

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2018 (FY2017)

Terumo Corporation
Managing Executive Officer
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February 8, 2018

Maintained Good Momentum despite The Negative Impact of Hurricane

(billion yen)

	FY16 Q3 YTD	FY17 Q3 YTD	YoY%	YoY% (FXN)
Net Sales	374.4	437.0	+17%	+12%
Gross Profit	203.7 (54.4%)	244.7 (56.0%)	+20%	+15%
SG&A expenses	120.3 (32.2%)	143.6 (32.8%)	+19%	+15%
R&D Expenses	24.5 (6.5%)	28.7 (6.6%)	+17%	+14%
Operating Income	58.9 (15.7%)	72.4 (16.6%)	+23%	+14%
(Excl. Amortization)	73.1 (19.5%)	94.3 (21.6%)	+29%	+21%
Ordinary Income	52.2 (13.9%)	70.7 (16.2%)	+35%	
Net Income	31.8 (8.5%)	63.5 (14.5%)	+99%	

Average Exchange Rate	USD	107 yen	112 yen
	EUR	118 yen	129 yen

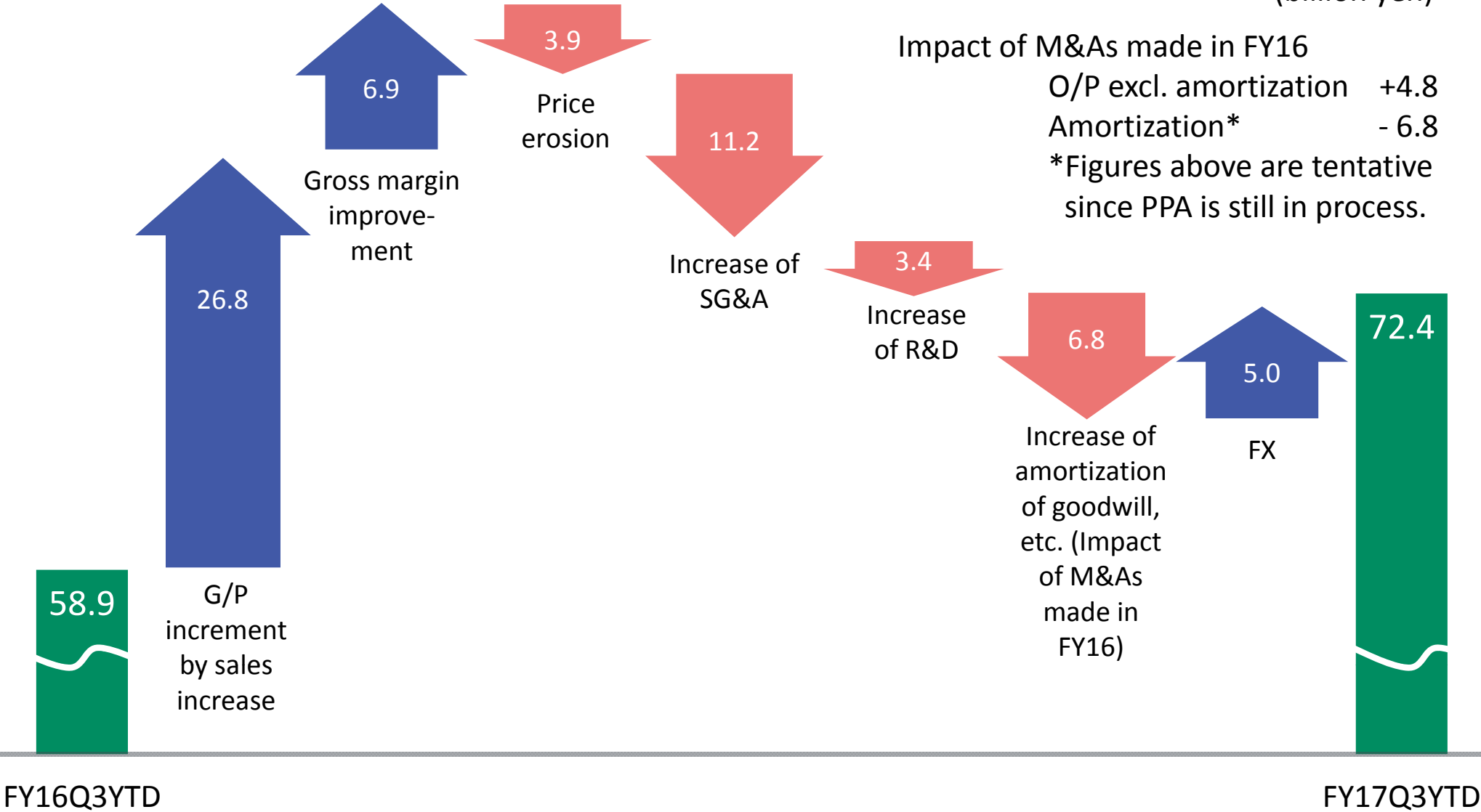
- Sales: Impact of hurricane on vascular closure device is minimal. Maintained double digit growth driven mainly by Cardiac and Vascular Company
- Operating income: All three companies continuously made a double digit growth
- Ordinary income: Posted FX gain of 0.2 BJPY in Q3 FY17, while posted FX loss of 3.7 BJPY in Q3 FY16
- Net Income: Doubled owing to temporary reduction of corporate tax (14.0 BJPY) due to US tax reform

Impact of US Tax Reform

- Corporate tax (Federal tax) rate was lowered from 35% to 21% due to US tax reform
 - Net income increased since the corporate tax was temporarily reduced in FY17 Q3 in accordance with the revaluation of deferred tax assets and liabilities due to the lowered corporate tax rate (14.0 BJPY)
 - The temporary increase in net income occurs from the tax effect accounting, not affecting cash flow
 - The impact of the tax cuts is expected to continue to increase net income and cash flow
- The suspension of medical device tax was extended for another two years (Jan 2018- Dec 2019)

Operating Income Variance Analysis

(billion yen)



FX Impact on Operating Income

Increase in impact of FX: + 0.6 BJPY in 1H → + 5.0 BJPY in Q3YTD

- Impact of JPY depreciation against EUR
- Impact of JPY depreciation against currencies of emerging countries
- USD: Decreased operational costs and expenses in USD since production halted in Puerto Rico, temporarily affected by the impact of JPY depreciation against USD (usually a natural hedge)
- Decrease in unrealized gain of inventories: Reduced gap between exchange rates at the end of periods

Comparison of the exchange rates
at the end of periods

	At the end of Sep, FY16	At the end of Dec, FY16	Gap (yen)
USD	101	116	+15
EUR	113	123	+10



	At the end of Sep, FY17	At the end of Dec, FY17	Gap (yen)
USD	113	113	0
EUR	133	135	+2

Net Sales by Region

FY17Q3YTD
FY16Q3YTD

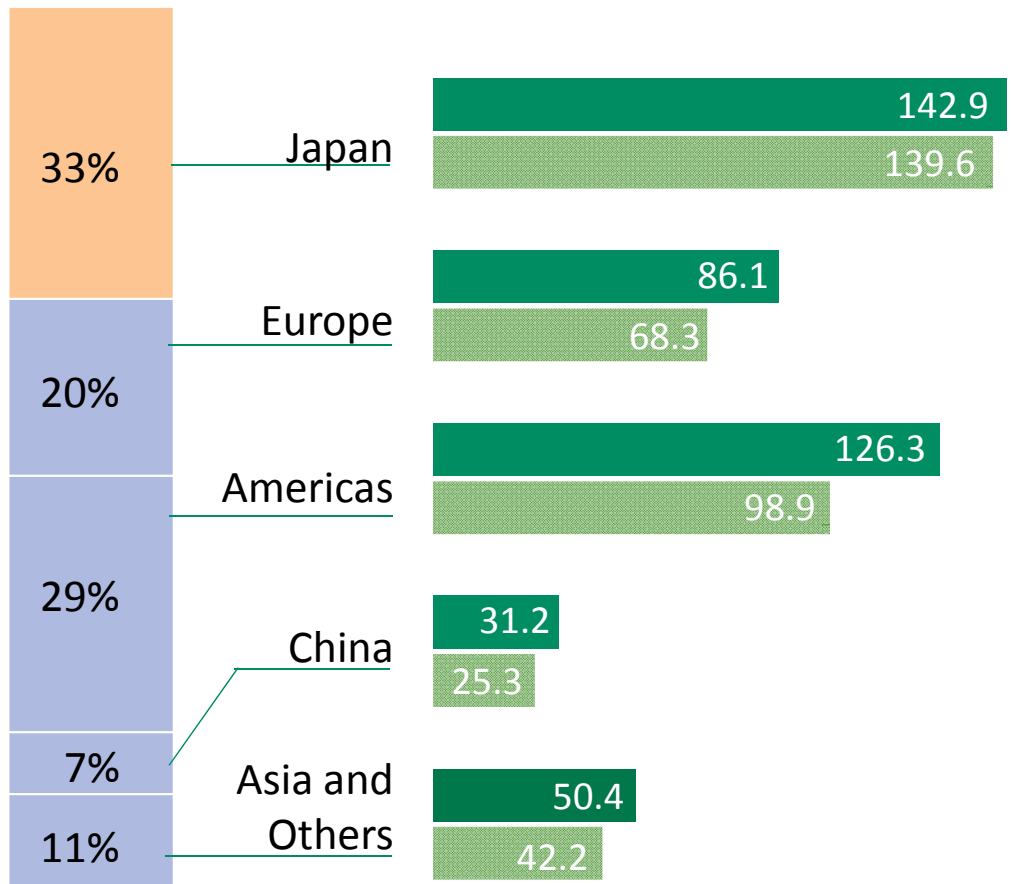
Net Sales

100% = 437.0BJPY

Year-on-Year Sales Comparison

billion yen	YoY%	Comments
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() FXN



+2% TIS centered on access and imaging devices drove overall growth. General Hospital Company turned into positive growth owing to strong infusion system sales along with pumps gaining momentum back

+26% (+17%) All companies achieved a double digit growth.

+28% (+22%) All companies achieved positive growth. Cardiac and Vascular Company continuously achieved high growth. Blood Management Company has shifted to stable growth trajectory

+23% (+18%) Blood Management Company and all businesses in Cardiac and Vascular Company continuously made double digit growth even w/ FXN

+20% (+13%) Blood Management Company and all businesses in Cardiac and Vascular Company maintained double digit growth

Net Sales by Business Segment

FY17Q3YTD
FY16Q3YTD

Net Sales

100% = 437.0BJPY



Cardiac and Vascular

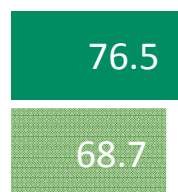
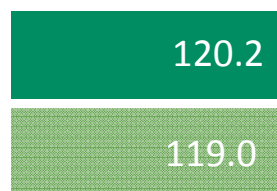
General Hospital

Blood Management

Year-on-Year Sales Comparison

billion yen	YoY%	Comments
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() FXN



+29%
(+23%)

+1%
(0%)

+11%
(+6%)

All businesses except for ones acquired in FY16 maintained continuous double digit growth. The impact of hurricane on closure device is minimal. Organic business continued to achieve double digit growth even w/ FXN

Downsizing low profit accounts outside JPN. In JPN, made overall positive growth driven by infusion system and pain management coupled with alleviated trend on conservative buying of pump

Blood center products mainly in emerging countries continuously achieved double digit growth. Therapeutic apheresis enjoyed a temporary replacement demand mainly in US

Cardiac and Vascular : Achieved Continuous High Growth in Both Sales and Profit

(billion yen)

	FY16 Q3YTD	FY17 Q3YTD	YoY%	Major Topics	Impact
Sales	186.6	240.0	+29% (+23%)	FX	+11.3
				TIS: Overseas organic access devices as well as closure devices highly drove the overall growth	+28.9
				Neurovascular: Hydrogel coils and suction catheter continued driving overall growth	+5.6
				CV: Resumed product shipment from Ann Arbor factory in US	+2.9
				Vascular graft: Stent graft acquired in FY16 maintained good momentum	+4.7
Business Profit	47.5 (25%)	61.9 (26%)	+30% (+20%)	Closure device contributed to significant increase in profit w/ little impact of hurricane. Overall large growth in US w/ high market price led to continuous high profitability	

General Hospital: Turned into Positive Growth in Sales

(billion yen)

	FY16 Q3YTD	FY17 Q3YTD	YoY%	Major Topics	Impact
Sales	119.0	120.2	+1% (0%)	() FXN	
				FX	+1.6
				General Hospital Product: Gained back the same momentum as one in FY16 in JPN due to infusion system with strong growth and pumps on mildly upward trend	
				Downsizing overseas low profitable accounts	-0.5
				Pharmaceutical and nutrition: Launched adhesion barrier in the JPN market	+0.4
				Healthcare: Downsized low profitable accounts	-0.6
				Alliance: Overseas business device sales to global pharma companies for use in drug product kits grew	+0.3
Business Profit	17.8 (15%)	20.8 (17%)	+17% (+14%)	Downsizing overseas low profitable accounts. Profit increased mainly due to large cost reductions for infusion system and pain management products along with R&D reimbursement from pharmaceutical partners in FY17 Q2 (Alliance)	

Blood Management: Continuous Trend in Profitability Improvement

(billion yen)

	FY16 Q3YTD	FY17 Q3YTD	YoY%	Major Topics	Impact
Sales	68.7	76.5	+11% (+6%)	() FXN	
				FX (EUR depreciation against USD)	+3.9
				Blood Center: Continuous double digit growth in emerging countries	+1.8
				Therapeutic apheresis: Grew due to replacement demand for the next generation of console (+1.0)	+2.0
Business Profit	10.3 (15%)	12.4 (16%)	+20% (+19%)	Improved profitability due to increased production volume for blood center products thanks to strong sales in emerging countries, along with better product mix realized due to expansion of highly profitable therapeutic apheresis mainly in US	

Major Topics in Q3 [1]

Corporate

- CSR activities: 15th Anniversary of “Terumo Mt. Fuji Reforestation Project”, planting trees and maintaining forested areas w/ the locals (Oct)
- Held shareholders’ meeting in Nagoya and Osaka, JPN, further promoting dialogues w/ shareholders (Nov, Dec)



Business

- Obtained manufacture and marketing approval for Japan’s first insulin patch pump “MEDISAFE WITH” (Nov)
- Announced construction for a new building in Terumo Yamaguchi w/ investment of 30.0 BJPY to reinforce production system for TIS (Dec)



Major Topics in Q3 [2] Resumption of “Angio-Seal” Shipment

- Mid Oct: Resumed production stepwisely
- Late Dec: Electricity supply from power grid became stabilized
- Early Jan: Resumed shipment to the customers after having enough inventories accumulated



Impact

- Managed JPN and EU market w/ stocks, resulting in minimal negative impact. Experienced backorder in US market (already cleared at the end of Jan)
- Sales in Nov and Dec FY17 declined by about 50% compared to monthly average



New Products Pipeline in FY17

Category	Products		Region
Coronary	PTCA balloon		US: Q4
Peripheral	Stent (TRI)	★	FY18
	PTA balloon (TRI)	★	FY18
	PTA guiding sheath (TRI)	★	FY18
	Drug coated balloon	◎ ★	EU: Q4
	Embolization coil	◎	Launched
	Neuro	Distal protection device	
Hydrogel coil 3D			Launched
Oncology	Radioembolization beads (Quirem)	★	Launched

Category	Products		Region
CV	Heart-lung machine (Re-launch)	◎	Launched
	Next generation of oxygenator	◎	JP, US, EU FY18
General Hospital Products	Vertical infusion pump		JP: Launched
	Needleless infusion system for Anti-cancer drugs		Launched
DM	Insulin patch pump	★	JP: Approved
Blood Management	New software for automated blood collection system		JP: Launched

◎ Item with large contribution to sales and profit

★ Item with highly innovative technology

Revision of FY17 Guidance

- Net sales: Took TIS and Neurovascular's good momentum into consideration and factored in the one-off contribution such as replacement demand for new consoles in Blood Management Company
- Operating Income: Overcoming the impact of hurricane on closure devices, expect to achieve the guidance of 2H FY17
- Net Income: Factored in the impact of US tax reform

(billion yen)

	Net sales	Operating Income	Ordinary Income	Net Income
Current Guidance	575.0	82.0	79.5	53.0
New Guidance	588.0	92.0	89.5	76.0
Change	+13.0	+10.0	+10.0	+23.0

Reference

FY17 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	40.5 (+9%)	199.5 (+26%)	61.5 (+24%)	88.0 (+30%)	25.5 (+20%)	24.5 (+24%)	240.0 (+23%)
Out of C&V Interventional Systems*	31.0 (+9%)	161.0 (+27%)	49.2 (+21%)	67.7 (+35%)	23.8 (+18%)	20.4 (+24%)	192.0 (+23%)
General Hospital	93.8 (0%)	26.4 (-2%)	6.2 (-1%)	5.7 (-3%)	1.6 (+2%)	12.9 (-3%)	120.2 (0%)
Blood Management	8.4 (-2%)	68.1 (+7%)	18.4 (+2%)	32.5 (+7%)	4.1 (+15%)	13.0 (+11%)	76.5 (+6%)
G. Total	142.9 (+2%)	294.1 (+18%)	86.1 (+17%)	126.3 (+22%)	31.2 (+18%)	50.4 (+13%)	437.0 (+12%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion yen)

	FY16 Q3YTD	FY17 Q3YTD	YoY	YoY%	YoY% (FXN)
Salaries & Wages	54.6	63.1	+8.5	+16%	+11%
Sales Promotion	11.2	12.6	+1.4	+12%	+8%
Logistical Costs	8.4	9.4	+1.0	+12%	+10%
Depreciation & Amortization	18.9	27.9	+9.0	+47%	+41%
Others	27.2	30.6	+3.4	+13%	+9%
SG&A Expenses Total	120.3 (32.2%)	143.6 (32.8%)	+23.3	+19%	+15%
R&D Expenses	24.5 (6.5%)	28.7 (6.6%)	+4.2	+17%	+14%
Operating Expenses Total	144.8 (38.7%)	172.3 (39.4%)	+27.5	+19%	+15%

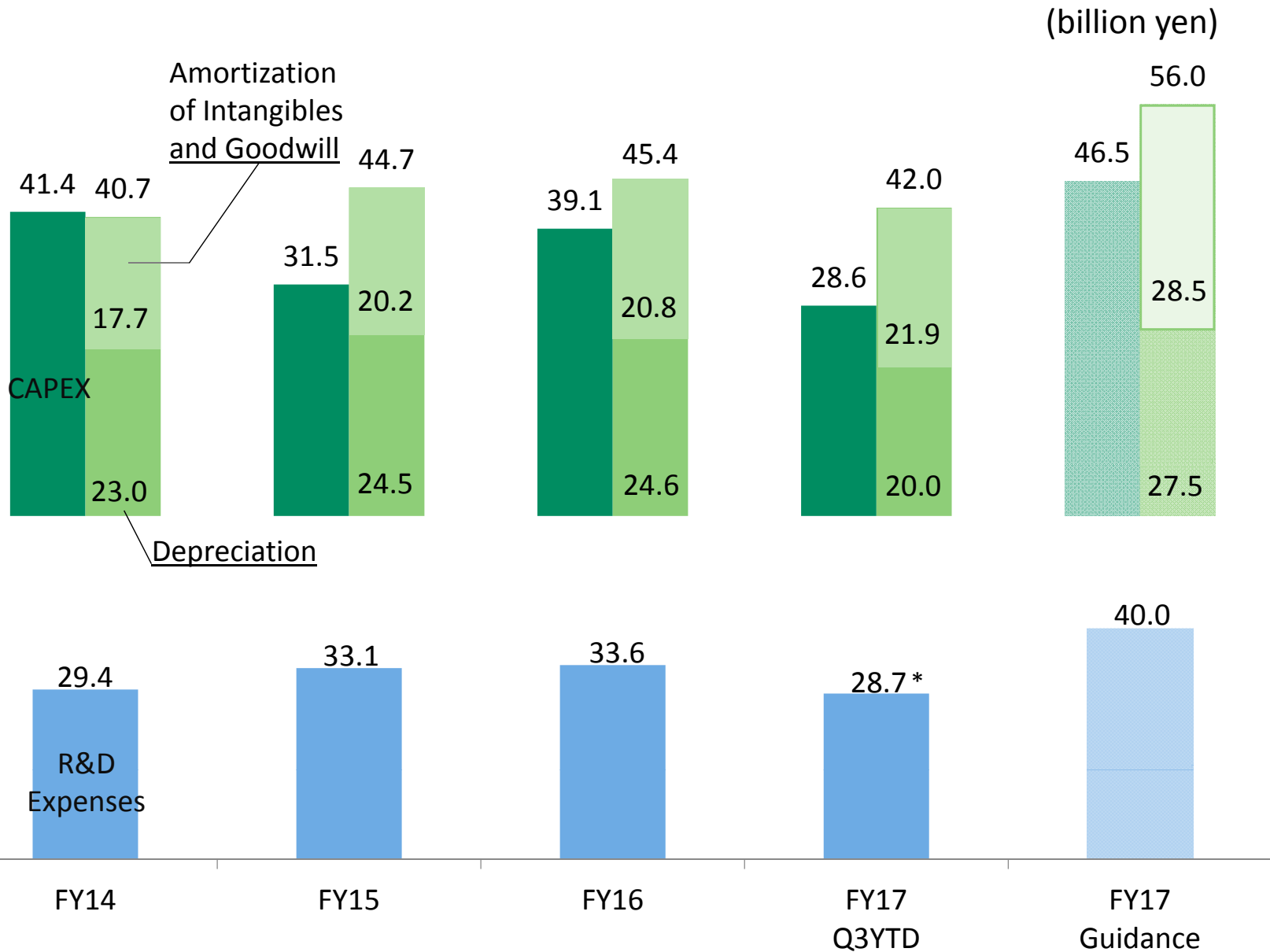
Quarterly Results

(billion yen)

	FY16Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY17 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Net Sales	129.3	139.8	139.3	145.3	152.3
Gross Profit	68.7 (53.2%)	74.3 (53.2%)	78.3 (56.2%)	81.4 (56.1%)	85.0 (55.8%)
SG&A Expenses	41.0 (31.7%)	47.4 (34.0%)	46.4 (33.3%)	47.3 (32.6%)	49.9 (32.7%)
R&D Expenses	8.2 (6.4%)	9.2 (6.6%)	8.5 (6.1%)	9.6 (6.6%)	10.6 (7.0%)
Operating Income	19.5 (15.1%)	17.7 (12.6%)	23.4 (16.8%)	24.5 (16.9%)	24.5 (16.1%)
(Excl. Amortization)	24.5 (19.0%)	24.2 (17.4%)	30.6 (22.0%)	31.8 (21.9%)	31.9 (21.0%)

Average Exchange Rate	USD	109 yen	114 yen	111 yen	111 yen	113 yen
	EUR	118 yen	121 yen	122 yen	130 yen	133 yen

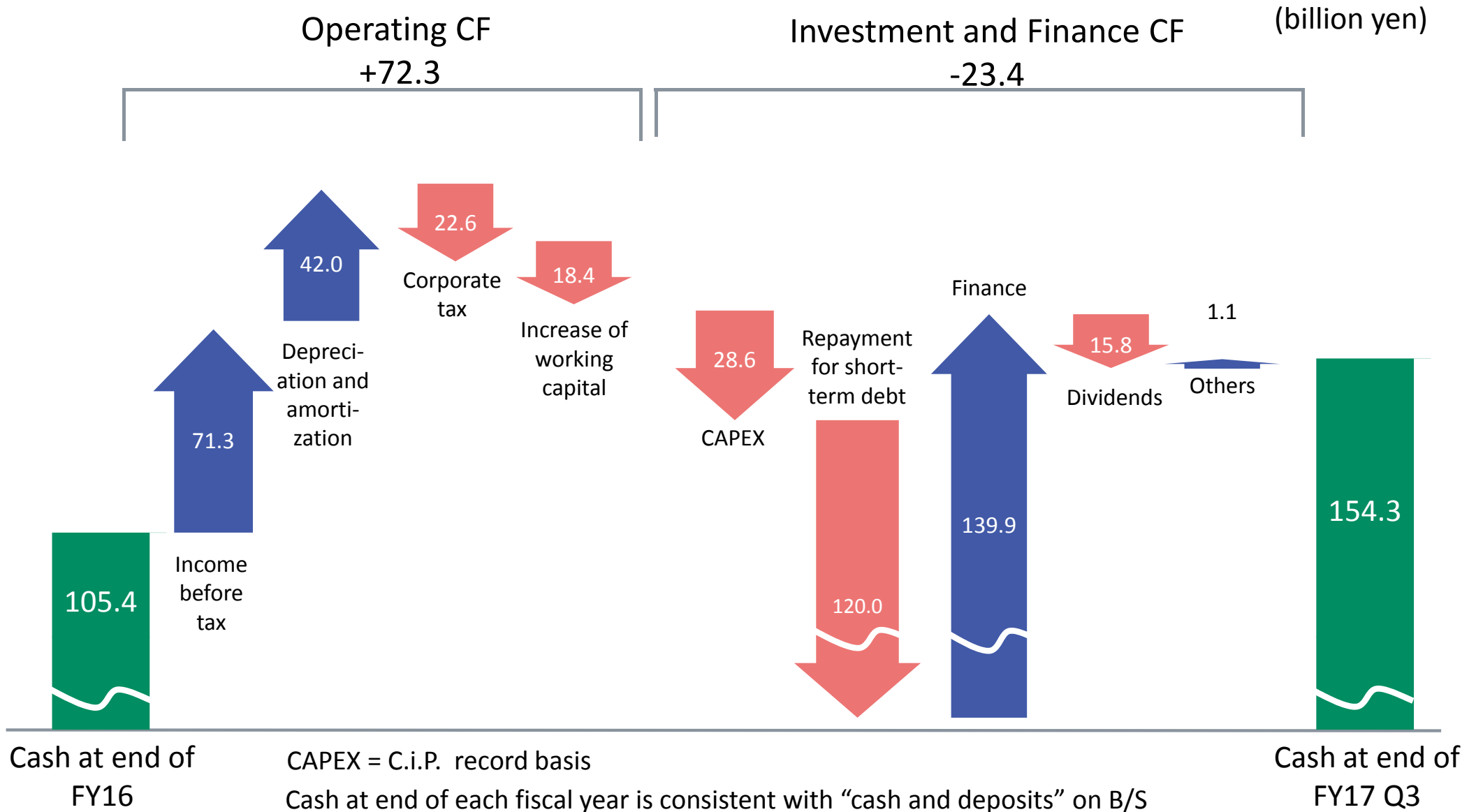
CAPEX and R&D Expenses



- Expand investment in production capacity and space as well as IT infrastructure in FY17
- Amortization of intangibles and goodwill are projected to increase due to M&As made in FY16
- Further promote US-based R&D activities for TIS and neurovascular

*Investment into venture technologies was booked in other than R&D expenses. (1.5 BJPY)

Cash Flow



FY17 Foreign Exchange Sensitivity

(billion yen)

	USD		EUR	CNY
	Excl. Amortization	Incl. Amortization		
Net Sales	1.6	1.6	0.8	1.8
Operating Income	0.0	-0.2	0.5	0.9

<Reference> Impact of +/-10% fluctuation

	North America	Latin America	EMEA		Asia	
			EUR	Others	CNY	Others
Operating Income	-1.8	0.8	5.6	1.0	1.4	3.3

(Reference) IFRS Basis

- Adopting International Financial Reporting Standards (IFRS) from the year-end financial announcement for FY17
- Schedule for disclosure

FY17 Q1-Q3 : Japanese GAAP

FY17 year-end financial announcement : IFRS

Reference

(billion yen)	Japanese GAAP FY17Q3YTD	IFRS FY17Q3YTD	Impact
Net Sales	437.0	437.0	-
Operating Income (%)	72.4 (16.6%)	87.0 (19.9%)	+14.6
Adjusted Operating Income (%)	94.3 (21.6%)	97.5 (22.3%)	+3.2
Net Income	63.5	76.2	+12.7

Adjusted Operating Income: Business profit, that is, O/P for IFRS basis w/ cost of M&A, amortization of intangibles, and temporary cost deducted

The Status of Convertible Bonds

■ Detail of the bonds (Issued in Dec. 2014)

Maturity	Aggregate principal amount (billion yen)	Coupon	Conversion price (yen)	Contingent conversion trigger price (yen)	Number of shares required to be issued for conversion
Dec, 2019	50.0	0.0%	3,868	5,028	12.9M shares
Dec, 2021	50.0	0.0%	3,868	5,028	12.9M shares
Total	100.0				25.9M shares

■ Status of conversion (as of Jan 31, 2018)

Bonds	Amount of shares issued for conversion (% against the total amount of bond)	Number of shares issued for conversion (% against total number of issued shares)
Convertible Bonds due Dec, 2019	5.47 BJPY (10.9%)	1.4M shares(0.37%)

➤ Allocated treasury shares to the shares issued for conversion

- Number of treasury shares: 27.8M shares (7.3% of total number of issued shares as of the end of Dec, 2017)

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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 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.