Financial Results for the First Half of the Fiscal Year Ending March 31, 2016 (FY2015)

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I will now explain the first half results for the period ending March 31, 2016.

Overview: Double Digit Growth Both in Sales and Profit

(billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Net Sales	233.3	259.2	+11%	+5%
Gross Profit	122.9 (52.7%)	139.4 (53.8%)	+13%	+8%
SG&A Expenses	76.3 (32.8%)	84.4 (32.6%)	+10%	+3%
R&D Expenses	13.6 (5.8%)	15.9 (6.1%)	+17%	+8%
Operating Income	33.0 (14.1%)	39.1 (15.1%)	+19%	+20%
(Excl. Amortization)	41.3 (17.7%)	49.3 (19.0%)	+19%	+16%
Ordinary Income	34.0 (14.6%)	35.8 (13.8%)	+ 5%	
Net Income	21.9 (9.4%)	27.0 (10.4%)	+23%	
Average Exchange Rate	US$ 103 yen	122 yen		
	EUR 139 yen	135 yen		

- Sales: sustain solid performance for all companies. Overseas IS and neurovascular, especially in US, drove the corporate growth
- Operating income: the gross profit growth driven by sales expansion exceed the expense growth
- Ordinary income: posted a FX loss of 2.4 BJPY in FY15 1H, while posted a gain of 2.5 BJPY in FY14 1H
- Net income: gain through the sales of fixed asset of Shibuya, Tokyo. Lowered corporate tax burden ratio due to tax system revision

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First, the overall results.

We continued the positive results of the first quarter, seeing double-digit growth year on year in sales and operating income. Each company posted good sales, with the interventional systems and neurovascular businesses making an especially large contribution on the strength of overseas markets, particularly the United States.

Operating income grew 19% year on year thanks to increased gross profit from expanded sales and good SG&A control.

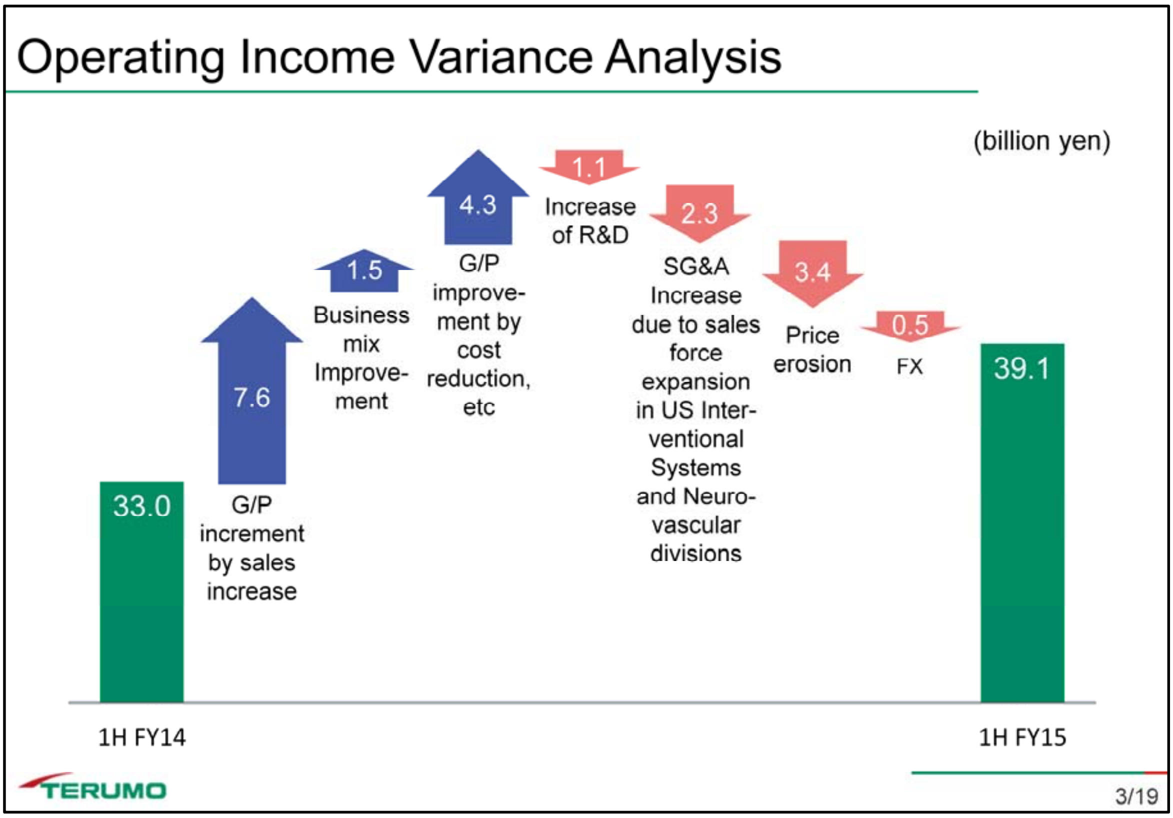
Even when excluding the effects of foreign exchange rates, the year-on-year sales, gross profit, and operating income growth rates for the first half were at approximately the level of those from the first quarter.

Ordinary income increased 5% year on year. This growth rate was less than that of operating income, but the difference was due to foreign exchange losses. In the first half of previous fiscal year we realized 2.5 billion yen in foreign currency gains, but was followed by 2.4 billion yen in similar losses for the first half of this fiscal year, or a 5-billion-yen negative swing year on year.

Net profit increased 23% year on year due to 4.4 billion yen resulting from our sale of land in Hatagaya, Tokyo.

In September we revised our guidance for both the first half and entire period upward, but the first half sales result came out 4.2 billion yen for sales and 2.1 billion yen for operating income, ahead of even that revised forecast. Ordinary income and net income were approximately as expected. First-half results for sales, operating income, ordinary income, and net income were all best ever.

In response to the positive first-half results, we have also revised our dividend forecast upward. We have increased the forecasted dividends for both the first half and period end by 3 yen per share to 19 yen. This results in a 38-yen total per-share dividend for the period, or an increase of 6 yen from the initial forecast.

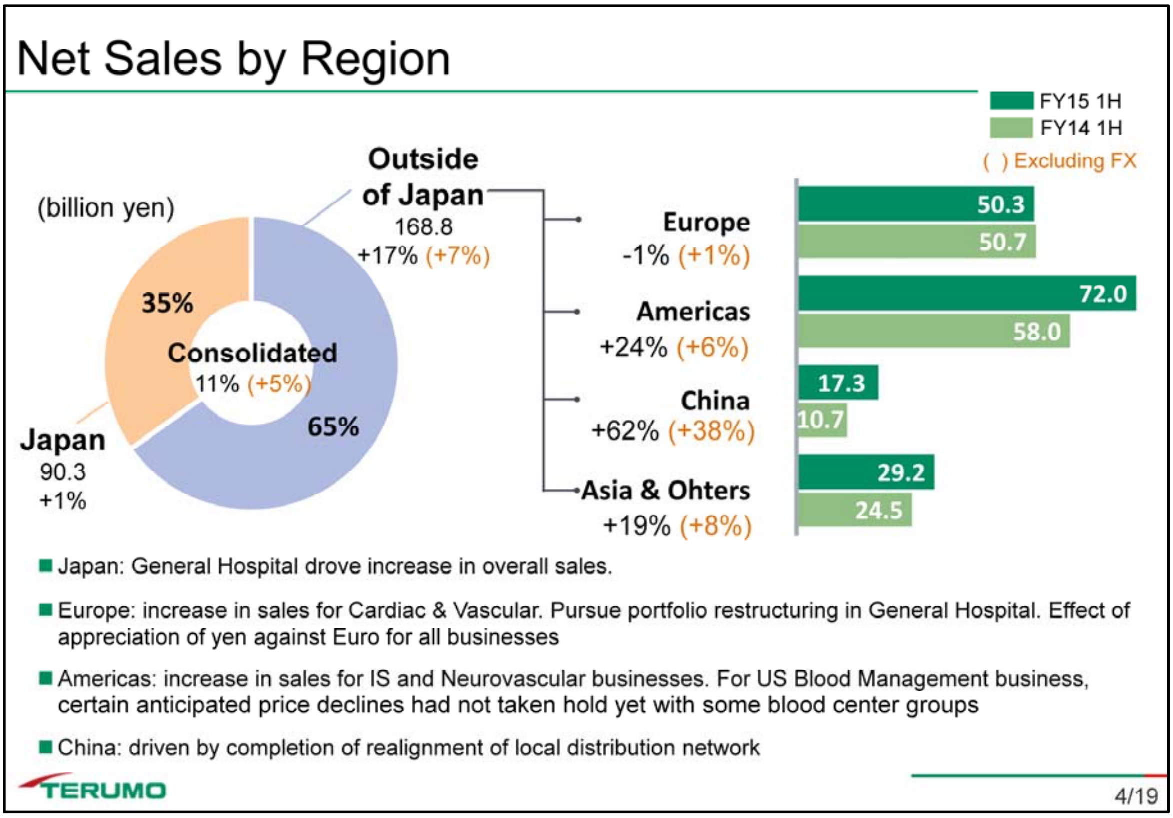


Here is our analysis of positive and negative impacts on the operating income result.

Operating income for the first half increased 6.1 billion yen from 33 billion the previous year, for a result of 39.1 billion yen.

The largest positive impact came from a 7.6-billion-yen increase in gross profit that resulted from increased sales. Other positive contributions came from improvement to our business portfolio mix and cost-reduction efforts that improved gross profit.

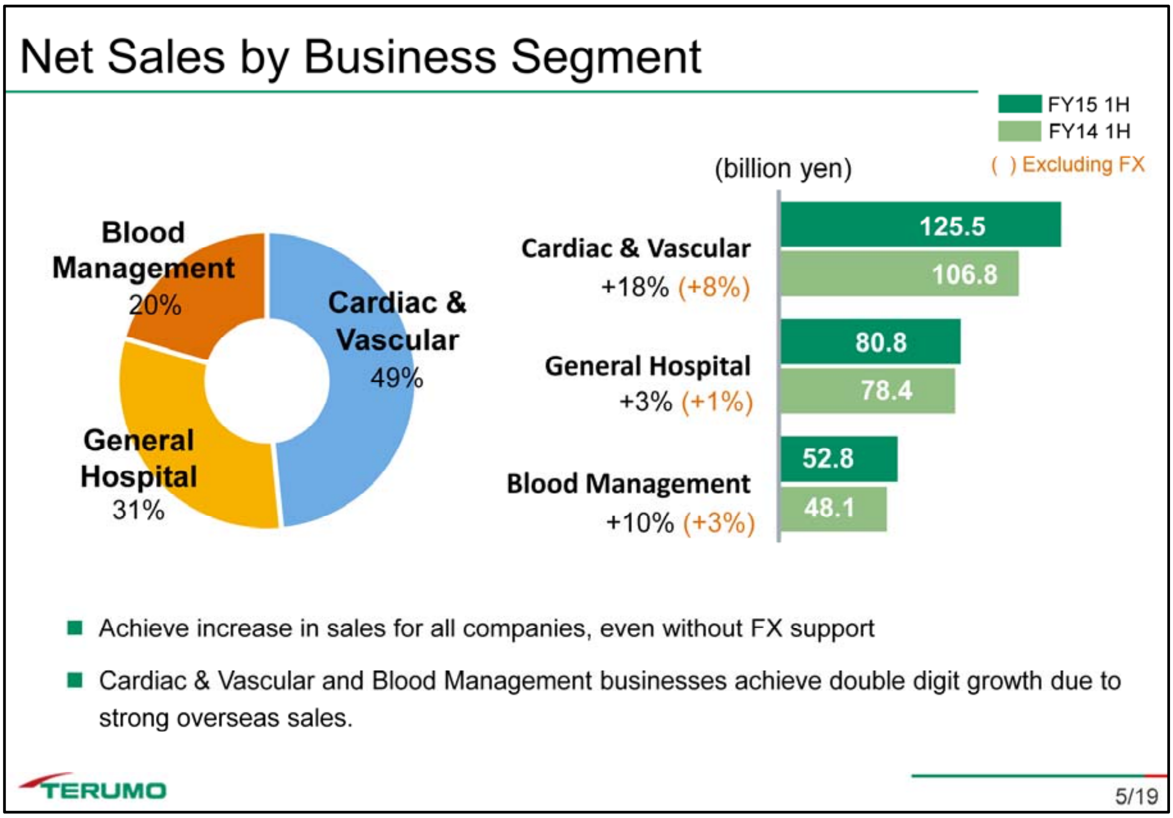
Negative factors included increased R&D expenses, strengthening of sales force in the European Interventional Systems and neurovascular businesses, price declines, and foreign exchange. Foreign exchange was a positive factor in the first quarter, but came out as a negative one for the half. Later I will discuss why.



The regional composition of sales changed little from the first quarter.

The General Hospital Company drove growth in Japan for a 1% year-on-year increase.

Outside Japan, sales saw double-digit growth, or a 17% increase. Sales increased notably in the U.S., China, Asia, and other areas excluding Europe. The sales decrease in Europe was influenced by having less sales after portfolio restructuring made to the General Hospital business there, and by yen appreciation against the euro; when excluding foreign exchange, sales actually increased.



Next, sales by company.

Sales increased 18% for the Cardiac & Vascular Company, and 10% for the Blood Management Company—double-digit growth for both companies.

When excluding foreign exchange impact, all companies saw positive sales growth.

Sales composition was the same as the first quarter.

Cardiac & Vascular: Overseas Business Drove Double-digit Growth in Sales and Profit

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	106.8	125.5	+18%	+8%
Business Profit (%)	21.5 (20%)	29.3 (23%)	+36%	+21%

<Sales>

- Increase in sales for overseas IS and Neurovascular businesses (mainly in US) + 12.5 BJPY
- In China, complete local distributors realignment and expand customer coverage + 5.3 BJPY
- Sales of Ultimaster continued to expand in EU and Asia. Gained its regulatory approval in JP

<Business Profit>

- Increase profit and improve portfolio mix through the sales expansion of overseas IS and Neurovascular businesses

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I will now discuss more details for each company.

Sales for the Cardiac & Vascular Company increased 18% year on year on the strength of sales growth for Interventional Systems and neurovascular businesses, especially in the North America.

Last fiscal year, we experienced sales difficulty after realigning distribution networks in China. With realignments complete, we saw growth of over 20% in the first half of this fiscal year for an increase in sales of 5.3 billion yen more than the previous year.

Ultimaster is being sold in steadily more regions—now including Europe, Asia, and Central and South America—following its launch last year, and its sales are growing well. We also obtained approval to manufacture and sell Ultimaster in Japan, and began sales in October. It has started out well.

The growth of high-profitability products has been a particular factor in the large increase in business profit. Business profitability also drastically increased from 20% to 23%.

General Hospital: Profitability is Recovered by Cost Improvement

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	78.4	80.8	+3%	+1%
Business Profit (%)	9.6 (12%)	11.7 (15%)	+22%	+25%

<Sales>

- Japan: D&D, especially peritoneal dialysate and pain control drugs, expand the sales + 1.4 BJPY
- Japan: recovery in sales for daily use items such as general hospital products and DM products + 0.7 BJPY
- Progress in portfolio restructuring in EU and Americas - 1.2 BJPY

<Business Profit>

- Cost improvement both at Japanese and overseas plants + 0.8 BJPY

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The General Hospital Company saw a 3% year-on-year increase in sales, and achieved business profit increase of 22%. Business profitability was restored from 12% in the previous first-half period to 15%.

The high-profitability D&D (Drug and Device) business and DM (diabetes-management) business both had sales growth, but the contributions of steady cost-reduction activities at factories inside and outside Japan were also significant. As a result, the business profitability was restored to its proper level.

Blood Management: Businesses in Emerging Countries and Therapeutic Apheresis Continuously Drives Growth

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	48.1	52.8	+10%	+3%
Business Profit (%)	9.3 (19%)	10.0 (19%)	+8%	+16%

<Sales>

- Continue to grow therapeutic apheresis and cell processing systems + 2.7 BJPY
- Increase sales for blood component collection mainly in developing countries + 1.2 BJPY

<Business Profit>

- Certain anticipated price declines in the US had not taken hold yet with some blood center groups. (the negotiation with customers for the longer term contract with increasing volume takes longer time than expected.)
- Profit from the products, which are manufactured in US and sold in EU, are negatively affected by weaker EUR against US$.

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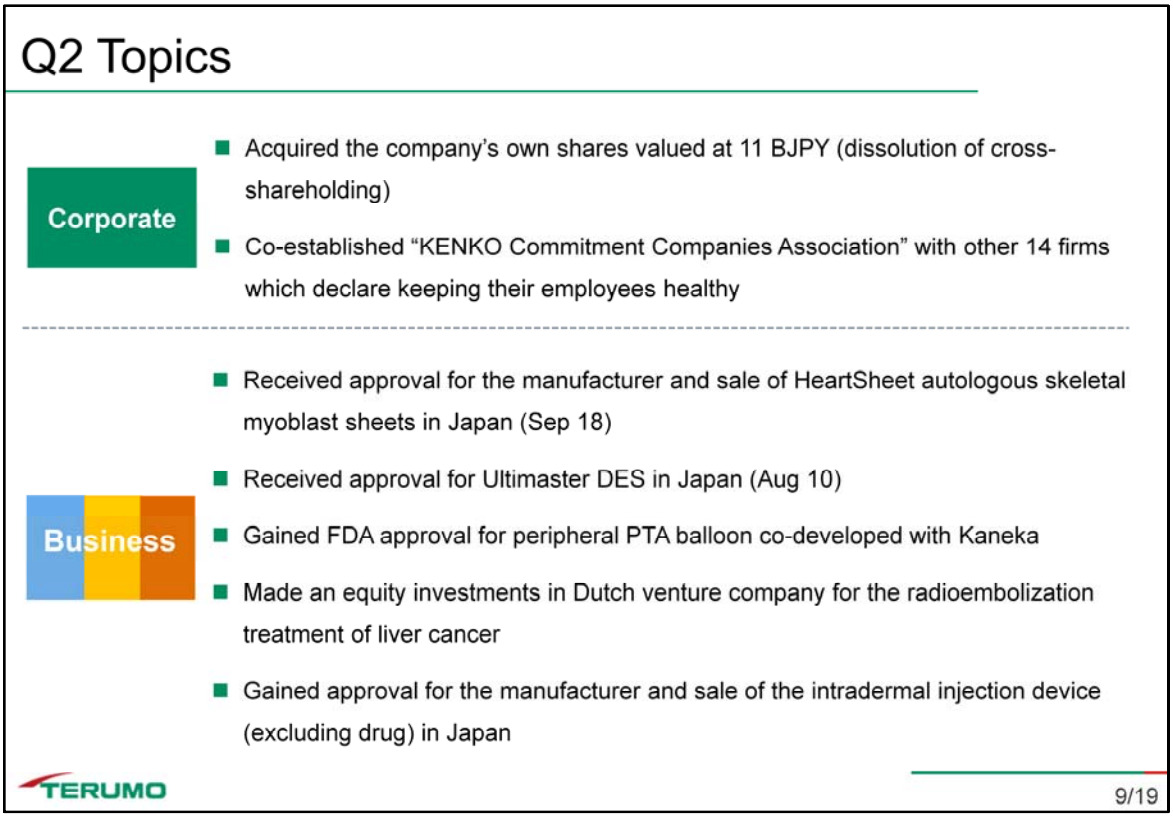
The Blood Management Company continues to see large growth in its sales of therapeutic apheresis and cell-processing systems. In addition, the blood component collection system grew, especially in emerging countries.

Starting in the second quarter, the price declines in business for U.S. blood centers gradually took effect and business profitability sank from 21% in the first quarter to 17% in the second quarter.

However, as we explained in the first quarter, the price declines happened later than expected and therefore are having less effect than initially thought. We are negotiating to maintain prices and increase sales volume long term instead of accommodating one time price decline this time. Reaching a quick agreement will not benefit our company, so we continue to negotiate.



I will now introduce the main topics of interest from the second quarter.

One topic is that we dissolved a cross-shareholding arrangement and used the resulting 11 billion yen to acquire our own shares. We had already repurchased 3 billion yen in company stock the previous fiscal year.

In recent years the concept of "KENKO-KEIEI" in which a company makes employee health and wellness maintenance a top management priority, has garnered attention. Terumo has become one of the leader corporations in this movement by becoming a co-establishing company in the KENKO Commitment Companies Association, in which companies declare a commitment to keeping their employees healthy. Other firms are showing great interest in the program, and the number of participants has grown to 25 companies.

The next topic is business-related.

On September 18th, we received approval in Japan to manufacture and sell HeartSheet.

On August 10th, we also received approval to manufacture and sell Ultimaster in Japan, and sales began on October 1st.

In the United States, the peripheral stent Misago obtained regulatory approval during the first quarter, as did the PTA balloon in the second quarter, which is a product co-developed with Kaneka. Our peripheral product lineup is steadily expanding.

In the field of interventional oncology, we made a venture capital investment in a Dutch company.

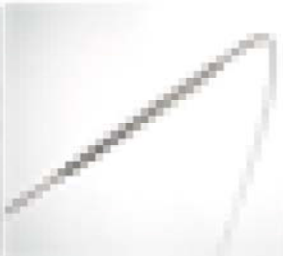
The General Hospital Company received approval in Japan to manufacture and sell an intradermal injection device (excluding drug).

New Product Pipeline for FY2015

Business	Product		Region	Launch
Coronary	**DES (Ultimaster)**	◎◎★	JP	**Approved in Q2** Launch in Oct 1
Coronary	New aspiration catheter		EU, Latin A, Asia	
Peripheral	Stent (Misago)	★	US	**Q1**
Peripheral	Stent for small vessel (Misago)		EU	
Peripheral	PTA balloon (above the knee)		EU, US	**Q2**
Peripheral	PTA balloon (below the knee)		JP	
Peripheral	**Embolic particles (beads)**	★	EU	**Q1**
Neuro	**Coil assist stent**	◎	JP	**Q1**
Neuro	**Liquid embolic glue**	★	EU	**Q1**
Neuro	**Distal protection device**	★	EU	

Business	Product		Region	Launch
CV	Disposable centrifugal pump (for PCPS)		JP	
Blood Management	**Automated blood component processing system**	★	JP	

New DES (Ultimaster)
Approved in JP
Launched in Oct 1



PTA Balloon (Metacross RX)
Co-developed with Kaneka
Launched in US

◎ Item with large contribution to sales and profit
★ Item with highly innovative technology

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Products in the FY2015 pipeline are being launched as scheduled.

Thank you.

Reference

1H FY15 Net Sales and Growth by Region

(Billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac & Vascular	22.8 (-3%)	102.8(+11%)	32.5 (+3%)	44.5(+12%)	13.5(+40%)	12.3(+13%)	125.5(+8%)
Out of C&V Interventional Systems*	17.2 (-5%)	81.1 (+16%)	26.1 (+5%)	32.3(+18%)	12.8(+42%)	9.9 (+19%)	98.3 (+11%)
General Hospital	62.0 (+3%)	18.8 (-6%)	4.8 (-18%)	4.2 (-5%)	1.1 (+25%)	8.7 (-1%)	80.8 (+1%)
Blood Management	5.6 (-8%)	47.2 (+4%)	13.0 (+4%)	23.3 (-1%)	2.7 (+37%)	8.2 (+12%)	52.8 (+3%)
G. Total	90.3 (+1%)	168.8 (+7%)	50.3 (+1%)	72.0 (+6%)	17.3 (+38%)	29.2 (+8%)	259.2 (+5%)

*Including Neurovascular business

(YoY%): Excluding foreign exchange

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Operating Expenses

(Billion yen)

	1H FY14	1H FY15	YoY	YoY%	YoY% (Excl. FX)
Salaries & Wages	33.9	38.2	+4.3	+13%	
Sales Promotion	7.6	8.1	+0.5	+7%	
Logistical Costs	5.3	5.5	+0.2	+3%	
Depreciation & Amortization	11.9	14.0	+2.1	+18%	
Others	17.6	18.6	+1.0	+5%	
SG&A Expenses Total	76.3 (32.8%)	84.4 (32.6%)	+8.1	+10%	+3%
R&D Expenses	13.6 (5.8%)	15.9 (6.1%)	+2.3	+17%	+8%
Operating Expenses Total	89.9 (38.6%)	100.3 (38.7%)	+10.4	+11%	+4%

(%) Against net sales

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Quarterly Results

(Billion yen)

	FY14 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY15 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Net Sales	118.4	129.9	126.3	128.7	130.5
Gross Profit	62.3 (52.6%)	67.8 (52.2%)	65.4 (51.7%)	69.0 (53.7%)	70.4 (53.9%)
SG&A Expenses	38.5 (32.5%)	40.5 (31.2%)	42.4 (33.5%)	41.7 (32.5%)	42.7 (32.7%)
R&D Expenses	6.9 (5.8%)	7.4 (5.7%)	8.4 (6.7%)	7.9 (6.1%)	8.0 (6.1%)
Operating Income	16.9 (14.3%)	19.9 (15.3%)	14.6 (11.5%)	19.4 (15.1%)	19.7 (15.1%)
(Excl. Amortization)	21.1 (17.8%)	24.5 (18.8%)	19.4 (15.3%)	24.5 (19.1%)	24.8 (19.0%)

Average Exchange Rate						
	US$	104 yen	115 yen	119 yen	121 yen	122 yen
	EUR	138 yen	143 yen	134 yen	134 yen	136 yen

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CAPEX, R&D Expenses

(Billion yen)

	FY2015 Guidance	1H FY2015 Result	Progress to Guidance
CAPEX	36.0	14.9	41%
Depreciation & Amortization *	45.0	22.0	49%
R&D Expenses	35.0	15.9	45%

Depreciation & Amortization: Including intangibles
CAPEX: Acquisition basis

<Downward revision in FY15 CAPEX guidance to 36 BJPY from 42 BJPY>

■Delay in construction of new R&D facility in southern California 3 BJPY
✓Change of building design. No delay in R&D projects

■Decrease in CAPEX into Terumo Yamaguchi Corp. (plant) 2 BJPY
✓ Prioritize new products of which manufacturing effectively utilize the existing production lines

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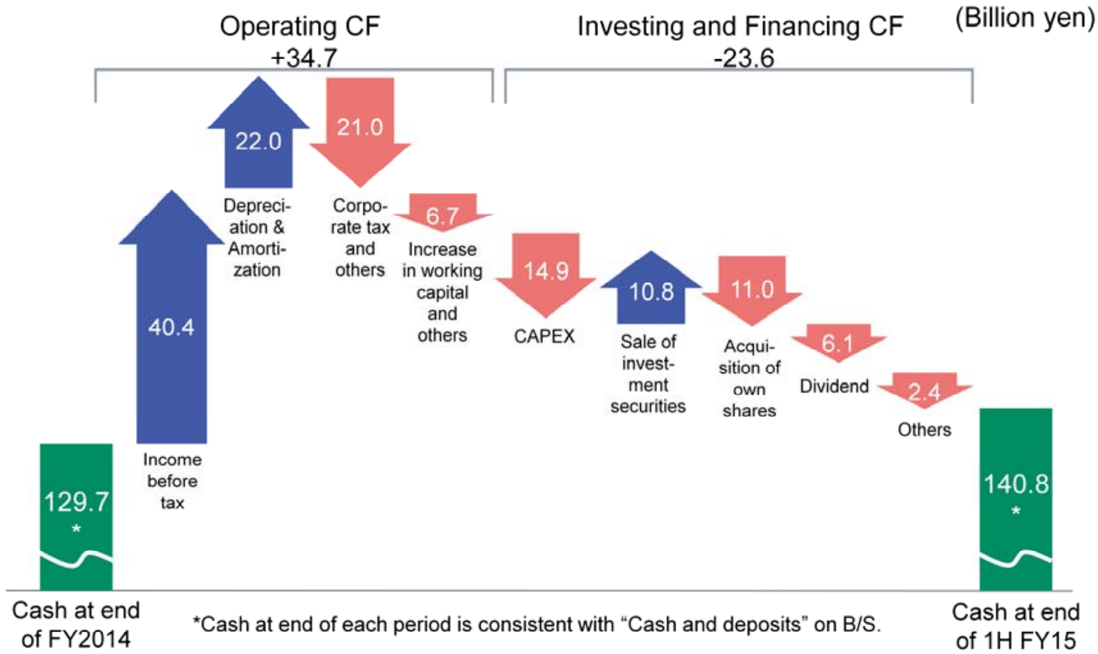
Cash Flow



*Cash at end of each period is consistent with "Cash and deposits" on B/S.

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Foreign Exchange Sensitivity

(Billion yen)

	US$	EUR
Net Sales	1.8	0.7
Operating Income	0.1	0.2

- For US$, sales expansion in U.S. drove higher FX sensitivity at sales. However, the increase in overseas production ratio since acquisition of Caridian BCT resulted in less impact of yen depreciation against US$ at operating income.
- Impact of depreciation in currencies in emerging countries on operating income was offset by depreciation of EUR.

1H FY15: Impact of FX

Average exchange rate in 1H

	FY14	FY15		
US$	103 yen	122 yen	(+ 19 yen)	Depreciated by 18%
EUR	139 yen	135 yen	(- 4 yen)	Appreciated by 3%
CNY	16.6 yen	19.5 yen	(+ 3 yen)	Depreciated by 17%

(Billion yen)

	Sales	Operating Income	
US$	+13.0	- 0.7	Impact on goodwill amortization and others -1.5
EUR	- 1.2	-1.0	
CNY	+2.9	+1.0	Profit increment by sales increase +2.0 Impact on COGS at Hangzhou factory -1.0
Other currencies in emerging countries	+ 0.3	+0.2	
Total	+15.0	- 0.5	

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