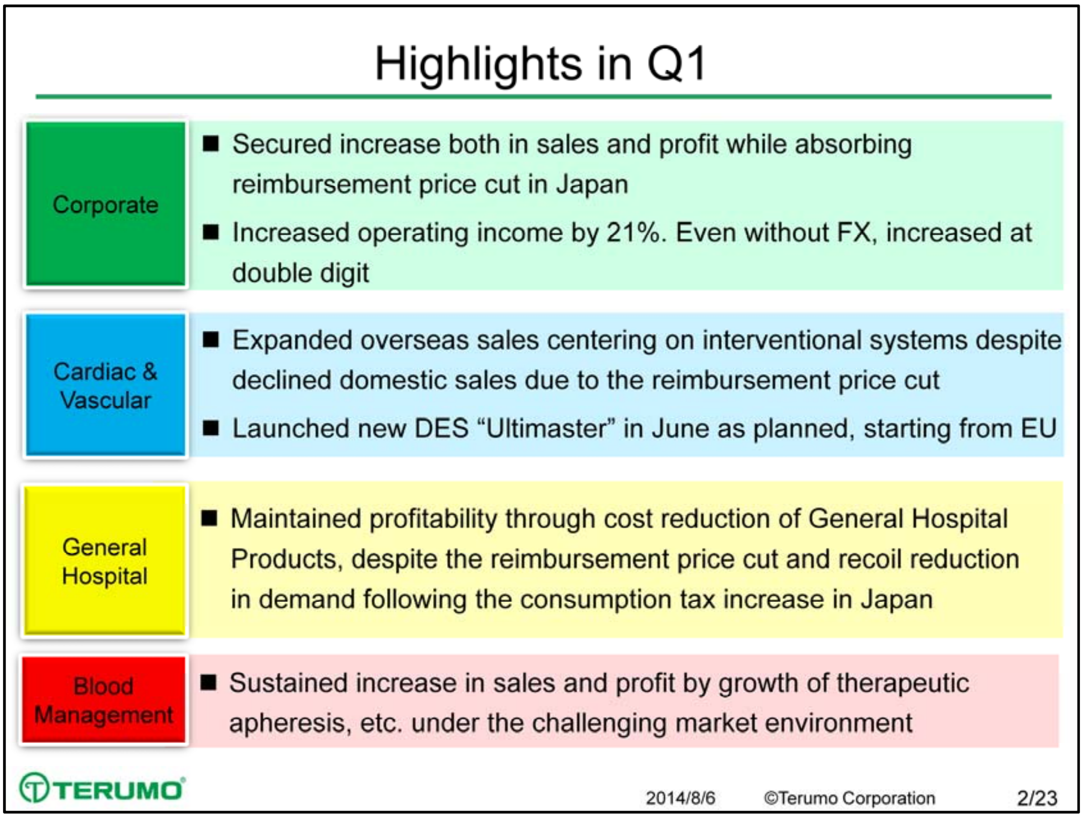
Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2015 (FY2014)

Terumo Corporation
August 6, 2014

I will give an overview of the results for the first quarter of the fiscal year ending March 2015.



I will first explain some of the highlights.

The group as a whole achieved increased sales and profit despite the impact of the Japanese reimbursement price cut. Operating income grew 21% compared to the previous year, hitting double-digits even when excluding the impact of currency exchange rates.

By individual company, Cardiac & Vascular experienced decreased sales in Japan due to reimbursement price cut, but increased sales overseas, with interventional systems leading the way. The new drug-eluting stent, Ultimaster, was also launched in Europe in June as scheduled. This is a product fully developed in house from which we expect to see strong profit contributions.

General Hospital company overcame difficulties including a recoil reduction in demand following the consumption tax increase and the reimbursement price cut in Japan and maintained profitability by cost reduction of General Hospital Products.

In Blood Management, the market continued to be a difficult one especially in Europe and the US, but the company still achieved increased sales and profit due to the growth of products including therapeutic apheresis.

Increase in Sales and Profit: Operating Income Up by 21%

(Billion yen)

	Q1 FY2013	Q1 FY2014	YoY%	YoY% (Excl. FX)
Net Sales	111.1	114.9	+3%	+1%
Gross Profit	57.0 (51.3%)	60.7 (52.8%)	+7%	+2%
SG&A Expenses	36.1 (32.4%)	37.9 (33.0%)	+5%	
R&D Expenses	7.6 (6.9%)	6.7 (5.8%)	-12%	
Operating Income	13.3 (12.0%)	16.1 (14.0%)	+21%	+12%
(Excl. Amortization)	17.3 (15.6%)	20.2 (17.6%)	+17%	+9%
Ordinary Income	12.9 (11.6%)	14.4 (12.6%)	+12%	
Net Income	9.0 (8.1%)	8.4 (7.3%)	-6%	

Average exchange rate		Q1 FY2013	Q1 FY2014
	USD	99 yen	102 yen
	EUR	129 yen	140 yen

TERUMO

I'll now give an overview of the results.

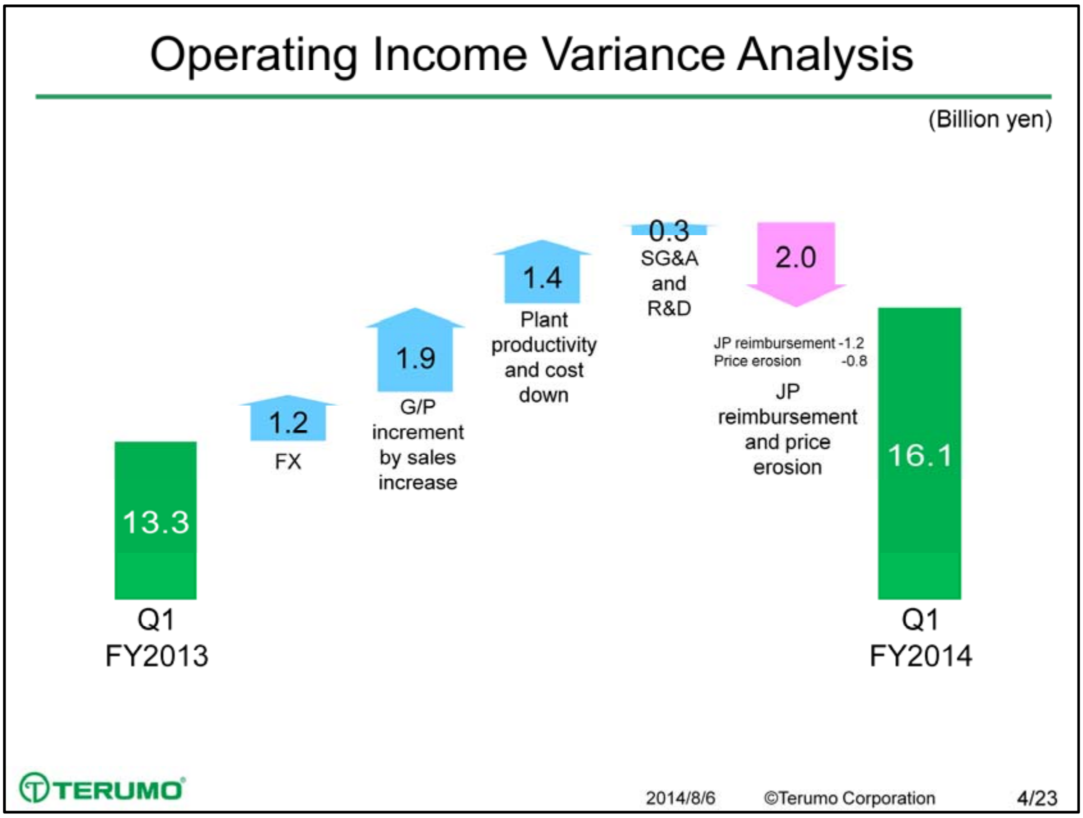
The average currency exchange rates during the period were 102 yen to the US dollar, and 140 yen to the euro. The yen was 3 yen weaker against the dollar, and 11 yen weaker against the euro in the same quarter of the previous year. With this tailwind of weak yen, sales increased by 3% over the previous year, for total sales of 114.9 billion yen. Currency exchange positively impacted this number in the amount of 3.2 billion yen.

Gross profitability improved 1.5 points over the same quarter of the previous year, thanks to a turnaround in General Hospital, where there had previously been negative impact due to slow ramp up of production for new products. This turnaround was accompanied by positive profitability attributable to the weaker yen.

SG&A increased 5% over the previous year, but R&D expenses decreased 12%. This change is due to the R&D expense of the DuraHeart 2 left ventricular assist system having been included in the previous year's first quarter numbers.

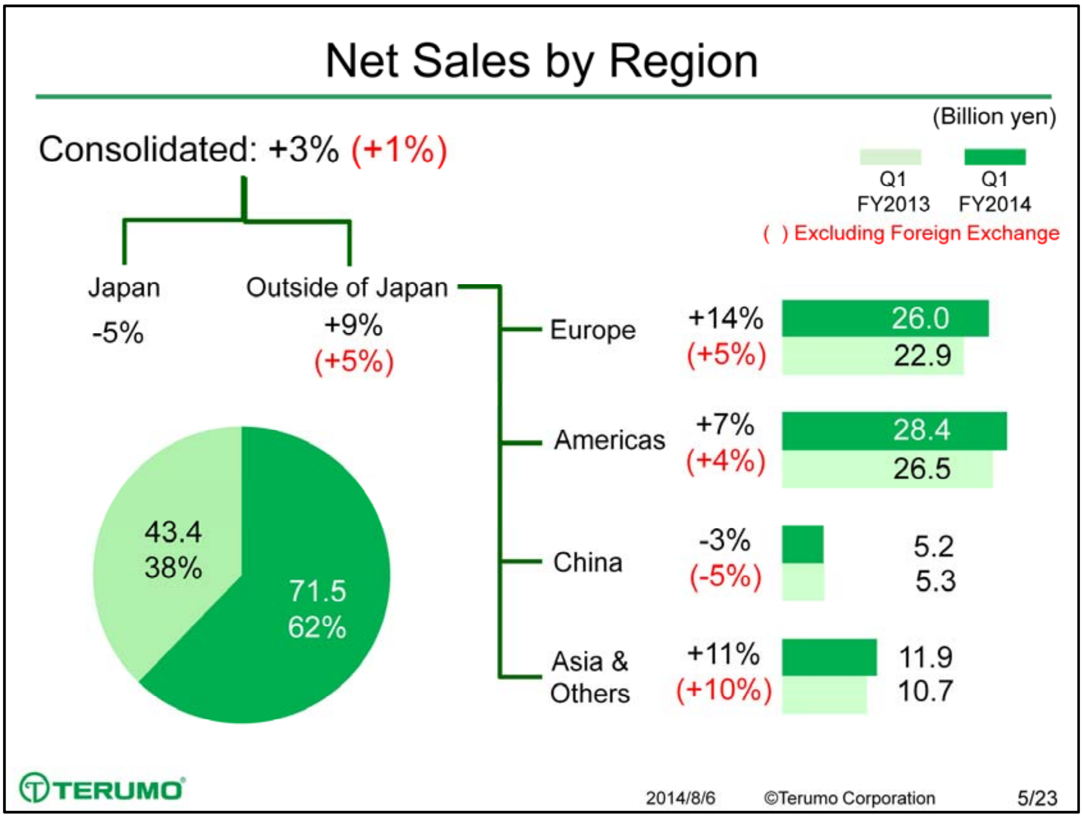
As a result, operating income was 16.1 billion yen, a double-digit increase of 21% over the same quarter of the previous year. Currency exchange positively accounts for 1.2 billion yen of this amount.

Ordinary income increased 12% to 14.4 billion yen. While net income was lower in the previous year due to temporary tax impacts, the amounts for this period returned to normal and resulted in an increased tax burden. This led to a 6% decrease in net income, for 8.4 billion yen.



Now I will explain operating income variance analysis.

Operating income in the 1st quarter of fiscal 2014 experienced positive currency exchange impact, and there was an improvement to gross profit due to expanded sales. Increased production efficiency and lowered costs further contributed, and with a decrease in SG&A and R&D expenses, we were able to absorb 2.0 billion yen in negative impact from Japanese reimbursement price cut and increase operating income by 2.8 billion yen for a total of 16.1 billion yen.



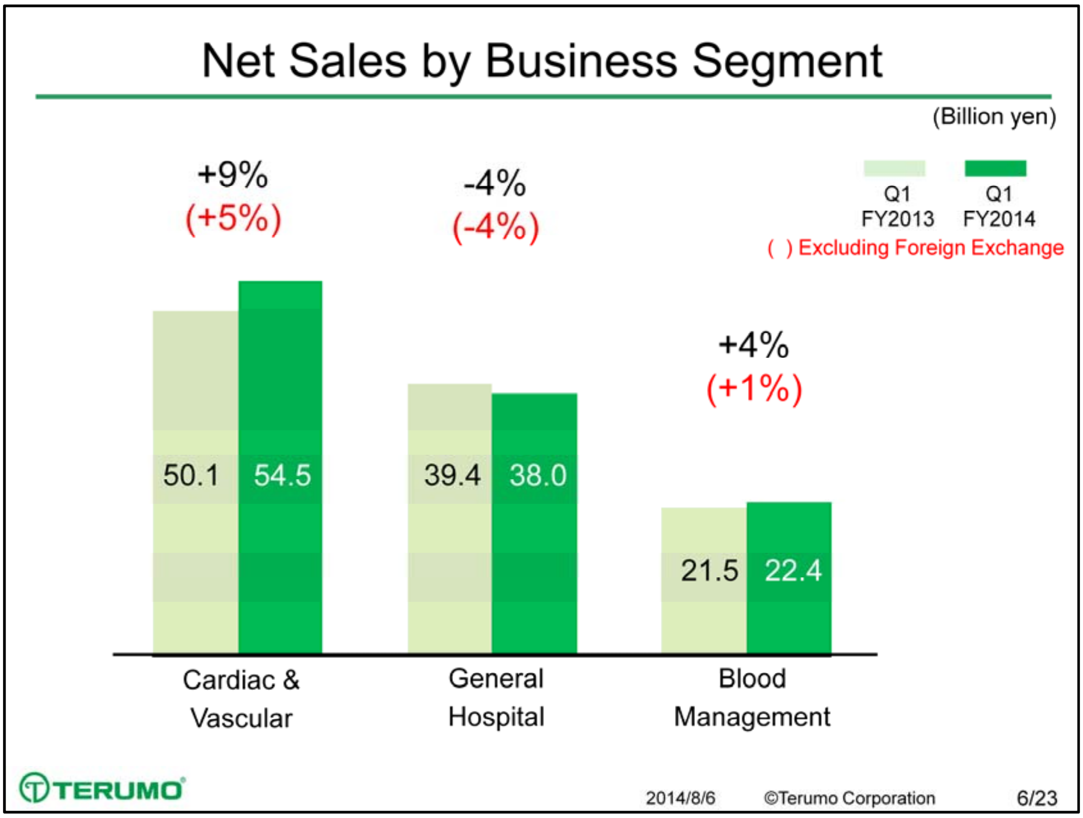
I will next explain sales by region.

This graph shows sales and growth rate by region. The percentage shown in parentheses is the growth rate excluding currency exchange.

Domestically, the reimbursement price cut resulted in a 5% decrease.

Overseas, Cardiac & Vascular led the way in expanding sales 9% over the previous year. Overseas growth excluding currency exchange was 5% above the previous year. This resulted in overseas sales accounting for 62% of the total.

Sales in China decreased 3% in the 1st quarter. This was a temporary factor related to revision of our local distributors arrangements, and we expect to see this year's growth to end up in the mid teens.



Next I will explain sales by company.

Cardiac & Vascular and Blood Management, which both have a high percentage of overseas sales, achieved 9% and 4% growth, respectively. The percentages in parentheses denote growth rate excluding currency exchange.

Operating Profit by Business Segment

(Billion yen)

		Q1 FY2013	Q1 FY2014	YoY%	YoY% (Excl. FX)
Segment O/P	Cardiac & Vascular	9.3 (19%)	11.4 (21%)	+23%	+8%
	General Hospital	4.8 (12%)	4.6 (12%)	-4%	-2%
	Blood Management	4.1 (19%)	4.2 (19%)	+3%	+1%
Others*		-0.8	0.0	-	-
Operating Income (Excl. amortization)		17.3 (16%)	20.2 (18%)	+17%	+9%

* Others: unrelated to business segment

TERUMO 2014/8/6 7/23

This slide explains profit by segment.

The company profits shown exclude amortization of goodwill and intangible assets occurring from the BCT acquisition.

Of the three segments, Cardiac & Vascular and Blood Management saw increased profits, while General Hospital profit decreased.

I'll next explain each individual segment's status.

Cardiac & Vascular: Increase in Sales and Profit

(Billion yen)

	Q1 FY2013	Q1 FY2014	YoY%	YoY% (Excl. FX)
Sales	50.1	54.5	+9%	+5%
Segment O/P (%)	9.3 (19%)	11.4 (21%)	+23%	+8%

- Increase in overseas sales of Interventional Systems +2.8 BJPY
- Neurovascular Intervention: new products (stent and balloon) drove its growth in global market +0.9 BJPY
- Decrease by 0.5 BJPY in investment for quality management system improvement at TCVS
- Reimbursement price cut in Japan -1 BJPY
- Launched new DES "Ultimaster" as planned, starting from EU

TERUMO 2014/8/6 8/23

First, the Cardiac & Vascular company.

With sales of 54.5 billion yen, Cardiac & Vascular used overseas growth to overcome the impact of the Japanese reimbursement price cut and achieve 9% growth, or 5% growth excluding currency exchange. Segment profit grew 23% to 11.4 billion yen, or 8% growth excluding currency exchange. Segment profitability improved two points.

Sales increased due to 2.8 billion yen in interventional systems overseas, and a global sales expansion of 900 million yen by the new neurovascular stent and balloon.

In profitability, TCVS quality system improvement costs in the first quarter decreased 500 million yen compared to the previous year. The Japanese reimbursement price cut impacted profit by 1 billion yen.

As I mentioned in the highlights, one item of note is that the new drug-eluting coronary stent, Ultimaster, was launched on schedule in Europe.

General Hospital: Maintained Profitability Despite Declined Sales

(Billion yen)

	Q1 FY2013	Q1 FY2014	YoY%	YoY% (Excl. FX)
Sales	39.4	38.0	-4%	-4%
Segment O/P (%)	4.8 (12%)	4.6 (12%)	-4%	-2%

- Recoil reduction in demand following the consumption tax increase in Japan (pump, glucose monitoring, etc.) -0.5 BJPY
- Delay in order receipt for B2B business of prefilled syringe -0.4 BJPY
- Reimbursement price cut in Japan -0.2 BJPY
- Reduced manufacturing cost of General Hospital Products +0.4 BJPY
- Initiated manufacturing of SurfloV3 at the Philippines factory for further cost reduction

TERUMO 2014/8/6

Next, General Hospital.

Sales were 38 billion yen; a decrease of 4%.

Segment profit dropped 4% to 4.6 billion yen, or minus 2% excluding currency exchange. Segment profitability remained 12%.

The dip in sales following the recoil reduction in demand after the consumption tax increase resulted in 500 million yen of negative impact, centered in pumps and blood glucose monitor tips. Orders for domestic pre-filled syringe business were also delayed, impacting negative 400 million yen .

Profits saw 200 million yen in negative impact due to the Japanese reimbursement price cut, but 400 million yen in reduction of manufacturing cost was realized in General Hospital Products.

Production of the Surflo V3 also began successfully in the Philippines in a step toward lower costs for that product, which had been a large negative factor last year.

Blood Management : Sustained Increase in Sales and Profit

(Billion yen)

	Q1 FY2013	Q1 FY2014	YoY%	YoY% (Excl. FX)
Sales	21.5	22.4	+4%	+1%
Segment O/P (%)	4.1 (19%)	4.2 (19%)	+3%	+1%

- Market price erosion -0.2 BJPY
- Delay in order receipt from a domestic customer, due to its IT system change -0.2 BJPY
- Achieved double digit sales growth in overseas therapeutic apheresis +0.6 BJPY
- Strong growth centering on automated collection system in Asia and Latin America +0.5 BJPY
- New Vietnam factory ready for operation (Completed in July)

TERUMO 2014/8/6 10/23

Next, Blood Management Company.

Blood Management sales grew 4% to 22.4 billion yen, or 1% growth excluding currency exchange.

Segment profit grew 3% to 4.2 billion yen, or 1% growth excluding currency exchange. The segment maintained at 19% profitability.

Falling prices in Europe and the United States and the changed timing of domestic customer orders due to its IT system changes negatively affected sales. On the other hand, overseas sales of therapeutic apheresis saw double-digit growth to 600 million yen, and products led by blood component collection system in Asia and Central and South America expanded sales by 500 million yen.

Another item of note is that construction of the new Vietnam factory was completed in July, and production is soon to follow.

Progress in Q1 New Product Pipeline

Business	Product	Region
Coronary	New DES (developed in house)	EU (as planned)
Peripheral	Central implantable venous access system	JP (as planned)
Ablation	Renal sympathetic denervation system (RSD)	Asia & Latin A (as planned)
	RSD for TRI technique	Asia & Latin A (as planned)
Nutrition	Liquid formula	JP (as planned)


New DES (Ultimaster)


Central implantable venous access system (DewX S type)


Liquid formula (Mermed)

- Semi-solidified once introduced into stomach
- Reduction of gastro-esophageal reflux is expected

TERUMO 2014/8/6 ©Terumo Corporation 11/23

I will now explain the status of new products. These are the new products that were launched in first quarter.

In addition to the drug-eluting stent, Ultimaster, the products shown here were launched as scheduled, including those that were not previously listed in the mid-term plan.

New Product Pipeline from Q2 to Q4

Business	Product	Region
Peripheral	Balloon (above the knee)	US
	Balloon (below the knee)	JP, EU
	Stent (below the knee)	EU
Neuro	Coil assist stent	US
	Carotid stent	EU
Coronary	New PTCA balloon	EU
Blood Management	Automated blood component collection system (plasma)	JP
	Automated blood component processing system	JP
	Therapeutic apheresis system (Bone marrow stem cell and polymorphonuclear leukocyte application)	US
Infusion System	Needleless system	Asia
	Smart pump (infusion & syringe pump)	China

Coil assist stent (LVIS)

Carotid stent (CASPER)

Here is the final slide. In the second quarter and beyond, we plan set the stage for further growth through enhancement of our pipeline by adding to previously announced products the launch of a new carotid stent in the neurovascular business.

This concludes my explanation of the first quarter results for the fiscal year ending March 2015.

Thank you for your attention.

Reference

TERUMO

Q1 Net Sales and Growth by Region

(Billion yen)

Business Segment	Japan	Outside of Japan Total	Europe	Americas	China	Asia & Others	G. Total
Cardiac & Vascular	11.8 (-3%)	42.8 (7%)	16.4 (6%)	17.4 (9%)	4.2 (-4%)	4.8 (14%)	54.5 (5%)
Out of C&V Interventional Systems*	9.1 (-4%)	31.7 (7%)	12.9 (7%)	11.2 (11%)	3.9 (-3%)	3.7 (9%)	40.8 (5%)
General Hospital	28.9 (-6%)	9.1 (0%)	3.1 (6%)	1.7 (-19%)	0.3 (13%)	3.9 (7%)	38.0 (-4%)
Blood Management	2.7 (-5%)	19.7 (1%)	6.5 (1%)	9.3 (1%)	0.7 (-18%)	3.2 (7%)	22.4 (1%)
G. Total	43.4 (-5%)	71.5 (5%)	26.0 (5%)	28.4 (4%)	5.2 (-5%)	11.9 (10%)	114.9 (1%)

*Including Neurovascular business

(YoY%): Excluding foreign exchange

SG&A Expenses

(Billion yen)

	Q1 FY2013		Q1 FY2014		YoY	YoY%
Salaries & Wages	15.4		16.9		+1.5	+10%
Sales Promotion	3.7		3.7		+0.0	+1%
Logistical Costs	2.7		2.7		+0.0	+1%
Depreciation & Amortization	5.3		5.9		+0.6	+11%
Others	9.0		8.7		-0.3	-3%
General Administrative Total	36.1	(32.4%)	37.9	(33.0%)	+1.8	+5%
R&D Expenses	7.6	(6.9%)	6.7	(5.8%)	-0.9	-12%
SG&A Expenses Total	43.7	(39.3%)	44.6	(38.8%)	+0.9	+2%

(%) Against net sales

SG&A Expenses

(Billion yen)

	Q1 FY2013*	Q1 FY2014	YoY	YoY%
General Administrative Total	37.1	37.9	+0.8	+2%
R&D Expenses	7.8	6.7	-1.1	-14%
SG&A Expenses Total	44.8	44.6	-0.3	-1%

* Value adjusted by excluding FX impact

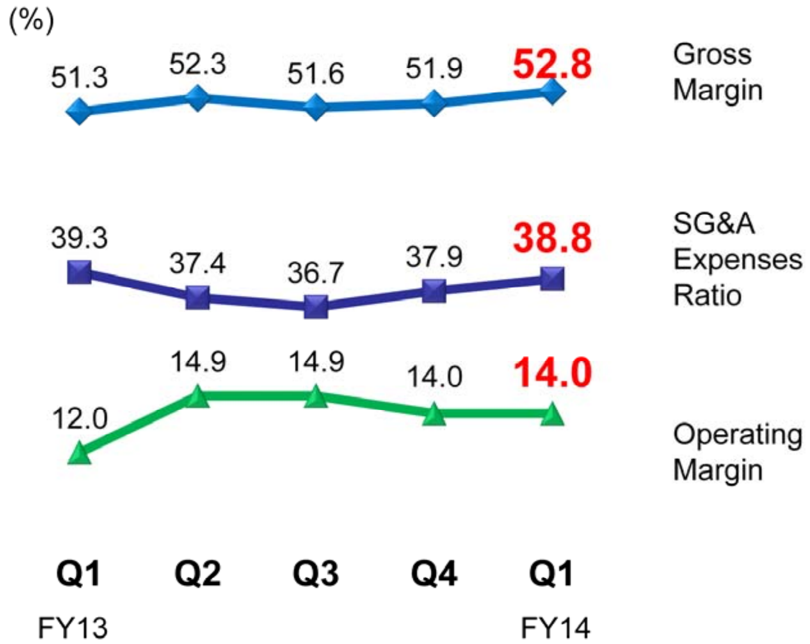
Quarterly Results

(Billion yen)

	Q1 FY13 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 FY14 (Apr-Jun)
Net Sales	111.1	114.9	119.2	122.1	114.9
Gross Profit	57.0 (51.3%)	60.1 (52.3%)	61.5 (51.6%)	63.3 (51.9%)	60.7 (52.8%)
SG&A Expenses	43.7 (39.3%)	43.0 (37.4%)	43.7 (36.7%)	46.3 (37.9%)	44.6 (38.8%)
Operating Income	13.3 (12.0%)	17.1 (14.9%)	17.8 (14.9%)	17.0 (14.0%)	16.1 (14.0%)
Average Exchange Rate	USD 99 yen EUR 129 yen	99 yen 131 yen	100 yen 137 yen	103 yen 141 yen	102 yen 140 yen

TERUMO

Profit Ratio, SG&A Expenses Ratio



TERUMO

CAPEX, R&D Expenses

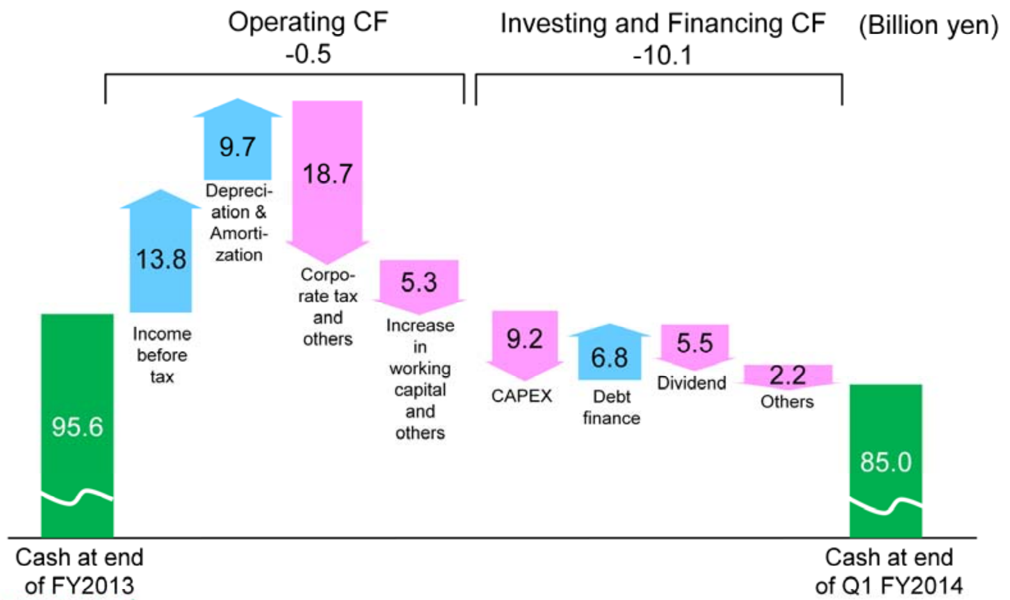
(Billion yen)

	FY2014 Guidance	Q1 Result	Progress to guidance
CAPEX	42.0	9.2	22%
Depreciation & Amortization	41.0	9.7	24%
R&D Expenses	31.0	6.7	22%

Depreciation & Amortization: Including intangibles
CAPEX: Acquisition basis

Cash Flow

Large impact of corporate tax payment in Q1

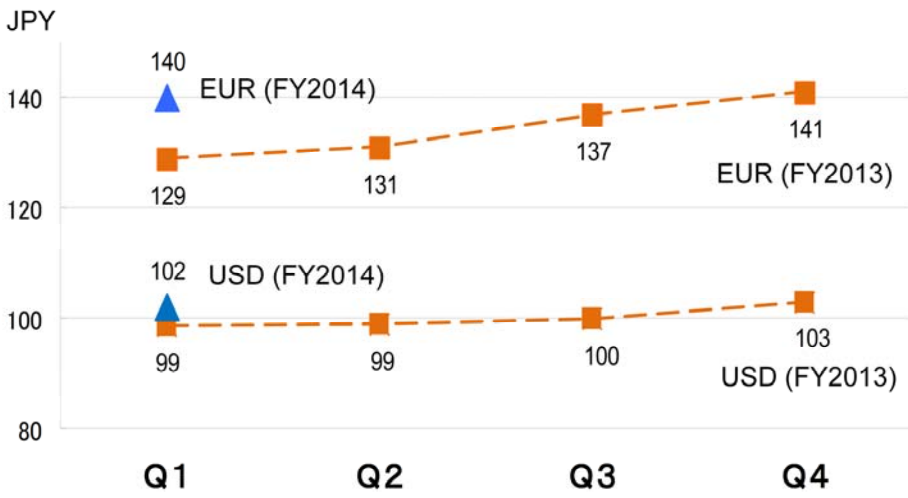


Foreign Exchange Sensitivity

(Billion yen/year)

	USD	EUR
Net Sales	1.8	0.7
Operating Income	0.3	0.4

Quarterly Average Exchange Rates Trend



IR Contact

Terumo Corporation

Corporate Communication (IR) Dept.

E-mail: kouhou_terumo01@terumo.co.jp

Among the information that Terumo discloses, the forward-looking statements including financial projections are based upon our assumptions using information available to us at the time and are not intended to be guarantees of future events or performance. 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.

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

