

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017 (FY2016)

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This is Kitabatake speaking. I will now explain the results of the 3rd quarter of the fiscal year ending March 2017.

Achieving Growth in Net Sales and Operating Income Excl. FX Impact

(billion yen)

	FY15 Q3 YTD	FY16 Q3 YTD	YoY%	YoY% (FXN)
Net Sales	396.0	374.4	-5%	+4%
Gross Profit	214.6 (54.2%)	205.3 (54.8%)	-4%	+6%
SG&A expenses	127.2 (32.1%)	121.9 (32.6%)	-4%	+5%
R&D Expenses	23.3 (5.9%)	24.5 (6.5%)	+5%	+13%
Operating Income	64.1 (16.2%)	58.9 (15.7%)	-8%	+4%
(Excl. Amortization)	79.4 (20.1%)	73.1 (19.5%)	-8%	+4%
Ordinary Income	61.0 (15.4%)	52.2 (13.9%)	-14%	
Net Income	43.5 (11.0%)	31.8 (8.5%)	-27%	

Average Exchange Rate USD 122 yen 107 yen
 EUR 134 yen 118 yen

- Sales: W/ FXN, overseas Cardiac and Vascular Company achieved a double digit growth, driving the overall group
- Operating income: Gross margin improvement by sales expansion of highly profitable products and the reduced cost of the quality system improvement in Cardiac and Vascular Company
- Ordinary income: Decreased FX loss down to 3.7 BJPY.
- Net income: Extraordinary loss realized due to termination of co-development w/ ART in France



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Please open to page two of the materials. This is a broad overview of the 3rd quarter results.

As in the first and second quarters, we saw increased revenue and operating income when excluding FX effects. Year-on-year, sales increased 4%, while gross profit grew 6%. Operating income grew 4%. Similar to the first half, the Cardiac and Vascular Company's continued double-digit growth outside Japan was the main driver of these numbers. Despite experiencing more yen appreciation than the previous year, we see our core businesses growing well.

Items listed after operating income involve some fluctuations, which I will explain in detail on the next slide.

Extraordinary Gains & Losses, Income Taxes

(billion yen)

	FY15 Q3 YTD	FY16 Q3 YTD				
Operating Income	64.1	58.9	YoY%: -8%			
Non-operating Income and loss	-3.1	-6.7	FX	1H	Q3	Q3YTD
			FY15	-2.4	0.0	-2.4
			FY16	-6.6	+2.9	-3.7
Ordinary Income	61.0	52.2	YoY%: -14%			
Extraordinary Gains & Losses	+4.3	-7.6	FY15 Sale of land in Hatagaya			+4.4
			FY16 Termination of co-development w/ ART			-7.0
Income before Income Tax	65.3	44.6	YoY%: -32%			
Income Taxes Total	-21.8	-12.8	Tax effect due to past loss of valuation for Olympus's stocks Terumo owns			
Tax Rate (%)	33%	29%				
Net Income	43.5	31.8	YoY%: -27%			



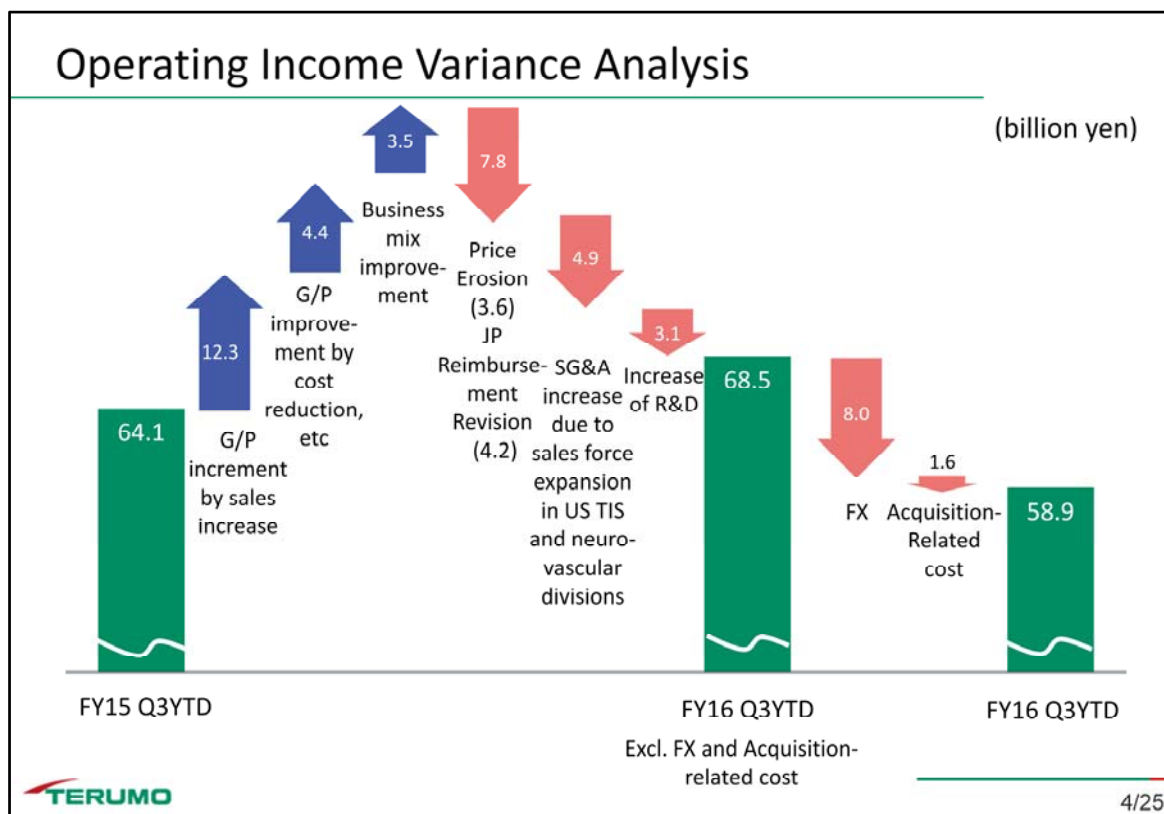
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Within extraordinary gains and losses, FX loss improved 2.9 billion yen in the third quarter due to yen depreciation.

An extraordinary loss was the termination of our co-development with ART company, in which we had purchased exclusive acquisition rights and investment securities, by writing off those assets, we realized a 7 billion yen extraordinary loss.

We had been co-developing a bioresorbable drug-eluting stent with ART. I will explain the matter in further detail in a later slide.

In the previous year, we realized a 4.4-billion-yen extraordinary gain through the sale of land in Hatagaya, so with just that and the ART asset write-off, we see a negative swing of 12 billion yen. When factoring other effects in with these, we saw a year-on-year net income decrease of 27%. However, due to other factors I will later explain, we will not alter our net income guidance at this time.



The next slide shows our operating income variance analysis. In it we are displaying the operating income calculated before FX negative effect and acquisition-related costs. As I mentioned earlier, our operating income grew 4% when excluding FX effects. When excluding acquisition costs as well, it improves further to 7% year-on-year.

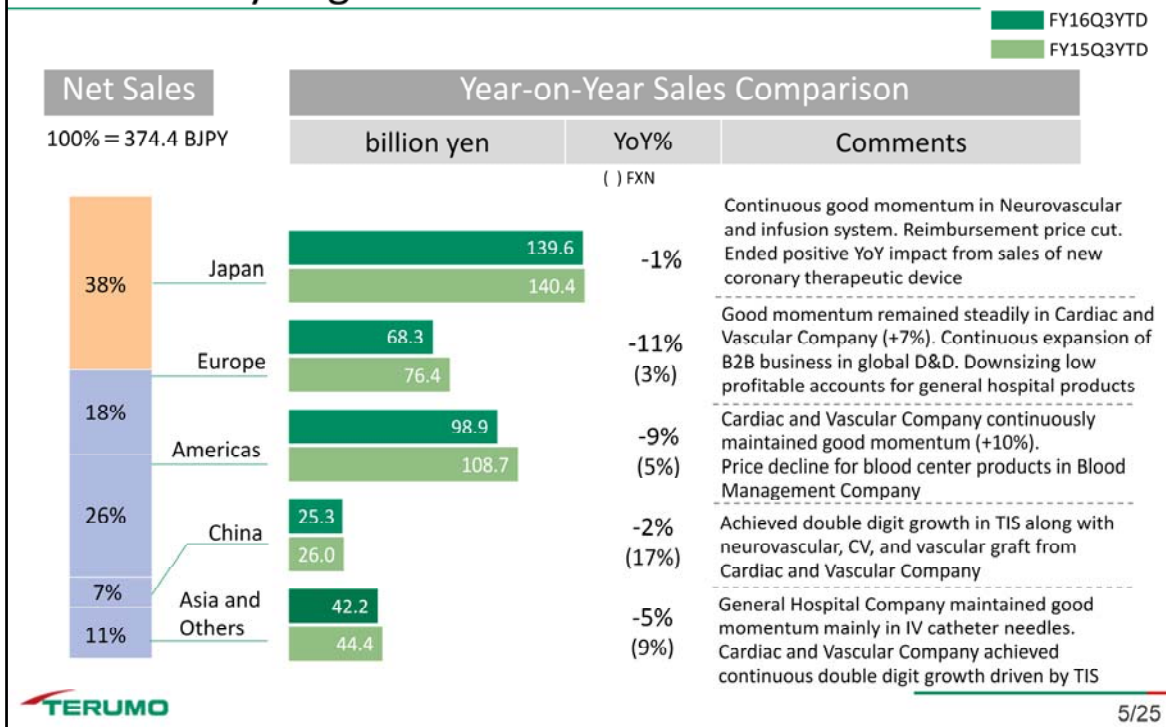
The reason for showing operating income before and after acquisition costs is that we have three major acquisitions in FY2016. The Sequent Medical deal was completed and affected those numbers somewhat in the third quarter, and we have two further acquisitions which will affect the fourth quarter results more significantly. The next quarter's results will therefore be displayed in a similar way.

The operating income trend remains the same as previous quarters, but I will discuss a few changes. First, improvement by cost reduction: A reduction in costs for the TCVS quality system improvement project continued, as did savings due to suspension of the medical device tax in US. Another factor was Ultimaster, which, as we have previously announced, began to be sold in Japan in the third quarter of last fiscal year. Its effects were no longer present this year, bringing down third-quarter year-on-year results.

The downward factor marked as "SG&A increase due to sales force expansion in the US TIS and neurovascular divisions" appears to have gotten smaller compared to previously; however, we have removed from this item acquisition-related costs in order to show them separately, and this has resulted in the category only appearing to have small increase.

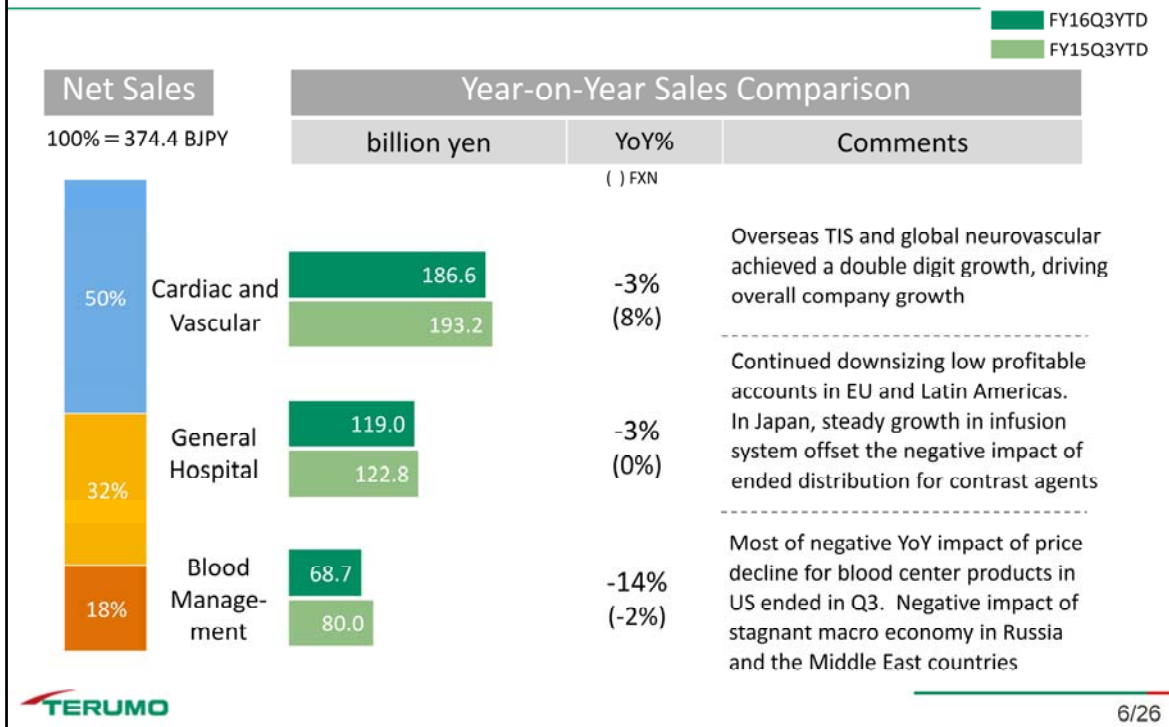
In FX, we saw a large increase in negative impact from 4.1 billion yen in the previous quarter to 8 billion yen in the third quarter. A view of the FX fluctuations of the third quarter shows yen depreciation in the last half, but the overall trend is for yen appreciation; therefore, we see a stronger negative effect. Further, yen depreciation in the last half affected inventory valuation, resulting in a double downward FX effect.

Net Sales by Region



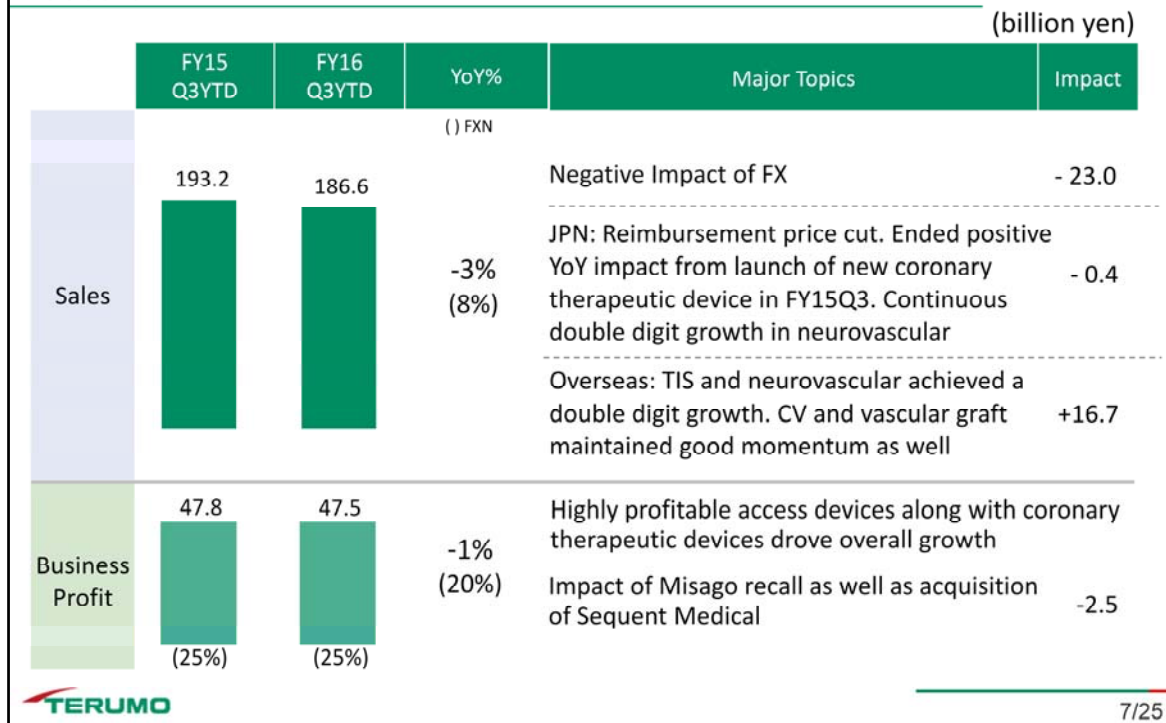
Looking at sales by region, we see that sales increased outside Japan when excluding FX. In Japan, we had a slight decrease. This was due to the previous fiscal year's third-quarter Ultimaster launch boost not being present this fiscal year.

Net Sales by Business Segment



Next is sales by business segment. There was little change from last time, so I will move to the next topic.

Cardiac and Vascular: Demonstrate Steady Performance While Having an Impact from Acquisition-Related Costs



The next slide begins company results, first with Cardiac and Vascular. The company saw the most negative effects of FX, but the TIS and neurovascular outside Japan continued to grow in double digits, driving the company to solid continued growth when excluding FX. In business profit, highly profitable access and coronary therapeutic devices were drivers, while the Misago recall and Sequent Medical acquisition costs combined for 2.5 billion yen in negative impact.

General Hospital : Maintain Upward Trend in Profitability

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY%	Major Topics	Impact
			() FXN		
Sales	122.8	119.0	-3% (0%)	Negative Impact of FX	- 3.8
				Overseas: Downsizing low profitable accounts in EU and Latin Americas	- 1.0
				IV catheter needles mainly drove an overall growth in China and other regions of Asia	+1.5
				Japan: Increase of sales in infusion system	+0.9
				Reimbursement price cut as well as ended distribution of contrast agents	- 1.7
Business Profit	18.2 (15%)	17.8 (15%)	-3% (-2%)	Despite an increase in pension cost due to the lowering interest rate and negative impact of inventory valuation, profitability remained in upward trend	
				Q1: 14% ⇒ 1H: 14% ⇒ Q3YTD: 15%	



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The next slide shows General Hospital results. Sales were more or less flat when excluding FX, but this does not mean there was no growth. As we have previously explained, the company has been reducing low-profitability accounts in the EU and Latin America, and ended distribution of contrast agents in Japan, resulting in reduction in sales, but those losses were made up for with growth in other areas.

In business profit, the numbers show that the company has in this fiscal year entered into a trend of improvement, although slight.

Blood Management : Remain in Steady Upward Trend for Profitability

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY%	Major Topics	Impact
Sales	80.0	68.7	-14% (-2%)	() FXN	
				Negative Impact of FX	- 9.7
				Price declines for blood center products mainly in US	- 2.6
				Negative impact from stagnant macro economy in Russia and the Middle East countries	- 0.5
				Sales in apheresis system grew mainly in Europe and Latin Americas	+ 1.0
Business Profit	14.3 (18%)	10.3 (15%)	-28% (-21%)	Profitability remained in upward trend Q1: 12% ⇒ 1H: 14% ⇒ Q3YTD: 15%	



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In Blood Management, one of the most important issues has been how to make up for the reduction in business profitability resulting from price declines mainly in US. Looking at the fiscal year's quarterly results, we see that business profitability has improved steadily over the year, from 12% in the first quarter to 14% in the second, and then 15% in the third.

Major Topics in Q3

Corporate

- Owing to the company's victim support activities in disaster area highly regarded, its compression stockings received "The Medical Health Science Award of JMHS 2016" from Japanese Society of Medical Health Science (Oct)



- Announced adoption of IFRS (Nov)
- Announced 5-Year Mid- to Long-term Growth Strategy (Dec)



Business




- Launched new arm-in blood pressure monitor w/ data transmission system (Oct)
- Announced the acquisition of vascular closure devices business from St. Jude Medical and Abbott Laboratory (Dec)




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The next slide discusses major topics from the third quarter, but I will move to the next item.

New Products Pipeline in FY2016

Category	Products	Region	Launch	Category	Products	Region	Launch		
Coronary	DES (Ultimaster)	★	France	Launched	CV	Disposable Centrifugal Pump (for PCPS)	Asia	Launched	
	DES (Ultimaster) 4.0mm	★	JP	Launched	Regenerative Medicine	HeartSheet	★	JP	Launched
Imaging	IVUS	★	JP	To be launched in Q4	D&D	Intradermal Injection Device	★	JP	To be launched in FY17
Peripheral	PTA Balloon (Below the knee, RX/OTW)		JP·US·EU	Launched in JP & US		Adhesion barrier	★	JP	To be launched in Q4
	PTA Balloon (Below & above the knee, RX/OTW)		JP·US·EU	Launched in JP & US	DM	Blood glucose meter (MEDISAFE Fit Smile)		China	To be launched in FY17
	PTA balloon (Above the knee, RX/OTW)		JP·US·EU	Launched in JP, US & EU	Blood Management	Automated blood component processing system	★	JP	Launched
Neuro	Distal protection device		EU	To be launched in FY17					
Oncology	Radioembolization beads (Quirem)	★	EU	To be launched in FY17					
								IVUS "AltaView" (JP: Q4)	

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

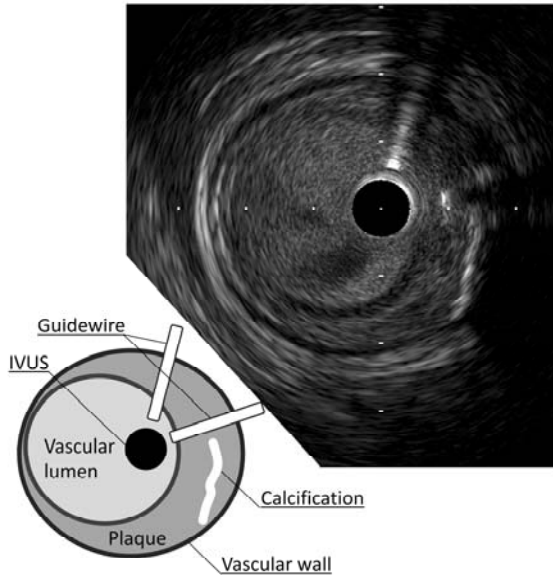

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Slide 11 shows the launch status of our FY2016 new product pipeline. Some items are now expected to launch in FY2017, but most are on schedule. The few that will launch next fiscal year are not drastically late, but rather experiencing slight delays.

This includes radioembolization beads in oncology and the distal protection device in neurovascular, which are actually quite close to being on time. The blood glucose meter for the China market is simply awaiting regulatory approval. The intradermal injection device was not ready for this year's flu season, but will be available for the next. On the next slide I would like to explain in greater detail the new IVUS system, which we have not emphasized much previously.

New IVUS System: Aiming for the Leading Position in JP Market

- **High Resolution Image**
provides clearer view of lesion



- **Smaller & Lighter** console



- **High Speed** image acquisition and processing



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We just launched the new IVUS system this fiscal year, and it includes three main improvements from the previous version. The first is that, as you can see on the left of the slide, the image resolution has improved greatly. While it may not be readily apparent, we are told by physicians that the resolution improvement has given the product much higher ability to show calcification on blood vessel walls. The weight of the instrument also decreased four times, making it much easier to move. The image processing also drastically improved, going from previously processing images in a matter of minutes, now to seconds. The new IVUS system therefore features not just incremental improvements, but instead leaps and bounds beyond the previous product.

We of course intend to pursue the top market share in Japan with the new IVUS system, and we also expect to see sales synergy with it and Ultimaster. As you know, Japan sales of Ultimaster began with its launch in the third quarter of the previous fiscal year, with sales going very well at the time. Then competitor's new product was launched, then other factors led to it coming back down since that initial third quarter on the market. Toward restoring market share, we launched the 4 millimeter diameter in August of last year, and the 2.25 millimeter diameter in February this fiscal year in order to expand our product portfolio. By adding to these efforts the new IVUS system, we hope to create a synergy that simultaneously bolsters the Ultimaster share.

Completion in Acquisition of Vascular Closure Device Business from St. Jude Medical and Abbott Laboratory

- Completed in Jan 20, 2017
- Purchasing price: 1.12 BUSD
 - EBITDA multiple: 8 times
- Secure the leading position in access device market
- Expect stable contribution to sales and profit
 - Estimated annual sales: Over 250 MUSD
 - OPM excl. one-time costs and goodwill amortization: 30-40%
 - Profit in FY16 and at the beginning of FY17 to be affected by one-time costs



13/25

Now, regarding the acquisition of the vascular closure device business from St. Jude Medical and Abbott Laboratories. We finally completed the purchase process on January 20th. Since the closing took longer than expected, we were unable to speak much on the deal, but now that it is closed I would like to offer some more details.

There are three main points: First is the purchase price. Second is the strategic meaning and importance of the purchase. Third is the expected contribution to sales and income.

On the first point, the purchase price was 1.12 billion dollars, as we have already announced. That amounts to an eight-times EBITDA multiple. We feel like this is a very reasonable price. Regarding the strategic meaning of the purchase; as we have long emphasized, we have pursued and seek to maintain a number-one position in the access devices of intervention market. There are three areas in the access device market: First is the entry site access stage, which is performed using sheath products. Next is access to lesions, for example access to the heart when the lesion is located there. Guidewires are included in this space. Following these are vascular closure devices, which are used to close blood vessels following intervention procedures.

Terumo has the number one global share in the first two areas, entry site access and lesion access. In entry site closure, there are two approaches used. First is transradial intervention, or TRI, where Terumo is already quite strong and has the number one share. The other approach, known as transfemoral, is an area where Terumo previously lacked any product. However, the femoral closure device has the largest market. That meant that despite our focus on access, we were not in the largest vascular closure market segment. This purchase not only places us in the femoral closure market, but gives us an immediate number one share. That cements our number one position in the overall access market, and fulfills an important strategic goal. We hope to now further expand our sales in access devices as a result.

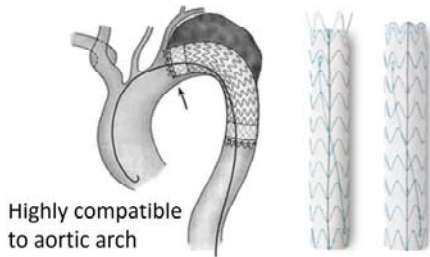
The third point is earnings contribution realized from the purchase. The estimated annual sales are over 250 million dollars, as you see here. In operating margin, we anticipate 30-40% when excluding one-time costs and goodwill amortization. These numbers also include the other asset obtained in the purchase, the Abbott Vado steerable sheath. Since that product is still in the development stage and not yet on the market, its development costs are a downward factor on margin. However, we believe the purchase will contribute this level of margin even with those costs included.

For FY2016 and part of FY2017, the one-time costs of this purchase will negatively affect profit. There are three aspects to this: First is professional fees for the deal, including legal fees and financial advisory fees. Second is step-up inventory. This refers to the price of product inventory included in the purchase; the valuation of such inventory is commensurate with the purchase price, meaning that in this case the inventory cost is very high, having a negative effect on margin while that initial inventory remains in stock. We initially expected the purchase to finalize earlier and for the inventory to therefore be sold off during FY16, but a small amount now looks to remain into the beginning of FY2017.

Regarding goodwill amortization; we have already announced our transition next fiscal year to the IFRS accounting system, and that will eliminate the need to amortize goodwill thereafter. That is how we arrive at the margins you see here, with one-time costs and goodwill amortization no longer in effect after the beginning of FY2018.

Acquisition of Bolton Medical: Expand Vascular Graft Portfolio

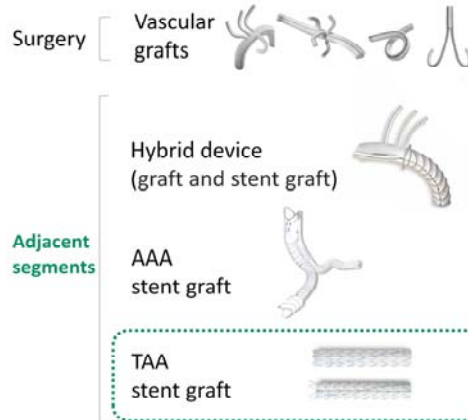
■ Acquired stent graft for TAA



- Enter TAA stent graft market
- Gain the access to stent graft market in US
- Sales in FY16*: 45 MEUR
- Transaction to be completed in this coming spring

*Bolton Medical's fiscal year (Jan – Dec)

■ Reinforce portfolio in adjacent segments arising between intervention and surgery



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Next, regarding the Bolton Medical acquisition. We are still in the process of finalizing the purchase, and hope to do so within this fiscal year.


We receive two important benefits from this purchase: First is that we acquire a TAA stent graft product. Second is that we acquire a product already in the US market, and with a sales force there, too.

Since the deal is still in process, we are unable to discuss here about the purchase price, but I would like to address its strategic importance.

In the cardiovascular market one trend for surgical approach is toward reduction in invasiveness. This does not mean simply replacing surgery with intervention, however. It is instead a move toward incorporating various means to reduce invasiveness in procedures that straddle the two approaches.

In the cardiovascular business, Terumo already has both segments, the surgery and intervention, and our growth strategy, which we recently announced as 5-year mid- to long-term growth strategy, includes having products in the space between them as well, so in that way the Bolton acquisition fits that strategy.

Bioresorbable Stent :Shift from Co-development w/ ART to In-house Development

- Terminated the contract of co-development w/ ART 
 - The technological hurdle is higher than expected.
 - Expect longer period of time for BRS to be mainstream in the market
- Stay committed to development of BRS, considering its potential value



While paying a close attention to the market trends, pursue the development of next generation metal DES and in-house R&D for BRS

The next slide is about the end of ART co-development project that I already mentioned when explaining extraordinary gains and losses. We had to this point been working to develop a stent using the bioresorbable stent technology of ART and the coating technology of Terumo. However, we learned that the technological hurdles to this development were more significant than we initially anticipated, and we were not getting the results we desired.

We now see the bioresorbable stent requiring a longer period of time to become a mainstream in the market, so we have decided to end the co-development project with ART, and in conjunction with that we depreciated the associated assets, which we previously had on the books.

Regarding our strategy for DES, there is no change to the strategy that we explained in the December 2016 mid-to-long-term growth strategy announcement. We will pursue improvements to Ultimaster, along with development of the next generation of metal drug-eluting stent and hybrid stents, while still internally developing BRS technology over a longer period and ending at this time the co-development with ART.

Unwind Cross Shareholding and Share Buyback of 50BJPY

- Continue business alliance w/ Olympus
 - Has been expanding business between Terumo and Olympus (Endoscopic Guidewires, etc.)
 - Both companies reassured no need of capital tie-up to further deepen business alliance
- Sale of Olympus's stocks
 - Sell all Olympus's stocks by the end of FY16Q4, expected to be realized in extraordinary gains
- Share buyback of 50BJPY (at maximum)



16/25

Today both Terumo and Olympus issued a press release announcing the unwinding of our cross-shareholding.

We signed a business alliance contract with Olympus in 2001; since then we cooperated on joint businesses, and we further strengthened that relationship by entering into a capital alliance in 2005. In addition to our joint ventures, we also collaborated on developing endoscopic guidewires and started a variety of projects. With this strong business alliance, both firms felt there was no longer a need to maintain a deep capital alliance.

In addition, the recent corporate governance code has placed a greater focus on more effective utilization of assets, providing another impetus to end cross-shareholdings in general. It is important to note, though, that we will continue to collaborate closely in business alliance.

The dissolution of cross-shareholdings will include our scheduled sale of Olympus stock by the end of the fourth quarter of FY2016, which will have the effect of creating an extraordinary gain during this fiscal year. The cross-holdings will also drop below 1% of total stock, from the previous level of around 4%, meaning a virtual ending of it. Terumo intends to handle the Olympus sale of Terumo stock by executing a share buyback not to exceed 50 billion yen. This will be in keeping with our previous share buybacks executed in 2014 and 2015 upon the dissolution of other cross-shareholding arrangements.

Revision of FY16 Guidance

- Sales: Considered the delay in acquisition of vascular closure device business and recent sales trend
- Revise the current guidance to include the acquisition-related cost emerging after the previous revision
- No revision onto net income
 - Negative factors Termination of contract for co-development w/ ART Acquisition-related costs
 - Positive factors Profit on sale of Olympus's stocks

(billion yen)

	Net sales	Operating Income	Ordinary Income	Net Income
Current Guidance	517.0	75.0	65.0	47.5
New Guidance	510.0	71.0	62.0	47.5
Change	-7.0	-4.0	-3.0	-

Average Exchange Rate	Current Guidance	New Guidance	Current Guidance	New Guidance
Q4	USD: 105yen	→ 110yen	FY16	105yen → 107yen
	EUR: 115yen	→ 120yen		116yen → 118yen



17/25

Now, the final slide. This concerns a revision to our FY2016 guidance.

Business performance remains unchanged from previous guidance as we have more or less seen the expected FX rates. However, the costs of our three large acquisitions in this fiscal year have increased significantly. The costs of the Sequent Medical purchase have been successfully absorbed through operating income growth, but costs from the subsequent two acquisitions of the closure device and then Bolton Medical are expected to total around 4 billion yen.

We will therefore revise the operating income guidance downward by that 4-billion-yen amount. In other words, when excluding these acquisition costs, our performance is expected to be the same as previously forecast.

Regarding net income, the aforementioned extraordinary loss relating to depreciation of ART assets will be a negative factor, while the sale of Olympus stock will be a positive factor, with the two factors largely offsetting to leave net income unchanged at 47.5 billion yen in this revision.

Thank you for your attention.

Reference

FY16 Q3YTD Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	37.3 (-1%)	149.2 (+11%)	46.0 (+7%)	64.3 (+10%)	20.4 (+19%)	18.6 (+16%)	186.6 (+8%)
Out of C&V Interventional Systems*	28.5 (-2%)	119.8 (+12%)	37.6 (+8%)	47.7 (+11%)	19.2 (+18%)	15.4 (+20%)	148.3 (+10%)
General Hospital	93.5 (-1%)	25.5 (+3%)	5.6 (-11%)	5.6 (-0%)	1.5 (+21%)	12.7 (+9%)	119.0 (+0%)
Blood Management	8.6 (+2%)	60.1 (-2%)	16.7 (-1%)	29.0 (-4%)	3.5 (+4%)	10.9 (-3%)	68.7 (-2%)
G. Total	139.6 (-1%)	234.8 (+6%)	68.3 (+3%)	98.9 (+5%)	25.3 (+17%)	42.2 (+9%)	374.4 (+4%)

*Including Neurovascular business

(YoY%): FXN



Operating Expenses

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY	YoY%	YoY% (FXN)
Salaries & Wages	57.5	55.2	-2.3	-4%	+6%
Sales Promotion	12.6	11.2	-1.4	-11%	-2%
Logistical Costs	8.3	8.4	+0.1	+1%	+5%
Depreciation & Amortization	21.0	19.1	-1.9	-9%	+2%
Others	27.8	28.0	+0.2	+0%	+9%
SG&A Expenses Total	127.2 (32.1%)	121.9 (32.6%)	-5.3	-4%	+5%
R&D Expenses	23.3 (5.9%)	24.5 (6.5%)	+1.2	+5%	+13%
Operating Expenses Total	150.5 (38.0%)	146.4 (39.1%)	-4.1	-3%	+6%

(%) Against net sales



Quarterly Results

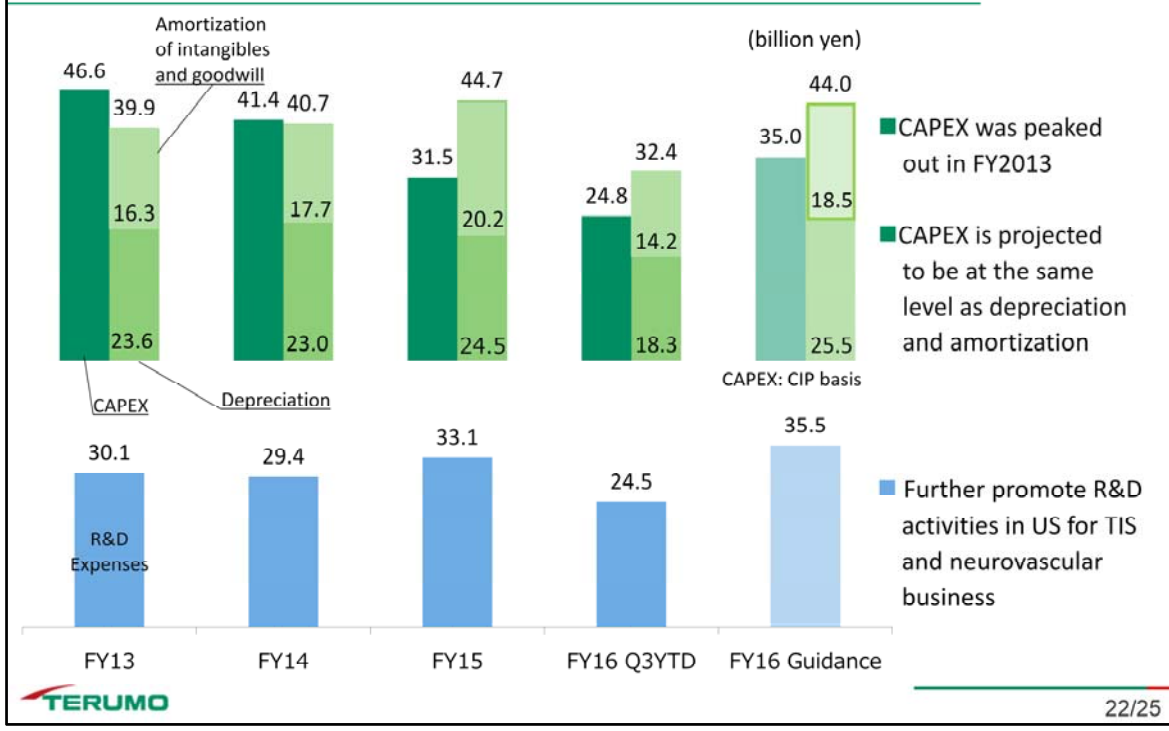
(billion yen)

		FY15 Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY16Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Net Sales		136.8	129.0	124.5	120.6	129.3
Gross Profit		75.3 (55.0%)	70.3 (54.4%)	69.8 (56.0%)	66.3 (55.0%)	69.2 (53.6%)
SG&A Expenses		42.9 (31.3%)	42.8 (33.1%)	40.3 (32.3%)	40.1 (33.3%)	41.5 (32.1%)
R&D Expenses		7.4 (5.4%)	9.9 (7.7%)	8.1 (6.5%)	8.2 (6.8%)	8.2 (6.4%)
Operating Income		25.0 (18.3%)	17.6 (13.6%)	21.4 (17.2%)	18.0 (14.9%)	19.5 (15.1%)
(Excl. Amortization)		30.1 (22.0%)	22.5 (17.4%)	25.9 (20.8%)	22.6 (18.8%)	24.5 (19.0%)
Average	USD	121 yen	115 yen	108 yen	102 yen	109 yen
Exchange Rate	EUR	133 yen	127 yen	122 yen	114 yen	118 yen

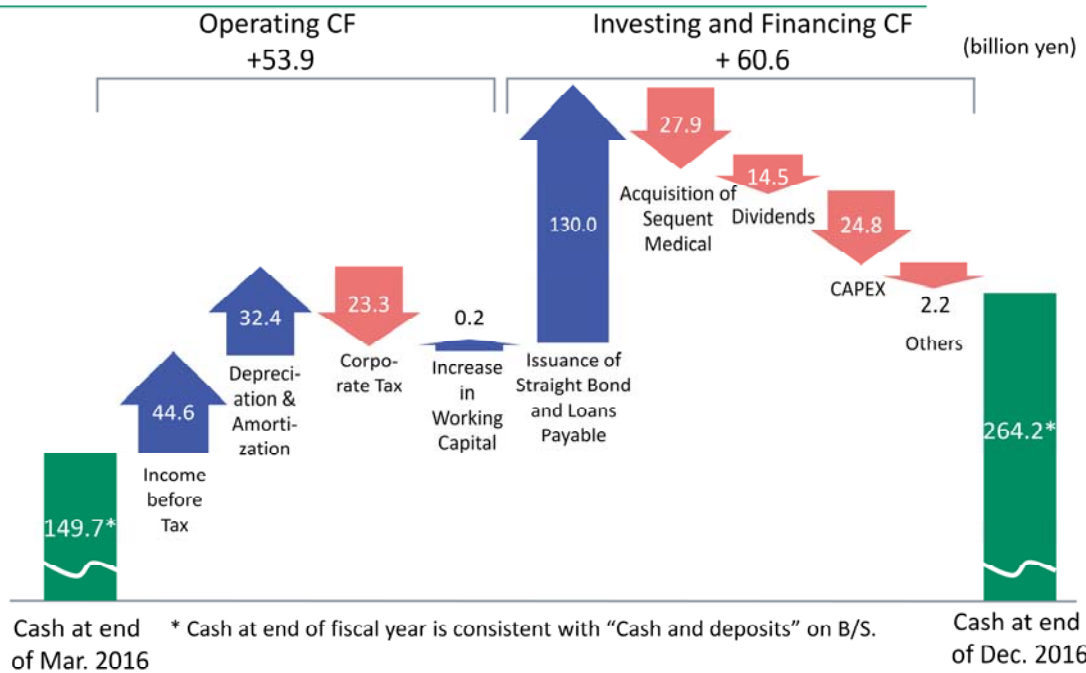


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CAPEX and R&D Expenses



Cash Flow



Foreign Exchange Sensitivity

(billion yen)

	USD		EUR
	Excl. Amortization	Incl. Amortization	
Net Sales	1.4	1.4	0.5
Operating Income	0.0	-0.2	0.3

IR Contact

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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 or 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.