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

I will now begin my explanation of the financial results from the 3rd quarter of the fiscal year ending March 31, 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	FY16 Q3 YTD	FY17 Q3 YTD
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

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The first main point of the results is that we maintained good momentum despite the negative impact of the hurricane in Puerto Rico.

We were able to minimize impact from the hurricane thanks to the concerted efforts of associates in Puerto Rico, in addition to global-level inventory management and sales coordination. I will give further details later in the presentation.

First, Cardiac and Vascular drove 17% overall sales growth for a result of 437 billion yen.

In operating income, all three companies continued to grow in double digits for a total of 72.4 billion yen.

Net income almost doubled, reaching 63.5 billion yen, due to the aforementioned income growth, as well as other factors including a one-time 14-billion-yen positive impact from the United States tax reform.

I will explain the impact of the U.S. tax reform on the next slide.

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)

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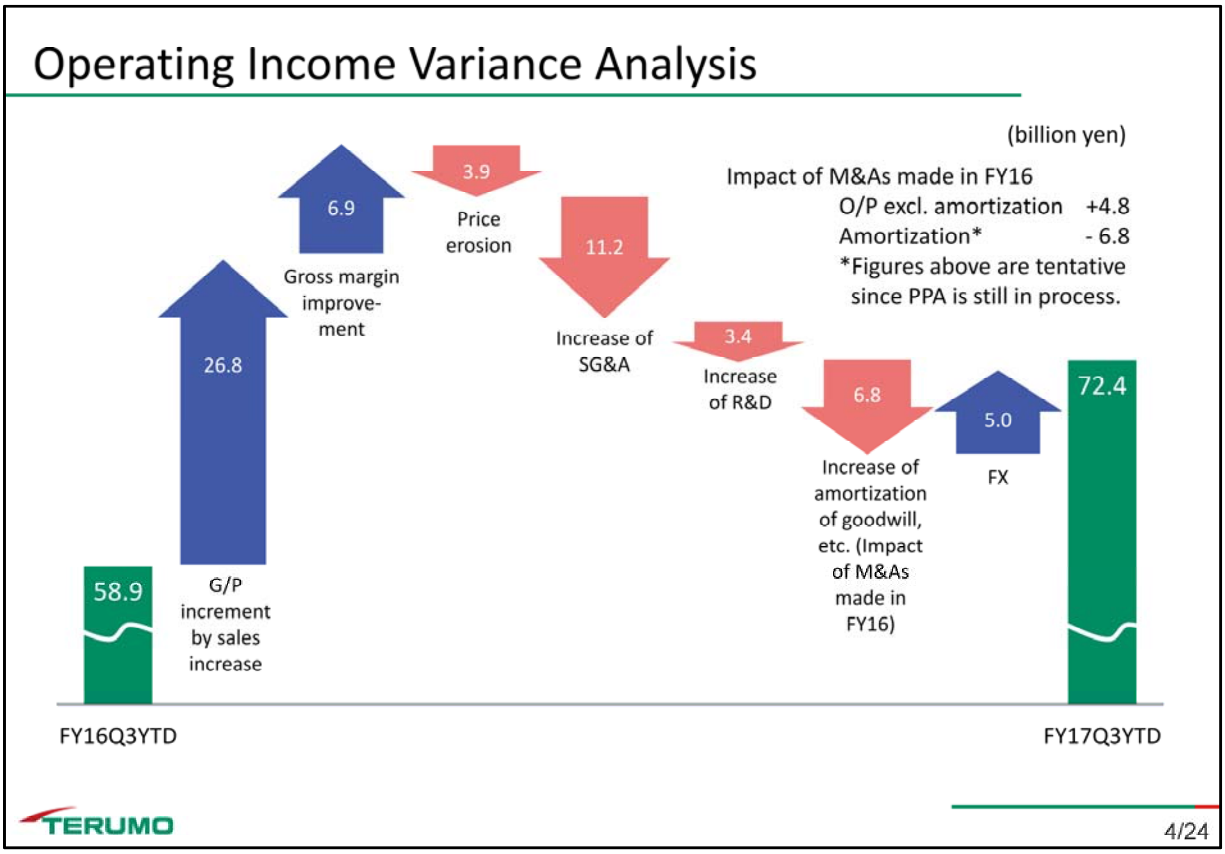
I will outline the main two aspects of the U.S. tax reform impacting us: The lowering of the corporate tax rate, and the medical device excise tax.

The corporate tax rate was lowered from 35% to 21%. This had a one-time effect in which deferred tax assets and liabilities are reevaluated at the lower tax rate, resulting in a reduction of 14 billion yen of corporate taxes. However, this does not affect cash flow, and is only an adjustment on the balance sheet.

On an ongoing basis, our annual tax burden is reduced due to the lower rate. In our current situation, the burden is expected to decrease by 2 billion yen annually.

Regarding the Medical Device Excise Tax: It was under a moratorium during 2016 and 2017, and after some uncertainty whether it would be reinstated, the moratorium was extended for two more years, through 2018 and 2019. As a result, there is no impact because the moratorium continues.

Without the moratorium, we would have seen a 2-3-billion-yen negative impact on profit annually.



I will now explain the operating income variance analysis.

The biggest factor raising operating income was higher gross profit through continued sales growth. Sales grew well again in the 3rd quarter, resulting in a large increase in gross profit.

Another factor changing in the 3rd quarter was increased sales force investment which resulted in higher SG&A, and R&D expenses also increased; these two factors increased in impact compared with the 1st and 2nd quarters.

As we have explained previously, this was expected: SG&A and R&D expenses accelerated in the 3rd quarter after starting slowly in the 1st and 2nd. We expect this trend to continue into the 4th quarter.

The most notable factor for the 3rd quarter was FX impact, as explained on the next slide.

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

(yen)

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

(yen)

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

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FX impact in the first half totaled just 600 million yen, or relatively no impact.

At the end of the 3rd quarter, FX impact year-to-date was 5-billion-yen. This impact was seen on both a flow basis and inventory basis.

On a flow basis, there was impact from yen depreciation against the euro, as you can see in the first bullet point. This was occurring at a lower rate in the 1st and 2nd quarters, but increased in the 3rd quarter.

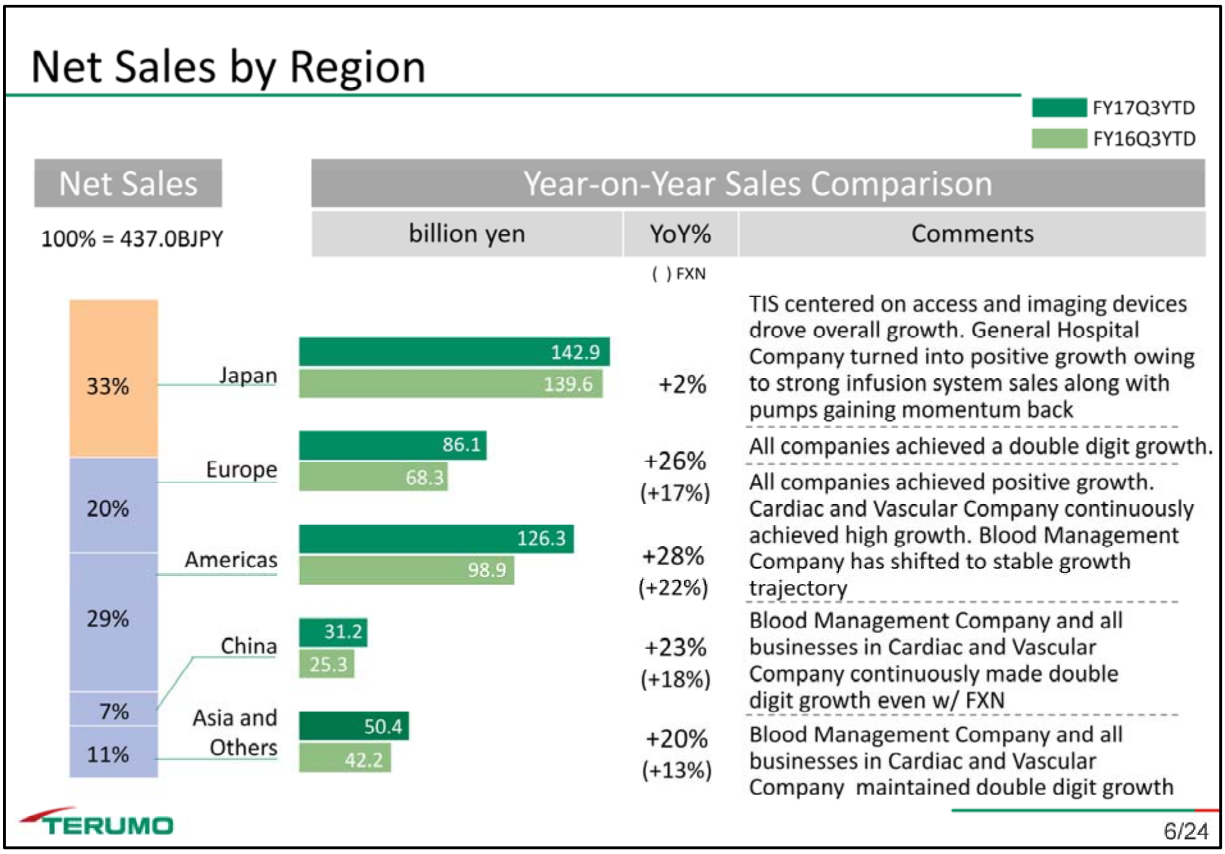
Emerging market currencies, especially the Chinese yuan, Thai baht, and Latin American currencies, appreciated against the yen for more positive impact.

The third point illustrates a more unusual impact. Dollar-denominated operational costs and expenses decreased during the Puerto Rico production stoppage; while we are usually not affected by yen-dollar rate fluctuations, this unforeseen lack of dollar spending had a positive effect on income.

Those are the three flow-basis effects.

In inventory, we experienced a decrease in unrealized gain of inventories since FX rates at the end of third quarter periods did not change year-on-year significantly, so the expected negative impact turned out to be smaller.

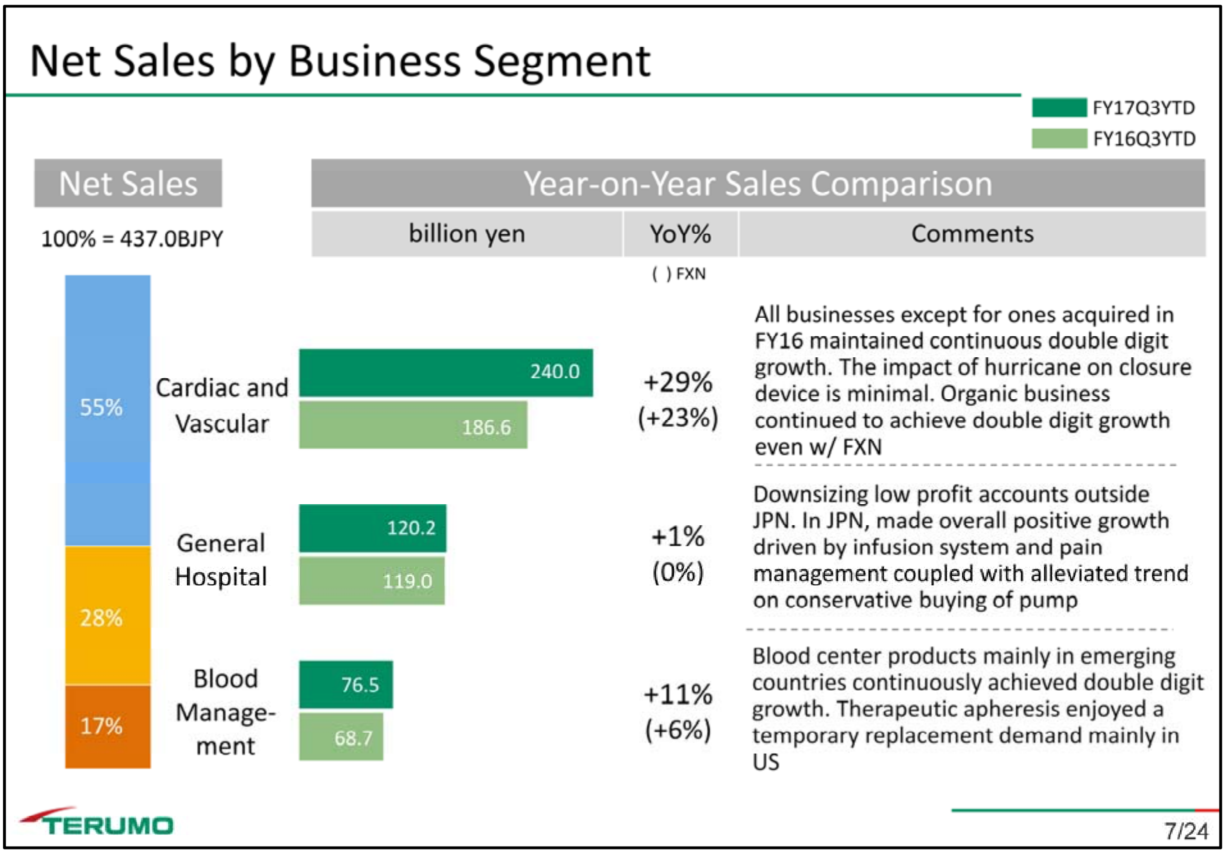
These factors led to a year-to-date FX positive impact of 5 billion yen as of the end of the 3rd quarter.



Next, net sales by region. There was no major change to the pattern of previous quarters.

In Japan, the year-on-year 1% growth of the first half was followed in the 3rd quarter by 2% growth. This represents a gradual acceleration of Japan growth. Overall, sales grew 5% in the 3rd quarter alone.

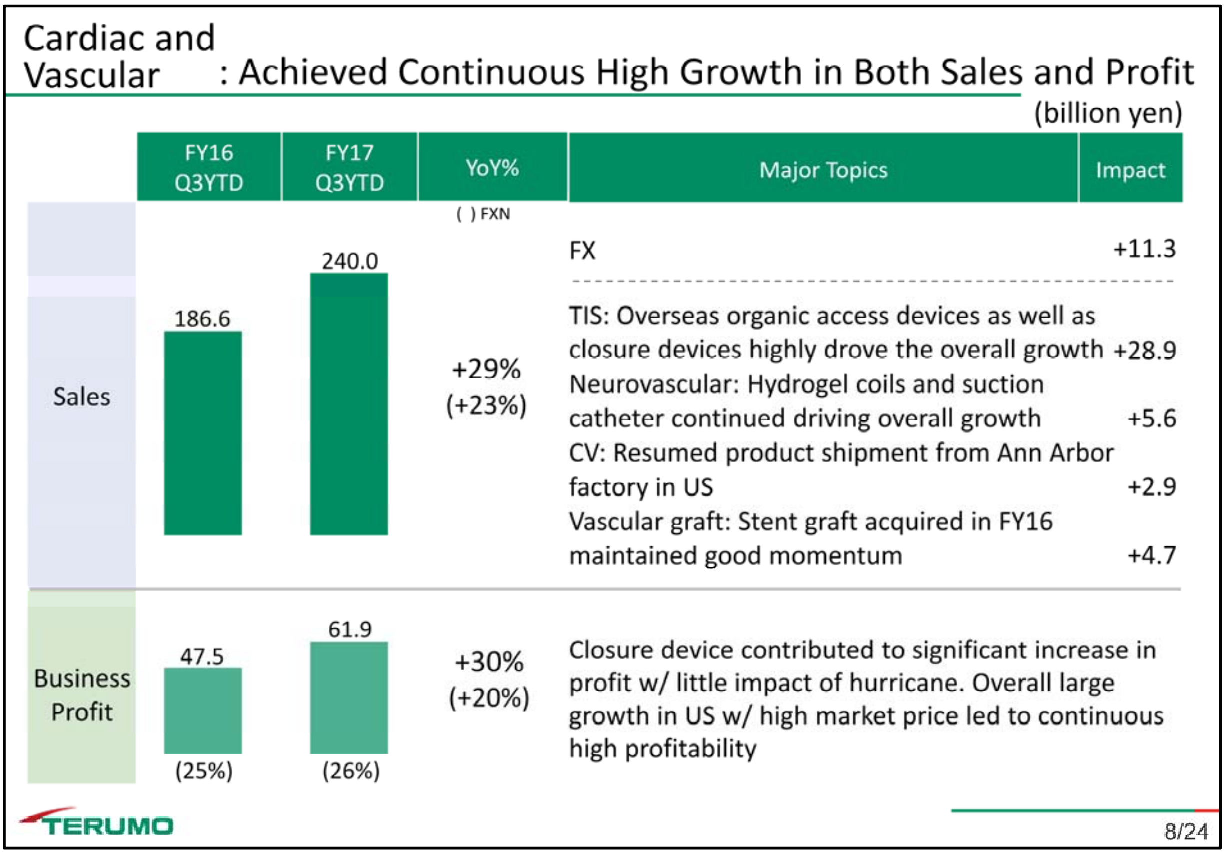
Overseas, all regions grew sales 20% or more year on year.



In sales by company, there were no significant changes in trend. However, the General Hospital company posted 2% growth, a turnaround from minus 1% growth through the first half.

Both Cardiac and Vascular and Blood Management showed double-digit growth, continuing from previously.

I will now give an explanation of each company’s results.



In Cardiac and Vascular, all four business segments had increased sales. Not only in TIS and Neurovascular, but also in CV and Vascular, sales increased significantly.

The TIS and Neurovascular businesses have grown the most to this point and are expected to continue to grow going forward.

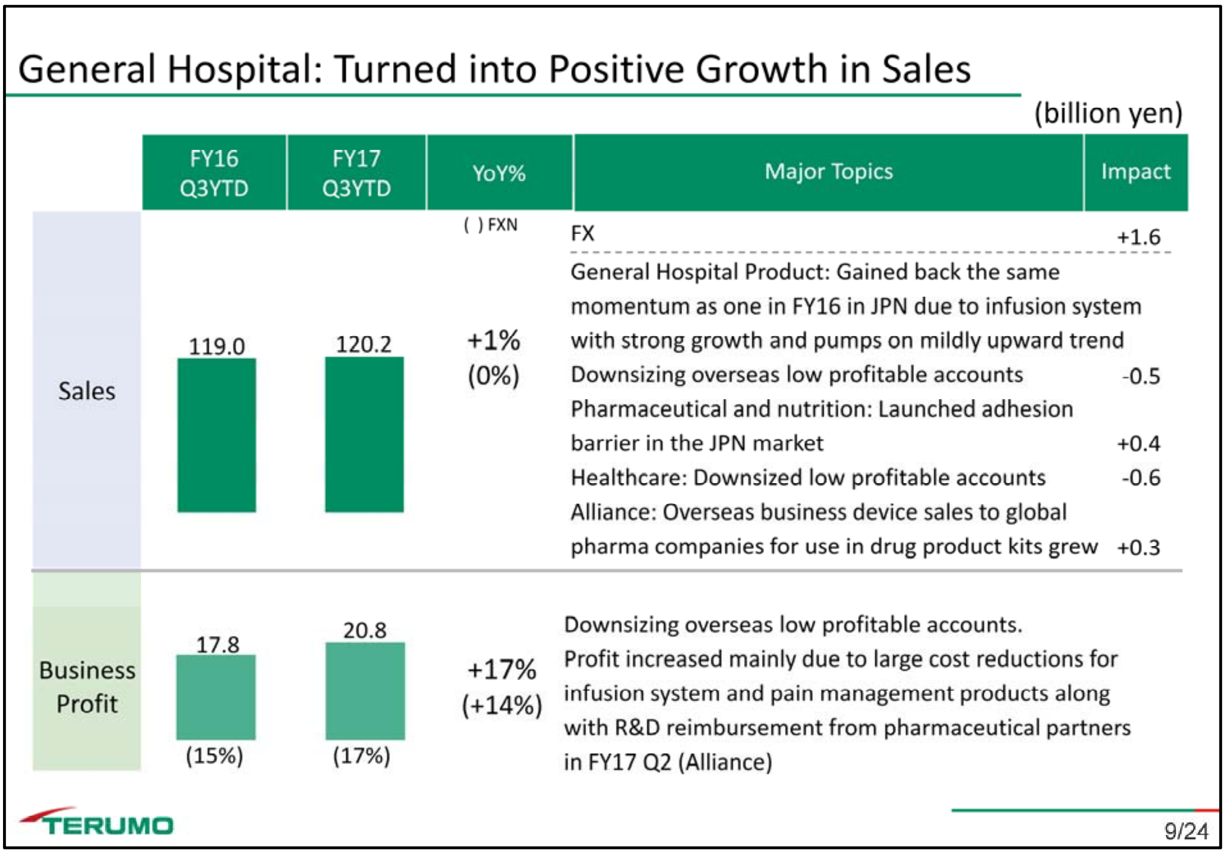
Regarding the surgically-oriented CV and Vascular businesses;

This year, the CV business resumed shipments of heart-lung machines following the lifting of its consent decree last year, leading to strong growth this year. After this restoration of sales, this year's results will form a base from which the business will then grow thereafter.

In the Vascular business, the impact of our acquisition, Bolton, is being fully realized this fiscal year. These results will also form a base for ensuing years, when we do not anticipate drastic growth.

Therefore, while we see major growth in all four Cardiac and Vascular businesses this year, we expect that next year and onward we will see the bulk of the growth in just the two businesses of TIS and Neurovascular.

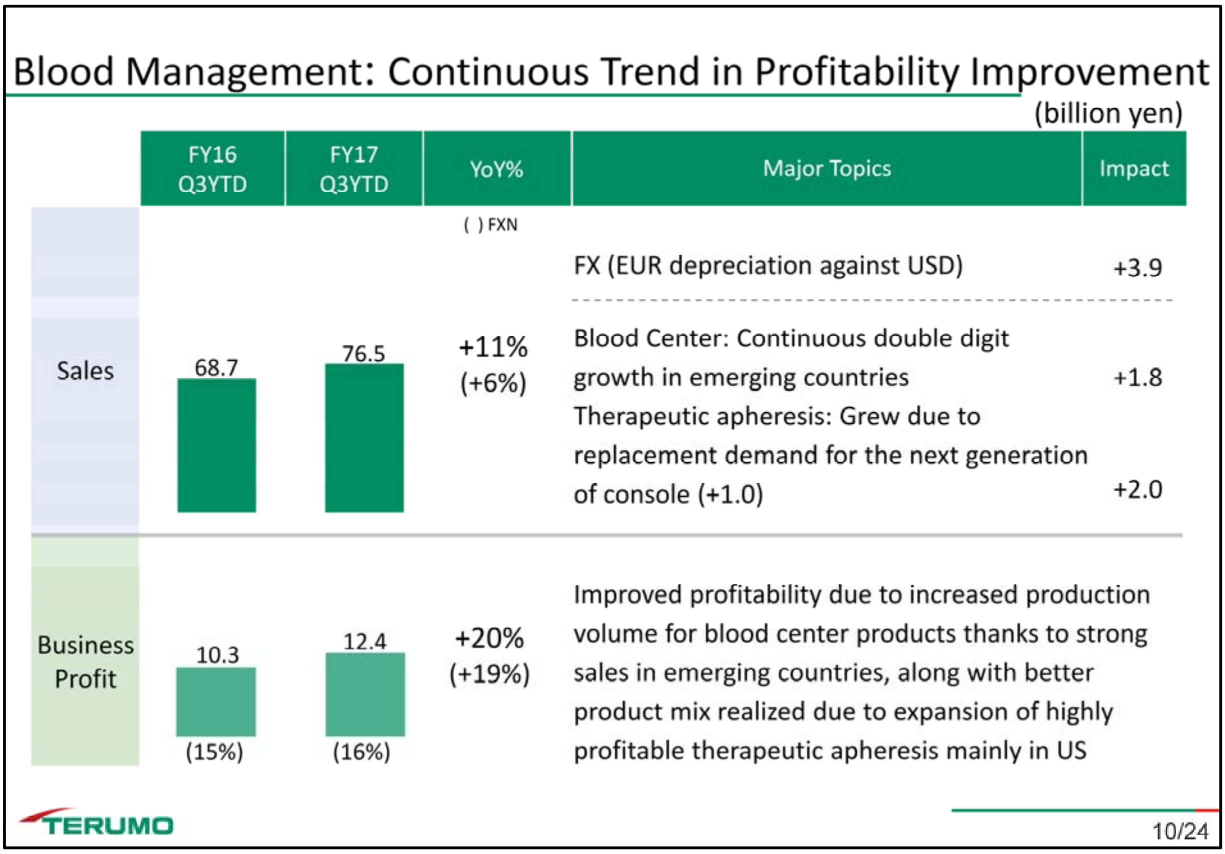
In business profit, there was little impact from the hurricane, and the company overall maintained its high profitability.



Next is the General Hospital company. As we have previously explained, the company plans to see positive sales growth across the year. Growth was initially negative in the first half, but has now turned positive in the 3rd quarter.

Continuous cost reductions have resulted in the company maintaining high profitability.

In profit, the continued downsizing of low-profit accounts over the past few years has improved profit each quarter, but that is almost now annualized. Going forward, the alliance business will drive the overall General Hospital in making a positive, rather than negative contribution.



Next is Blood Management. The company continued in its pattern of growing sales and improving profitability.

Sales grew 11% year on year.

However, this sales number includes growth from demand for next-generation therapeutic apheresis console to replace the previous version. The COBE Spectra therapeutic apheresis system is being discontinued and replaced by Spectra Optia.

The original plan was to keep selling COBE Spectra into next year, but the decision was made to discontinue it this year. This means that sales expected for next year were instead realized this year, for a positive impact of 1 billion yen.

In business profit, therapeutic apheresis and other high-profitability products grew well, resulting in continued overall profitability improvement.

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)

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Next, major topics from the 3rd quarter.

Continuing from previously were our group-wide CSR activities.

We also held shareholders' meetings in Nagoya and Osaka.

In the business side, we obtained manufacturing and marketing approval for Japan's first-ever insulin patch pump.

We also announced construction of a new building at Terumo Yamaguchi.

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

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The next major topic is resumption of shipments of our closure device. I will give some detail on this.

We stopped production of our Angio-Seal product on September 20, just before the arrival of the hurricane. As damage from the hurricane continued, we remained unable to manufacture for a time.

Beginning in mid-October, we were able to gradually resume production using a private power generator. Production was approximately back to normal by mid-November, and in December, the local power supply began to stabilize. We then shifted back to using power from the public utility, and have produced normally thereafter.

In early January, when we had accumulated necessary inventory, we resumed shipments to customers. We are therefore now operating and shipping normally.

Regarding sales during the production stoppage, as I explained previously, we had approximately 1.5 months of inventory initially, throughout the world. Needs varied greatly by region, however. We met approximately all needs in the Japan and Europe markets by managing that 1.5-month inventory, with only very limited impact.

In the largest market, the United States, a backorder did occur in December, but it has already been resolved through resumption of shipments in early January.

Sales were normal in October, and then fell to about half the normal global monthly rate in the two months of November and December. With extra sales to clear that back order, we saw a jump in growth in January.

Going forward, we realize the need to carefully monitor February and March sales.

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		Launched
	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

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I will skip over the new products pipeline slide.

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

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The final slide explains our revision of FY17 guidance.

As we have made public, we have revised our sales guidance upward by 13 billion yen, our operating income by 10 billion yen, and also our ordinary income by 10 billion yen. Reflecting both performance and the United States tax reform, we have revised our net income guidance upward by 23 billion yen.

That is our guidance revision, and I will explain about operating income in further detail.

At the end of the first half, the operating income had risen approximately 9 billion yen above the guidance. At that time, we received questions regarding why we did not revise our guidance then.

Our reasoning for not doing so at the time was that, comparing the first- and second-half plans, the second half included 4 billion yen more than the first half guidance; in other words, the second-half plan was already somewhat aggressive.

In addition, the 9 billion yen realized above plan in the first half was partially attributable to delays in some spending; however, it was difficult to foresee at that time when those expenses would occur.

We were also unable to know then what would happen in Puerto Rico.

For these reasons, we decided not to revise upward at that time; however, I did explain that we were confident we would achieve the operating income guidance of 82 billion yen no matter what difficulties might occur in Puerto Rico, due to the 9 billion yen achieved above plan in the first half.

Regarding our current situation, as I explained in the operating income variance analysis, SG&A indeed began increasing strongly in the 3rd quarter. Sales continue to grow well, and the Puerto Rico impact is not very large.

Therefore, we have revised our guidance up to 92 billion yen, taking into account the 9 billion yen above guidance in the first half, and another 1 billion yen anticipating that we will overshoot the second half guidance, for a total of 10 billion yen.

This concludes my explanation. Thank you.

Reference

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FY17 Q3YTD Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan: Subtotal	Europe	Americas	China	Asia	G. Total
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 Manage-ment	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

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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

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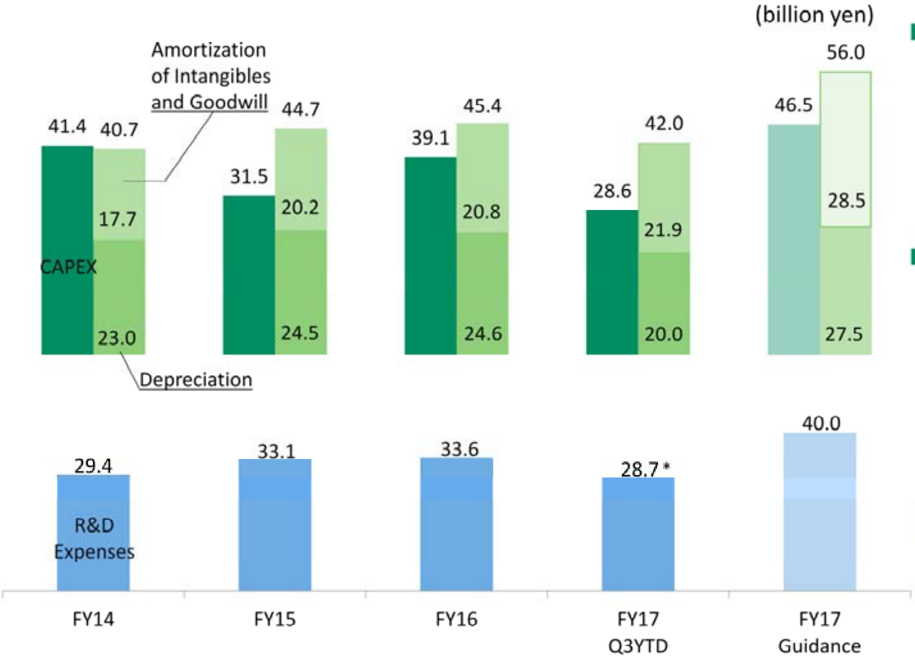
CAPEX and R&D Expenses



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

- 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

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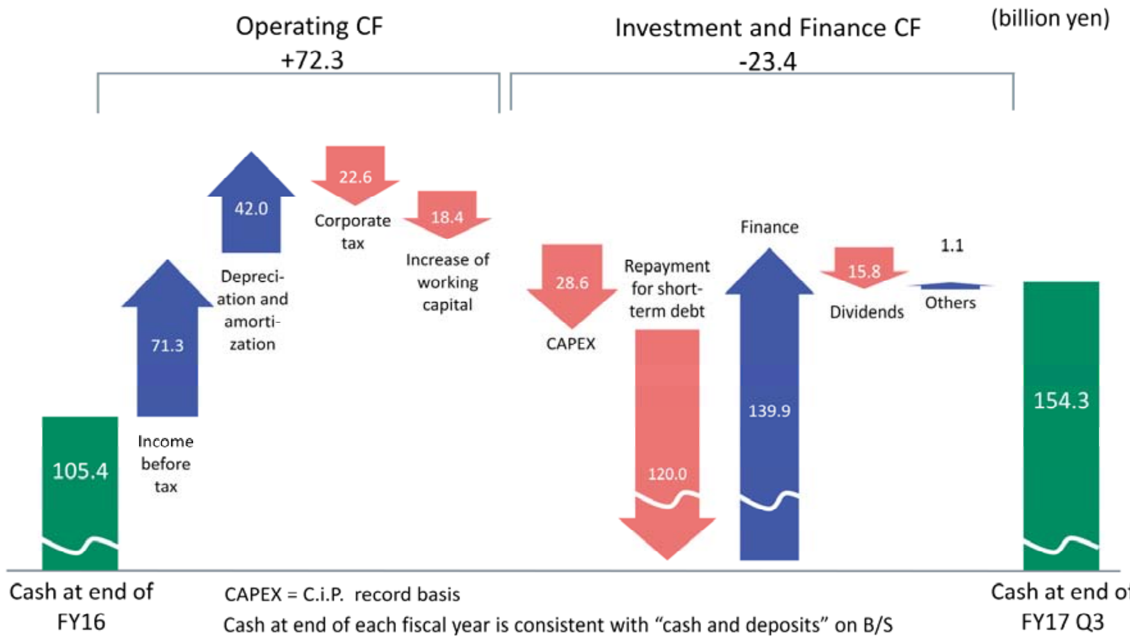
Cash Flow



CAPEX = C.i.P. record basis

Cash at end of each fiscal year is consistent with “cash and deposits” on B/S

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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

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(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

(billion yen)	Japanese GAAP FY17Q3YTD	Reference 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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