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Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016 (FY2015)

Terumo Corporation

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February 4, 2016

I will now explain the results for the third quarter of the fiscal year ending March 2016.

Overview: Highly profitable product in C&V Droves Substantial Growth in Profit

(billion yen)

	FY14 Q3YTD	FY15 Q3YTD	YoY%	YoY% (Excl. FX)
Net Sales	363.2	396.0	+9%	+5%
Gross Profit	190.7 (52.5%)	214.6 (54.2%)	+13%	+9%
SG&A Expenses	116.9 (32.1%)	127.2 (32.1%)	+9%	+4%
R&D Expenses	20.9 (5.8%)	23.3 (5.9%)	+11%	+5%
Operating Income	52.9 (14.6%)	64.1 (16.2%)	+21%	+23%
(Excl. Amortization)	65.8 (18.1%)	79.4 (20.1%)	+21%	+19%
Ordinary Income	58.7 (16.2%)	61.0 (15.4%)	+4%	
Net Income	33.4 (9.2%)	43.5 (11.0%)	+30%	

Average Exchange Rate	FY14 Q3YTD	FY15 Q3YTD
US$	107 yen	122 yen
EUR	140 yen	134 yen

- Sales: Sustain solid performance. Cardiac & Vascular, especially global interventional system business, drove the corporate growth
- Operating income: G/P growth driven by sales expansion of highly profitable Cardiac & Vascular products
- Ordinary income: Posted a FX loss of 2.4 BJPY in FY15/Q3YTD, but posted gain of 8.1 BJPY in FY14/Q3YTD
- Net income: Gain through the sales of fixed asset of Shibuya, Tokyo

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First, please refer to page 2, which contains the results overview. We maintained good results in the first and second quarters, and the third quarter was a good result as well. As of the end of the third quarter, the year-to-date revenue, operating income, ordinary income, and net income are all our best results ever.

The actual numbers are as follows: Revenue is at 396 billion yen, for a 9% increase. Gross profit is 214.6 billion, for a 13% year-on-year increase. The primary factors behind gross profit outpacing revenue in growth were Neurovascular and Interventional Systems businesses. Operating income expanded 21% to 64.1 billion yen. When excluding goodwill amortization, operating income was 79.4 billion yen, or 20.1% of revenue. This means we made solid progress toward our goal of 20% operating margin, excluding goodwill amortization. As of the third quarter, we have achieved that 20% operating margin level.

Extraordinary Gains & Losses, Income Taxes

(Billion yen)

	FY14 Q3YTD	FY15 Q3YTD	
Non-operating income and loss	5.8	-3.1	FX FY14 +8.1 FY15 -2.4
Ordinary Income	58.7	61.0	YoY%: +4%
Extraordinary Gains & Losses	-6.4	+4.3	FY14 Cost for restructuring -6.4 FY15 Gain through the sales of fixed asset (Q2) +4.4
Income before Income Tax	52.3	65.3	YoY%: +25%
Income Taxes Total Tax Rate (%)	-18.9 36%	-21.9 33%	Tax system revision +1.8
Net Income	33.4	43.5	YoY%: +30%

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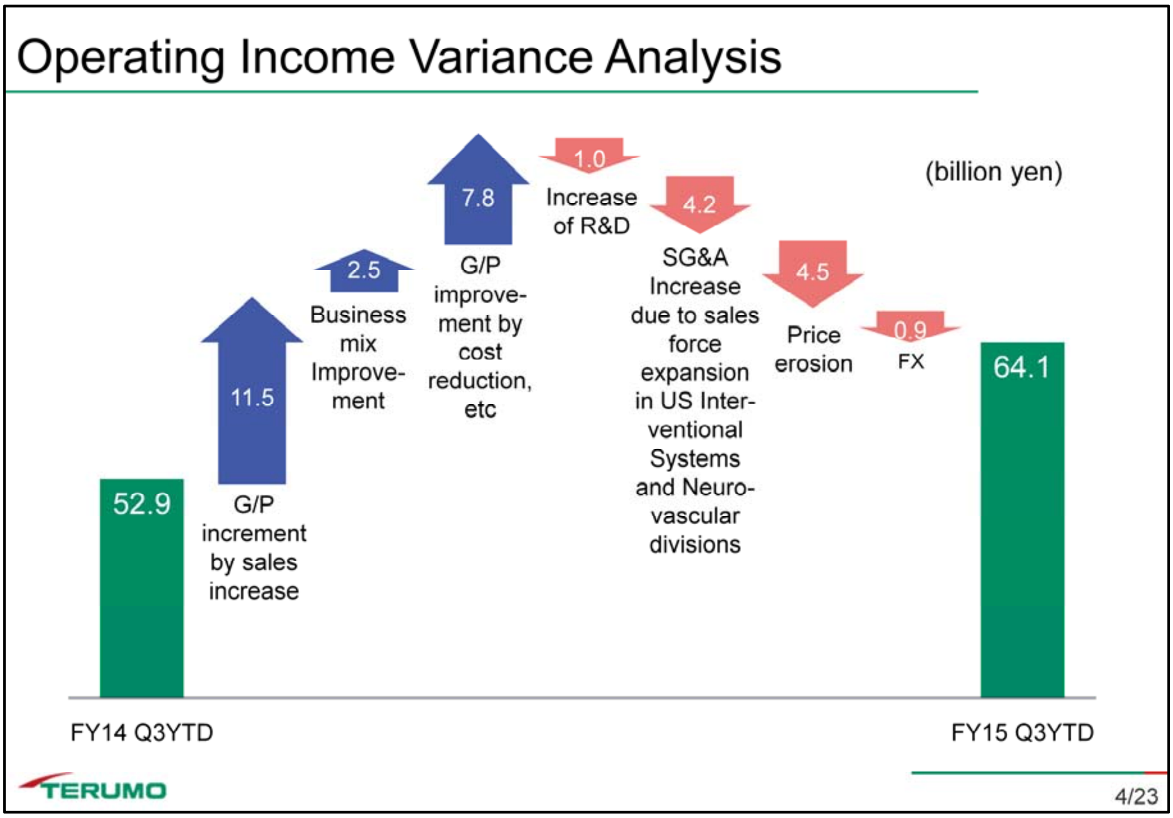
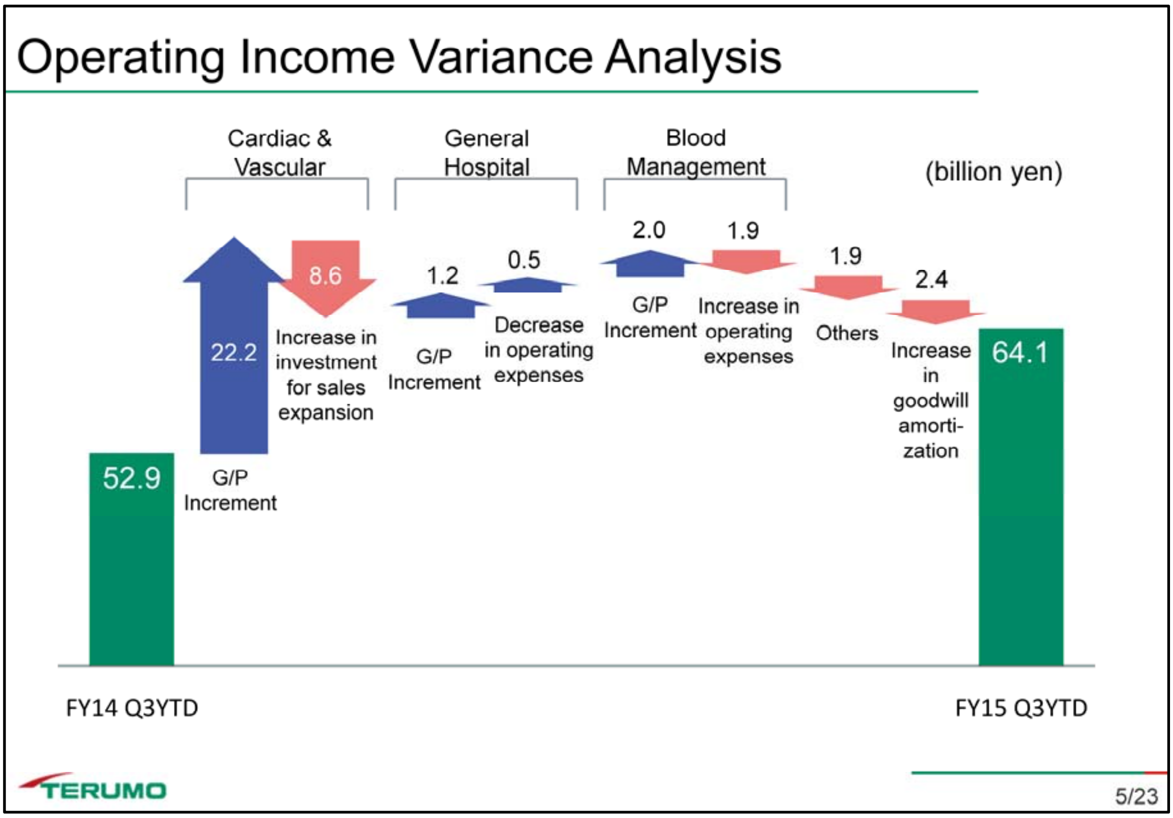
In ordinary income, we saw a smaller rate of growth, at 4%, and this was due to foreign exchange rate impact. In the third quarter of 2014, we posted FX gain of 8.1 billion yen. This fiscal year, we posted a 2.4-billion-yen FX loss, or a total swing of over 10 billion yen.

On the other hand, our extraordinary gains and losses have swung the opposite direction: Last fiscal year, we recorded an extraordinary loss of 6.4 billion yen for expenses incurred transforming the Europe business portfolio, but during the second quarter this fiscal year we had an extraordinary gain of 4.4 billion yen from the sale of land in Hatagaya, Tokyo, amounting to a *positive* 10-billion-yen swing.

In the area of taxes, Japan's corporate tax rate was revised, resulting in our tax burden decreasing from 36% to 33%. These factors I have explained combined for a 30% higher net income of 43.5 billion yen.



I will now discuss operating income. Similar to the second quarter result, the growth of gross profit through revenue expansion was the largest contributing factor. Improvement of gross profit also increased through cost reduction. There were three main factors behind cost reduction: First, increased Ultimaster sales. Second, reduced raw material cost due to low oil prices. Third, the effects of increased production. These three accounted for 7.8 billion yen in positive effect. Increases in SG&A due to strengthened sales organization and lower prices remain as we reported in the first half.



This shows our operating income variance by company. We created this to illustrate how the current Terumo strategy is playing out.

Cardiac & Vascular is the company that drives our growth, and is expanding its gross profit significantly. We are investing resources in a way that supports this growth-driver role, and faster than any of our companies.

The General Hospital Company strategy is currently focused most on improving operating profitability by increasing gross profit and controlling SG&A.

We are also allocating resources—an increase of 1.9 billion yen—to the Blood Management Company, especially for the new field of cell therapy.

FY15 Q3YTD: Impact of FX

Average exchange rate in Q3YTD

	FY14	FY15		
US$	107 yen	122 yen	(+ 15 yen)	Depreciated by 14%
EUR	140 yen	134 yen	(- 6 yen)	Appreciated by 4%
CNY	17.3 yen	19.3 yen	(+ 2 yen)	Depreciated by 12%

(Billion yen)

	Sales	Operating Income	
US$	+14.5	- 0.8	Impact on goodwill amortization and others -1.8
EUR	- 2.0	- 1.6	
CNY	+ 3.0	+ 1.8	Impact on net sales +3.0 Impact on COGS at Hangzhou factory -1.2
Other currencies in emerging countries	- 0.5	- 0.3	
Total	+15.0	- 0.9	

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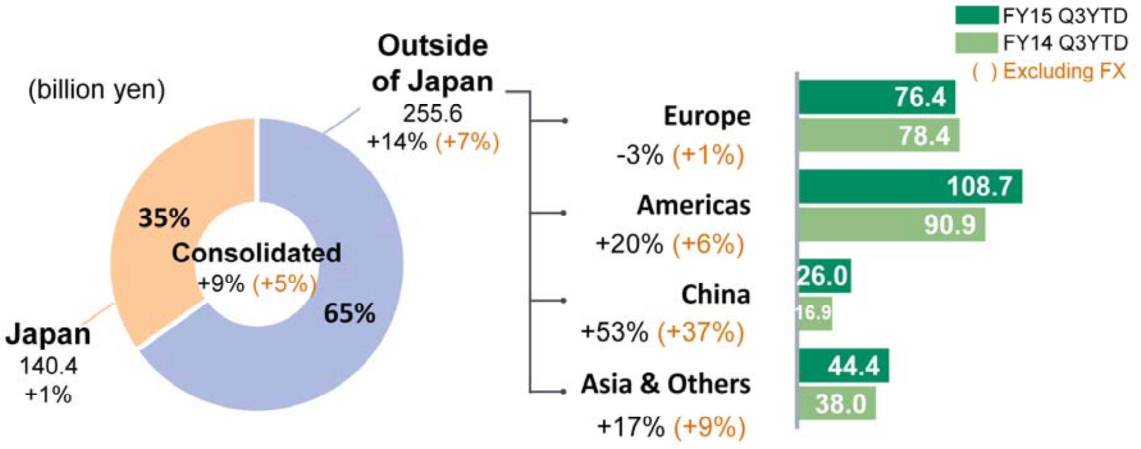
Next, regarding foreign exchange: The yen depreciated against the dollar but appreciated against the euro. In emerging country currencies, the yen depreciated against the yuan but appreciated against currencies of Latin America. This uneven currency situation has made it difficult to understand foreign exchange effects.

In revenue, we saw improvement from yen depreciation against the dollar. Yen appreciation against the euro had a negative effect on revenue, but operating income was more affected by the dollar in areas such as goodwill amortization. Excluding this effect, we saw an approximate increase of 1 billion yen, but when counting it, we had a more negative 800 million yen. Alone, appreciation against the euro had a 1.6-billion-yen negative effect. Depreciation against the yuan led to a total of 1.8 billion yen in positive effect, reflected across revenue and manufacturing. Emerging market currencies, especially those of Latin America, had a 300-million-yen negative effect. All told, these currency effects totaled 900 million yen in negative effect.

Net Sales by Region



- Japan: Cardiac & Vascular, especially "Ultimaster", drove increase in overall sales
- Europe: Pursue portfolio restructuring in General Hospital. For Blood Management, negative effect of weaker EUR against US$
- Americas: Continuous increase in sales for Interventional Systems and Neurovascular business
- China: newly realigned local distribution network enabled us to cover inland customers wider

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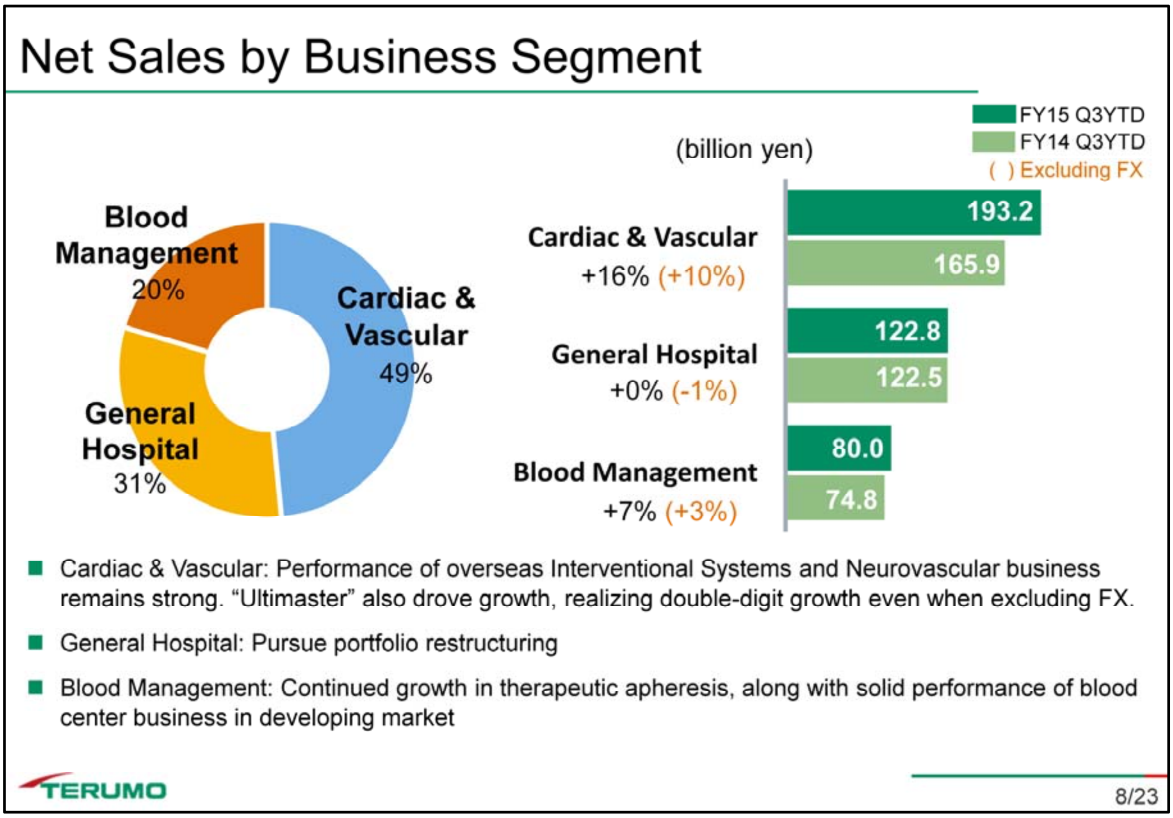
Next, revenue by region. The patterns we saw in the first and second quarters remain unchanged, though Japan saw a small increase. Regions outside Japan grew in double-digits. Europe was negative, due to the effects of business portfolio transformation and foreign exchange. Other regions outside Japan achieved large, double-digit growth.



Next, revenue by company. This, too, remains generally unchanged from the first two quarters. Cardiac & Vascular grew even more, reaching a 10% growth rate.

From slide nine onward, I will give an overview of each company.

Cardiac & Vascular: In Addition to Strong Overseas Interventional Systems and Neurovascular Business, Japan Grew Substantially

(Billion yen)

	FY14 Q3YTD	FY15 Q3YTD	YoY%	YoY% (Excl. FX)
Sales	165.9	193.2	+16%	+10%
Business Profit (%)	34.2 (21%)	47.8 (25%)	+40%	+26%

<Sales>

- Increase in sales for overseas Interventional Systems and Neurovascular businesses (mainly in US) + 15.7 BJPY
- China: newly realigned local distribution network enabled us to cover inland customers wider + 7.6 BJPY

<Business Profit>

- Increase profit and improve portfolio mix through the expansion of "Ultimaster" global sales, overseas Interventional Systems and Neurovascular businesses

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I will now discuss the individual companies.

The Cardiac & Vascular Company saw large increases in revenue, business profit, and business profitability. Growth continued in revenue especially, with Interventional Systems products outside Japan and Neurovascular products in North America serving as drivers, in addition to the China market. The TRI interventional products in particular grew significantly in North America.

To explain a little further, we have focused on TRI and a key growth factor for Terumo in North America. Up to last fiscal year, though, it had stalled some after reaching 25% penetration. However, during this fiscal year TRI penetration has begun to rise once again, reaching approximately 40% recently.

As we have announced, we undertook drastic improvements in our China distribution network. As a result, we have expanded our reach from the previous focus area of Class 3 hospitals in coastal cities to more inland-city Class 3 hospitals and coastal-city Class 2 hospitals. This is a major factor behind the positive China results we are seeing this fiscal period.

In income, the Ultimaster launched on October 1st in Japan and has started out well, while it also continues to grow globally. The Neurovascular business also grew, leading to major growth in business profitability—from 21% to 25%.

General Hospital: Profitability Back on Recovery Track

(Billion yen)

	FY14 Q3YTD	FY15 Q3YTD	YoY%	YoY% (Excl. FX)
Sales	122.5	122.8	+0%	- 1%
Business Profit (%)	16.5 (13%)	18.2 (15%)	+11%	+12%

<Sales>

- Japan: Peritoneal dialysate and pain control drugs business continuously expand the sales + 1.7 BJPY
- Japan: Increase in sales for DM products including glucose monitor and “Nanopass” needle +0.4 BJPY
- Progress in portfolio restructuring in EU - 2.1 BJPY

<Business Profit>

- Continuous cost reduction initiatives at plants and decline in raw material cost due to low oil prices improved profitability

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Next, about the General Hospital Company: Revenue declined slightly in Europe due to the business portfolio transformation we undertook there, which led to greatly improved profitability but virtually flat revenue growth. This focus led to improvement of operating profitability from 13% to 15%. Cost reduction measures at plants and the lower material costs that come with dropping oil prices also contributed to the improvement we saw in business profitability.

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

(Billion yen)

	FY14 Q3YTD	FY15 Q3YTD	YoY%	YoY% (Excl. FX)
Sales	74.8	80.0	+7%	+3%
Business Profit (%)	14.2 (19%)	14.3 (18%)	+1%	+8%

<Sales>

- Continue to grow therapeutic apheresis and cell processing systems + 3.3 BJPY
- Increase sales for Blood Center business in developing countries + 2.9 BJPY

<Business Profit>

- Negative impact of price declines, especially in the US
- Profit from the products manufactured in US and sold in EU is negatively affected by weaker EUR against USD.

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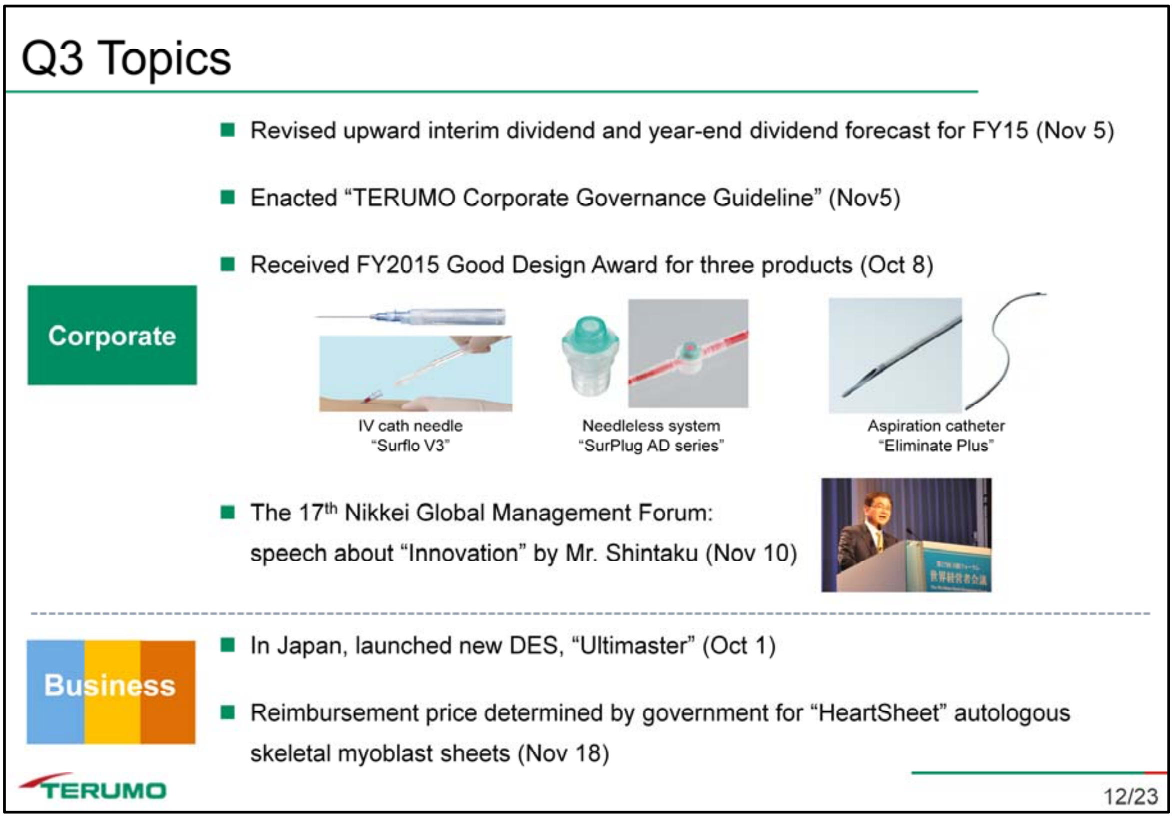
The decline in prices that we mentioned at the beginning of the fiscal year was more or less completed during the third quarter, so we will see the full effects of those lower prices during the fourth quarter.

However, sales of automated blood component collection and whole blood collection products in developing countries grew in double digits, as did therapeutic apheresis and cell processing worldwide, contributing greatly to revenue. That concludes the company-specific information.



Now, for other topics.

In the third quarter we revised our interim dividend, and then period-end dividend forecast, form 16 yen to 19 yen.

In November we established the Terumo Corporate Governance Guideline.

We also had three products receive the Good Design Award.

Our new drug-eluting stent, Ultimaster, launched in Japan in October. Our HeartSheet was approved for sale in the second quarter, and its reimbursement price was determined in the third quarter.

New Product Pipeline for FY2015

Business	Product		Region	Launch
Coronary	**DES (Ultimaster)**	◎◎★	JP	**Approved in Q2** Launch in Oct 1
	New aspiration catheter		EU, Latin A, Asia	FY15Q4
Peripheral	Stent (Misago)	★	US	**Q1**
	PTA balloon (above the knee)		EU, US	**Q2**
	PTA balloon (below the knee)		JP	FY16
	Embolic particles (beads)	★	EU	**Q1**
Neuro	**Coil assist stent**	◎	JP	**Q1**
	Liquid embolic glue	★	EU	**Q1**
	Distal protection device	★	EU	FY15Q4

Business	Product		Region	Launch
CV	Disposable centrifugal pump (for PCPS)		JP	FY15Q4
Blood Management	**Automated blood component processing system**	★	JP	FY16

New DES (Ultimaster)

Oct 1, launched in Japan

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

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Next, I will discuss our FY15 new product pipeline. Ultimaster, the biggest contributor from the pipeline, launched in Japan one month earlier than expected.

Revision of FY15 Guidance

- **Revised FY15 guidance upward to reflect strong Q3**

(Billion yen)	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (Sep)	525.0	76.0	73.0	48.5
Revised Forecast	525.0	80.0	75.0	50.0
Change in Amount	-	+4.0	+2.0	+1.5

  - Ordinary and net income could change depending on FX

- **Forecast Q4 performance**
  - Expect unchanged strong momentum in overseas Interventional Systems and Neurovascular businesses
  - Uncertainness in Q4;
    - ✓ A new DES was just launched by a competitor in Japan
    - ✓ Price compression for Blood Management business (transition to new pricing is nearly completed and will fully affect on Q4 result)
    - ✓ Depreciation of currencies in emerging countries

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Another item is that we have adjusted our year end guidance, with a press release today.

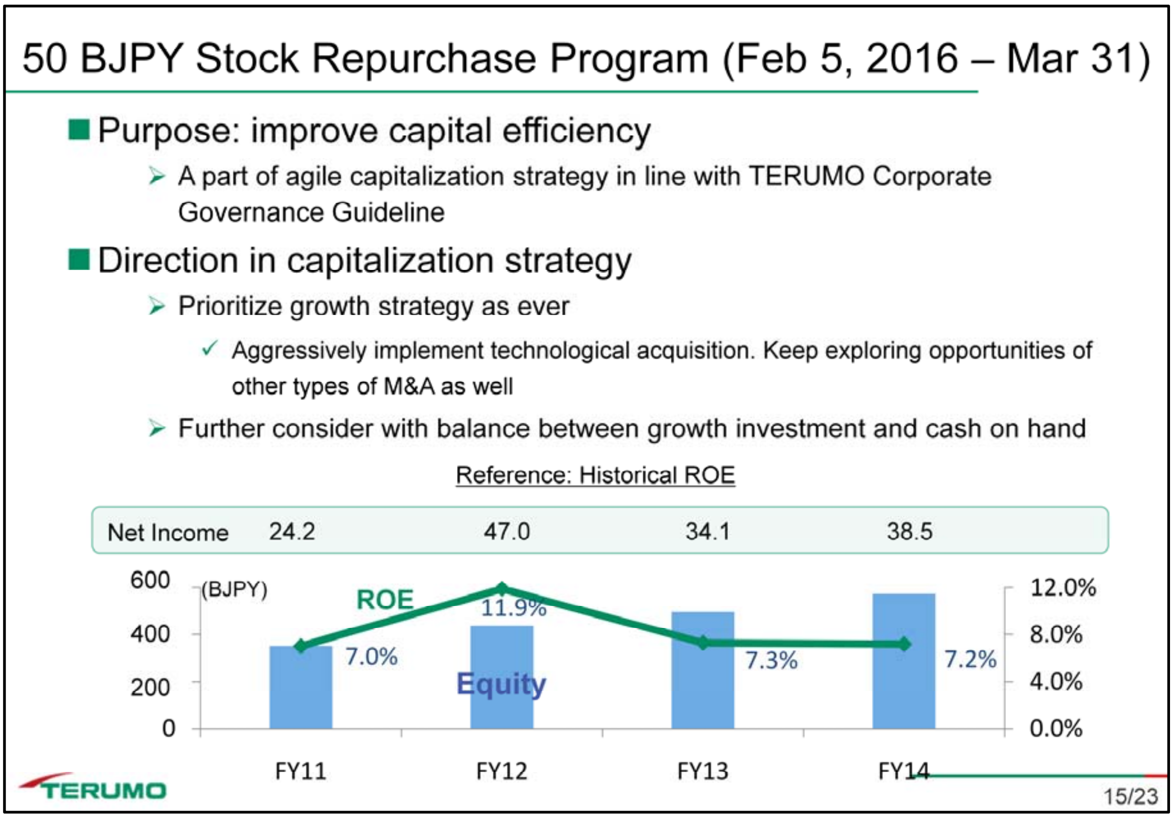
As you may know, we revised our guidance upward in September, but kept guidance numbers for the second half unchanged at that time. Now, we have revised our guidance further upward to reflect the third quarter results. However, we have maintained our guidance of 525 billion yen in revenue while revising the operating income, ordinary income, and net income 4 billion, 2 billion, and 1.5 billon yen, respectively. Please keep in mind that ordinary income and net income may change due to foreign exchange rate fluctuations.

Our expectations for the fourth quarter are that the fundamentally positive trends for Interventional Systems products outside Japan, and Neurovascular products, will remain unchanged. However, we do not expect the same high levels of performance in the fourth quarter that we saw in the third. One reason is that Ultimaster, which we launched on October 1st, will see its first competitor hit the market in the fourth quarter, which will have an impact that prevents a repeat of Ultimaster's very high performance in the third quarter.

In addition, the Blood Management Company will see its first entire quarter with the full effects of reduced prices, which completed their transition downward in the third quarter, leading to the company experiencing less advantageous numbers in the fourth quarter.

We also anticipate effects from depreciating emerging country currencies.

Those are the factors we are considering in our fourth-quarter expectations.



Finally, regarding the repurchase of our own shares, which was announced today. Between February 5th and March 31st, we plan to repurchase 50 billion yen worth of our own stock.

The purpose of this is to improve capital efficiency, and we have discussed this matter internally under our Corporate Governance Guideline.

This slide shows our ROE trend. Our net income has grown at a CAGR of 17%, from 24.2 billion yen to 38.5 billion yen, but ROE has only increased slightly, from 7.0% to 7.2%.

Though net income have grown, our equity has drastically increased. One factor behind this is that yen depreciation combined with the dollar-denoted goodwill amortization created through our acquisition of CaridianBCT has reduced profits. In addition, we have seen an increase in foreign exchange translation adjustment amounts due to yen depreciation. This was the result of expansion in the value of dollar-based assets obtained in the Caridian BCT acquisition as the yen declined.

Our discussions therefore recognized the need to sufficiently take into account not only profits, but also capital when considering ROE and EPS. As one part of that consideration, we made the decision to repurchase 50 billion yen in shares.

However, our basic policy of prioritizing growth investment remains unchanged. Looking at the past three years, we have proactively invested in acquiring technology and in ventures, to the tune of 10 billion yen across five major deals. As announced in our recent press release, we are further investing in the Dutch firm, and we will continue to invest in growth going forward.

As CAPEX decrease, we may see an accumulation of cash. We will maintain a balance between growth investment and cash-on-hand as we further consider our capitalization strategy.

This concludes the results announcement explanation for the third quarter of the period ending March 2016. Thank you.

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FY15 Q3YTD Net Sales and Growth by Region

(Billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac & Vascular	37.8 (+5%)	155.5(+12%)	49.6 (+4%)	67.1(+11%)	20.5(+41%)	18.3(+12%)	193.2(+10%)
Out of C&V Interventional Systems*	29.0 (+5%)	122.8(+15%)	39.7(+4%)	49.0 (+16%)	19.5(+43%)	14.6(+16%)	151.9(+13%)
General Hospital	94.3 (+1%)	28.5 (-6%)	7.1 (-21%)	6.5 (-4%)	1.5 (+18%)	13.5 (+3%)	122.8 (-1%)
Blood Management	8.4 (-9%)	71.6 (+4%)	19.8 (+4%)	35.1 (-1%)	4.0 (+24%)	12.7 (+14%)	80.0 (+3%)
G. Total	140.4 (+1%)	255.6 (+7%)	76.4 (+1%)	108.7 (+6%)	26.0 (+37%)	44.4 (+9%)	396.0 (+5%)

*Including Neurovascular business

(YoY%): Excluding foreign exchange

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Operating Expenses

(Billion yen)

	FY14 Q3YTD	FY15 Q3YTD	YoY	YoY%	YoY% (Excl. FX)
Salaries & Wages	52.1	57.5	+5.4	+10%	+5%
Sales Promotion	11.6	12.6	+1.0	+9%	+5%
Logistical Costs	8.2	8.3	+0.1	+1%	-0%
Depreciation & Amortization	18.4	21.0	+2.6	+14%	+4%
Others	26.6	27.8	+1.2	+5%	+1%
SG&A Expenses Total	116.9 (32.1%)	127.2 (32.1%)	+10.3	+9%	+4%
R&D Expenses	20.9 (5.8%)	23.3 (5.9%)	+2.4	+11%	+5%
Operating Expenses Total	137.8 (37.9%)	150.5 (38.0%)	+12.7	+9%	+4%

(%) Against net sales

Quarterly Results

(Billion yen)

	FY14 Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY15 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Net Sales	129.9	126.3	128.7	130.5	136.8
Gross Profit	67.8 (52.2%)	65.4 (51.7%)	69.0 (53.7%)	70.4 (53.9%)	75.3 (55.0%)
SG&A Expenses	40.5 (31.2%)	42.4 (33.5%)	41.7 (32.5%)	42.7 (32.7%)	42.9 (31.3%)
R&D Expenses	7.4 (5.7%)	8.4 (6.7%)	7.9 (6.1%)	8.0 (6.1%)	7.4 (5.4%)
Operating Income	19.9 (15.3%)	14.6 (11.5%)	19.4 (15.1%)	19.7 (15.1%)	25.0 (18.3%)
(Excl. Amortization)	24.5 (18.8%)	19.4 (15.3%)	24.5 (19.1%)	24.8 (19.0%)	30.1 (22.0%)

Average Exchange Rate						
	US$	115 yen	119 yen	121 yen	122 yen	121 yen
	EUR	143 yen	134 yen	134 yen	136 yen	133 yen

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CAPEX, R&D Expenses

(Billion yen)

	FY2015 Guidance	FY15 Q3YTD Result	Progress to Guidance
CAPEX	29.0	21.3	73%
Depreciation & Amortization *	45.0	33.2	74%
R&D Expenses	35.0	23.3	67%

Depreciation & Amortization: Including intangibles
CAPEX: Acquisition basis

<Downward revision in FY15 CAPEX guidance to 29 BJPY from 36 BJPY>

1. Through reviewing the timing of investments, reduced by 3.0 BJPY
2. Through downsizing the amount of investments, reduced by 2.0 BJPY

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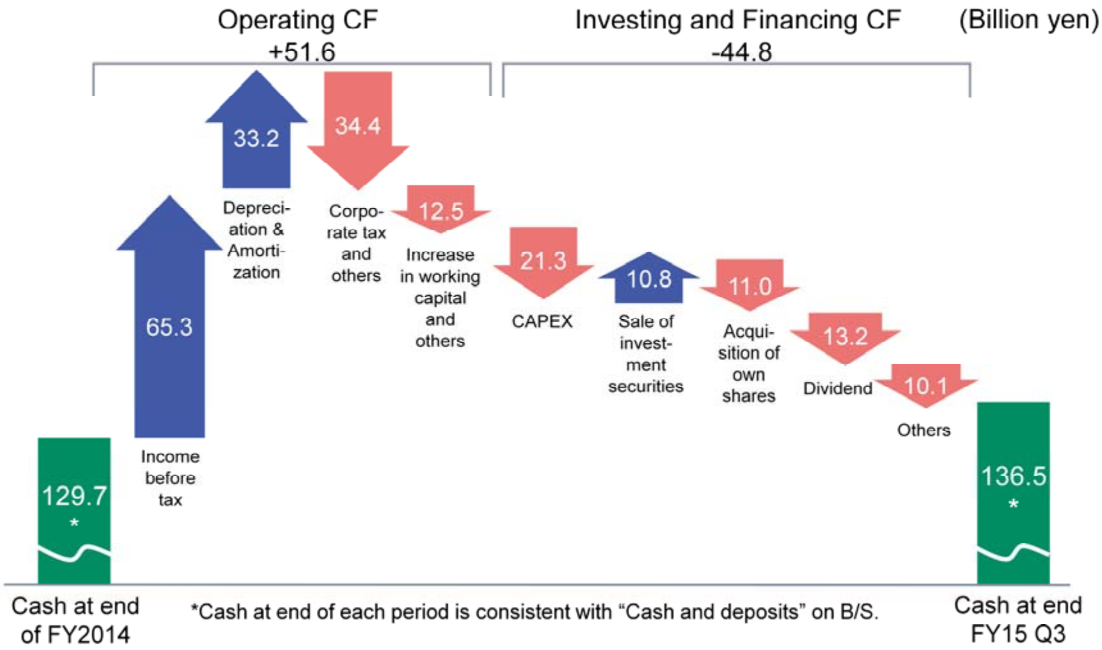
Cash Flow



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

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