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

Terumo Corporation

Managing Executive Officer,

Investor Relations, Corporate Communication Dept.

Kazuaki Kitabatake

November 8, 2018

In Line with the Revised Guidance

(billion yen)

	1H FY17	1H FY18	YoY%	YoY% (FXN)
Revenue	284.6	285.0	+0%	+0%
Gross Profit	155.4 (54.6%)	154.6 (54.2%)	-1%	-0%
SG&A Expenses	81.4 (28.6%)	87.0 (30.5%)	+7%	+7%
R&D Expenses	18.3 (6.4%)	23.8 (8.3%)	+30%	+30%
Other Income and Expenses	1.5	3.7	-	-
Operating Profit	57.2 (20.1%)	47.6 (16.7%)	-17%	-16%
Adjusted Operating Profit	64.8 (22.8%)	55.3 (19.4%)	-15%	-15%
Profit before Tax	56.8 (19.9%)	44.5 (15.6%)	-22%	
Profit for the Year	41.2 (14.5%)	34.5 (12.1%)	-16%	
Average Exchange Rate	USD 111 yen	110 yen		
	EUR 126 yen	130 yen		

- Revenue: General Hospital Company and Blood Management Company covered Cardiac and Vascular Company affected by JP reimbursement price revision and shipping delay
- Adjusted operating profit: In line with the guidance in 1H FY18, while delayed realization of expenses in 1H FY17
- Profit before tax: Posted FX loss of 2.8 BJPY in 1H FY18, while posted gain of 0.4 BJPY in 1H FY17
- Profit for the year: In line with the revised guidance

TERUMO

2/21

The main point of the first half results is that we achieved approximately the level of the guidance we revised when announcing results for the first quarter. This page is a year-on-year comparison, and the next page will show a comparison versus guidance.

First, the year-on-year comparison: Revenue and gross profit were about the same as the previous year. Operating profit and adjusted operating profit decreased, but this was the result of increased expenses centered in R&D, which grew greatly year-on-year as planned. With profit before taxes, the main negative factor was FX loss from the first quarter, leading to a larger profit decrease. Profit for the period was also down 16% year-on-year.

Results with FXN Outperformed 1H FY18 Guidance

(billion yen)

	1H FY18 Guidance	1H FY18 Results	Gap	1H FY18 Results w/ FXN*	Gap
Revenue	282.0	285.0	+3.0	283.2	+1.2
Operating Profit	48.0	47.6	-0.4	48.3	+0.3
Adjusted Operating Profit	55.0	55.3	+0.3	55.8	+0.8
Profit for the Year	34.5	34.5	0.0	-	-

*Assumed FX for Q2 onward which was presented when the guidance was revised (USD: 105yen, EUR: 130yen)

TERUMO

Here is the comparison with first-half guidance. Revenue was 3 billion yen higher. This was influenced by dollar appreciation and yen depreciation, and correcting for that, the gap was 1.2 billion yen higher. Operating profit and adjusted operating profit results were more or less in line with guidance. FX rates saw depreciation of the euro against the dollar, and emerging-market currencies depreciating, which had a downward impact on revenue.

When correcting for this FX effect, our adjusted operating profit and results were just above guidance. Since we approximately met guidance, we do not plan to revise our second-half guidance.

I will now discuss the status of Ashitaka Factory. Regarding capacity, as we explained in the last earnings announcement, production capacity has recovered to its previous levels, and we are working to expand capacity even further. As the detail initiatives, we are utilizing sterilization capacity at a factory in Vietnam and a next-door Fujinomiya factory. Again, sterilization capacity has recovered to its previous levels.

Regarding shipments, we explained at the last announcement that it would take time to begin shipping again after sterilization resumption, with recovery taking until after September to reach pre-stoppage levels; In fact, there were changes to some operations, resulting in some minor efficiency challenges in September. As a result, our shipments for some weeks were lower volume than anticipated, and we were not in a state of complete recovery at this time.

Since October, we have seen the situation stabilize due to increases in personnel and other measures. The shipping has recovered to its pre-stoppage level.

Adjusted Operating Profit: Adjustments

(billion yen)

	1H FY17	1H FY18
1.Amortization of acquired intangible assets	7.1	7.5
2.Temporary gain and loss*	0.5	0.2
Adjustment	7.6	7.7

*Adjusted items

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

Adjusted item	Adjust-ment
Milestone payment for WEB in Neurovascular (-1.7)	+1.7
Settlement (+2.3)	-2.3
Insurance revenue for hurricane impact on factory in Puerto Rico (+1.1)	-1.1
Write-off of investment for venture R&Ds (-1.0)	+1.0

TERUMO

Now, I would like to explain about adjustment items for adjusted operating profit. Most of the adjustment is due to amortization of intangible assets, amounting to 7.5 billion yen.

Temporary gain and loss amount to only 200 million yen, but within that number were actually large amounts that netted out to a small amount. Regarding the neurovascular WEB product, we determined that regulatory approval would be earlier than expected. As a result, we made an allowance of 1.7 billion yen for the milestone payment.

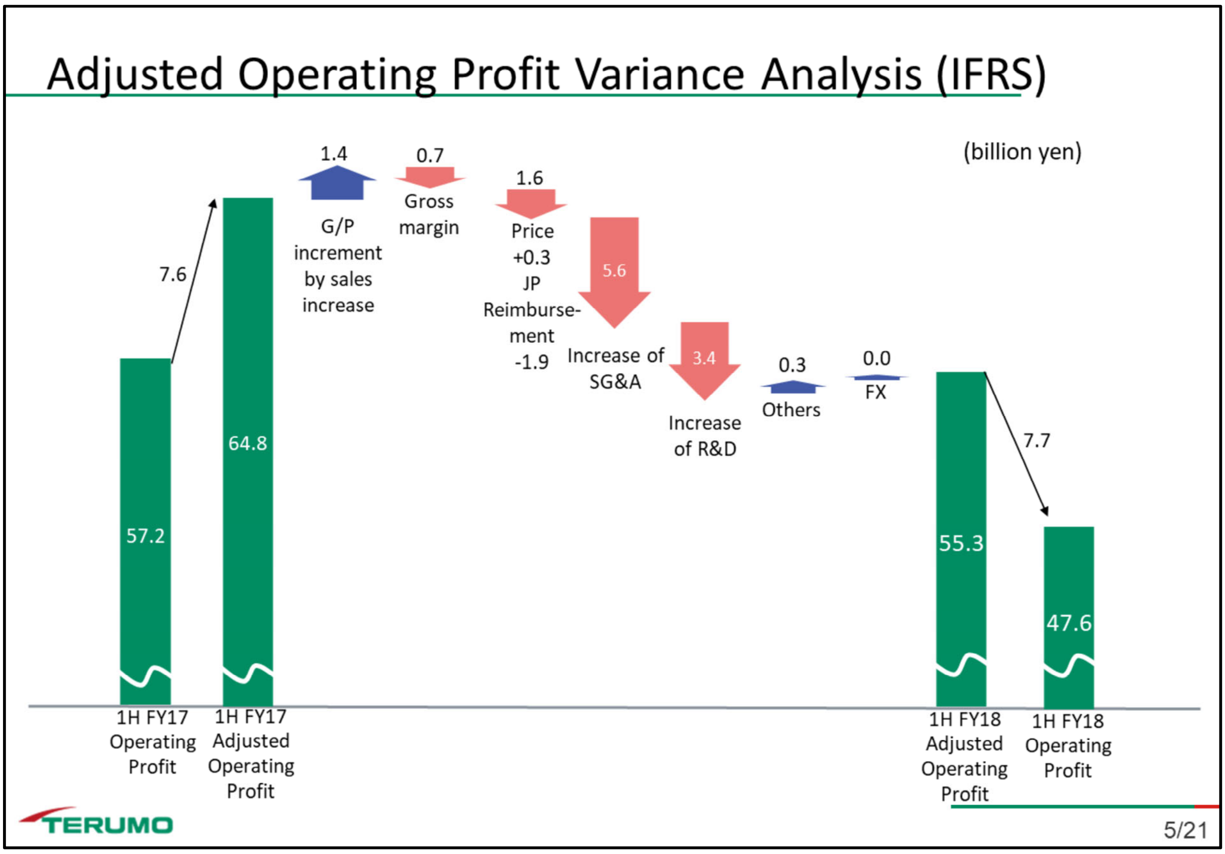
We also received settlement money in a litigation matter. This was of a one-time nature and is not something that we are able to discuss in detail due to legal agreements.

The third item is our receipt of money from insurance claims in conjunction with the Puerto Rico factory, which was impacted by the hurricane last year.

This is 1.1 billion yen.

Lastly in this item, there is disposal of venture development investments. As you know, Terumo has made many acquisitions over the years, and has been investing in ventures for several years now. This is an activity that we undertake as part of our new product development, but of course all ventures do not necessarily bear fruit, and some of the less successful ventures are being disposed of in this item, with negative impact. There are, on the other hand, ventures which are successful, in which case they affect these numbers negatively. We will continue to incorporate these effects into our number going forward.

This period, we experienced this larger impact, but on the whole, the numbers mostly cancelled out to a small net impact of 200 million yen.



Next is the adjusted operating profit variance analysis. I will explain from the left to the right of the slide.

The first increment in gross profit is the result of increased revenue. This was 2.5 billion yen higher year-on-year in the first quarter, but lower year-on-year in the first half. Therefore, the second quarter had a negative impact, so the first half total was 1.4 billion yen.

Next is gross margin on sales. Because sales was lower from the high-margin TIS business, we saw a negative impact in the second quarter after having had 1.9-billion-yen increase in the first; the higher negative amount from the second quarter resulted in a first half result of negative 700 million yen.

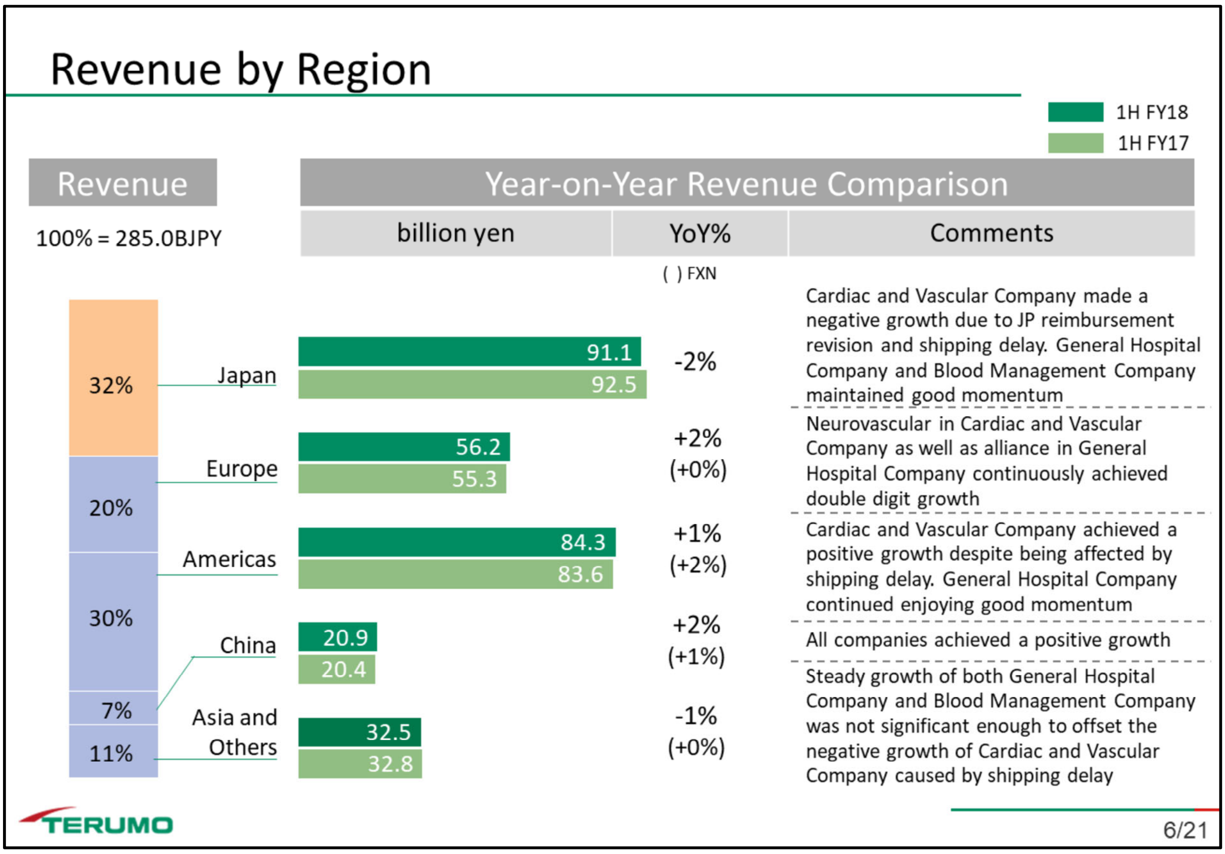
Regarding price, the impact from the reimbursement price revision was approximately as expected.

We expect 5 billion yen in annual impact from this, meaning 2.5 billion yen per half. With decreased TIS sales, also, we feel that 1.9 billion yen is within our expectation.

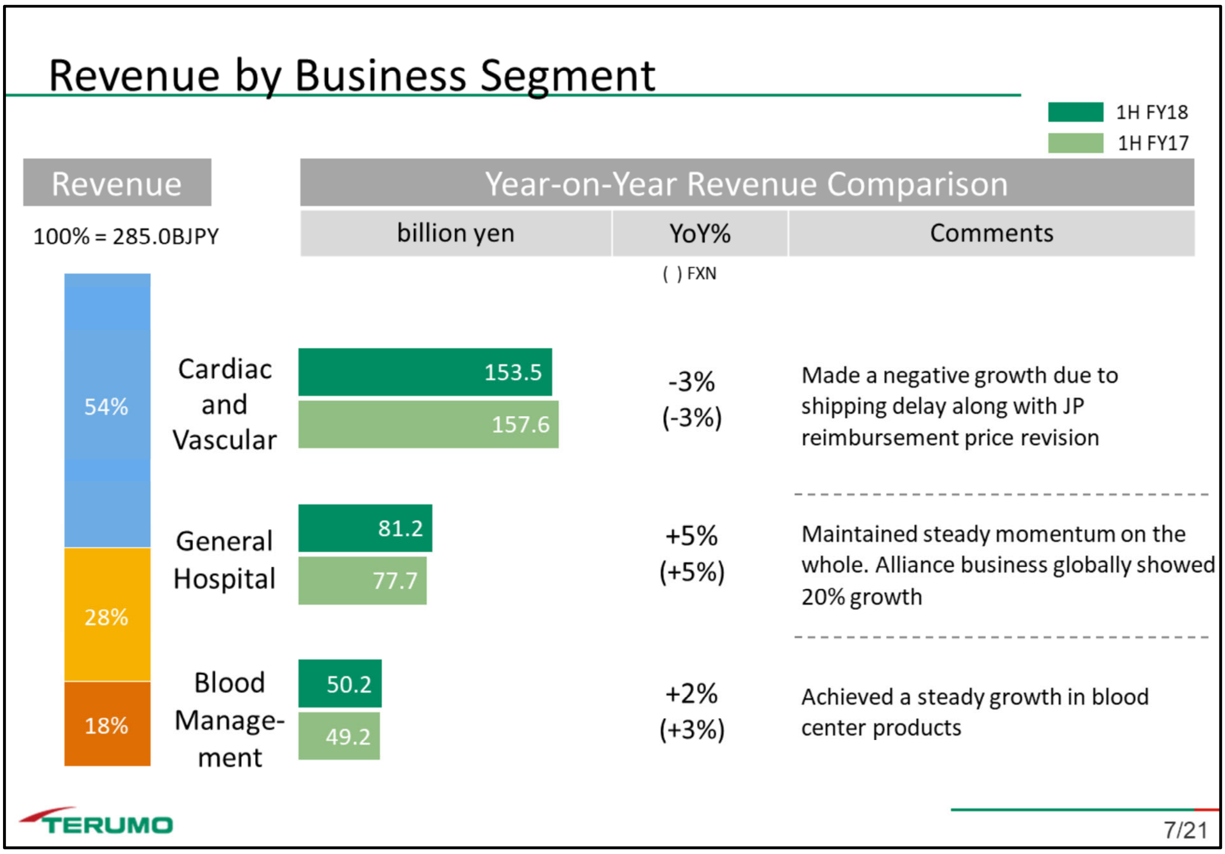
On the other hand, the impact of price change was actually positive in this case. There are various factors behind this, chief of which is that Cardiac & Vascular products were the largest factor in the expected price change impact.

The overseas Cardiac & Vascular portion is large, but because sales were reduced from that business, we did not sell at the lower prices. However, we did sell product at higher prices, meaning that the expected portion of decline in sales was actually not realized in Cardiac & Vascular. Blood Management also showed positively here; as you know, blood bag prices were reduced drastically in 2015 and 2016, but now this decline has stopped. For certain products, higher paying customers bought more within the regional mix, so that the Blood Management price overall turned out positively.

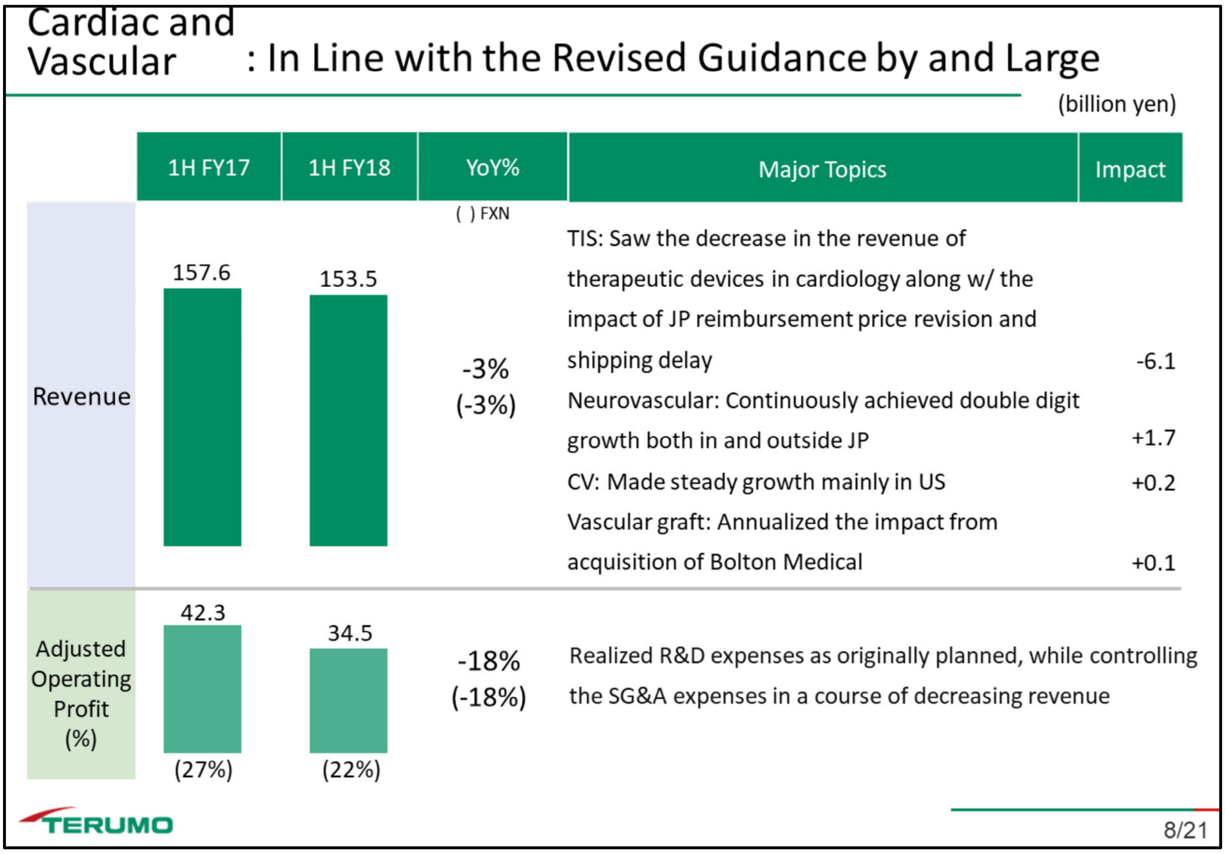
Next is SG&A and R&D spending. This is similar to the first quarter; as I explained at the beginning of this period, our plan was to increase spending, with SG&A increasing along with our launches of new products such as WEB and Relay, due to the acquisition and personnel costs that attend those. For R&D spending, beyond products, we sustain costs through the conduct of trials, etc., and the outlook we explained at the beginning of the year included a large increase in these costs. We also had the Ashitaka Factory issues, which were of a one-time nature, but R&D spending continued as planned. In SG&A, we were able to control some expenses in TIS during the second quarter, but at the same time we increased the number of personnel. Most other portions were small amounts.



Revenue by region, as you have already seen, included in Japan good growth by businesses other than Cardiac & Vascular; General Hospital grew 4% and Blood Management grew 8%. However, the Cardiac & Vascular negative impact was large, leading to an overall negative 2% result. There was impact from Cardiac & Vascular overseas as well, so while the result was positive growth, the degree of positive growth was much lower.



Results by company are as you have seen, and I will go into detail regarding those later.



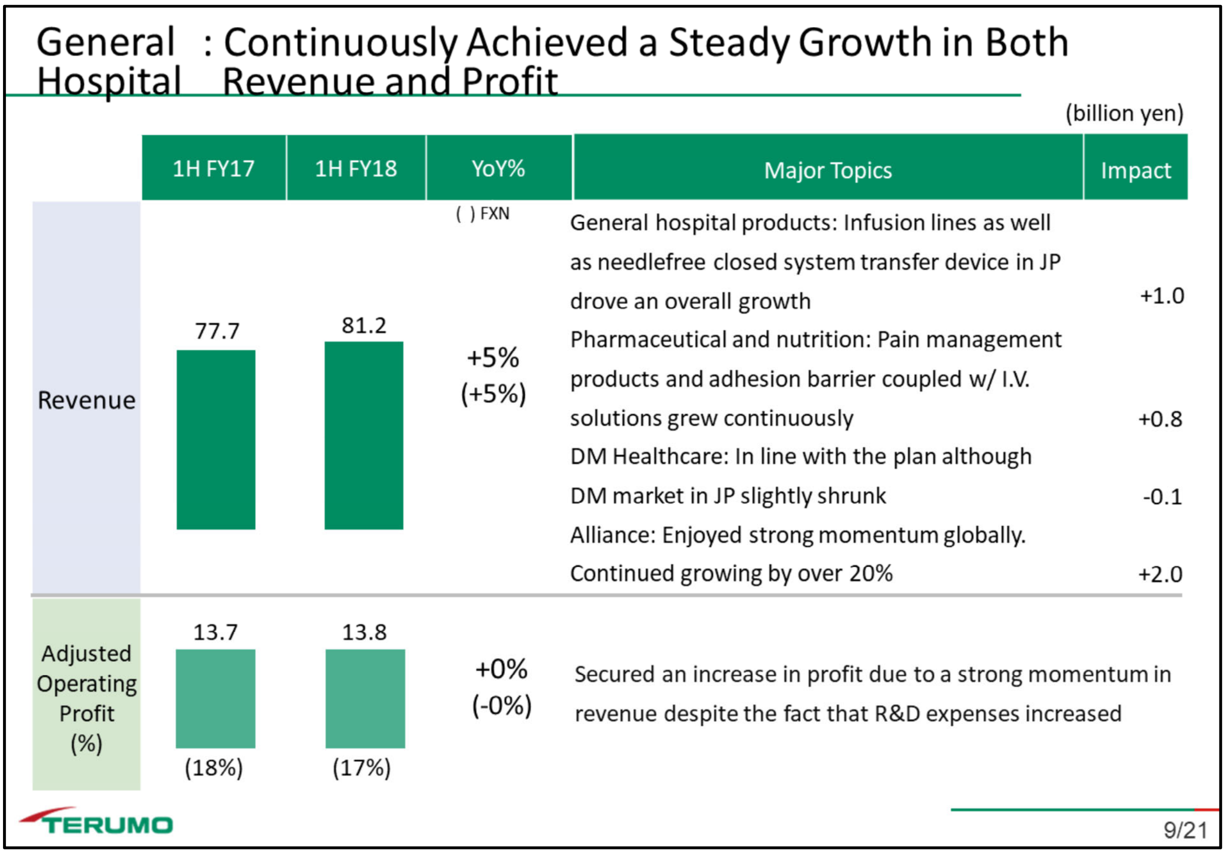
In Cardiac & Vascular, TIS was approximately as anticipated. Other areas maintained their good performance.

Neurovascular in particular continued to show double-digit growth, with its hydro coil product growing especially well.

Further, WEB also grew well, especially in Europe. SOFIA, the aspiration catheter also saw good growth, and these together combined for an overall double-digit growth result in neurovascular.

Across the Cardiac & Vascular business, there were unique factors last fiscal year, including acquisitions, consent decree completion, and others, leading to this period showing a year-on-year increase. The true nature of this quarter was steady, good growth. One thing to mention is that the Vascular Graft business showed an overall 100-million-yen positive result; this was due to the scheduled commencement next year of direct sales in Japan, which required purchasing of inventory and the building of reserve stock. As a result, Japan was negative, and outside Japan was a positive 8% year-on-year. All told, the Vascular Graft business is growing well.

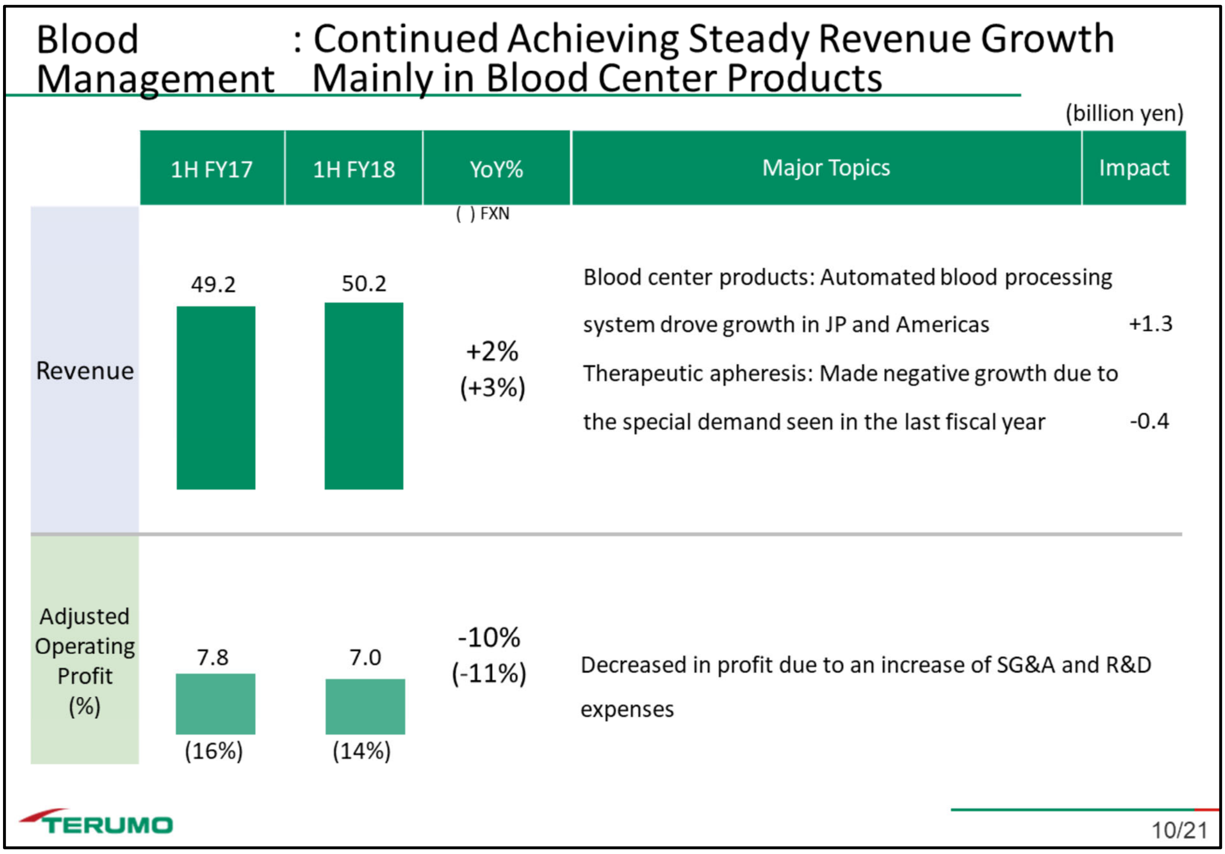
As you see here, adjusted operating profit decreased in the first half as TIS revenue declined, R&D spending proceeded as planned, and though some SG&A was controlled, there was still spending.



I think we can say that General Hospital had the best results of the three companies. As is written here, we saw healthy increases in both revenue and profit. First, in revenue, the Alliance Business in particular: Both Japan and outside Japan showed growth exceeding 20%. This is very high growth.

In pharmaceuticals, our pain management and adhesion barrier product AdSpray both grew well, driving overall growth in pharmaceuticals. All this led to 5% overall revenue growth in General Hospital.

Adjusted operating profit shows a small increase, and this is the result of our planned increase in R&D spending in the General Hospital company, somewhat absorbed by also achieving revenue growth, leading to increased profit.



Blood Management grew 1.3 billion yen, with blood center revenue growth a major driver. As we have previously mentioned, therapeutic apheresis saw special demands for new console in last fiscal year, and this year we see the return back from that which resulted in a year-on-year decrease.

Regarding adjusted operating profit, revenue and gross profit increased year-on-year, but SG&A and R&D spending increased more, resulting in decreased adjusted operating profit. The biggest factor behind SG&A was the Lakewood site, near Denver. Some products produced at the Lakewood Factory are being transferred to the Vietnam Factory.

In conjunction with that, a project is underway to increase efficiency at the Lakewood Factory. As a result, the first half included consulting fees and other long-term investments, making expenses grow significantly. However, this is also expected to lead to cost improvements from the second half onward.

In addition, R&D spending included increased government-related expenditures in the first half. This will return in the form of grants in the second half, so it can be expected that the overall effect will even out over the course of the year.

We can say that Blood Management revenue and gross profit are growing well.

Major Topics in 1H FY18

Corporate

- (CSR) Held "Terumo Junior Medical Challenge" at Terumo Medical Pranex for the first time, targeting the local junior high school students (Aug)
- Established a satellite office in Fuchu, Tokyo in a course of promoting work-style reform, and to enhance the BCP as well (Sep)

Business

- Acquired an exclusive distribution right for "Janssen" fentanyl injection anesthesia product (Jul)
- Increased the capacity of PFS production lines in alliance business: invested 7.0 BJPY for Terumo Yamaguchi D&D (Jul)
- Terumo Yamaguchi D&D gained GMP certificate from EMA for PFS production site (Jul)
- The Chinese local joint company acquired regulatory approval for peritoneal dialysis solution (Aug)
- Gained regulatory approval for "Capiox NX" next generation oxygenator in US and JP (US: Aug, JP: Sep)

TERUMO

Next is other topics, but in the interest of time I will not go into these. However, in the business area, Sato also mentioned that we had General Hospital investment, and approvals of products, etc.

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, JP, Asia: Launched
Peripheral	Stent (TRI)	★	JP, US
	PTA balloon (TRI)	★	US: Launched JP: 2H
	PTA guiding sheath (TRI)	★	US: Launched JP: 2H
	Drug coated balloon	◎ ★	Acquired CE marking
Neuro	Distal access catheter (Sofia EX)		EU, US
	Mini balloon		EU, US

Category	Products		Region
CV	Next generation of oxygenator	◎	JP, US
	Next generation of blood parameter monitoring system		EU, US, Asia: Q3
Vascular graft	TAA stent graft (low profile)	★	EU: Launched
	AAA stent graft (Anaconda w/ smaller diameter)		EU
General hospital product	Portable vascular access imaging device		JP: Launched
DM	Insulin patch pump		JP: Q4
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

TERUMO

The pipeline is as you see here.

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	13.0M shares
Dec, 2021	50.0	0.0%	3,853	5,009	13.0M shares
Total	100.0				25.9M shares

■ Status of conversion (as of Oct 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	48.30 BJPY (96.60%)	12.5M shares (3.30%)
Convertible Bonds due Dec, 2021	23.62 BJPY (47.24%)	6.1M shares (1.61%)
Total	71.92 BJPY (71.92%)	18.7M shares (4.91%)

➢ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 9.2M shares
  (as of the end of Oct. 2018, treasury stock cost per share: 3,896 JPY, % against total number of issued shares: 2.4%)

TERUMO

13/21

Finally, I want to explain a little bit about our convertible bonds. Three months ago, the amount of shares issued for conversion was 31.6 billion yen. However, in the three months since then, the amount of shares issued for conversion has increased approximately by 40 billion yen. This seems to be the result of the Terumo stock price increasing significantly during that period, leading to the parity higher than CB price.

The result of this is that almost all--96.6% of the 5-year bond that ends December 2019--has completed conversion. Also, the 7-year bond, to conclude December 2021, has converted about halfway.

With that, in this 2nd quarter, the convertible bond progressed significantly. The latest status is that Terumo stock price has high volatility; this resulted in the CB price also rising, and when the CB price rises above parity, and with the remaining amount being mostly in the 7-year bond, which has three more years, the last three or four weeks have seen things calm down. That is the convertible bond situation. This concludes my explanation. Thank you.

Reference

1H FY18 Revenue and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan: Subtotal	Europe	Americas	China	Asia	G. Total
Cardiac and Vascular	22.3 (-15%)	131.1 (+0%)	39.4 (-2%)	59.5 (+2%)	17.0 (+1%)	15.3 (-4%)	153.5 (-3%)
Out of C&V Interventional Systems*	16.8 (-17%)	105.3 (-1%)	31.3 (-1%)	45.6 (+0%)	15.8 (+1%)	12.5 (-7%)	122.1 (-3%)
General Hospital	62.8 (+4%)	18.4 (+8%)	4.5 (+12%)	4.0 (+11%)	1.2 (+15%)	8.7 (+5%)	81.2 (+5%)
Blood Manage-ment	5.8 (+8%)	44.4 (+2%)	12.3 (+4%)	20.8 (+0%)	2.6 (-1%)	8.5 (+4%)	50.2 (+3%)
G. Total	91.1 (-2%)	193.9 (+1%)	56.2 (+0%)	84.3 (+2%)	20.9 (+1%)	32.5 (+0%)	285.0 (+0%)

*Including Neurovascular business

(YoY%): FXN

TERUMO

Operating Expenses

(billion yen)

	1H FY17	1H FY18	YoY	YoY%	YoY% (FXN)
Salaries & Wages	41.1	43.3	+2.2	+5%	+5%
Sales Promotion	8.0	8.7	+0.7	+8%	+8%
Logistical Costs	6.1	6.6	+0.5	+8%	+8%
Depreciation & Amortization	6.9	6.9	-0.0	-0%	+0%
Others	19.4	21.6	+2.2	+11%	+11%
SG&A Expenses Total	81.4 (28.6%)	87.0 (30.5%)	+5.6	+7%	+7%
R&D Expenses	18.3 (6.4%)	23.8 (8.3%)	+5.5	+30%	+30%
Operating Expenses Total	99.7 (35.0%)	110.7 (38.8%)	+11.0	+11%	+11%

TERUMO

Quarterly Results

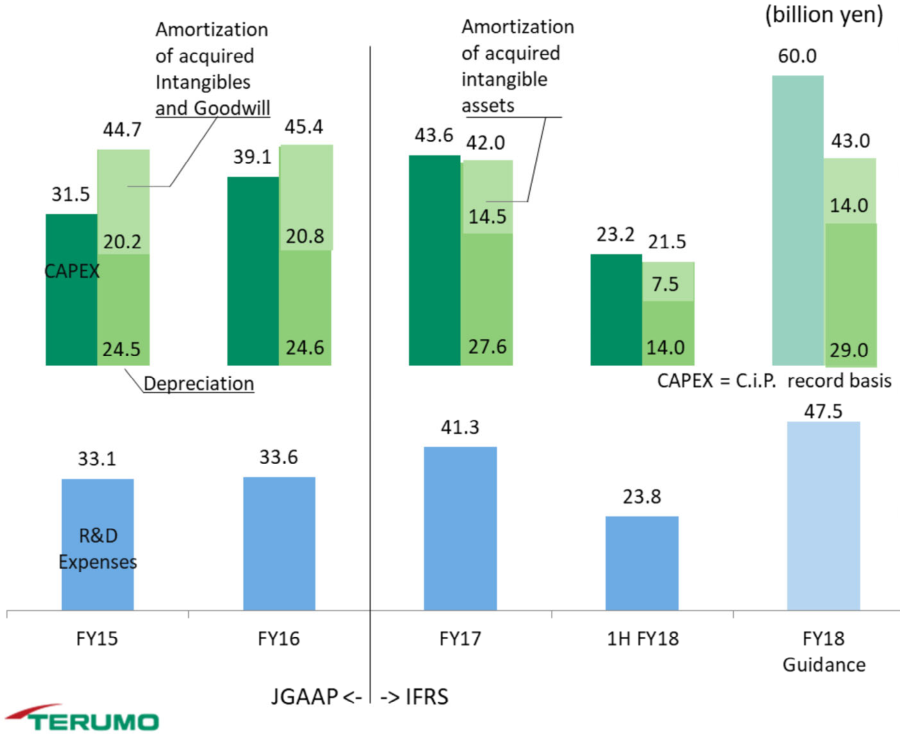
(billion yen)

	FY17 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY18 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Revenue	145.3	152.3	150.8	143.0	142.0
Gross Profit	79.5 (54.7%)	83.2 (54.6%)	80.7 (53.5%)	79.9 (55.8%)	74.7 (52.6%)
SG&A Expenses	41.2 (28.4%)	43.8 (28.7%)	45.9 (30.4%)	43.5 (30.4%)	43.5 (30.5%)
R&D Expenses	9.8 (6.7%)	10.7 (7.0%)	12.4 (8.2%)	11.3 (7.9%)	12.4 (8.8%)
Other income and Expenses	0.2	0.6	-0.4	0.8	2.9
Operating Profit	28.7 (19.8%)	29.4 (19.3%)	22.0 (14.6%)	25.9 (18.1%)	21.7 (15.3%)
Adjusted Operating Profit	32.8 (22.6%)	32.7 (21.5%)	27.4 (18.1%)	30.5 (21.4%)	24.8 (17.4%)

Average Exchange Rate						
	USD	111 yen	113 yen	108 yen	109 yen	111 yen
	EUR	130 yen	133 yen	133 yen	130 yen	130 yen

TERUMO

CAPEX and R&D Expenses



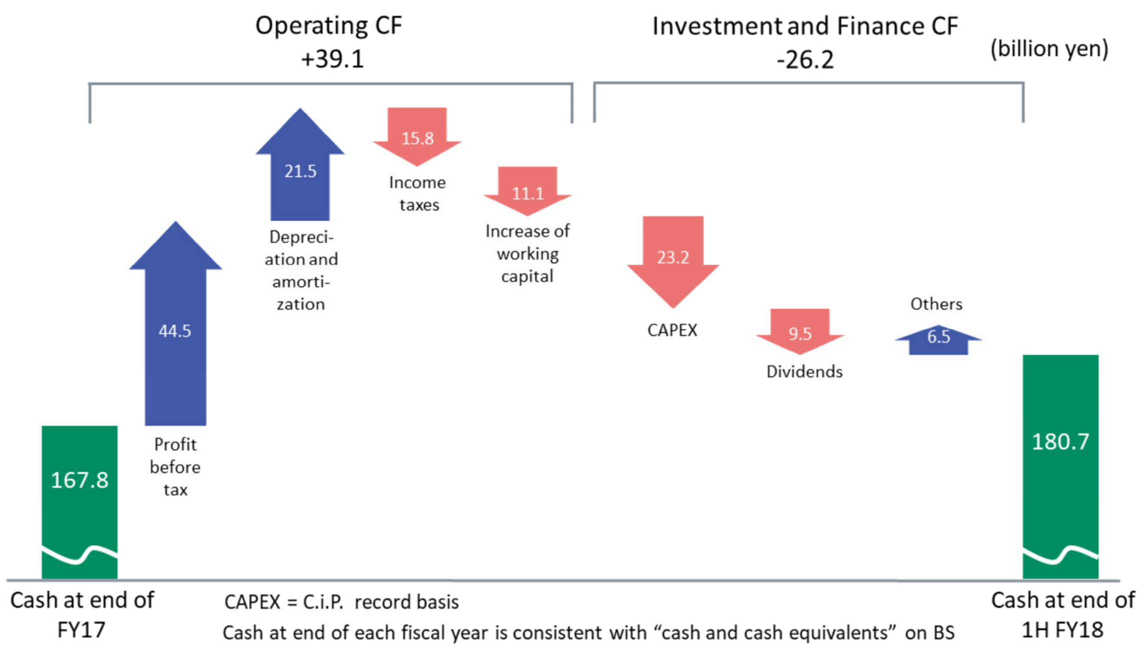
- Expand investment in production capacity and space as well as IT infrastructure in FY18
- IFRS basis from FY17
  - ➢Include intangible assets except for acquired ones, and capitalized development expenses

- Further promote R&D activities mainly for TIS, neurovascular and Blood Management Company
- Capitalized development expenses are included in CAPEX

FY17 :0.8 BJPY
1H FY18 :0.9 BJPY
FY18 guidance :2.1 BJPY

TERUMO

Cash Flow



CAPEX = C.i.P. record basis

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

TERUMO

Foreign Exchange Sensitivity

Annual impact of one-yen depreciation (billion yen)

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

<Reference> Impact when yen is depreciated by 10%

	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

TERUMO

IR Contact

Terumo Corporation

Corporate Communication (IR) Dept.

E-mail: kouhou_terumo01@terumo.co.jp

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.