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Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019 (FY2018)

Terumo Corporation

Managing Executive Officer,

Kazuaki Kitabatake

August 8, 2018

I will now give an overview of the Terumo financial results for the first quarter of the period ending March 2019.

Previously, we have had an earnings call for the first-quarter announcements; however, due to the Ashitaka matter, we have decided to ask you to gather so we can offer direct explanation.

In addition, we have taken the approaching typhoon into consideration in providing the option of live audio broadcast as well.

Thank you for attending today despite the heat and inclement weather.

Regarding the current status of the Ashitaka Factory; not everything is yet firmly established, and some things remain unclear. However, I will do my best to provide an explanation that aids in gaining some understanding of the situation.

In Line with the Guidance on the Whole

(billion yen)

	FY17 Q1	FY18 Q1	YoY%	YoY% (FXN)
Revenue	139.3	143.0	+3%	+2%
Gross Profit	75.9 (54.5%)	79.9 (55.8%)	+5%	+4%
SG&A Expenses	40.2 (28.9%)	43.5 (30.4%)	+8%	+8%
R&D Expenses	8.5 (6.1%)	11.3 (7.9%)	+33%	+34%
Other Income and Expenses	1.2	0.8	-	-
Operating Profit	28.4 (20.4%)	25.9 (18.1%)	-9%	-11%
Adjusted Operating Profit	32.1 (23.0%)	30.5 (21.4%)	-5%	-6%
Profit before Tax	28.2 (20.2%)	23.4 (16.4%)	-17%	
Profit for the Year	20.3 (14.6%)	18.1 (12.6%)	-11%	
Average Exchange Rate	USD 111 yen	109 yen		
	EUR 122 yen	130 yen		

- Revenue: General Hospital Company and Blood Management Company drove overall growth instead of Cardiac and Vascular Company suffering an impact of JPN reimbursement price cut and shipping delay
- Adjusted operating profit: In line with the guidance in FY18 Q1, while delayed realization of SG&A impacted adjusted operation profit less in FY17 Q1
- Profit before tax: Posted FX loss of 2.3 BJPY in FY18 Q1, while posted gain of 0.2 BJPY in FY17 Q1
- Profit for the year: In line with the guidance w/ FX loss excluded

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With that, I will now explain the quarterly results. Looking overall, despite the Ashitaka situation, the first-quarter results alone came out in line with our guidance for the period.

I will now discuss specific items. This period differs from previous trends for Terumo performance in two ways:

The first is in revenue. The General Hospital and Blood Management companies drove growth in place of the Cardiac and Vascular Company, which had previously driven overall growth, but in this quarter slowed down due to impact from the reimbursement price revision and shipping delays.

The second is the trend in SG&A. In previous fiscal years, expenses tended not to reach planned levels in the first half, but in the first quarter of this fiscal year, we saw expenses occur in line with the annual plan. As a result, our adjusted operating profit was negative year-on-year; however, this is in line with our guidance.

Our profit before tax is significantly lower than the previous year; this is due largely to FX loss. Specifically, this FX loss largely resulted from appraisal loss due to emerging market currency and euro depreciations.

When excluding the FX loss, profit for the year is in line with annual guidance.

Adjusted Operating Profit: Adjustments

Operating profit in IFRS basis w/ following items adjusted
1. Amortization of acquired intangible assets
2. Acquisition-related costs and temporary gain or loss falling into non-operating, and extraordinary income and expenses in JGAAP basis

(billion yen)

	FY17 Q1	FY18 Q1
1.Amortization of acquired intangible assets	3.8	3.8
2.Temporary gain and loss*	-0.2	0.9
Adjustment	3.6	4.7

*Adjusted items

- Acquisition related cost
- Amortization of acquired intangible assets
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other temporary gains and losses

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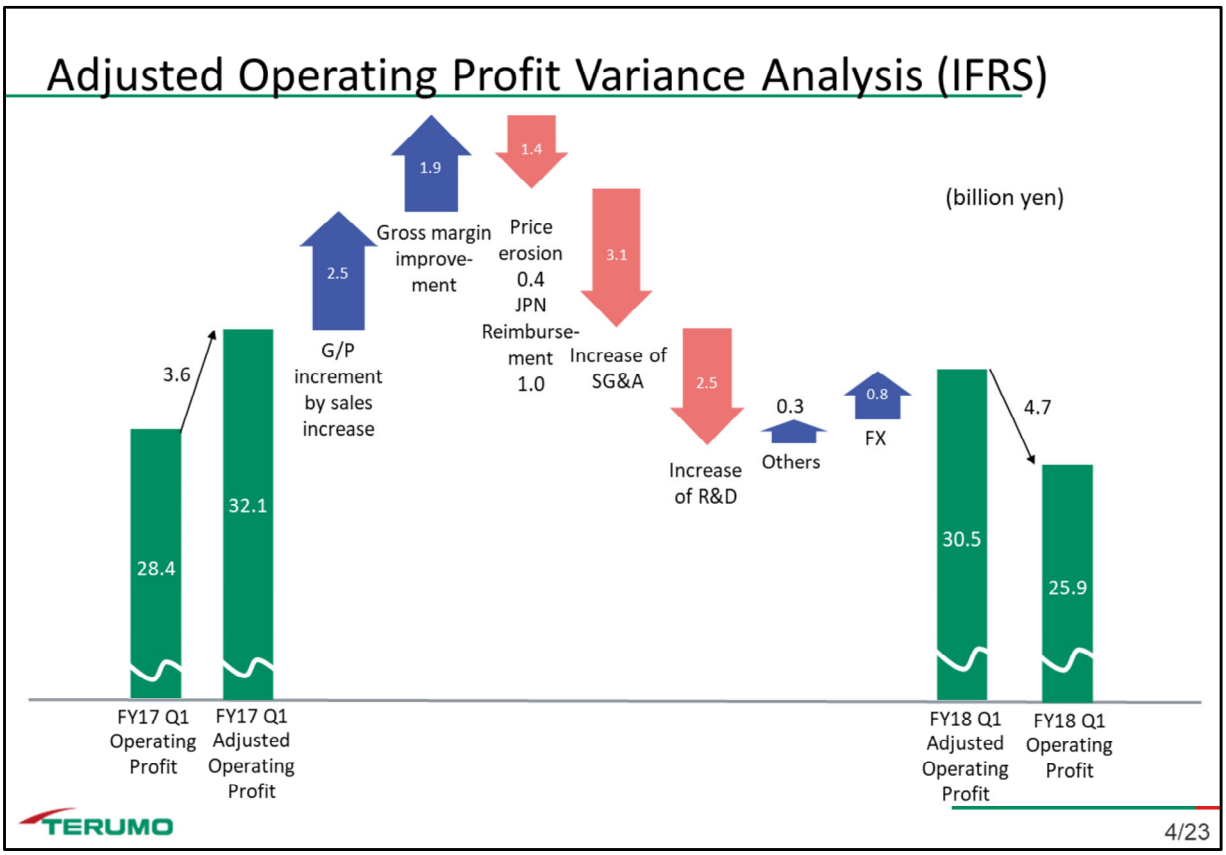
Starting this fiscal year, we adopted IFRS accounting, and with that began using the item “Adjusted Operating Profit.” I will explain how that number is calculated.

In the first quarter, the main item adjusted was amortization of acquired intangible assets, and the remainder was composed an accumulation of small amounts, without any other significant ones.

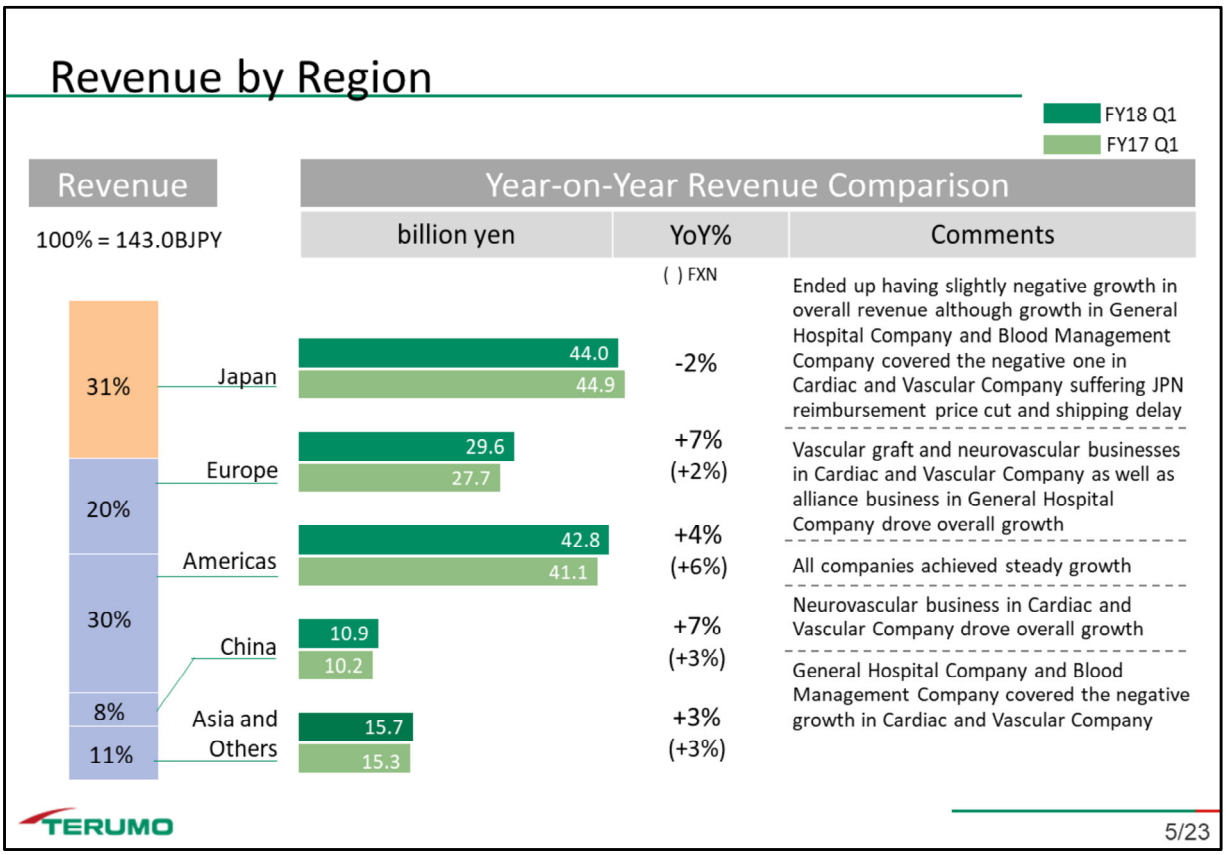


Next is the adjusted operating profit variance analysis.

Gross profit increment by sales increase was the largest factor; however, the Cardiac and Vascular company, which has the highest margins, did not grow significantly. Because the General Hospital and Blood Management companies grew the most, the improvement in gross profit increment by sales increase grew less than usual.

In the price item, the reimbursement price revision occurred as expected, but the price erosion was below plan.

Increased SG&A and R&D appear larger than plan; however, this is because those items were smaller than planned in the same part of the previous year, resulting in this year's first-quarter expenses appearing higher, despite occurring as planned.



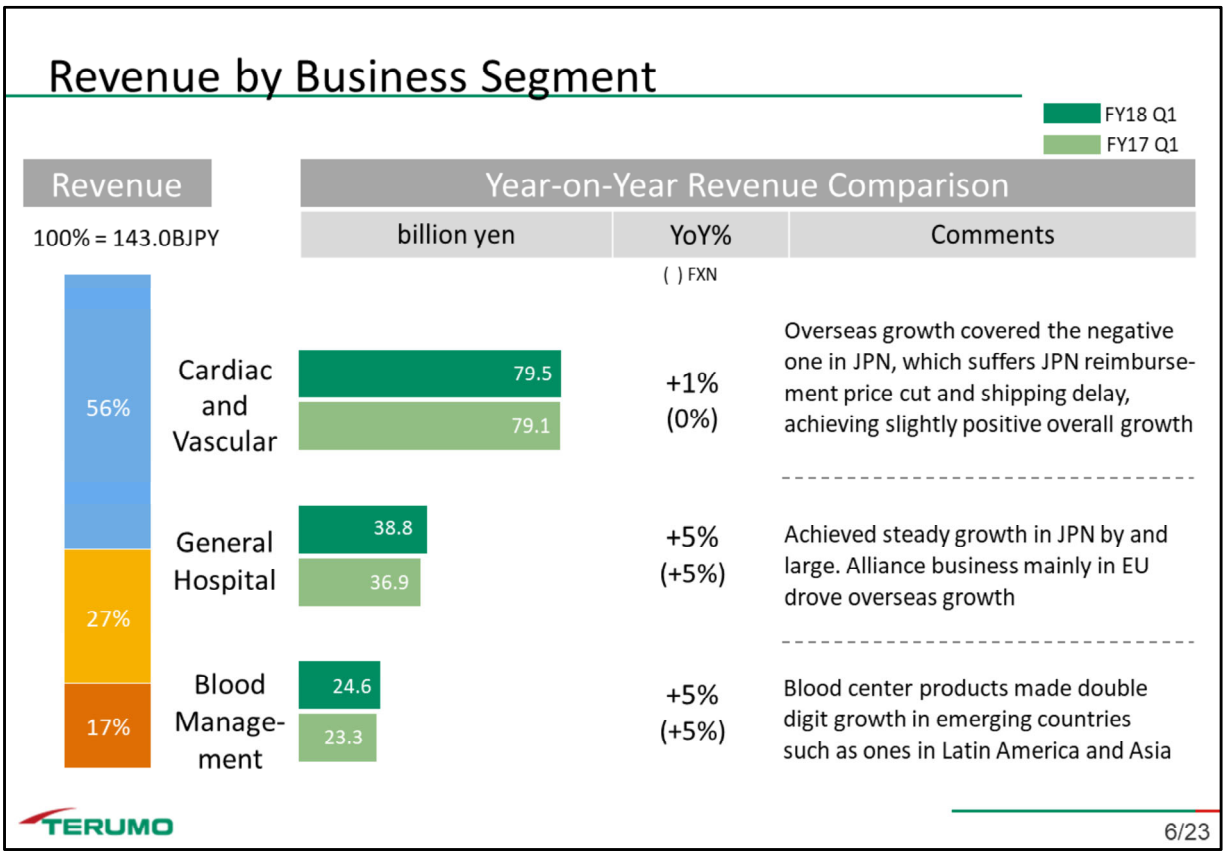
Next is revenue by region.

In Japan, revenue came out slightly negative, with the General Hospital and Blood Management companies nearly absorbing the negative Cardiac and Vascular number.

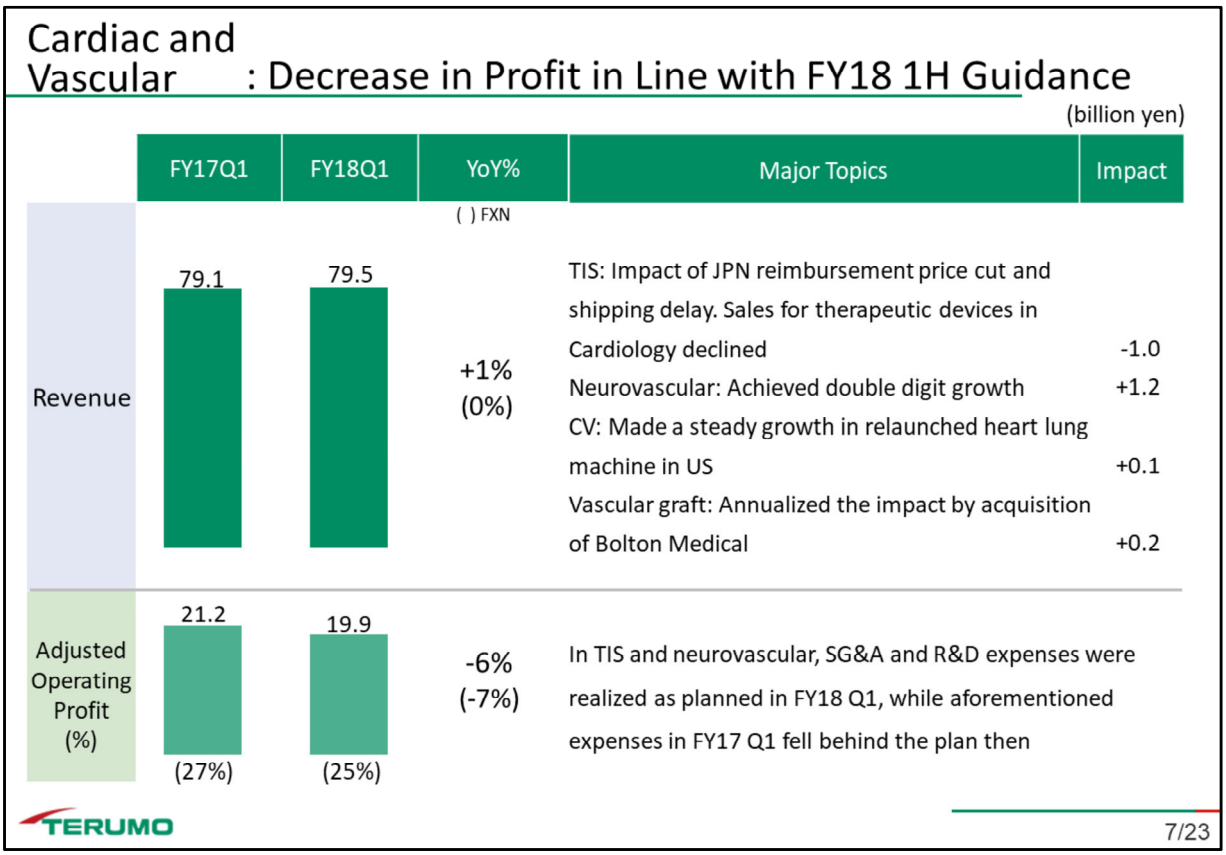
Outside Japan, the Ashitaka situation has not yet had the same revenue impact as in Japan, due to the following reasons:

First, shipments sent by sea transport will not see impact until the following month. Second, some of the product sold overseas is also produced outside Japan, and such factories as Maryland, US and Vietnam are not experiencing the same issues as Ashitaka. Third, there is remaining inventory to absorb shipment delays. These factors prevented impact from reaching outside Japan as of the first quarter.

Some areas of Asia were impacted in the first quarter, but General Hospital and Blood Management growth were able to absorb the Cardiac and Vascular impact.



I will now explain in more detail for each company.



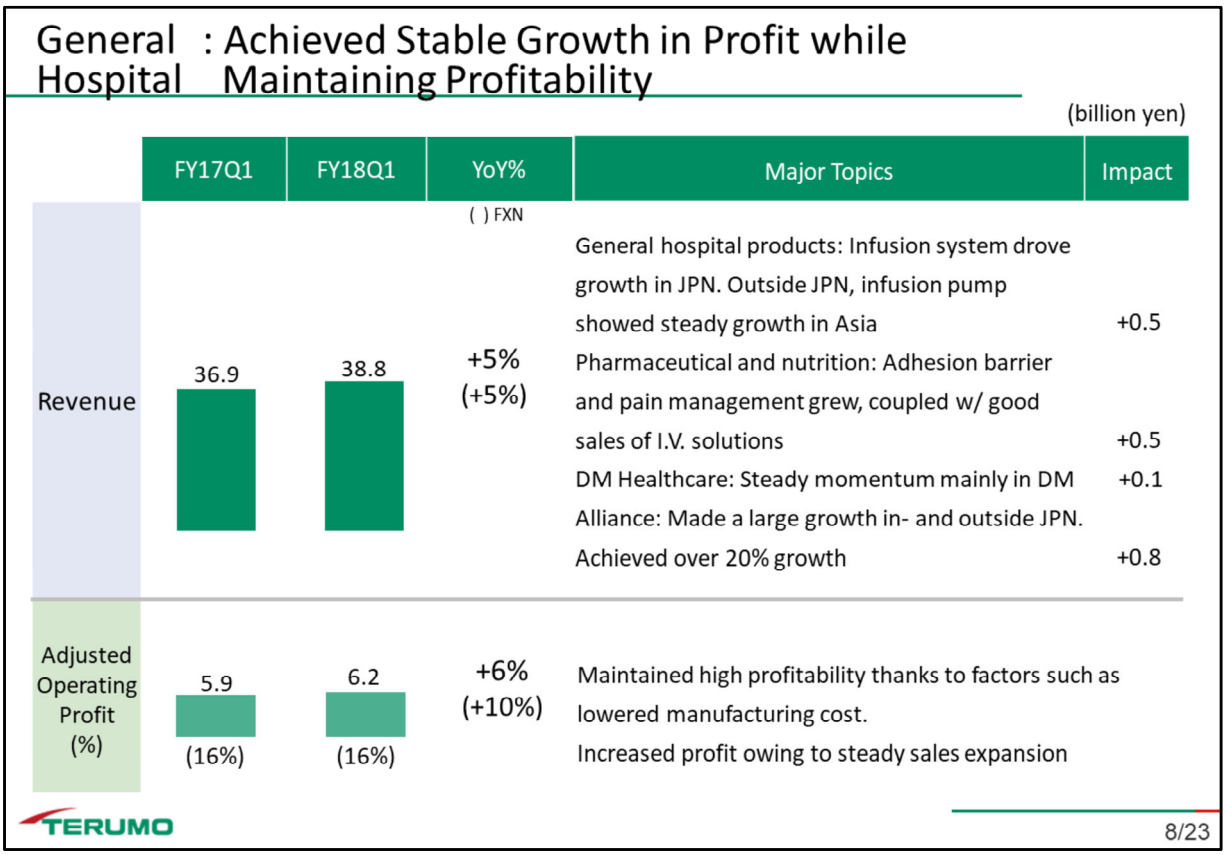
First, Cardiac and Vascular Company:

The TIS business saw negative growth due to the reimbursement price revision and the Ashitaka Factory shipping delay issues. Growth was positive outside Japan, but could not completely cover for Japan, resulting in a slight decline for TIS overall.

Neurovascular remained strong, with double-digit, year-on-year growth of 15%.

In CV and vascular graft, the same quarter of the previous year saw double-digit growth following the lifting of the consent decree and acquisition respectively; this year, the first quarter went back to normal.

In adjusted operating profit, gross margin improved, while operating profit decreased due to higher expenses.



Next is General Hospital Company.

Alliance grew robustly inside and outside Japan, at over 20% year-on-year.

In Healthcare, diabetes management products showed steady growth.

Pharmaceutical and nutrition, I.V. solutions paired with AdSpray and pain management for good overall growth.

Adjusted operating profit increased thanks to lowered manufacturing cost and increment of gross profit driven by high-margin products performance, even with increased R&D expense.

Blood Management : Revenue Grew Steadily despite Decreased Profit Due to Increased R&D Expenses

(billion yen)

	FY17Q1	FY18Q1	YoY% ( ) FXN	Major Topics	Impact
Revenue	23.3	24.6	+5% (+5%)	Blood center products: US made stable growth. Achieved double digit growth in emerging countries such as ones in Latin America and Asia Therapeutic apheresis: Replacement w/ latest version of console	+1.1 +0.3
Adjusted Operating Profit (%)	3.6 (15%)	3.4 (14%)	-5% (-15%)	Decreased profit owing to increase of R&D expenses (about 0.6 BJPY)	

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Next is Blood Management.

The company saw steady growth with blood center products in emerging markets and therapeutic apheresis.

Adjusted operating profit was negative year-on-year; however, this was due to the significant year-on-year increase in R&D expense. This increase will slow down in the second quarter and beyond.

Major Topics in FY18 Q1

Corporate

- Terumo joined "IkuBoss Alliance", promoting diversified workstyle (Jun)

- Launched "VeinViewer" portable vascular access imaging device (Apr)
- Launched "RelayPro" TAA stent graft in EU (Apr)

- Acquired CE marking for "Ultumaster Tansei" the drug eluting stent followed by its launch in EU (Apr)

Business

- Made an agreement w/ U.S.-based DexCom, Inc. and gained the exclusive right to distribute its Continuous Glucose Monitoring (CGM) devices exclusively in Japan (May)
- Won The Award of the Society of Polymer Science, Japan for development of spray type adhesion barrier first time in JPN (May)

- Acquired CE marking for "Kanshas" drug coated balloon (DCB) catheter used in the treatment of lower extremity for the first time amongst Japanese companies (Jun)

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Next, the major topics from the first quarter.

Major projects were launched on schedule which are expected to contribute to future performance. For example, the Bolton stent graft "Relay Pro" was launched in the EU in April.

The drug-eluting stent "Ultimaster Tansei" also launched in the EU in April, and will launch in Japan in the second half.

Further, in May, we acquired exclusive Japan distribution rights for the DexCom continuous glucose monitoring device (CGM).

New Products Pipeline in FY18

Category	Products		Region
Access	Closure device for distal radial approach		JP
Coronary	PTCA balloon		US
	PTCA balloon		JP, EU, Asia
	DES (Ultimaster Tansei)	◎	EU: Launched JP, Asia: FY18 2H
Peripheral	Stent (TRI)	★	JP, US
	PTA balloon (TRI)	★	JP, US
	PTA guiding sheath (TRI)	★	JP, US
	Drug coated balloon	◎ ★	Acquired CE marking
Neuro	Distal access catheter (Sofia EX)		EU, US
	Coil assisted balloon		EU, US

Category	Products		Region
CV	Next generation of oxygenator	◎	JP, US
	Next generation of blood parameter monitoring system		EU, US, Asia
Vascular graft	TAA stent graft (low profile)	★	Launched
	AAA stent graft (Anaconda w/ smaller diameter)		EU
General hospital product	Portable vascular access imaging device		Launched
DM	Insulin patch pump		JP
Blood Manage-ment	New software for automated blood collection system		EU, US, Asia
	New disposable kits for automated blood component processing system		EU, US, Asia

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

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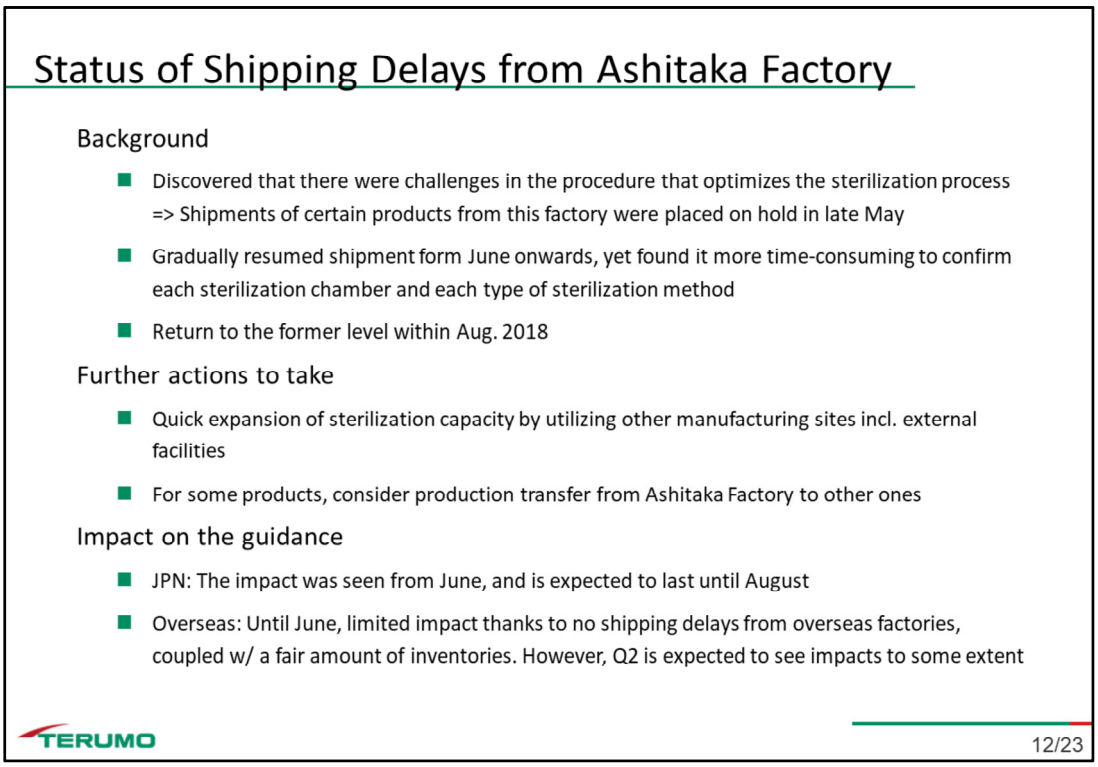
There are other products in the 2018 pipeline, but I will keep my explanation to those with movement in the first quarter.



Now I will explain the shipment delays at the Ashitaka Factory. We have already covered the cause of the occurrence in the press release, so I will give an update on the progress since then, addressing that progress on three different levels.

The first is restoration of sterilization capacity. All ethylene oxide gas (ETO) sterilization was halted in late May; since then each sterilization chamber was confirmed separately and restarted upon confirmation. Sterilization capability is now back to the level it was at prior to the stoppage, and we will increase capacity going forward.

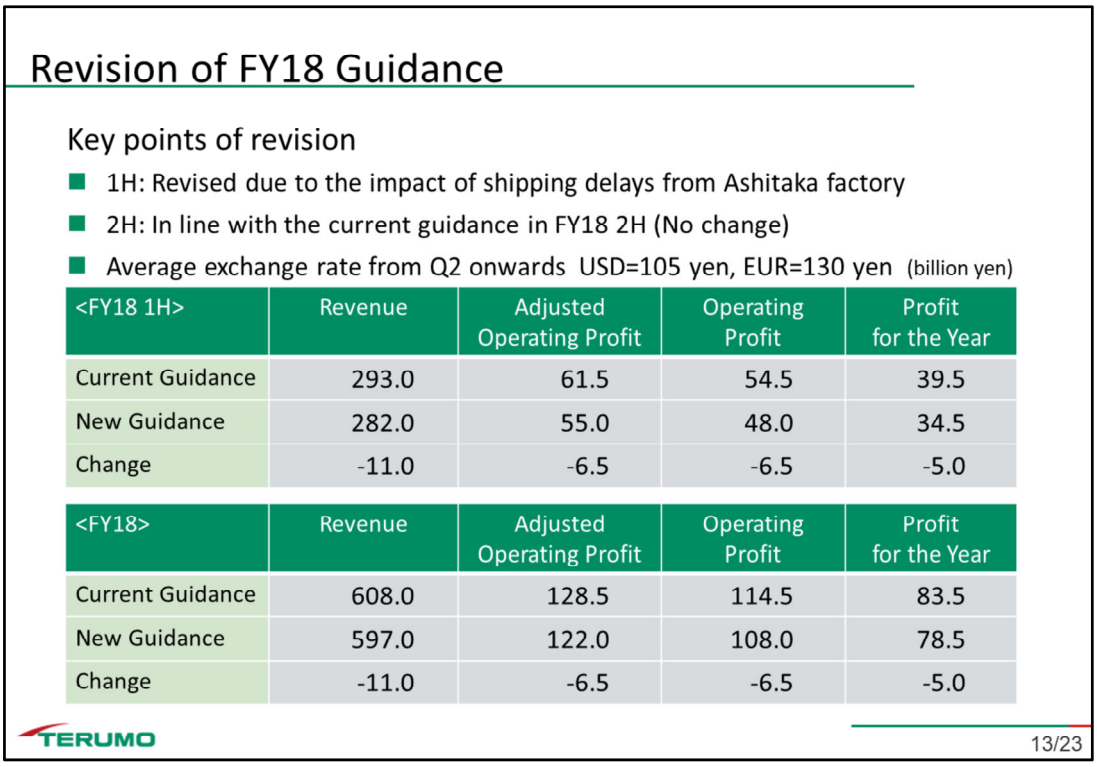
Next, regarding shipment volume. Volume bottomed out in June and has been recovering through July and August. However, residual gas must escape from the product over a 10-to-14-day period to meet shipment criteria; this means that restoration of shipments takes longer to restore than sterilization capability. We expect to see full restoration of shipments to pre-stoppage levels in September and beyond.

Further, impact on revenue will continue beyond the resumption of shipments, due to two reasons, the inventory and the distance from Japan.

Next is our handling of the challenge going forward: We are taking the following two actions to handle the situation, including from a business continuity perspective. One of these is expansion of our sterilization capability. In addition to expanding our capability in Ashitaka, we will utilize open sterilization capacity at our Fujinomiya and Vietnam factories. We are also studying the use of third-party sterilization facilities. Another action is to transfer production of some products from Ashitaka Factory to other locations to reduce the overall level of dependence on Ashitaka for sterilization.

In the mid-term, we have already begun to transfer some products to the Terumo Yamaguchi Factory. With the occurrence of this challenge, we are looking at the possibility of transferring production to Yamaguchi on expedited timelines in order to more quickly respond.

Last, regarding the impact on performance, I will explain for inside and outside Japan, respectively. For Japan, impact was felt earliest, around June. Restoration began in July and has continued since, and should be complete in August. Outside Japan, impact was limited up to June, but is expected to fully hit thereafter, and we expect that the second quarter will be affected.



Next, regarding revision of our FY2018 guidance.

Taking into account the impact of the Ashitaka Factory situation, we have revised the FY2018 guidance as follows:

For the first half, we have reduced the revenue guidance by 11 billion yen, both the adjusted operating profit and operating profit by 6.5 billion yen each, and profit for the year by 5 billion yen.

For the second half, our guidance remains unchanged. Therefore, our guidance for the year is revised minus 11 billion yen for revenue, minus 6.5 billion yen for both adjusted operating profit and operating profit, and minus 5 billion yen for profit for the year.

Regarding the thinking behind our guidance revision, we are limiting it primarily to the second quarter, where most of the Ashitaka impact will occur. As I mentioned, there was some impact on the first quarter, but results were more or less in line with guidance.

Of course, some impact will appear in the second half; however, we feel that the following factors allow us to refrain from revising at this time: First, both negative and positive impacts may result from the situation. One negative impact is customer loss, which we expect to occur to some degree. However, it is impossible to accurately predict the scale of that loss. On the other hand, strengths of the Terumo TIS access products include their high quality and the aspect of training; these will not be affected by the shipment delays. A positive impact of the situation is inventory restoration. We expect that after having consumed some of the inventory they were carrying, distributors and hospitals will purchase more to restore that inventory. It will be difficult to accurately predict what that amount will be, however.

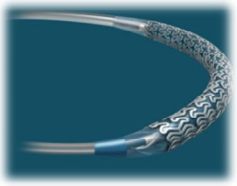
Therefore, with both negative and positive impacts likely, but an inability to predict either accurately at this time, we will make our best efforts to achieve the current second-half guidance, which is originally higher than the first half.

Neurovascular remains strong. General Hospital Company and Blood Management have good momentum. These will also provide support.

In the case that TIS does not grow in subsequent quarters as planned, we will be able to control some expenses to meet the second half bottom line guidance.

There are some uncertainties in the second half, but for now, we believe its guidance is achievable.

Pursue Regional Strategy in China



Acquisition of Essen Technology Co., Ltd. (announced in July 24)

- "Tivoli" drug eluting stent for Chinese market
- Upfront payment of 14.0 BJPY + milestone payment, to be funded from cash on hand
- Enter Chinese DES market, which will become the world largest, w/ Chinese domestic products, and create synergy w/ Terumo's existing distribution channel and other products
- Expect closing within calendar year 2018

The local joint company acquired regulatory approval of peritoneal dialysis solution (announced in Aug 6)

- Joint company between Terumo and Wego group, "Wego Terumo"
- Terumo's technology and knowhow of familiarizing new treatment + Wego's distribution network
- Wego will commence sales within calendar year 2018

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Next, our regional strategy in China. In August we announced our acquisition of Essen Technology, a drug-eluting stent manufacturer in China. In addition, on Monday of this week, we announced the acquisition of regulatory approval of a peritoneal dialysis solution by Wego Terumo, a joint company of Wego and Terumo Group.

We consider China to be our most important market in the mid-term, and we are taking various specific actions to localize there. In addition to these two examples, we are working on a partnership in neurovascular with a local partner for production and sales, as well as local development in renal denervation.

Thank you very much.

Reference

FY18 Q1 Revenue and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	11.3 (-16%)	68.2 (+3%)	21.3 (+2%)	30.4 (+7%)	9.0 (+3%)	7.5 (-5%)	79.5 (0%)
Out of C&V Interventional Systems*	8.4 (-18%)	55.3 (+3%)	17.1 (+2%)	23.5 (+6%)	8.4 (+3%)	6.3 (-5%)	63.7 (0%)
General Hospital	30.2 (+4%)	8.6 (+8%)	2.1 (+10%)	1.7 (+5%)	0.6 (+14%)	4.2 (+7%)	38.8 (+5%)
Blood Manage-ment	2.5 (+3%)	22.1 (+5%)	6.2 (+2%)	10.6 (+5%)	1.3 (-1%)	4.0 (+13%)	24.6 (+5%)
G. Total	44.0 (-2%)	99.0 (+4%)	29.6 (+2%)	42.8 (+6%)	10.9 (+3%)	15.7 (+3%)	143.0 (+2%)

*Including Neurovascular business

(YoY%): FXN

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Operating Expenses

(billion yen)

	FY17 Q1	FY18 Q1	YoY	YoY%	YoY% (FXN)
Salaries & Wages	20.0	21.7	+1.7	+8%	+8%
Sales Promotion	4.1	4.5	+0.4	+9%	+8%
Logistical Costs	3.0	3.2	+0.2	+9%	+9%
Depreciation & Amortization	3.4	3.4	+0.0	+0%	+1%
Others	9.7	10.7	+1.0	+11%	+10%
SG&A Expenses Total	40.2 (28.9%)	43.5 (30.4%)	+3.3	+8%	+8%
R&D Expenses	8.5 (6.1%)	11.3 (7.9%)	+2.8	+33%	+34%
Operating Expenses Total	48.7 (35.0%)	54.8 (38.3%)	+6.1	+13%	+13%

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Quarterly Results

(billion yen)

	FY17 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY18 Q1 (Apr-Jun)
Revenue	139.3	145.3	152.3	150.8	143.0
Gross Profit	75.9 (54.5%)	79.5 (54.7%)	83.2 (54.6%)	80.7 (53.5%)	79.9 (55.8%)
SG&A Expenses	40.2 (28.9%)	41.2 (28.4%)	43.8 (28.7%)	45.9 (30.4%)	43.5 (30.4%)
R&D Expenses	8.5 (6.1%)	9.8 (6.7%)	10.7 (7.0%)	12.4 (8.2%)	11.3 (7.9%)
Other income and Expenses	1.2	0.2	0.6	- 0.4	0.8
Operating Profit	28.4 (20.4%)	28.7 (19.8%)	29.4 (19.3%)	22.0 (14.6%)	25.9 (18.1%)
Adjusted Operating Profit	32.1 (23.0%)	32.8 (22.6%)	32.7 (21.5%)	27.4 (18.1%)	30.5 (21.4%)
Average Exchange Rate USD	111 yen	111 yen	113 yen	108 yen	109 yen
Average Exchange Rate EUR	122 yen	130 yen	133 yen	133 yen	130 yen

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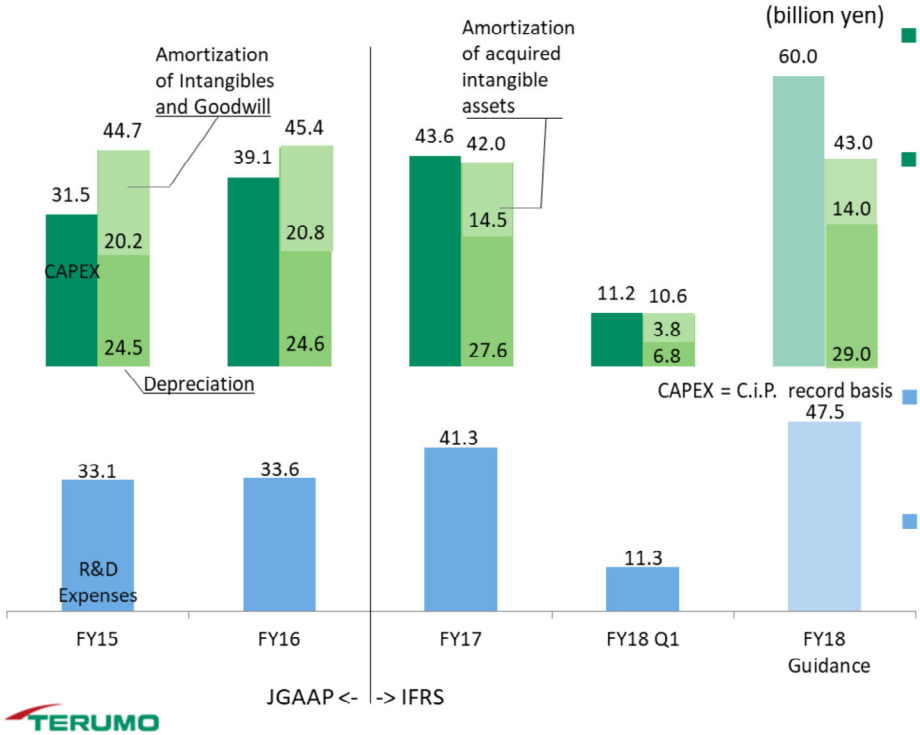
CAPEX and R&D Expenses



- Expand investment in production capacity and space as well as IT infrastructure in FY18
- IFRS basis from FY17
  - Include intangible assets except for acquired ones and capitalized development expenses
- Further promote R&D activities mainly for TIS, neurovascular and Blood Management Company
- Capitalized development expenses are included in CAPEX

FY17	:0.8BJPY
FY18 Q1	:0.4BJPY
FY18 guidance	:2.1BJPY

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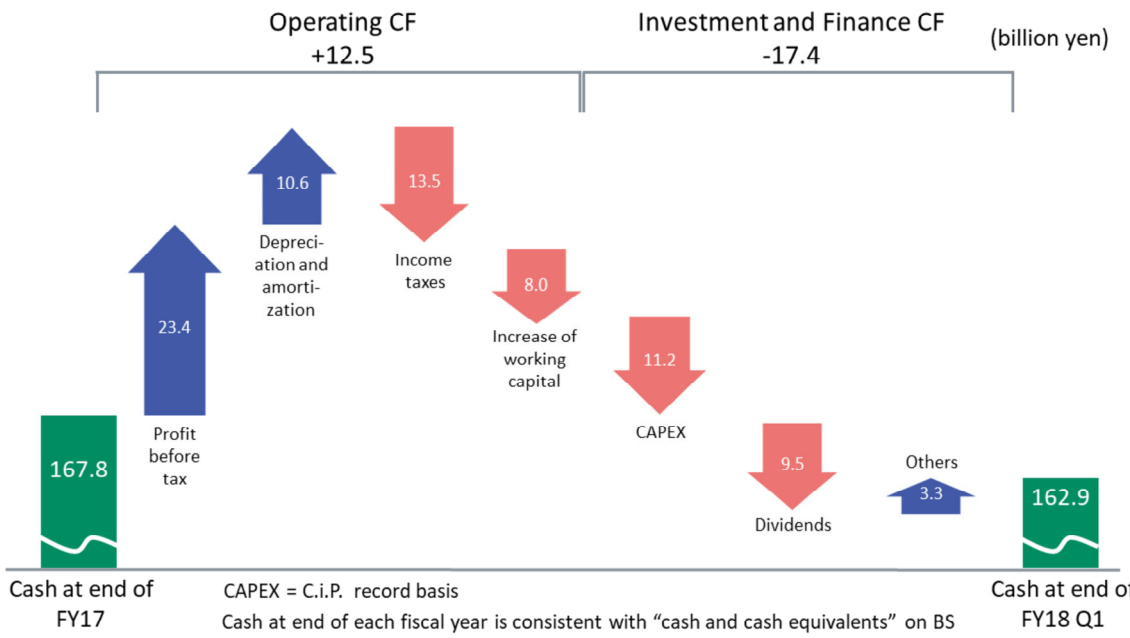
Cash Flow



CAPEX = C.i.P. record basis

Cash at end of each fiscal year is consistent with "cash and cash equivalents" on BS

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Foreign Exchange Sensitivity

(billion yen)

	USD	EUR	CNY
Revenue	1.6	0.8	2.0
Adjusted Operating Profit	0.0	0.5	1.0

<Reference> Impact of +/-10% fluctuation

	North America	Latin America	EMEA		Asia	
			EUR	Others	CNY	Others
Adjusted Operating Profit	-0.1	0.9	6.0	1.3	1.7	3.3

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%	3,853	5,009	12.9M shares
Dec, 2021	50.0	0.0%	3,853	5,009	12.9M shares
Total	100.0				25.9M shares

■ Status of conversion (as of Jul 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	28.03 BJPY (56.1%)	7.2M shares (1.91%)
Convertible Bonds due Dec, 2021	3.53 BJPY (7.06%)	0.9M shares (0.24%)
Total	31.56 BJPY (31.6%)	8.2M shares (2.16%)

➢Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 19.7M shares
  (as of the end of Jul. 2018, treasury stock cost per share: 3,896JPY, % against total number of issued shares: 5.1%)

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 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.