

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2015



August 6, 2014

Exchange where listed: TSE

Name of listed company : **TERUMO CORPORATION**
 (URL <http://www.terumo.com/>)
Company code number : 4543
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1. Consolidated Financial Highlights for the Three Months Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

(1) Consolidated operating results

(Notes: The amounts shown below ignore values of less than a million yen)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Three months ended June, 2014	114,945	3.5	16,114	20.9	14,449	11.7	8,394	(6.3)
Three months ended June, 2013	111,090	15.9	13,329	(13.9)	12,940	(0.3)	8,956	9.8

(Notes) Comprehensive income: June 2014: 3,717million yen (-86.7%) June 2013: 27,849million yen (-%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
Three months ended June, 2014	22.11	22.10
Three months ended June, 2013	23.58	—

(Notes) Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.

Net income per share and Net income per share, fully diluted have been adjusted retrospectively to reflect the effect of the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
As of June 30, 2014	812,659	496,718	61.1	1,307.95
As of March 31, 2014	832,814	496,245	59.6	1,306.72

(Notes) Shareholders' equity: June 30, 2014: 496,689 million yen March 31, 2014: 496,225 million yen

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

Net asset per share has been adjusted retrospectively to reflect the effect of the stock split.

2. Dividends

	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	total
Year ended March, 2014	(Yen) —	(Yen) 29.00	(Yen) —	(Yen) 29.00	(Yen) 58.00
Year ending March, 2015	—	—	—	—	—
Year ending March, 2015 (forecast)	—	14.50	—	14.50	29.00

(Notes) Revise of dividends forecast : None

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

The forecast of Cash dividends per share has reflected this stock split.

3. Consolidated Forecast for the Year Ending March 2015 (From April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Half year ending September, 2014	236,000	4.4	28,000	(8.1)	27,000	(8.7)	16,000	(17.8)	42.13
Year ending March, 2015	488,000	4.4	64,000	(2.0)	62,000	(2.8)	37,500	10.0	98.75

(Notes) Forecast for fiscal year ending March, 2015 which was announced on May 8, 2014 has not been revised.

(Assumed exchange rate for fiscal year ending March, 2015: USD1=JPY100, EUR1=JPY140)

Among the information that Terumo discloses, forecasts of financial performance on future projections contain potential risks and uncertainty since these are forecasts on projections made by Terumo based on limited information available at the moment of disclosure. Accordingly, it should be noted that actual results may differ from those forecasts on projections due to various factors. Factors affecting to actual results include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuations of foreign exchange rates, and state of competition.

4. Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2014		As of June 30, 2014	
	Amount	%	Amount	%
(Assets)				
I Current assets	310,985	37.3	295,915	36.4
Cash and deposits	95,618		85,030	
Notes and accounts receivable-trade	101,520		97,397	
Inventories	93,966		95,612	
Deferred tax assets	12,340		8,909	
Other	8,933		10,323	
Allowance for doubtful accounts	(1,394)		(1,358)	
II Noncurrent assets	520,332	62.5	514,858	63.4
1. Property, plant and equipment	157,755	18.9	159,851	19.7
Buildings and structures	54,215		53,083	
Machinery, equipment and vehicles	43,916		43,087	
Land	21,757		21,672	
Lease assets	406		809	
Construction in progress	27,974		31,828	
Other	9,483		9,370	
2. Intangible assets	304,756	36.7	295,866	36.4
Goodwill	154,161		149,538	
Customer relationships	93,968		91,183	
Other	56,626		55,144	
3. Investments and other assets	57,820	6.9	59,140	7.3
Investment securities	37,954		39,103	
Deferred tax assets	5,323		2,287	
Retirement benefit asset	2,573		5,800	
Other	11,969		11,949	
III Deferred assets	1,496	0.2	1,885	0.2
Total assets	832,814	100.0	812,659	100.0

(Millions of yen)

	As of March 31, 2014		As of June 30, 2014	
	Amount	%	Amount	%
(Liabilities)		%		%
I Current liabilities	160,936	19.3	139,477	17.2
Notes and accounts payable-trade	38,147		36,392	
Short-term debt	260		4,256	
Current portion of long-term debt	4,652		4,573	
Lease obligations	225		197	
Current portion of bonds payable	40,000		40,000	
Income taxes payable	18,401		3,372	
Deferred tax liabilities	94		4	
Provision for bonuses	4,849		2,622	
Provision for directors' bonuses	109		27	
Notes and accounts payable-facilities	8,425		7,271	
Other	45,769		40,759	
II Noncurrent liabilities	175,632	21.1	176,463	21.7
Bonds payable	40,000		40,000	
Long-term debt	76,769		79,146	
Lease obligations	299		281	
Deferred tax liabilities	47,795		45,148	
Provision for directors' retirement benefits	66		66	
Retirement benefit liability	3,124		3,786	
Asset retirement obligations	220		219	
Other	7,354		7,814	
Total liabilities	336,568	40.4	315,941	38.9
I Shareholders' equity	444,396	53.4	449,537	55.3
Capital stock	38,716		38,716	
Capital surplus	52,103		52,103	
Retained earnings	353,600		358,747	
Treasury stock	(24)		(30)	
II Accumulated other comprehensive income	51,828	6.2	47,152	5.8
Valuation difference on available-for-sale securities	11,269		12,224	
Deferred gains or losses on hedges	(2)		2	
Foreign currency translation adjustments	43,377		37,904	
Accumulated adjustments for retirement benefit	(2,816)		(2,978)	
III Stock subscription rights	20	0.0	28	0.0
Total net assets	496,245	59.6	496,718	61.1
Total liabilities, net assets	832,814	100.0	812,659	100.0

(2) Consolidated statements of income

(Millions of yen)

	For the three months ended			For the three months ended		
	June 30, 2013			June 30, 2014		
	Amount		%	Amount		%
I Net sales	111,090		100.0	114,945		100.0
II Cost of sales	54,099		48.7	54,238		47.2
Gross profit	56,990		51.3	60,706		52.8
III Selling, general and administrative expenses	43,661		39.3	44,591		38.8
Operating income	13,329		12.0	16,114		14.0
IV Non-operating income						
Interest income	82			124		
Dividends income	56			64		
Royalty income	23			17		
Foreign exchange gains	577			—		
Equity in earnings of affiliates	81			24		
Other	144	966	0.8	154	385	0.4
V Non-operating expenses						
Interest expenses	368			300		
Sales discounts	166			172		
Foreign exchange losses	—			773		
Loss on disposal of inventories	43			185		
Other	777	1,355	1.2	618	2,050	1.8
Ordinary income	12,940		11.6	14,449		12.6
VI Extraordinary income						
Gain on sales of noncurrent assets	6			16		
Gain on transfer of businesses	262	268	0.3	—	16	0.0
VII Extraordinary expenses						
Loss on disposal of noncurrent assets	9			331		
Impairment loss	557			369		
Directors' retirement benefits	33	600	0.5	—	700	0.6
Income before income taxes and minority interests	12,608		11.4	13,765		12.0
Income taxes-current	2,370			2,632		
Income taxes-deferred	1,266	3,637	3.3	2,738	5,371	4.7
Income before minority interests	8,971		8.1	8,394		7.3
Minority interests in income	15		0.0	—		—
Net income	8,956		8.1	8,394		7.3

(3) Consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2013		For the three months ended June 30, 2014	
	Amount		Amount	
I Income before minority interests	8,971		8,394	
II Other comprehensive income				
Valuation difference on available-for-sale securities	3,192		954	
Deferred gains or losses on hedges	(8)		4	
Foreign currency translation adjustments	15,694		(5,473)	
Adjustments for retirement benefit	—		(161)	
Share of other comprehensive income of associates accounted for using equity method	(0)	18,877	(0)	(4,676)
Comprehensive income		27,849		3,717
Attributable to:				
Shareholders of Terumo Corporation		27,857		3,717
Minority interests		(8)		—

(4)Notes

<Significant accounting policies in preparing the consolidated financial statements>

Changes in accounting policy

(Adoption of Accounting Standard for Retirement Benefits)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")), and the method of calculating retirement benefit obligations and service costs are revised, with the method of attributing benefits to accounting periods changed from the straight-line basis to the benefit formula basis, and the method of determination of the discount rate changed to several weighted average discount rates which are set at the time of each expected retirement benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the change in calculation methods of retirement benefit obligations and service costs arising from initial application has been recognized in "Retained earnings" at the beginning of the first quarter of the fiscal year ending March 31, 2015.

As a result, "Retirement benefit assets" and "Retained earnings" have increased by ¥3,509 million and ¥2,258 million, respectively, at the beginning of the first quarter of the fiscal year ending March 31, 2015. "Operating income", "Ordinary income" and "Income before income taxes and minority interests" have increased by ¥158 million, respectively, for the current first quarter.

5. Segment Information

[Reportable Segments]

(1) The First Quarter of Fiscal Year Ended March 31, 2014

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	50,108	39,446	21,520	111,075	14	111,090
Internal sales	—	—	—	—	—	—
Sales total	50,108	39,446	21,520	111,075	14	111,090
Segment income (Excl. Amortization)	9,283	4,785	4,102	18,171	(831)	17,340
Segment income (loss)	8,797	4,785	577	14,160	(831)	13,329
Segment income%(Excl. Amortization)	18.5	12.1	19.1	16.4	—	15.6

Notes: 1. The (831) million yen adjustment to segment income is the sum of (257) million yen for inventories and (574) million yen for others.

2. Segment income is adjusted to be consistent with operating income shown on the quarterly consolidated income statement.

(2) The First Quarter of Fiscal Year Ending March 31, 2015

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	54,528	38,005	22,411	114,945	—	114,945
Internal sales	—	—	—	—	—	—
Sales total	54,528	38,005	22,411	114,945	—	114,945
Segment income (Excl. Amortization)	11,419	4,570	4,214	20,204	41	20,246
Segment income (loss)	10,940	4,570	561	16,073	41	16,114
Segment income%(Excl. Amortization)	20.9	12.0	18.8	17.6	—	17.6

Notes: 1. The 41 million yen adjustment to segment income is the sum of (20) million yen for inventories and 61 million yen for others.

2. Segment income is adjusted to be consistent with operating income shown on the quarterly consolidated income statement.

(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 fiscal year ending March 31, 2015. This change is reflected retrospectively.

(Changes in the composition of segments)

Sales and expenses related to the domiciliary oxygen system business and the domiciliary infusion pump business which were transferred, and the next generation implantable left ventricular assist system business which was entered into a strategic alliance in the previous fiscal year are allocated to “Adjustment.”

As a result of these changes, compared to the previous classification, the segment income of Cardiac & Vascular Company for the first quarter of fiscal year ended March 31, 2014 has increased by ¥100 million. The segment income of General Hospital Company and “Adjustment” have decreased by ¥2 million and ¥97 million, respectively.

(Note) Main products belonging to each business segment

Business segments	Sub-segments	Main products
Cardiac & Vascular Company	Interventional Systems	Angiographic catheters, PTCA balloon catheters, Coronary stents
	Neurovascular	Neuro interventional coils, etc.
	CV Systems	Oxygenators, Cardio-pulmonary bypass system, etc.
	Vascular Graft	Artificial vascular grafts, Stent grafts
General Hospital Company	General Hospital Products	Syringes, Needles, Blood collection tubes, Solution sets, I.V.catheters, Infusion pumps, Syringe pumps, etc.
	Pharmaceutical and Nutrition	I.V.solutions, Nutritious food, CAPD systems, etc.
	D&D	Prefilled syringes, Pain management systems etc.
	DM and Consumer Healthcare	Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, etc.
Blood Management Company	—	Blood bags, Automated blood collection system, Therapeutic apheresis system, Cell expansion system, etc.