

**Financial Results for the First Half of  
the Fiscal Year Ending March 31, 2014 (FY2013)**

Terumo Corporation  
November 6, 2013

I will now explain the results from the 2<sup>nd</sup> quarter and first half of fiscal year ending March, 2014.

# Highlights in 1H

<b>Corporate</b>	<ul style="list-style-type: none"><li>■ Both sales and profit in line with forecast</li><li>■ Improved profitability from Q1</li></ul>
<b>Cardiac &amp; Vascular</b>	<ul style="list-style-type: none"><li>■ Interventional Systems marked continuous double digit growth in EU and U.S.</li><li>■ Sustained great domestic sales of Misago stent, growth driver in peripheral intervention field</li><li>■ Launched new neuro intervention products on time</li><li>■ Investment for the improvement of quality management system progressed toward completion at the end of FY</li></ul>
<b>Blood Management</b>	<ul style="list-style-type: none"><li>■ Steady sales growth even under sudden changes in market environment</li></ul>
<b>General Hospital</b>	<ul style="list-style-type: none"><li>■ Further improvement of plant productivity for newly launched products</li></ul>



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First, let me go over the highlights from the first half results.

Due to factors including the weak yen, we achieved our sales and profit goals for the first half and saw profitability improvement over the previous quarter as well.

By segment, our Interventional Systems business in Europe and U.S., which has been a company driver, was able to overcome a tough market environment to continue its double-digit growth. In addition, we successfully launched our new peripheral and neuro endovascular products, which are an important strategy in our mid-term plan. In Blood Management business, we were able to maintain solid profit despite a decline in blood use. In General Hospital, we continued to make improvements to plant productivity for new products.

## Consolidated 1H Result: Marks Increase in Sales and Profit

(billion of yen)

	1H FY2012	1H FY2013	YoY%
Net Sales	191.8	226.0	+18%
Gross Profit	100.5 (52.4%)	117.2 (51.8%)	+17%
SG&A Expenses	59.9 (31.2%)	71.4 (31.5%)	+19%
R&D Expenses	12.4 (6.5%)	15.3 (6.8%)	+23%
Operating Income	28.2 (14.7%)	30.5 (13.5%)	+8%
<b>(Excl. Amortization)</b>	<b>34.8 (18.1%)</b>	<b>38.5 (17.0%)</b>	<b>+11%</b>
Ordinary Income	24.2 (12.6%)	29.6 (13.1%)	+22%
Net Income	14.5 (7.6%)	19.5 (8.6%)	+34%
EBITDA (Operating Income + Depreciation)	43.7	49.3	+13%
Average Exchange Rate	US\$ 79 yen EUR 101 yen	99 yen 130 yen	



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Here are our financial results.

The yen has gotten weaker compared to last year, and the first half average rate was 99 yen to the dollar and 130 yen to the euro. This weak yen helped spur our sales to 226 billion yen, or an 18% increase from the previous period. This sales figure includes a 27.1 billion yen boost due to currency exchange.

Gross margin dropped 0.6% point from the same period last year, when productivity made large contributions. Influenced by currency exchange, SG&A increased by 20% from the last period, but when currency exchange is excluded, we controlled SG&A growth to remain within the range of sales growth. As a result, our operating income was 30.5 billion yen, or 8% above the previous period. Exchange rates accounted for 8.1 billion yen of this operating income.

Ordinary income grew 22% to 29.6 billion yen, due to currency exchange profit driven by the weak yen. The net income for this period was 19.5 billion yen, or a 34% increase that was also affected by factors including corporate taxes. The first half results were more or less according to our performance projections.

## 1H FY2013 Net Sales and Growth by Region

Interventional Systems marks continuous double digit growth in EU and U.S.  
(billion of yen)

Business Segment	Japan	Outside of Japan Total	Europe	Americas	China	Asia & Others	G. Total
General Hospital	62.7 (3%)	18.4 (2%)	5.6 (-10%)	4.4 (1%)	0.6 (-16%)	7.9 (15%)	81.2 (2%)
Cardiac & Vascular	24.2 (6%)	76.6 (6%)	28.0 (6%)	31.5 (7%)	8.8 (13%)	8.3 (-3%)	100.8 (6%)
Out of C&V Interventional Systems	18.8 (8%)	56.6 (9%)	21.8 (10%)	20.0 (10%)	8.3 (13%)	6.5 (2%)	75.4 (9%)
Blood Management	6.3 (5%)	37.8 (6%)	11.9 (4%)	18.3 (4%)	1.8 (14%)	5.8 (19%)	44.1 (6%)
G. Total	93.2 (3%)	132.9 (6%)	45.6 (3%)	54.1 (5%)	11.2 (11%)	21.9 (8%)	226.0 (5%)

(YoY%): Excluding foreign exchange and home therapy business from previous FY



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This chart shows growth by business segment and region. Parentheses indicate the growth rate, excluding currency exchange and the home therapy business that was transferred out of the portfolio in February.

In General Hospital, the commissioned portion of our domestic Drug & Device business and our DM business maintained good results. Outside Japan, North America and Europe remained at low growth, with factors including continuing restructuring of low-profit businesses. However, we have begun sales of high margin products including Smart Pumps, and expect the good effects of those to steadily appear.

In Cardiac and Vascular, our peripheral stent "Misago," which is one focus area of the mid-term plan, grew as planned. Overseas, the interventional systems business has maintained double-digit growth. In particular, access products led by TRI-related devices have driven stable growth. The shipment delays caused by the computer system launch in Europe, which we mentioned in the first quarter report, are on their way to resolution. The issues with neuro endovascular product inventory adjustment at our China distributor have been resolved.

In the Blood Management business, our automated blood component collection system, which includes BCT products, performed well. We proceeded with introduction of our automated blood processing system, which contributes to more efficient blood center operations in Europe. We also expanded therapeutic apheresis overseas.

## SG&A Expenses

Efficient management of SG&A within the range of increase in sales  
Devote R&D to focus business area

(billion of yen)

	1H FY2012*	1H FY2013	YoY	YoY%
General Administrative Total	68.9	71.4	+2.5	+4%
R&D Expenses	13.8	15.3	+1.5	+11%
SG&A Expenses Total	82.7	86.7	+4.0	+5%

\* Excluding Foreign Exchange

- Salaries and Wages: enhance sales force in US and Latin America (Interventional Systems)
- R&D expenses: Blood Management (therapeutic apheresis, automated blood component processing) and Cardiac & Vascular (new products for neurovascular intervention)



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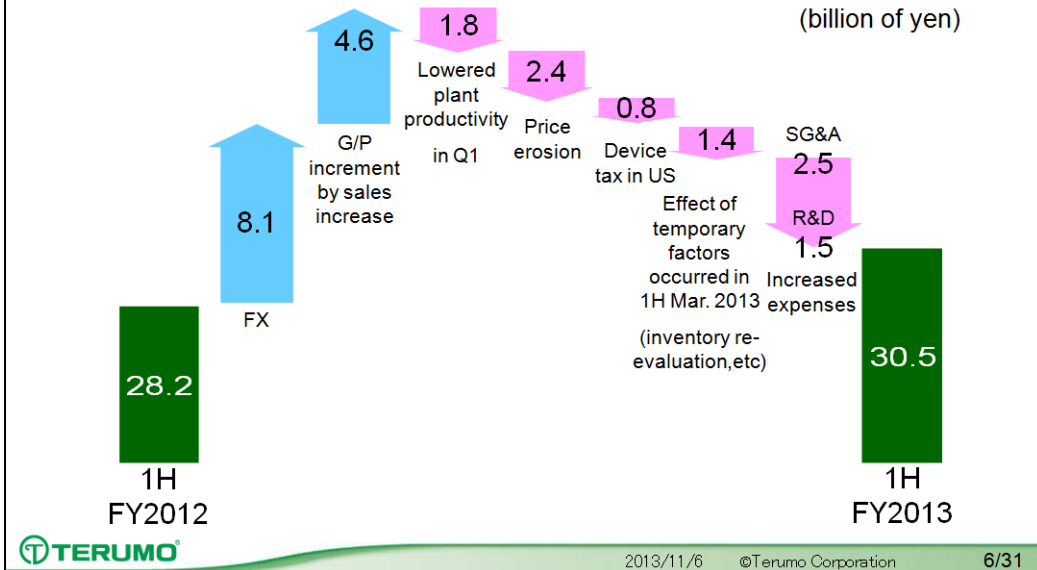
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I will now explain the status of SG&A expenses.

SG&A increased 20%, but only 5% when currency exchange is excluded. General administrative expenses were focused on strengthening sales force in the Europe Interventional Systems and neuro endovascular businesses. We continue to spend R&D funds on proactive investment in Interventional Systems and Blood Management product development. On the whole, we kept our SG&A increase within the sales increase.

# Operating Income Variance Analysis

Expanded sales in Cardiac & Vascular and Blood Management  
Improved plant productivity



I will now share our operating income variance analysis.

Our profit was affected positively by the 8.1 billion yen in currency exchange, and increased sales. Negative factors included expenses incurred in launching new products and depreciation of newly introduced manufacturing equipment. These factors are in an improving trend compared with the first quarter. Other negative factors included prices, the US medical device tax, and the inventory valuation that boosted the last period. The operating profit was 30.5 billion yen, or a 2.3 billion yen increase.

## Quarterly Consolidated Results: Improved Profitability

(billion of yen)

	Q2 FY2012 (Jul - Sep)	Q3 FY2012 (Oct - Dec)	Q4 FY2012 (Jan - Mar)	Q1 FY2013 (Apr - Jun)	Q2 FY2013 (Jul - Sep)
Net Sales	96.0	103.9	106.5	111.1	114.9
Gross Profit	48.8 (50.9%)	52.9 (50.9%)	52.2 (49.0%)	57.0 (51.3%)	60.1 (52.3%)
SG&A Expenses	36.1 (37.6%)	38.5 (37.0%)	41.6 (39.1%)	43.7 (39.3%)	43.0 (37.4%)
Operating Income	12.7 (13.3%)	14.4 (13.9%)	10.6 (9.9%)	13.3 (12.0%)	17.1 (14.9%)

Average Exchange Rate	Q2	Q3	Q4	Q1	Q2
US\$	79 yen	81 yen	92 yen	99 yen	99 yen
EUR	98 yen	105 yen	122 yen	129 yen	131 yen



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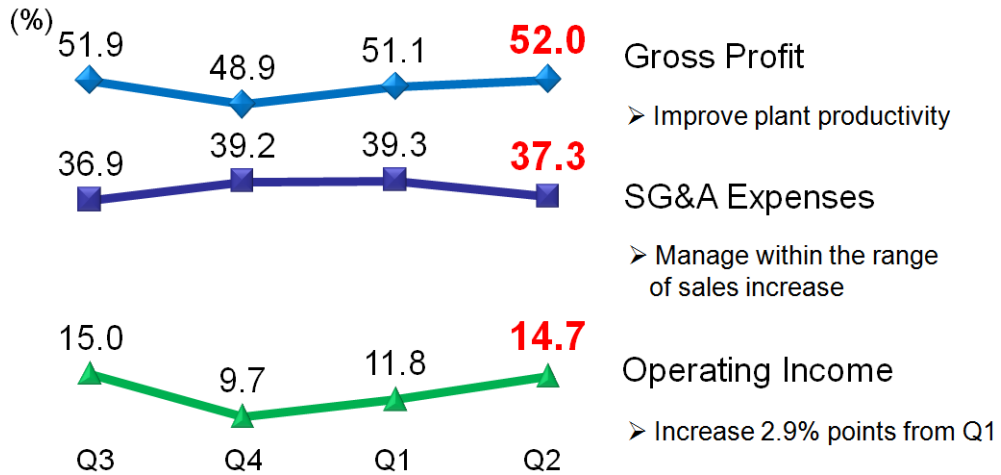
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I will now explain revenue trends for the four quarters of the past year.

We can report good numbers, and we look forward to continuing improvement in profitability as set forth in our mid-term plan.

## Gross Profit, SG&A Expenses, Operating Income

Steadily improve profitability even without FX



(Excluding Foreign Exchange)



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As this graph shows, we have achieved steady improvement in our gross profit and operating margins, even when excluding the effects of currency exchange.



## 1H Results: In Line with Forecast

(billion of yen)

	1H Forecast	1H Results	Variance	Vs. Fcst
Net Sales	222.0	226.0	+4.0	102%
Operating Income	30.0 (13.5%)	30.5 (13.5%)	+0.5	102%
Ordinary Income	28.5 (12.8%)	29.6 (13.1%)	+1.1	104%
Net Income	19.0 (8.6%)	19.5 (8.6%)	+0.5	103%

Average Exchange Rate	Forecast	Actual
US\$	95 yen	99 yen
EUR	123 yen	130 yen



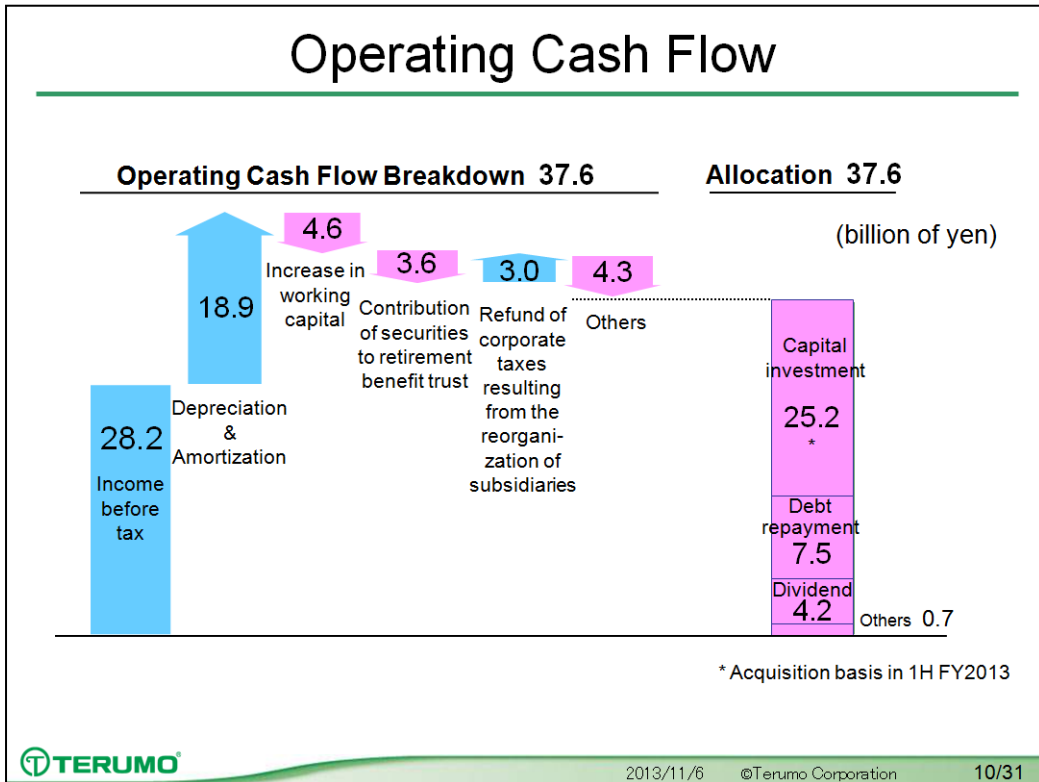
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Here are our achievements in comparison to our projections for the first half. We had the tail wind of currency exchange, but our results were more or less what we originally projected.

# Operating Cash Flow



Next, I will speak about our operating cash flow.

We were able to achieve an operating cash flow of 37.6 billion yen thanks to an increase in profit before taxes and a partial corporate tax refund that resulted from the reorganization of US subsidiaries. We balanced the distribution of this cash flow carefully, with 25.2 billion yen to growth investment in the Terumo Yamaguchi Plant and Blood Management business production at the Vietnam Plant, 7.5 billion yen toward debt repayment, and 4.2 billion yen to fund a dividend.

We will continue in the second half to appropriately manage our cash flow.

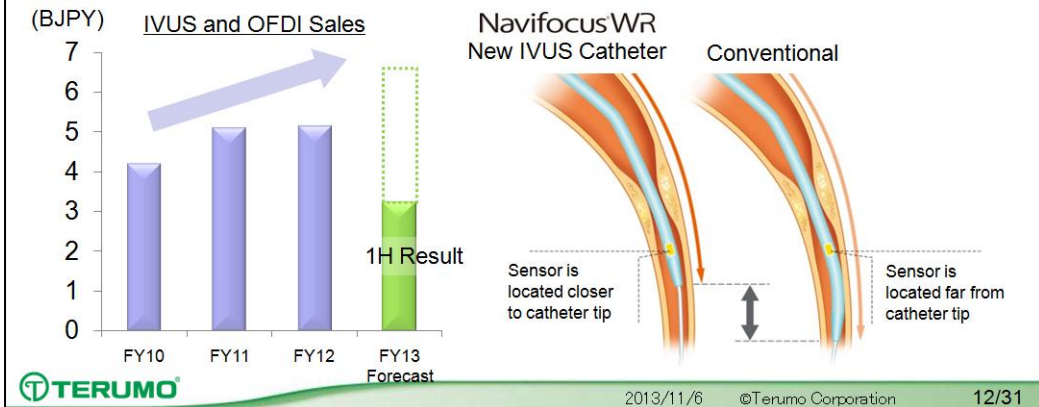
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## Key Initiatives in 1H and 2H

Now I will explain our efforts in the first and second halves.

## Steady Growth of IVUS in JP (2.8 BJPY in 1H, 30% market share)

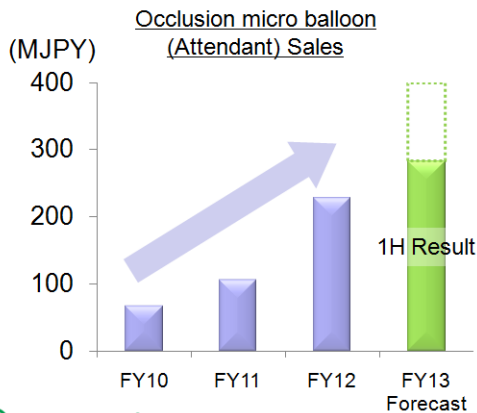
- Support PCI treatment strategy by providing accurate image information
  - Launched new IVUS catheter (sensor located closer to catheter tip)
    - Enables to capture the image of lesion which was difficult to detect in the past
  - Expand sales of stent and balloon by bundling with IVUS
  - Leverage the fact that Terumo is the only company in the world, having both IVUS and OFDI, to expand its overall PCI business



In the Interventional Systems business, the domestically sold intravascular ultrasound IVUS performed well with sales of 2.8 billion yen, and grew to a 30% market share. The new IVUS catheter launched in May enables observation of lesions that were previously inaccessible, and will more broadly support our PCI therapeutic strategy. Terumo is the only company worldwide to offer both IVUS and OFDI, and we plan to expand PCI on the strength of imaging.

## Occlusion Balloon for Liver Cancer (300 MJPY in 1H)

- Balloon occluded transarterial chemotherapy (B-TACE) technique is becoming widespread
- Smaller tip profile of the system provides better accessibility to smaller peripheral arteries, being highly evaluated by physicians



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In peripheral intervention for the abdominal area, we began sales of our occlusion balloon Attendant Delta, which is capable of delivering chemo treatment directly to cancer-affected areas of the liver. The balloon profile has been designed to be smaller and thereby increases accessibility.

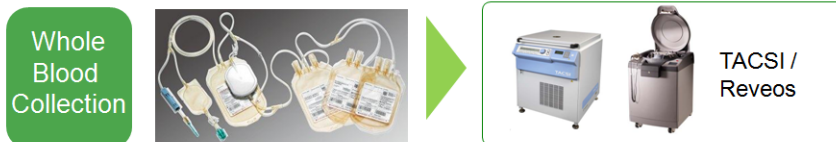
It has also been designed to be smoothly maneuverable when used over a guide wire inside blood vessels. This development and capability have garnered praise at the clinical level for enabling the use of multiple devices, and contributed to increasing sales to 300 million yen in the first half.

## New Products Drives Blood Management Business (6% growth in 1H)

### ■ Develop market with the automated blood component processing system

- Saves time/labor/space and increases output/consistency/quality
- Provides viable solution to the existing processing methods worldwide

#### **Improve output and efficiency**



### ■ Expand therapeutic apheresis system

- Promote upgrades from "COBE Spectra" to the industry's next generation, "Optia"
- Expand treatment options by delivering multiple protocols for Optia



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In our Blood Management business, two products drove the 6% growth we experienced in the first half.

First was our automated blood processing system. We offer a whole blood automated processing system that contributes to more efficient work at blood centers and consistent blood preparations quality.

The second product was our therapeutic plasma exchange and cell therapy system. We are currently encouraging upgrades from COBE Spectra, which has a large market share, to our new Optia product. We are also accelerating our protocol development to expand applications and diversify the therapies that Optia can deliver.

## Steady Progress within Mid-term New Product Pipeline

Segment	Product	FY13	Q1	Q2
Peripheral	Stent (above the knee/SFA)	JP	●	
Neuro	Flow-diverting stent	EU	●	
	Occlusion balloon	JP	●	
Coronary	OFDI (Intravascular imaging system)	JP	●	
	Slenderized introducer sheath for TRI	US		●
Ablation	Renal sympathetic denervation system (RSD)	EU	●	
	RSD for TRI technique	EU		●
Blood Management	Automated blood component processing system (PRP method)	EU	●	
	Automated blood component processing system (BC method)	EU	●	
	Therapeutic apheresis system (Bone marrow stem cell application)	JP		●
Infusion System	Safety IV catheter	US, Asia	●	
	Smart pump (infusion & syringe pump)	EU	●	



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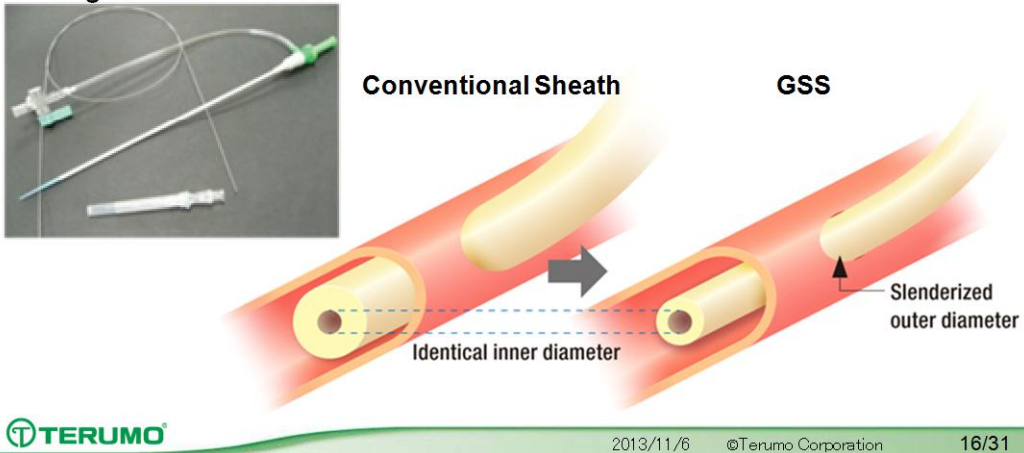
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I will now touch on the launch status of pipeline products included in our mid-term plan.

The chart on this slide lists the pipeline products from our mid-term plan which were scheduled for launch this period. We launched all products on time, just as in the first quarter.

## Slenderized Sheath for TRI: Glidesheath Slender (GSS)

- Allow women with small artery as well as elderly patients to undergo TRI
  - Slenderized outer diameter while maintaining identical inner diameter
  - Lowers risk in damaging on intravascular wall and shortens hemostasis time
- Target the sales of 1 BJPY in FY2014



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The Glidesheath slender is a TRI sheath. Sheaths which are inserted from the wrist of course need to have a narrow outer diameter; this product has been further slimmed down. The inner diameter remains the same, though. This means we are able to provide gentler care to elderly and female patients while maintaining usability. We are aiming for 1 billion yen in sales in FY2014.



## Key Initiatives in 2H FY2013

- Expand sales of both new and existing products
  - Launch mid-term new product pipeline on time
  - Boost sales of existing products
    - Cardiac & Vascular: sustain sales expansion of access devices by introducing TRI-related technologies
    - General Hospital: promote Smart Pump in global market
    - Blood Management: expand sales of automated blood processing systems, Reveos and TACSI in EU market
- Complete the improvement of quality management system in TCVS
  - Investment: 2.7 BJPY in 1H, halved in 2H (plan)
  - Recertification by FDA expected in March, 2014
- Improve plant productivity of General Hospital products
  - Stabilize mass-production for new products and drive cost down via production transfer to overseas plants



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I will now explain the efforts we plan for the second half.

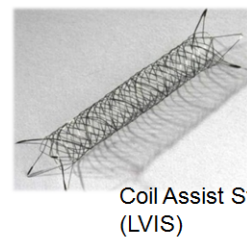
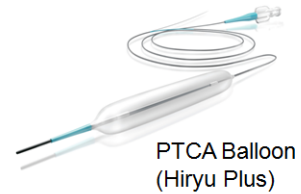
In order to achieve our goals for the next period and our mid-term plan, we will continue to launch new pipeline products as well as enhanced existing ones, while also expanding the number of countries and regions where we sell.

Our first-half investment in the TCVS quality management system was slightly higher than projections, at 2.7 billion yen. This investment amount is expected to drop to half of that in the second half, and we expect to recover our sales in the next fiscal year.

We already reported that General Hospital experienced a first-quarter increase in costs due to the introduction of new products; we continue to make improvements to that situation.

## New Products to Be Launched in 2H

Segment	Product	Region
Peripheral	Balloon (below the knee)	EU
	Stent (below the knee)	EU
Neuro	Coil assist stent	China
Coronary	New PTCA balloon catheter	JP
	Slenderized introducer sheath for TRI	JP
Blood Management	Automated blood component collection system (plasma application)	JP
	Data management system (TACSI application)	EU
Infusion System	Needleless system	JP
	Smart Pump (infusion & syringe pump)	Asia



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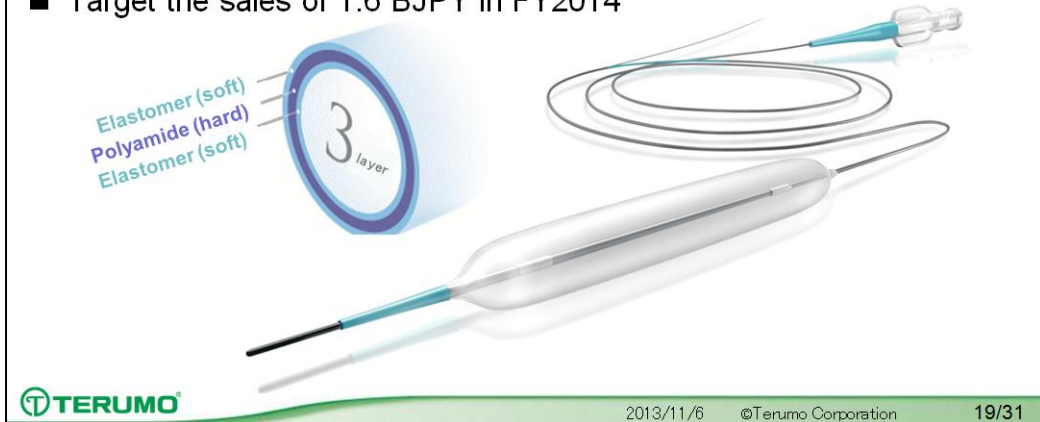
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This shows pipeline products scheduled for launch in the second half.

In the Interventional Systems, we plan to expand our neuro intervention field product. We will also launch the needleless line, which is one of our solution in the “total safety” initiative for the General Hospital segment.

## PTCA Balloon Catheter (Hiryu Plus)

- Differentiate by introducing the most advanced technologies to matured market
  - Three-layer construction enables higher balloon pressure resistance while achieving excellent flexibility
  - Improved catheter shaft delivers better maneuverability
- Target the sales of 1.6 BJPY in FY2014



Hiryu Plus has been just launched this month. It features a three-layer balloon construction that maintains pressure resistance while improving flexibility. We have also made improvements to the shaft structure to give the overall system more maneuverability.

We believe this product will breathe new life into the mature domestic PTCA balloon market, and our goal is 1.6 billion yen in sales for FY2014.



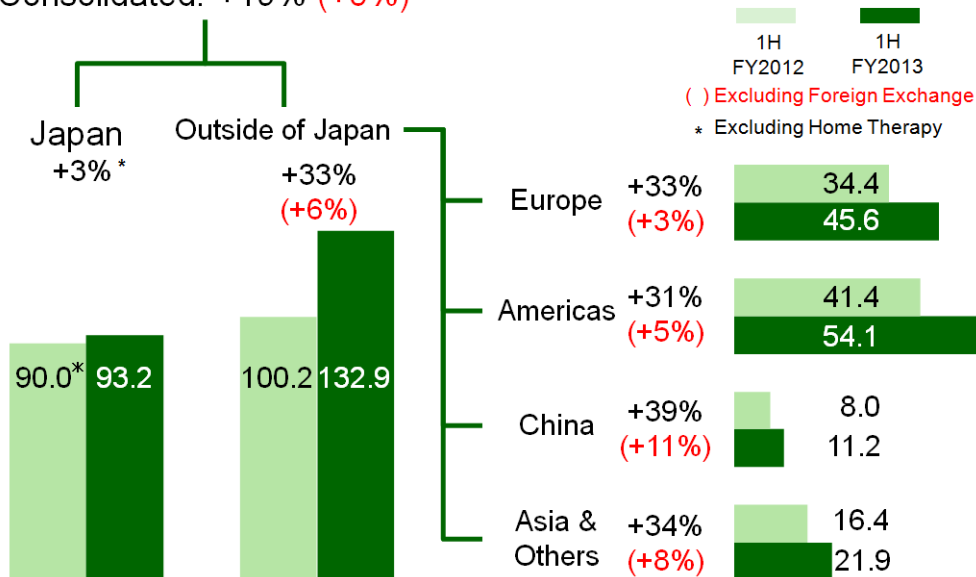
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# Reference

## Net Sales by Region

Consolidated: +19% (+5%)\*

(billion of yen)

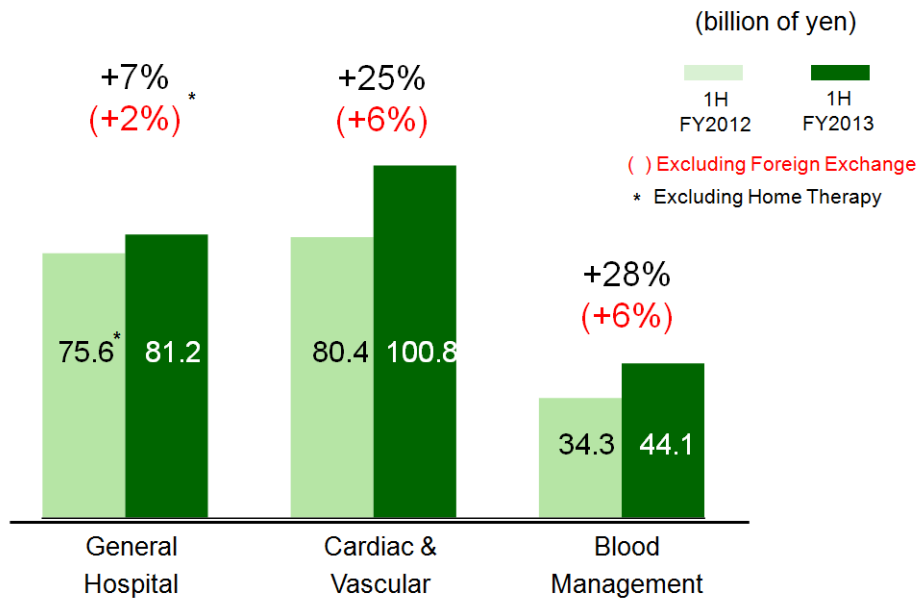


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# Net Sales by Business Segment



## Q2 FY2013 Net Sales and Growth by Region

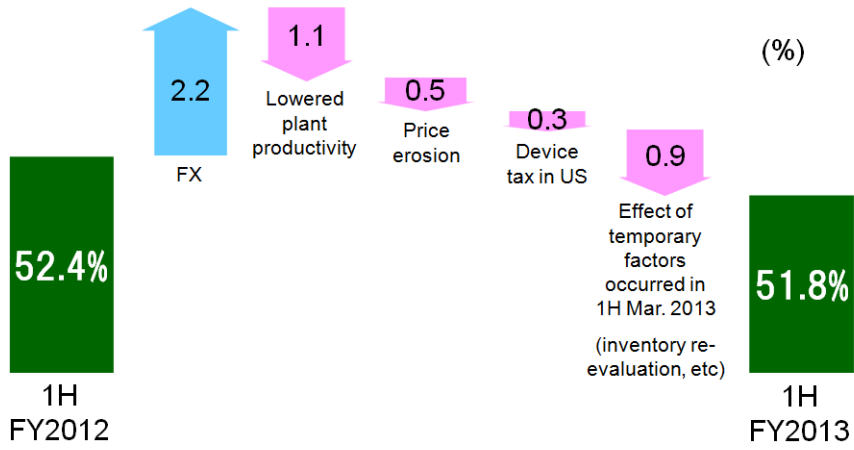
(billion of yen)

Business Segment	Japan	Outside of Japan Total					G. Total
			Europe	Americas	China	Asia & Others	
General Hospital	32.0 (2%)	9.7 (3%)	2.8 (-12%)	2.3 (-2%)	0.3 (-8%)	4.2 (20%)	41.7 (2%)
Cardiac & Vascular	12.0 (8%)	38.6 (7%)	13.8 (7%)	16.1 (7%)	4.6 (24%)	4.2 (-5%)	50.6 (8%)
Blood Management	3.4 (-0%)	19.1 (6%)	6.0 (2%)	9.3 (6%)	1.0 (10%)	2.8 (14%)	22.6 (5%)
G. Total	47.5 (3%)	67.4 (6%)	22.7 (3%)	27.7 (6%)	5.9 (19%)	11.2 (8%)	114.9 (5%)

(YoY%): Excluding foreign exchange and home therapy business from previous FY



# Gross Profit Variance Analysis



<Reference> Q1 Results

53.9%	+1.8	-2.2	-0.4	-0.3	-1.5	51.3%
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## SG&A Expenses

(billion of yen)

	1H FY2012	1H FY2013	YoY	YoY%
Salaries & Wages	25.4	31.3	+5.9	+23%
Sales Promotion	5.7	7.0	+1.3	+24%
Logistical Costs	5.0	5.4	+0.4	+8%
Depreciation & Amortization	8.6	10.9	+2.3	+27%
Others	15.2	16.8	+1.6	+10%
<b>General Administrative Total</b>	<b>59.9 (31.2%)</b>	<b>71.4 (31.5%)</b>	<b>+11.5</b>	<b>+19%</b>
<b>R&amp;D Expenses</b>	<b>12.4 (6.5%)</b>	<b>15.3 (6.8%)</b>	<b>+2.9</b>	<b>+23%</b>
<b>SG&amp;A Expenses Total</b>	<b>72.3 (37.7%)</b>	<b>86.7 (38.3%)</b>	<b>+14.4</b>	<b>+20%</b>

(%) Against net sales

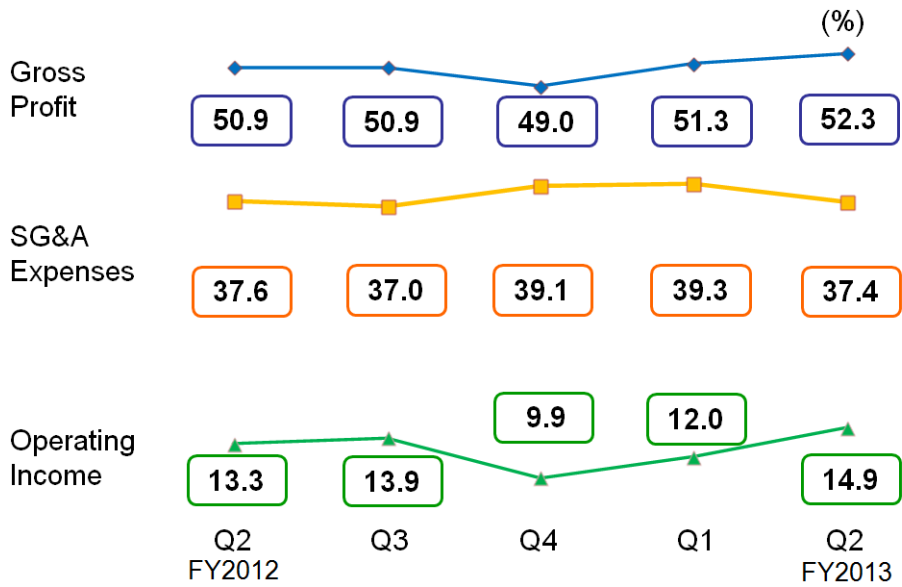


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## Gross Profit, SG&A Expenses, Operating Income



## CAPEX, R&D Expenses

(billion of yen)

	FY2012 Result	FY2013 Forecast	1H FY2013 Result
CAPEX <sup>*1</sup>	32.2	45.0	25.2 (56%)
Depreciation & Amortization <sup>*2</sup>	32.6	37.0	18.9 (51%)
R&D Expenses	27.1	30.0	15.3 (51%)

\*1 CAPEX: acquisition basis

\*2 Including intangibles

?: Progress to forecast

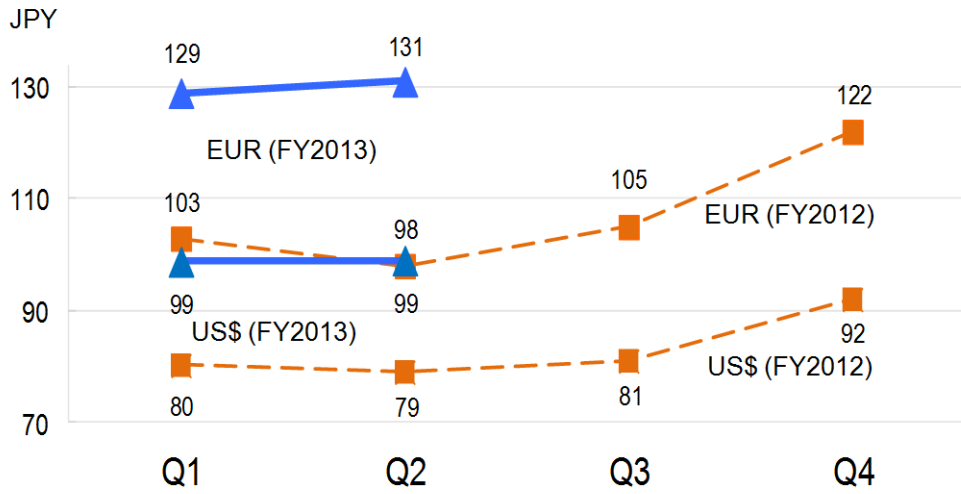
## Foreign Exchange Sensitivity

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(billion of yen / year)

	US\$	EUR
Net Sales	1.8	0.7
Operating Income	0.3	0.4

## Changes of Quarterly Average Exchange Rates



## *IR Contact*

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The market share information in this presentation is partly derived from our own independent research.