,722
Asia and Others	32,402	23,920
	¥178,496	¥157,755

Sales to customers in North and South America included ¥104,396 million and ¥91,771 million for the United States of America for the years ended March 31, 2015 and 2014, respectively.

(c) MAJOR EXTERNAL CUSTOMERS

There were no sales to a single external customer exceeding 10% of consolidated net sales for the years ended March 31, 2015 and 2014.

(d) IMPAIRMENT LOSS BY REPORTABLE SEGMENT

	Millions of yen	
	2015	2014
Impairment loss:		
Cardiac & Vascular Company	¥1,625	¥7,595
General Hospital Company	—	3,454
Blood Management Company	—	1,966
	1,625	13,015
Adjustment	—	2,336
	¥1,625	¥15,351

(e) GOODWILL BY REPORTABLE SEGMENT

	Millions of yen	
	2015	2014
Balance at end of the year		
Cardiac & Vascular Company	¥17,648	¥18,051
General Hospital Company	—	—
Blood Management Company	149,342	136,110
	166,990	154,161
Adjustment	—	—
	¥166,990	¥154,161

23. 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	
	2015	2014
Valuation difference on available-for-sale securities:		
Increase (decrease) during the year	¥8,408	¥5,908
Reclassification adjustments	(559)	—
Sub-total, before tax effect	7,848	5,908
Tax effect	(2,208)	(2,097)
Sub-total, net of tax	5,640	3,811
Deferred gains or losses on hedges:		
Increase (decrease) during the year	(0)	(75)
Reclassification adjustments	4	72
Sub-total, before tax effect	3	(3)
Tax effect	(1)	1
Sub-total, net of tax	2	(2)
Foreign currency translation adjustments:		
Increase (decrease) during the year	45,665	33,234
Accumulated adjustments for retirement benefits		
Increase (decrease) during the year	(2,364)	—
Reclassification adjustments	1,222	—
Sub-total, before tax effect	(1,141)	—
Tax effect	346	—
Sub-total, net of tax	(795)	—
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the year	1	(3)
Total other comprehensive income	¥50,515	¥37,040