# Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2016: Reference

## Analysis of Business Performance

### 1. Overview of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2016

### (1) Overview of Consolidated Business Results

In the first three quarters of the current fiscal year (from April 1 to December 31, 2015), trends in the global healthcare market were as follows. In the United States, healthcare demand increased, mainly underpinned by a rise in enrollment in Obamacare. In China, although there is growing concern of a slowdown in the economy, the overall healthcare market expanded. In Japan, the government is continuing to implement measures to curtail healthcare expenditure. Reimbursement price revisions are expected to be negative both for drugs and medical devices in 2016. Meanwhile, owing to the Pharmaceutical and Medical Device Act (PMD Act) enacted in 2014, companies are briskly carrying out initiatives to commercialize regenerative medicine. Terumo was the first to receive rapid approval with certain conditions and time restrictions under this act for its HeartSheet, an autologous skeletal myoblast sheet to treat severe heart failure caused by ischemic heart disease. The product was approved for coverage under national healthcare insurance in November 2015.

Amid this environment, the Terumo Group is pursuing its goal of “becoming a company with a global presence,” and in line with its business-led management structure, Terumo is promoting management that aims to achieve sustainable and profitable growth.

The following are highlights of performance at each company during the first three quarters of the current fiscal year.

- In the Cardiac & Vascular Company, sales continued to trend steadily in the Interventional Systems (TIS) and Neurovascular intervention businesses.
- In the General Hospital Company, the company focused on enhancing profitability through the expansion of high-margin businesses, including the Drug and Device business, and by transforming its business portfolio.
- In the Blood Management Company, in addition to an expansion in sales of therapeutic apheresis systems and cell processing systems, sales of products to blood centers, mainly in emerging countries, were also solid.

A partial revision was made to the management of earnings at Terumo’s overseas subsidiaries. Accordingly, starting October 1, 2014, earnings at consolidated subsidiaries Harvest Technologies Corporation and Harvest Technologies GmbH are being posted under the Blood Management Company reporting segment, as opposed to the Cardiac & Vascular Company. Segment information for the first half of the fiscal year ended March 31, 2015 was revised to reflect reporting segments after the revisions.

Financial results for the first three quarters of the fiscal year ending March 31, 2016 are as follows:

**Net sales**

Net sales totaled 396.0 billion yen, an increase of 9.0% compared to the same period in the previous fiscal year.

(million yen)

| | Q1-Q3 FYE 3/2015 | Q1-Q3 FYE 3/2016 | Growth (%) | Growth excluding impact of forex translations (%) |
|---|---|---|---|---|
| Net sales | 363,201 | 395,991 | 9.0 | 4.8 |
| Gross profit | 190,678 | 214,648 | 12.6 | 9.1 |
| Operating income | 52,869 | 64,115 | 21.3 | 22.9 |
| Ordinary income | 58,689 | 60,977 | 3.9 | — |
| Profit attributable to owners of parent | 33,426 | 43,484 | 30.1 | — |

(million yen)

| Regional sales | Q1-Q3 FYE 3/2015 | Q1-Q3 FYE 3/2016 | Growth (%) | Growth excluding impact of forex translations (%) |
|---|---|---|---|---|
| Japan | 138,922 | 140,433 | 1.1 | 1.1 |
| Europe | 78,397 | 76,420 | (2.5) | 1.0 |
| Americas | 90,884 | 108,732 | 19.6 | 6.0 |
| Asia, outside Japan | 54,996 | 70,404 | 28.0 | 17.8 |
| Overseas total | 224,278 | 255,558 | 13.9 | 7.1 |
| Total | 363,201 | 395,991 | 9.0 | 4.8 |

In Japan, net sales totaled 140.4 billion yen, an increase of 1.1% compared to the same period of the previous fiscal year. Although sales to blood centers decreased, sales in the TIS business rose. Meanwhile, overseas, net sales reached 255.6 billion yen, a growth of 13.9%, reflecting ongoing brisk sales in the TIS business in the United States and Asia, mainly China, and in the Neurovascular intervention business.

**Gross profit**

Gross profit rose 12.6% to 214.6 billion yen compared to the same period of the previous fiscal year. This reflects contribution from an expansion in sales of high-value-added products both in Japan and abroad.

**Operating income**

Operating income came to 64.1 billion yen, up 21.3% year on year. The increase in gross profit outpaced the rise in selling, general and administrative expenses.

**Ordinary income**

Ordinary income increased 3.9% to 61.0 billion yen year on year, primarily owing to an increase in operating income despite foreign exchange losses.

**Profit attributable to owners of parent**

Profit attributable to owners of parent rose 30.1% year on year to 43.5 billion yen.

Net sales results by company are as follows:

(million yen)

| Segment | | Q1-Q3 FYE 3/2015 | Q1-Q3 FYE 3/2016 | Growth (%) | Growth excluding impact of forex translations (%) |
|---|---|---|---|---|---|
| Cardiac & Vascular Company | Net sales | 165,890 | 193,241 | 16.5 | 10.1 |
| | (Domestic) | 35,995 | 37,765 | 4.9 | 4.9 |
| | (Overseas) | 129,894 | 155,476 | 19.7 | 11.5 |
| General Hospital Company | Net sales | 122,466 | 122,777 | 0.3 | (1.0) |
| | (Domestic) | 93,716 | 94,257 | 0.6 | 0.6 |
| | (Overseas) | 28,749 | 28,520 | (0.8) | (6.0) |
| Blood Management Company | Net sales | 74,844 | 79,972 | 6.9 | 2.6 |
| | (Domestic) | 9,210 | 8,410 | (8.7) | (8.7) |
| | (Overseas) | 65,634 | 71,561 | 9.0 | 4.2 |

**Cardiac & Vascular Company**

In Japan, sales rose underpinned by sales growth in the TIS business. Outside Japan, sales remained brisk for products used in transradial coronary intervention (TRI: a technique using a catheter to approach the coronary artery from an artery in the wrist) in the United States. In addition, sales rose in Asia, mainly in China. In the Neurovascular intervention business, sales grew substantially in the United States and in Asia, mainly China.

Reflecting this, net sales in the Cardiac & Vascular Company totaled 193.2 billion yen, a growth of 16.5% year on year.

**General Hospital Company**

In Japan, sales increased for high-value-added products, mainly in the Drug and Device business. Meanwhile, outside Japan, the company moved forward with transformation to its business portfolio, including downsizing low-profit businesses.

In light of this, net sales in the General Hospital Company came to 122.8 billion yen, a rise of 0.3% year on year.

**Blood Management Company**

Sales in Japan decreased year on year as the decline in the number of blood donations impacted demand for related products used during blood collection. Outside Japan, as a transition to new prices made progress in the United States, although slightly behind initial plans, the growth in sales of products to blood centers slowed. However, the expansion in sales was solid for therapeutic apheresis systems and cell processing systems, as well as sales of products to blood centers, mainly in emerging countries.

Accordingly, net sales in the Blood Management Company were 80.0 billion yen, up 6.9% year on year.

### (2) Overview of Consolidated Balance Sheets

**Total Assets**

As of December 31, 2015, total assets totaled 982.0 billion yen, down 10.0 billion yen compared to March 31, 2015. Current assets stood at 422.3 billion yen, an increase of 9.9 billion yen, primarily attributable to a rise in cash and deposits.

Non-current assets stood at 554.1 billion yen, a decline of 21.7 billion yen. Property, plant and equipment declined 100 million yen, intangible assets decreased 17.3 billion yen, and investments and other assets shrunk 4.3 billion yen.

**Total Liabilities**

Total liabilities came to 390.7 billion yen, a decrease of 27.8 billion yen, partly attributable to a decrease in income taxes payable and trade payable.

**Total Net Assets**

Net assets were 591.3 billion yen, an increase of 17.8 billion yen.

Consequently, the company’s equity ratio was 60.2%, an increase of 2.4 percentage points compared to March 31, 2015.

### (3) Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

Terumo revised its forecast of consolidated financial results for the fiscal year ending March 31, 2016, which it released on September 24, 2015. This reflects the progress made during the first nine months of the current fiscal year. The operating income forecast was raised from 76.0 billion yen to 80.0 billion yen, the ordinary income forecast was raised from 73.0 billion yen to 75.0 billion yen, and the forecast for profit attributable to owners of parent was raised from 48.5 billion yen to 50.0 billion yen. Please refer to the “Revision to Full-Year Results Forecast for FY2015,” which is to be announced today.