



Financial Results for the Fiscal Year  
Ending March 31, 2014 (FY2013)

Terumo Corporation  
May 8, 2014

I will give an overview of the results for the period ending March 2014.

## Highlights in FY2013

Corporate	<ul style="list-style-type: none"> <li>■ Achieved increase both in sales and profit thanks to weaker yen</li> <li>■ Fell short of profit guidance</li> <li>■ Began to secure a foothold to improve profitability</li> </ul>
Cardiac & Vascular	<ul style="list-style-type: none"> <li>■ Continued to improve quality management system at TCVS</li> <li>■ Double digit growth in overseas Intervention Systems business</li> <li>■ Achieved high growth in neurovascular intervention by continuous new products launch</li> <li>■ Accelerated product pipeline expansion by leveraging strategic alliance</li> </ul>
General Hospital	<ul style="list-style-type: none"> <li>■ Decline in profit due to a delay of new products expansion and lowered productivity at overseas factory</li> </ul>
Blood Management	<ul style="list-style-type: none"> <li>■ Sustained solid performance even under challenging market environment</li> </ul>



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First, the results highlights.

A weaker yen led to increased sales and profit, but unfortunately, we missed our guidance significantly. We began securing a foothold toward improving our profitability. Those are the main highlights for the entire organization.

Now for company highlights. In Cardiac & Vascular, the American TCVS quality system improvement efforts are ongoing. We had hoped to be released from restrictions on selling to new customers, but unfortunately this was not achieved during the period; this affected FY2013 profits and will affect FY2014 negatively as well. The growth strategy we previously announced for intervention systems and neurovascular intervention products is proceeding as planned, with double-digit overseas growth in intervention systems and continuing new product launches in neurovascular intervention. We are leveraging strategic alliances to accelerate products pipeline expansion.

Next, in General Hospital, delays in new product expansion and decreased productivity at overseas plants resulted in negative impact. The new product that will be expanded in the market has a high-margin; we therefore feel that it is well-poised to produce profits going forward if it recovers as planned.

Next, in Blood Management, we feel that we have been able to sustain solid performance despite the challenging situation of patient blood management initiatives, as compared with competitors.

## Increase in Sales and Profit Thanks to Weaker Yen

(billion yen)

	FY2012	FY2013	YoY%	Excluding FX
Net Sales	402.3	467.4	+16%	+4%
Gross Profit	205.7 (51.1%)	242.0 (51.8%)	+18%	+2%
SG&A Expenses	125.4 (31.2%)	146.6 (31.4%)	+17%	
R&D Expenses	27.1 (6.7%)	30.1 (6.4%)	+11%	
Operating Income	53.2 (13.2%)	65.3 (14.0%)	+23%	-1%
(Excl. Amortization)	66.8 (16.6%)	81.6 (17.5%)	+22%	-1%
Ordinary Income	51.4 (12.8%)	63.8 (13.7%)	+24%	
(Extraordinary Income/Loss)	0.9	-10.9		
Net Income	47.0 (11.7%)	34.1 (7.3%)	-27%	
Average Exchange Rate	USD 83 yen EUR 107 yen	100 yen 134 yen		



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I'll now speak in more detail about the results. Net sales increased 16% to 467.4 billion yen. However, 49.8 billion yen of this number is due to the weaker yen, and as a result the actual growth was 4%.

Operating income increased 23% to 65.3 billion yen, but again, 12.8 billion yen of this was due to the weaker yen, and the actual growth was minus 1%. Therefore our results excluding foreign exchange were an increase in sales and a decrease in profit.

Average exchange rates for the period were 100 yen to the dollar and 134 yen to the euro.

As you can see on the slide, we posted an extraordinary loss of 10.9 billion yen for the period, which I will explain on the next slide, but due to all of the above factors, our net income was 34.1 billion yen, or a 27% decrease from the previous period.

## Extraordinary Income or Loss

(billion yen)

### Primary extraordinary income

Settlement received 6.0

### Primary extraordinary loss

Impairment loss	15.4	Assets of unprofitable business
		Cardiac & Vascular 7.6
		General Hospital 3.5
		Etc.



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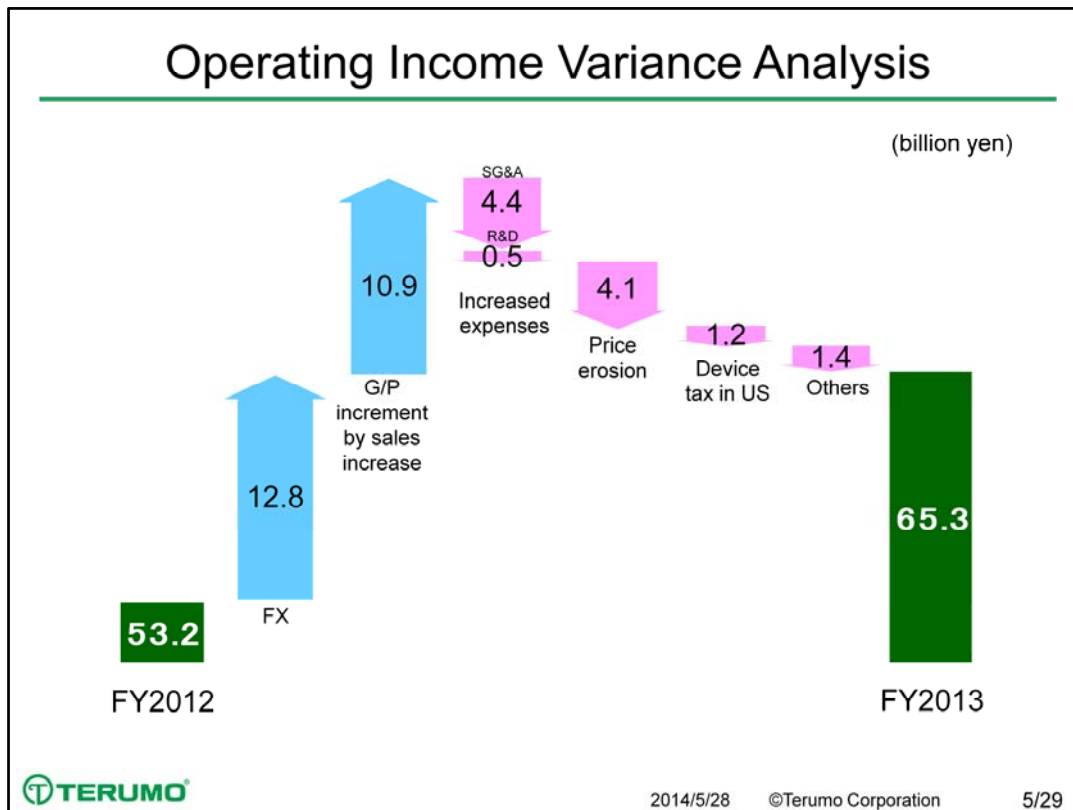
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Regarding the extraordinary income and loss, we had a primary extraordinary income of 6 billion yen resulting from the settlement that we explained in the third quarter.

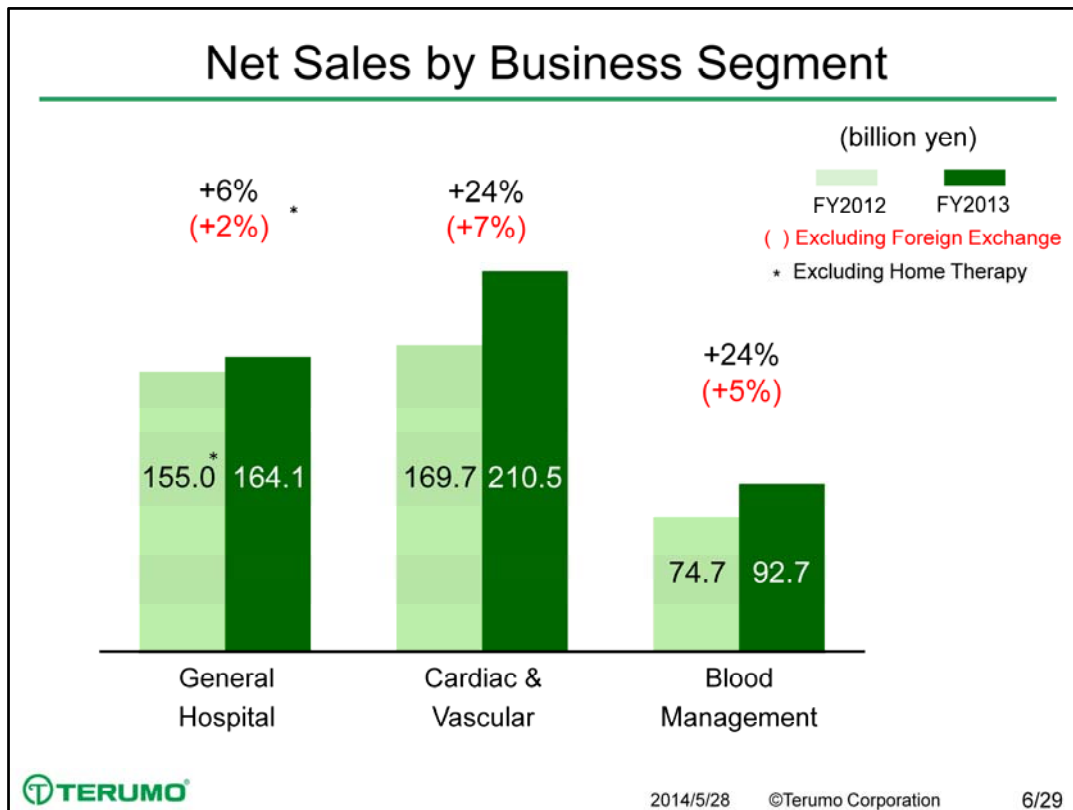
The primary extraordinary loss was the result of impaired assets in unprofitable businesses: 7.6 billion yen in Cardiac & Vascular and 3.5 billion yen in General Hospital.

Of the 7.6 billion yen in Cardiac & Vascular, 7 billion yen was the impairment of a fixed asset in that business. In General Hospital it was the impairment of transfusion solution-related facilities; this will lead to further improvement of profitability.



Our operating income went from 53.2 billion yen to 65.3 billion yen. I will explain the contributing factors using this waterfall graph.

First, we had 12.8 billion yen in foreign exchange effect. There was also our 10.9 billion yen gross profit increment by sales increase, which was unfortunately absorbed by increased expenses, price erosion, the US device tax, and other factors for a slight decrease in profit.



I will now explain results by company. Starting with this announcement, I will be adding to the overall results an explanation by company of sales and profit.

First, company-based sales. The figures in black are at actual foreign exchange rates: 6% for General Hospital; 24% for Cardiac & Vascular; and 24% for Blood Management. The Cardiac & Vascular and Blood Management companies display higher profitability as they have a higher rate of overseas penetration.

When foreign exchange effects are excluded, General Hospital is 2%; here we see the effects of cutting low-margin businesses in Europe and the United States. Cardiac & Vascular is 7%, and in the high-growth intervention systems field we have maintained double-digit growth. In Blood Management, we have achieved growth in Japan, China, and other parts of Asia to achieve 5% growth while competitors have struggled.

## Operating Profit by Segment

(billion yen)

		FY2012	FY2013	YoY%	YoY% (Excl. FX)
Segment O/P	General Hospital	23.6 (15%)	20.8 (13%)	-12%	-16%
	Cardiac & Vascular	29.1 (17%)	43.9 (21%)	+51%	+14%
	Blood Management	13.8 (18%)	18.6 (20%)	+35%	+4%
	Others *	0.2	-1.7	-	
Operating Income (Excl. Amortization)		66.8	81.6	+22%	-1%

\* Others: unrelated to business segment



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Next is operating income by company; here we show each company's operating income excluding goodwill amortization, etc.

The slide shows, from left, the results for FY2012, then FY2013, then year-over-year percentage change, followed by the percentage when foreign exchange is excluded. Without foreign exchange, General Hospital was minus 16%; Cardiac & Vascular was plus 14%; Blood Management was plus 4%; and overall, minus 1%.

## General Hospital: Decline in Profit Despite Slight Increase in Sales

	(billion yen)			
	FY2012	FY2013	YoY%	YoY% (Excl. FX)
Sales	155.0	164.1	+6%	+2%
Segment O/P (%)	23.6 (15%)	20.8 (13%)	-12%	-16%

Excluding Home Therapy

- General Hospital Products: Decline in profit due to a delay of new products expansion, and lowered productivity at overseas factory (-1.6 BJPY)
- Pharmaceutical and Nutrition: Lowered profitability due to a change in product mix of infusion solutions (-1.0 BJPY)
- Achieved double digit growth in prefilled syringe and growth in glucose monitor and Nanopass needle in domestic market



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I'd now like to explain for each company.

For General Hospital, we had a 2% increase in sales, as shown on the right. Operating profit declined 16%, so we had a slight increase in sales and decrease in profit. Factors leading to this decrease in profit were delays in the expansion of new product and loss of productivity overseas, for a decline of 1.6 billion in profit.

We also saw a 1 billion yen decrease in profit due to a change in product mix of infusion solutions in pharmaceutical and nutrition. Along with perennially falling prices, these were the factors leading to the 16% decline in profit. We had hopes for the new, high-margin product to drive profitability, but due to trouble with expansion it became a negative factor in these results. However, we do believe it will be an important profit driver going forward.



## Cardiac & Vascular: Increase in Sales and Profit

(billion yen)

	FY2012	FY2013	YoY%	YoY% (Excl. FX)
Sales	169.7	210.6	+24%	+7%
Segment O/P (%)	29.1 (17%)	43.9 (21%)	+51%	+14%

- Interventional Systems: Sales, around access devices, in overseas market grew at double digits, and peripheral stent Misago largely contributed to growth in domestic market (+3.2 BJPY)
- Neurovascular Intervention: New products (stents and balloon) showed high growth in global market (+0.5 BJPY)
- Pursue lower cost by further transferring to the Vietnam factory
- Accelerate product pipeline expansion by leveraging strategic alliances (ART, Kaneka, FMD)



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Next is the Cardiac & Vascular company.

Sales increased 7% and operating income increased 14%.

We did have negative factors such as the TCVS quality system improvement work, but we were able to absorb them and achieve positive results. Interventional systems accounted for 3.2 billion yen in growth, with access devices driving double-digit overseas sales and the peripheral stent Misago driving domestic growth. Neurovascular intervention saw continued development and release of new products, which contributed to high global growth with 500 million yen. We will be pursuing lower cost through further transferring production to the Vietnam factory. We will also be expanding the product pipeline through strategic alliances including those with ART, Kaneka, and FMD.

## Blood Management: Expanded Even Under Challenging Environment

(billion yen)

	FY2012	FY2013	YoY%	YoY% (Excl. FX)
Sales	74.7	92.7	+24%	+5%
Segment O/P (%)	13.8 (18%)	18.6 (20%)	+35%	+4%

- Expanded business of highly value added products, such as automated blood component processing system (in EU) and therapeutic apheresis system (in JP and US) in developed markets
- Achieved double digit growth in Asia and Latin America
- Increased production capacity of the factory in India, and made good progress with establishment of the new Vietnam factory



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Next, in Blood Management, we were able to expand business amid a difficult market environment to achieve 5% sales growth and 4% profit growth. Despite difficulties such as the patient blood management program and falling prices, we expanded business of high-value-added products such as the automated blood component processing system Europe and the therapeutic apheresis system in the United States.

Also, we achieved double-digit growth in Asia and Latin America.

We can expect further business growth, so we are preparing to increase production capacity in India and making good progress in establishing the new Vietnam factory, which will improve our profitability.

## Fell Short of Profit Guidance

	(billion yen)	
	FY2013 Guidance	FY2013 Result
Operating Income	70.0	65.3

Average Exchange Rate	USD 100 yen EUR 134 yen	USD 100 yen EUR 134 yen
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- General Hospital      Sales shortfall in JP and a delay of new products expansion - 3.5 BJPY
- Cardiac & Vascular      TCVS quality system improvement and its related cost - 3.0 BJPY  
Intervention Systems sales increase and controlled SG&A +0.8 BJPY
- Blood Management      Sales increase and controlled SG&A +1.0 BJPY



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Next is our operating profit. Our forecast for FY2013 was 70 billion yen, and unfortunately we were unable to meet it, with the actual result at 65.3 billion yen.

I'll now explain the factors behind this result.

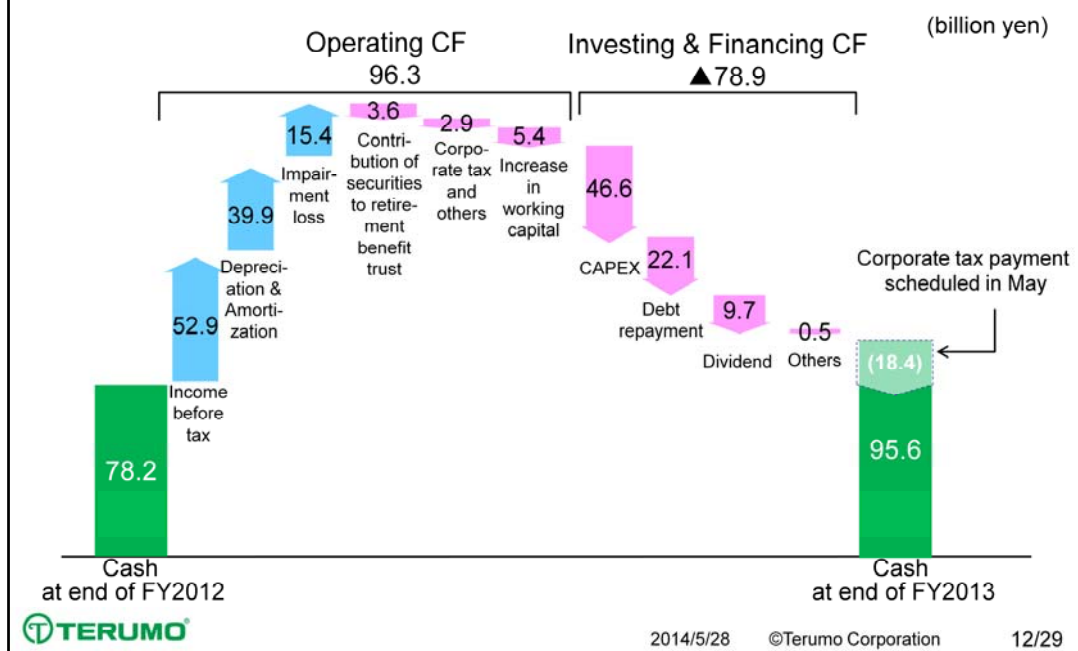
In General Hospital, less sales than predicted in Japan and the delay in new product expansion together accounted for 3.5 billion yen of the shortfall.

In Cardiac & Vascular, the TCVS quality system improvement-related costs were 3 billion yen. Neurovascular and Intervention Systems sales increased, and we achieved SG&A controls, but these gains could not fully offset the negative factors.

In the end, our results missed the forecast by 4.7 billion yen.

# Operating Cash Flow

Balance out growth investments, debt repayment, and return to shareholders



Next is cash flow. On top of our cash balance of 78.2 billion yen at the end of FY2012, our income before tax, depreciation and amortization, and impairment loss brought our operating cash flow up by 96.3 billion yen. CAPEX, debt repayment, and dividends then brought this down by 78.9 billion yen. The cash balance at the end of FY2013 was 95.6 billion yen. This was a cash increase of 17 billion yen, but an upcoming corporate tax payment will cancel this increase out, resulting in approximately the same balance as the beginning of the year.

## FY2014 Guidance

Assumed average exchange rate    USD = 100 yen  
   EUR = 140 yen

(billion yen)

	FY2014 Guidance	YoY %
Net Sales	488.0	+4%
Operating Income	64.0 (13%)	-2%
Ordinary Income	62.0	-1%
Net Income	37.5	+10%



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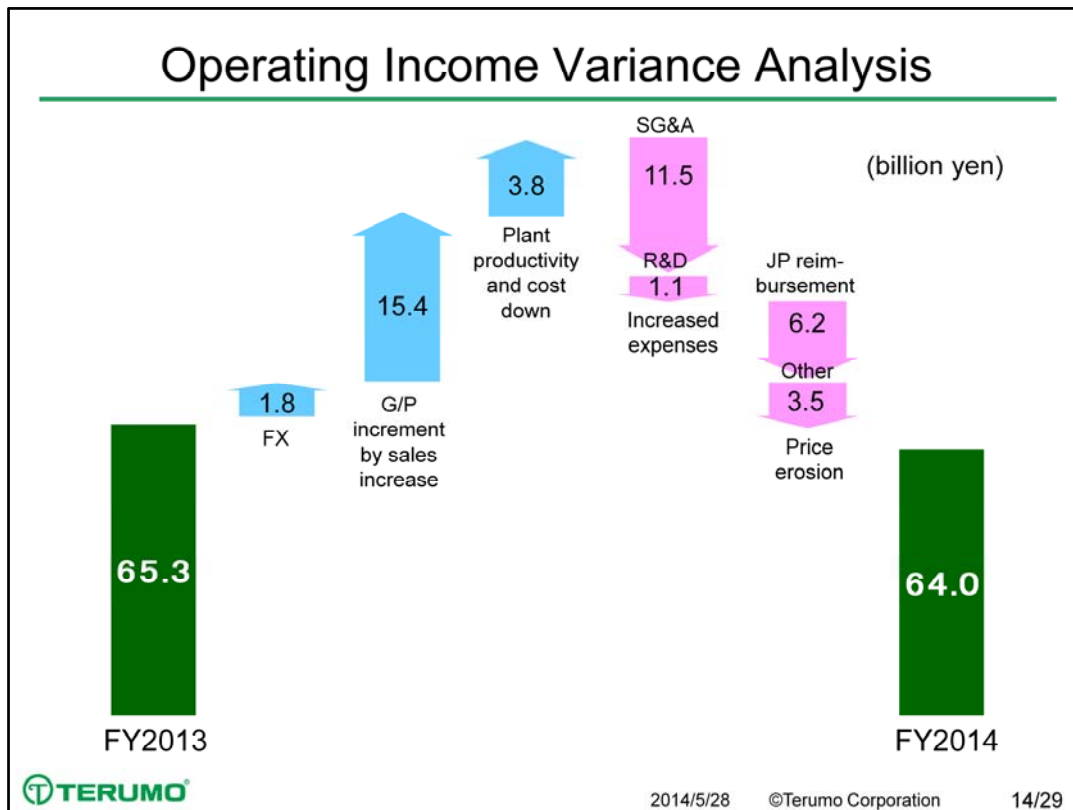
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Next is the FY2014 forecast, which assumes average exchange rates of 100 yen to the US dollar and 140 yen to the euro.

We project 488 billion yen in sales, 64 billion yen in operating income, 62 billion yen in ordinary income, and 37.5 billion yen in net income. Year-over-year, we forecast a 4% increase in sales, and, unfortunately, a 2% decrease in operating income.

I'll now explain the factors behind this decrease in operating income.



Here are the factors behind the forecast of 64 billion yen from 65.3 billion yen in FY2013. We anticipate a weaker yen, which will result a 1.8 billion-yen increase. We also project 15.4 billion yen gross profit increment by sales increase, in addition to increased productivity and lower costs, which will improve after last year's decline.

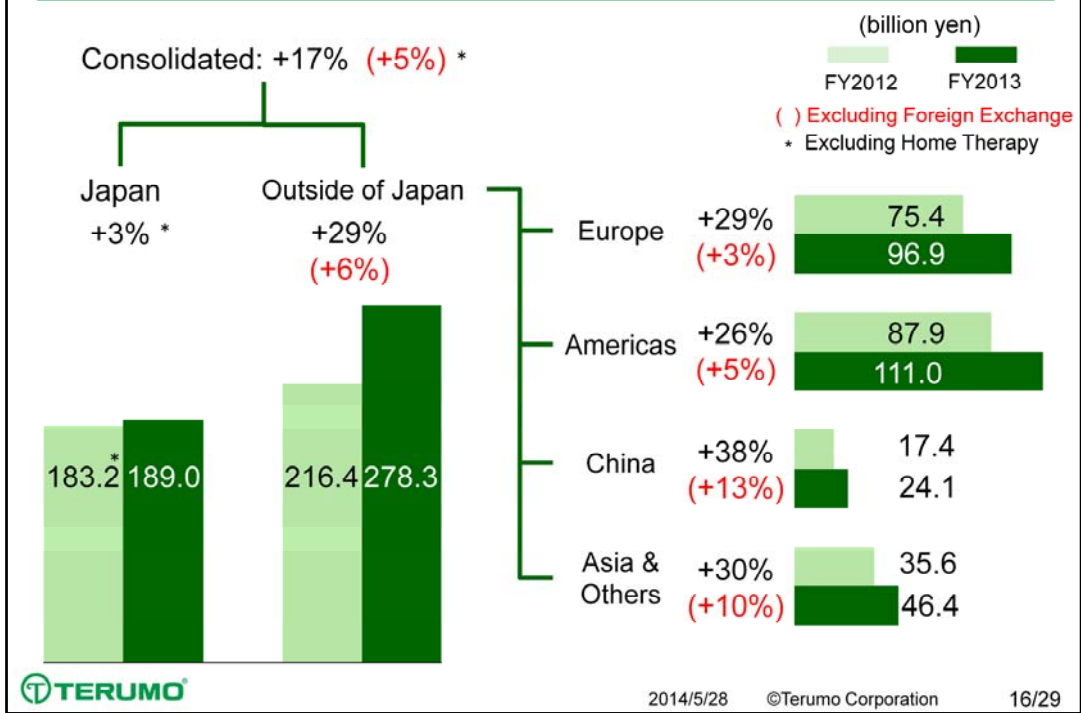
We project a 11.5-billion-yen increase in SG&A and a 1.1 billion yen increase in R&D. We will also have a Japan reimbursement price cut, which occurs every two years, which will affect operating income by 6.2 billion yen; 4.6 billion yen of this in Cardiac & Vascular and 1.6 billion yen in General Hospital.

These are the factors behind our projected increase in sales and decrease in operating income. But as previously mentioned, we plan to secure our footing and solve the issues we identified in FY2013 to produce solid results in FY2014, which will position us to make great strides going forward.

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## Reference

# Net Sales by Region





## SG&A Expenses

(billion yen)

	FY2012 *	FY2013	YoY	YoY%
General Administrative Total	142.2	146.6	+4.4	+3%
R&D Expenses	29.6	30.1	+0.5	+2%
SG&A Expenses Total	171.8	176.7	+4.9	+3%

\* Value adjusted by excluding FX impact

➤ Enhance sales force in Americas (Interventional Systems and Neurovascular Intervention)

➤ R&D expenses: New products for Neurovascular Intervention and Blood Management (therapeutic apheresis, automated blood component processing)



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## SG&A Expenses

(billion yen)

	FY2012	FY2013	YoY	YoY%
Salaries & Wages	53.2	63.8	+10.6	+20%
Sales Promotion	12.5	14.2	+1.7	+14%
Logistical Costs	10.2	10.5	+0.3	+4%
Depreciation & Amortization	18.3	22.7	+4.4	+25%
Others	31.2	35.4	+4.2	+13%
General Administrative Total	125.4 (31.2%)	146.6 (31.4%)	+21.2	+17%
R&D Expenses	27.1 (6.7%)	30.1 (6.4%)	+3.0	+11%
<b>SG&amp;A Expenses Total</b>	<b>152.5 (37.9%)</b>	<b>176.7 (37.8%)</b>	<b>+24.2</b>	<b>+16%</b>

(%) Against net sales



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## FY2013: Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan Total					G. Total
			Europe	Americas	China	Asia & Others	
General Hospital	125.8 ( 1%)	38.3 ( 3%)	12.3 (-3%)	8.8 (-5%)	1.3 (-1%)	15.9 (12%)	164.1 ( 2%)
Cardiac & Vascular	49.5 ( 7%)	161.1 ( 7%)	59.0 ( 4%)	65.4 ( 8%)	19.0 (15%)	17.7 ( 5%)	210.6 ( 7%)
Out of C&V Interventional Systems	38.2 ( 9%)	120.6 (10%)	46.5 ( 8%)	42.3 (12%)	18.0 (15%)	13.7 ( 8%)	158.7 (10%)
Blood Management	13.8 ( 7%)	79.0 ( 5%)	25.6 ( 3%)	36.8 ( 3%)	3.7 ( 9%)	12.8 (16%)	92.7 ( 5%)
<b>G. Total</b>	<b>189.0 ( 2%)</b>	<b>278.3 ( 6%)</b>	<b>96.9 ( 3%)</b>	<b>111.0 ( 5%)</b>	<b>24.1 (13%)</b>	<b>46.4 (10%)</b>	<b>467.4 ( 4%)</b>

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



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## Q4 Alone: Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan Total					G. Total
		Europe	Americas	China	Asia & Others		
General Hospital	30.1 (6%)	10.0 (-1%)	3.7 (2%)	2.2 (-16%)	0.4 (35%)	3.8 (4%)	40.2 (4%)
Cardiac & Vascular	12.7 (10%)	43.9 (8%)	15.9 (1%)	17.7 (9%)	5.3 (19%)	5.1 (21%)	56.7 (8%)
Out of C&V Interventional Systems	9.7 (10%)	33.4 (12%)	12.6 (3%)	11.9 (15%)	5.1 (20%)	3.8 (22%)	43.1 (11%)
Blood Management	4.1 (21%)	21.2 (6%)	7.1 (4%)	9.1 (-0%)	1.1 (17%)	3.9 (27%)	25.3 (9%)
G. Total	46.9 (7%)	75.2 (6%)	26.7 (2%)	29.0 (4%)	6.8 (19%)	12.7 (17%)	122.1 (7%)

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



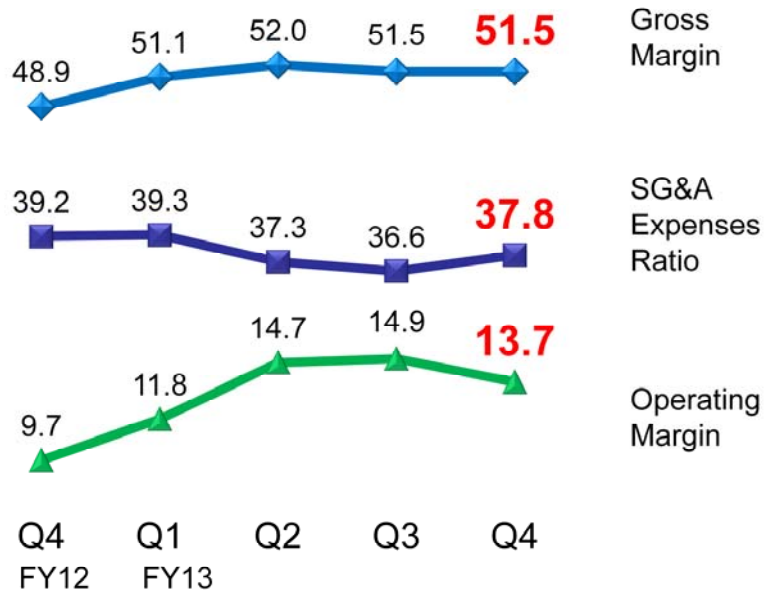
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## Profit Ratio, SG&A Expenses Ratio (Excluding FX)

(%)



## Quarterly Results

(billion yen)

	Q4 FY12 (Jan-Mar)	Q1 FY13 (Apr-Jun)	Q2 FY13 (Jul-Sep)	Q3 FY13 (Oct-Dec)	Q4 FY13 (Jan-Mar)
Net Sales	106.5	111.1	114.9	119.2	122.1
Gross Profit	52.2 (49.0%)	57.0 (51.3%)	60.1 (52.3%)	61.5 (51.6%)	63.3 (51.9%)
SG&A Expenses	41.6 (39.1%)	43.7 (39.3%)	43.0 (37.4%)	43.7 (36.7%)	46.3 (37.9%)
Operating Income	10.6 ( 9.9%)	13.3 ( 12.0%)	17.1 ( 14.9%)	17.8 ( 14.9%)	17.0 ( 14.0%)
Average Exchange Rate	USD 92 yen EUR 122 yen	99 yen 129 yen	99 yen 131 yen	100 yen 137 yen	103 yen 141 yen

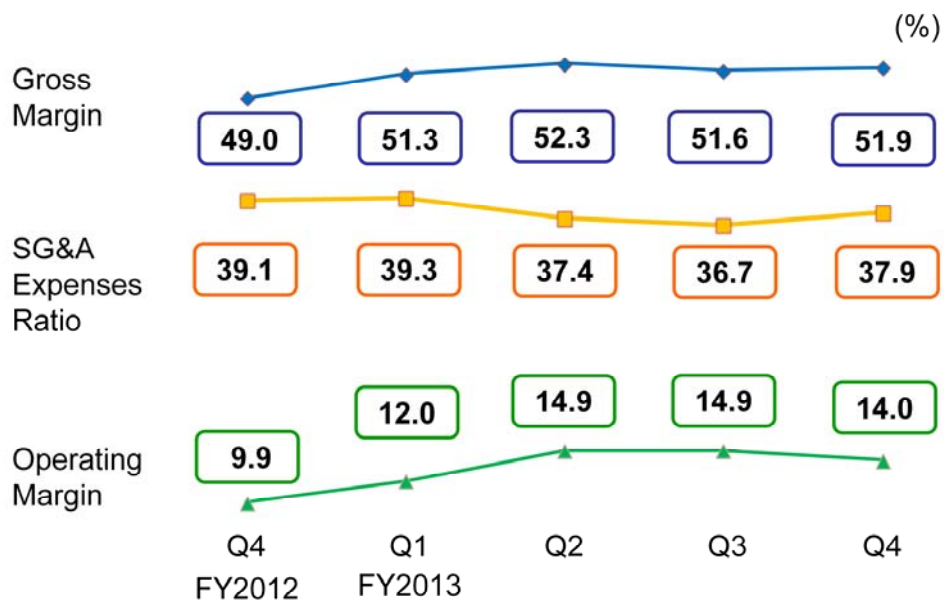


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## Profit Ratio, SG&A Expenses Ratio (Q Ave. Exchange Rate)



## CAPEX, R&D Expenses

(billion yen)

	FY2013 Guidance	FY2013 Result	FY2014 Guidance	YoY
CAPEX	50.0	46.6 (93%)	42.0	-4.6
Depreciation & Amortization	37.0	39.9 (108%)	41.0	+1.1
R&D Expenses	30.0	30.1 (100%)	31.0	+0.9

?: Progress to guidance

Depreciation & Amortization: Including intangibles

CAPEX: Acquisition basis



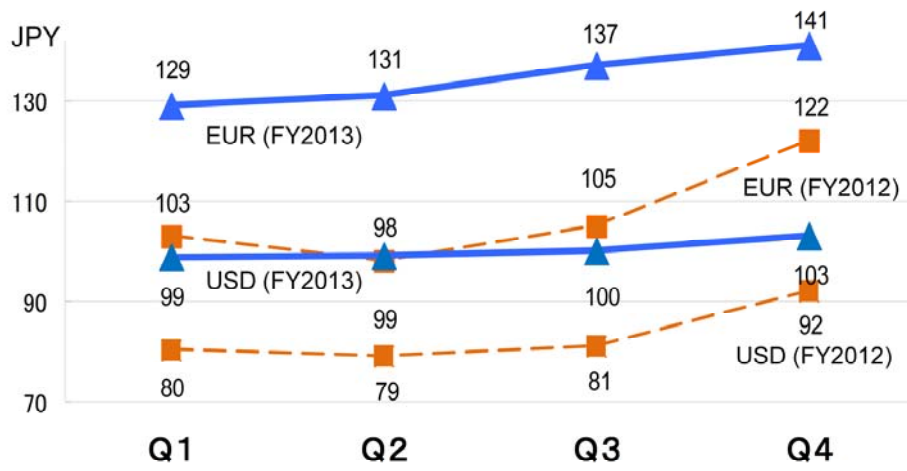
## Foreign Exchange Sensitivity

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(billion yen / year)

	USD	EUR
Net Sales	1.8	0.7
Operating Income	0.3	0.4

## Changes of Quarterly Average Exchange Rates



## Progress in FY2013 New Product Pipeline

Business	Product	Region	Business	Product	Region	
Peripheral	Stent (above the knee)	JP	Blood Management	Automated blood component processing system (PRP method)	EU	
	Balloon (below the knee)	EU FY14		Automated blood component processing system (BC method)	EU	
	Stent (below the knee)	EU FY14		Automated blood component collection system (plasma)	JP FY14	
Neuro	Coil assist stent	China		Data management system (TACSI application)	EU	
	Flow-diverting stent	EU		Therapeutic apheresis system (Bone marrow stem cell application)	JP	
	Occlusion balloon	JP		Infusion System	Needleless system	JP
Coronary	New PTCA balloon catheter	JP			Safety IV catheter	US, Asia
	OFDI	JP			Smart pump (infusion & syringe pump)	EU
Ablation	Slenderized sheath for TRI	US				
	Renal sympathetic denervation system (RSD)	EU				
	RSD for TRI technique	EU				



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## New Product Pipeline in FY2014

Business	Product	Region	Business	Product	Region
Peripheral	Balloon (above the knee)	US	Blood Management	Automated blood component processing system	JP
	Balloon (below the knee)	JP, US			
Neuro	Coil assist stent	US		Infusion System	Therapeutic apheresis system (Bone marrow stem cell and polymorphonuclear leukocyte application)
Coronary	New DES (developed in house)	EU			
		New PTCA balloon	EU	Needleless system	Asia
Ablation	Renal sympathetic denervation system (RSD)	Asia, Latin A	Smart pump (infusion & syringe pump)		
		RSD for TRI technique		Asia, Latin A	

## ***IR Contact***

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