

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

Terumo Corporation
Managing Executive Officer
Kazuaki Kitabatake

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On Course for Recovery with Normalized Shipment

(billion yen)

| | FY17 Q3YTD | FY18 Q3YTD | YoY% | YoY% (FXN) |
|----------------------------------|---------------|---------------|------|------------|
| Revenue | 437.0 | 443.6 | +2% | +2% |
| Gross Profit | 238.6 (54.6%) | 242.2 (54.6%) | +1% | +2% |
| SG&A Expenses | 125.2 (28.7%) | 132.0 (29.8%) | +5% | +6% |
| R&D Expenses | 28.9 (6.6%) | 36.0 (8.1%) | +25% | +25% |
| Other Income and Expenses | 2.0 | 4.4 | - | - |
| Operating Profit | 86.6 (19.8%) | 78.5 (17.7%) | -9% | -8% |
| Adjusted Operating Profit | 97.6 (22.3%) | 91.2 (20.6%) | -7% | -6% |
| Profit before Tax | 85.6 (19.6%) | 75.0 (16.9%) | -12% | |
| Profit for the Year | 77.0 (17.6%) | 56.5 (12.7%) | -27% | |

Average Exchange Rate USD 112 yen 111 yen

 EUR 129 yen 129 yen

- Revenue: All companies achieved positive growth. General Hospital Company maintained a steady momentum. Cardiac and Vascular Company recovered from shipping delays
- Adjusted operating profit: A recovered momentum in revenue diminished a decrease in profit
- Profit before tax: Posted FX loss of 3.2 BJPY in FY18 Q3, while posted gain of 0.2 BJPY in FY17 Q3
- Profit for the year: US tax reform temporarily increased the profit in FY17 Q3YTD (15.1 BJPY)



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I, Kitabatake, will now explain the financial results for the third quarter of the fiscal year ending March 31, 2019.

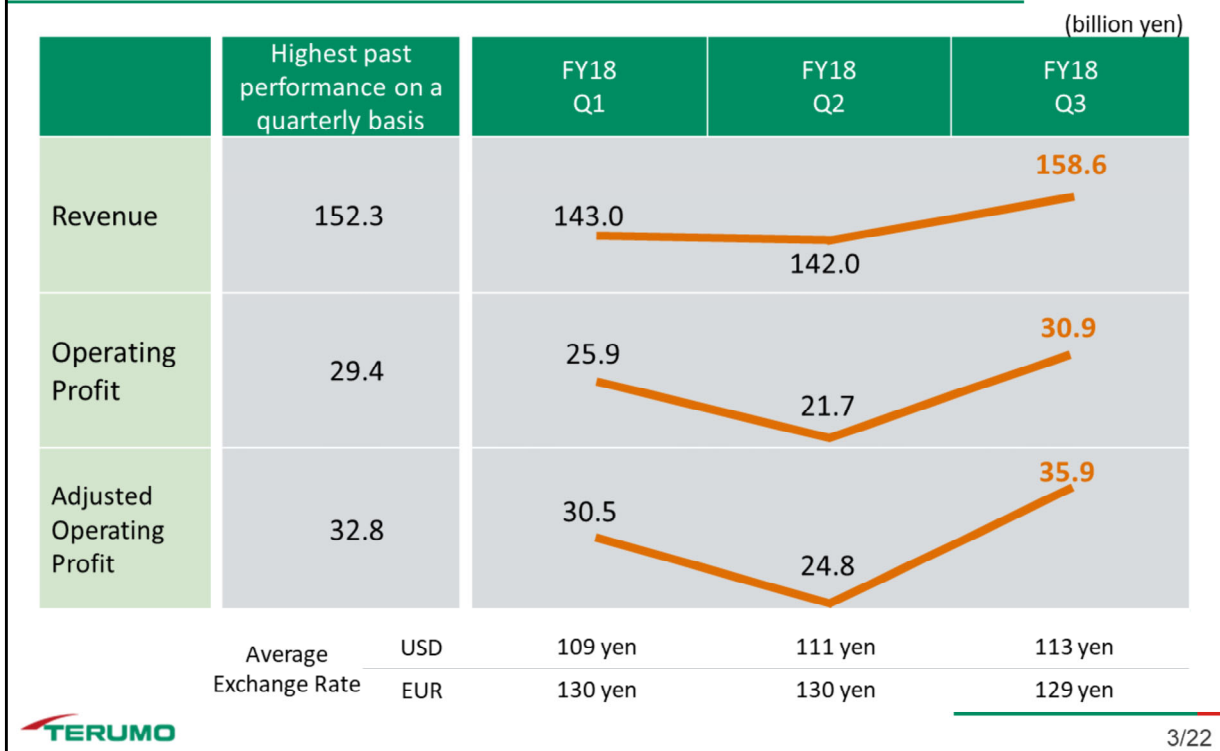
This first slide shows the overall results; the Ashitaka Factory shipping delay issue has been resolved, and third quarter performance was good. This has also resulted in our year-to-date performance recovering. I will now comment in more detail.

First, in revenue: Revenue was growing at 0% year-to-date in the first half, but is now at 2% year-on-year growth.

Gross profit turned to positive growth, and most other profit measures greatly reduced their negative growth percentages. The only exception was profit for the year; we saw an increase in the negative growth percentage, but this is due to the third quarter of the previous fiscal year including a one-time extraordinary gain due to the US corporate tax reform. Excluding that, the negative growth percentage decreased in the third quarter like the other profit measures.

Therefore, the good overall third-quarter performance showed a return toward recovery.

Achieved Highest-ever Performance on a Quarterly Basis



This next slide explains in more detail the third quarter standalone results.

It shows the revenue, operating profit, and adjusted operating profit of the first, second, and third quarters of this fiscal year, FY2018.

The shipping delays at Ashitaka caused a large decrease in the second quarter, but in the third quarter, revenue and profit both grew significantly, beating even the first quarter, which was largely unaffected by the delays.

The column on the left shows the previous best-ever numbers in a single quarter for the respective measures; each was from FY2017, but we see that this recent third quarter exceeded all three categories of revenue, operating profit, and adjusted operating profit.

Revenue was 4% above the best ever, and adjusted operating profit was 10% above the best ever.

In Line with the 2H FY18 Guidance

(billion yen)

| | 2H FY18 Guidance | FY18 Q3 Results | Progress Rate |
|------------------------------|---------------------|--------------------|------------------|
| Revenue | 315.0 | 158.6 | 50% |
| Operating Profit | 60.0 | 30.9 | 51% |
| Adjusted Operating Profit | 67.0 | 35.9 | 54% |
| Profit for the Year | 44.0 | 22.0 | 50% |

| | | | |
|---------------|-----|---------|---------|
| Average | USD | 105 yen | 113 yen |
| Exchange Rate | EUR | 130 yen | 129 yen |



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The next slide shows our progress toward second half guidance.

I just mentioned that the third quarter result were our best ever for a single quarter. However, our progress toward second half guidance is at exactly 50% for revenue and profit for the year. Operating profit and adjusted operating profit are slightly past halfway.

In most years, SG&A and R&D expenses tend to increase in the fourth quarter, and this fiscal year, there will also be elevated spending related to the new European MDR regulation. Therefore, we know that it will not be easy to achieve our annual guidance. However, we will do everything we can to maximize the momentum of the third quarter toward achieving our FY2018 guidance.

Adjusted Operating Profit: Adjustments

(billion yen)

| | FY17 Q3YTD | FY18 Q3YTD |
|---|------------|------------|
| 1. Amortization of acquired intangible assets | 10.5 | 11.0 |
| 2. Temporary gain and loss* | 0.5 | 1.7 |
| Adjustment | 11.0 | 12.7 |

*Adjusted items

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

| Adjusted item | Adjustment |
|---|------------|
| Milestone payment for WEB in Neurovascular (-2.0) | +2.0 |
| 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 |
| Loss on disposal of non-current assets (-0.6) | +0.6 |
| M&A advisory fees (-0.4) | +0.4 |



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The next slide details the specific adjustments that result in adjusted operating profit.

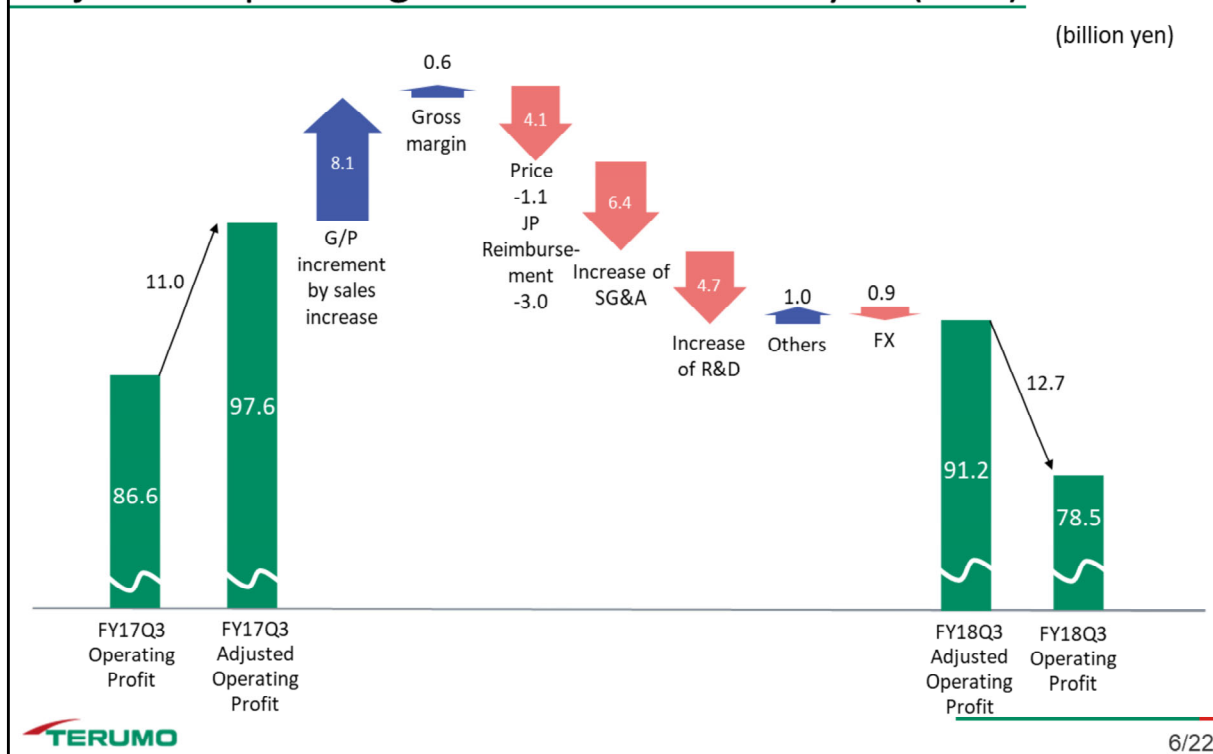
The major adjustment item is amortization of acquired intangible assets. Temporary gains and losses are shown in detail in the bottom-right chart, with four of the items having already been discussed in our first half earnings announcement.

Regarding WEB milestone payments, we increased the adjustment amount by 300 million yen because we have ascertained FDA PMA approval date. However, this payment was already made in January, and there will be no further increase or decrease.

There are two new adjustment items: One is loss on disposal of non-current assets. This is the total of several items. One example of this is the disposal of equipment from Fujinomiya Factory which became unneeded with the transfer of blood bag production to Vietnam.

The other is M&A advisory fee which we incurred in the acquisition of Essen Technology.

Adjusted Operating Profit Variance Analysis (IFRS)



This next slide shows the adjusted operating profit income variance analysis.

It includes the adjustments that we saw on the previous slide; the adjustment amount in FY17 was 11.0 billion yen. The adjustment amount in FY18 was 12.7 billion yen. The other factors of profit variance are shown on the graph between those adjustments. The two positive factors shown in blue on the left reflect the significant restoration of performance in the quarter.

Gross profit improvement by sales increase jumped from 1.4 billion yen in the first half to 8.1 billion yen in the third quarter.

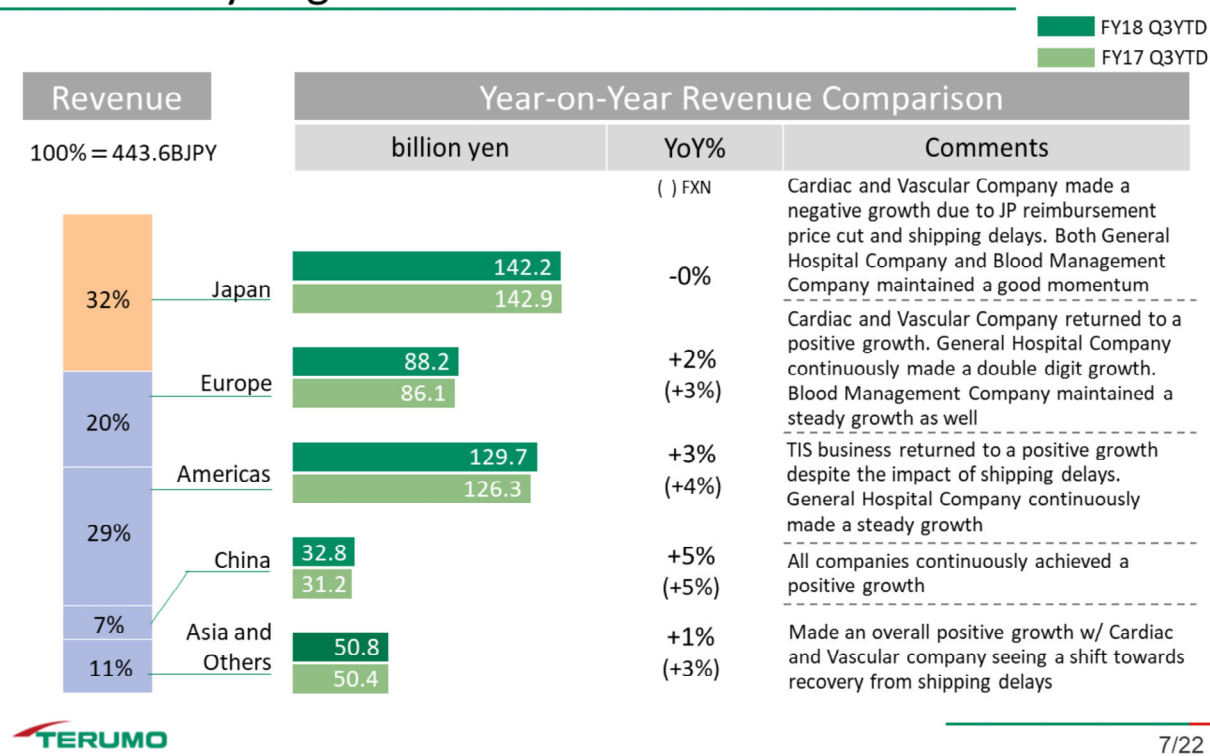
Gross margin was negative 700 million yen as of the end of the first half, but increased up to 600 million yen in the third quarter.

In price, the impact of the Japanese reimbursement price revision was in line with usual level as we expected. However, other price impacts, which had been positive in the first half, instead had a negative 1.1 billion-yen impact. This was the result of restored TIS business sales which had been delayed. With the TIS business recovering, the price impact came close to the level we originally expected. Because TIS products bear the highest price decline impact, restoration of those sales resulted in this negative overall effect.

In SG&A and R&D expenses, we were seeing a large year-on-year increase in the first half. However, these items grew significantly in the second half of the previous fiscal year, so their year-on-year growth shrank in the third quarter.

The last item here is FX impact: Impact was zero up to the first half, but we saw a negative 900-million-yen impact in the third quarter. The reason for the impact was the depreciation of emerging market currencies in Europe, the Americas, and Asia.

Revenue by Region

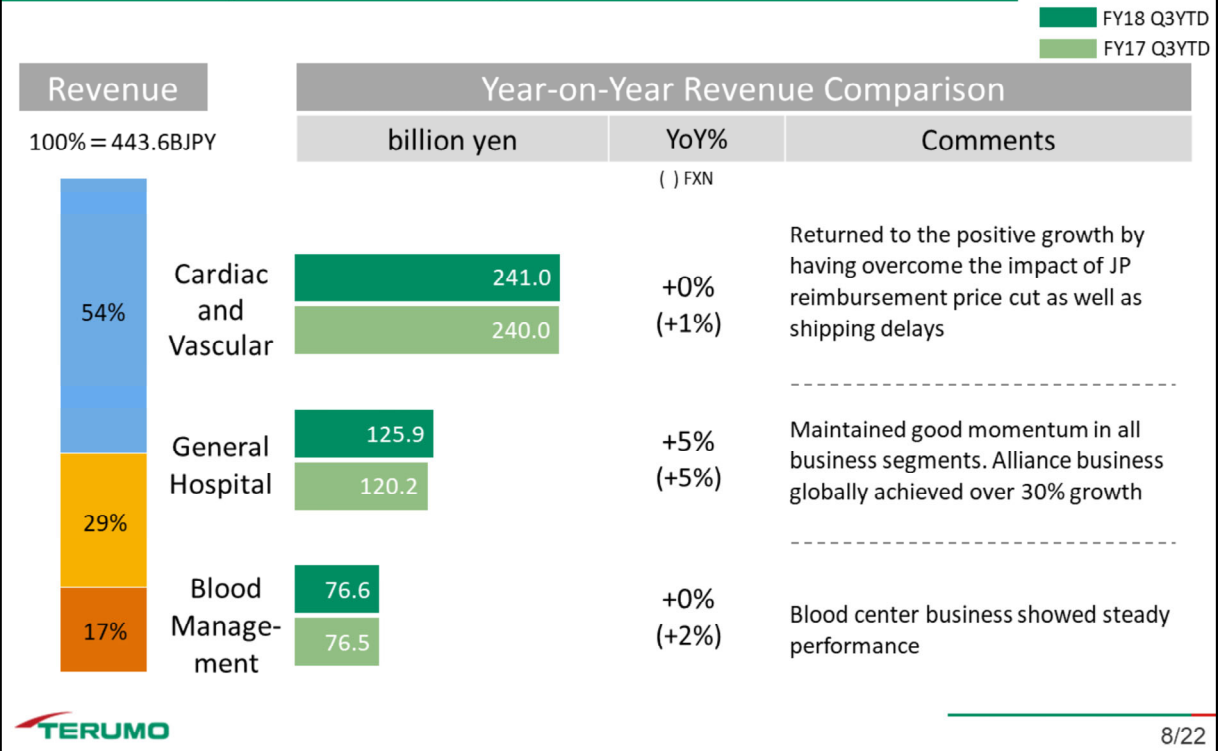


The next slide shows revenue by region.

In Japan, in addition to the General Hospital and Blood Management companies continuing to perform well, the Cardiac and Vascular Company started recovering; this brought year-on-year results back to positive, and year-to-date from -2% progress back to flat in the third quarter.

Outside Japan, the TIS recovery resulted in increases, but all markets except China saw negative FX impact due to the depreciation of emerging market currencies.

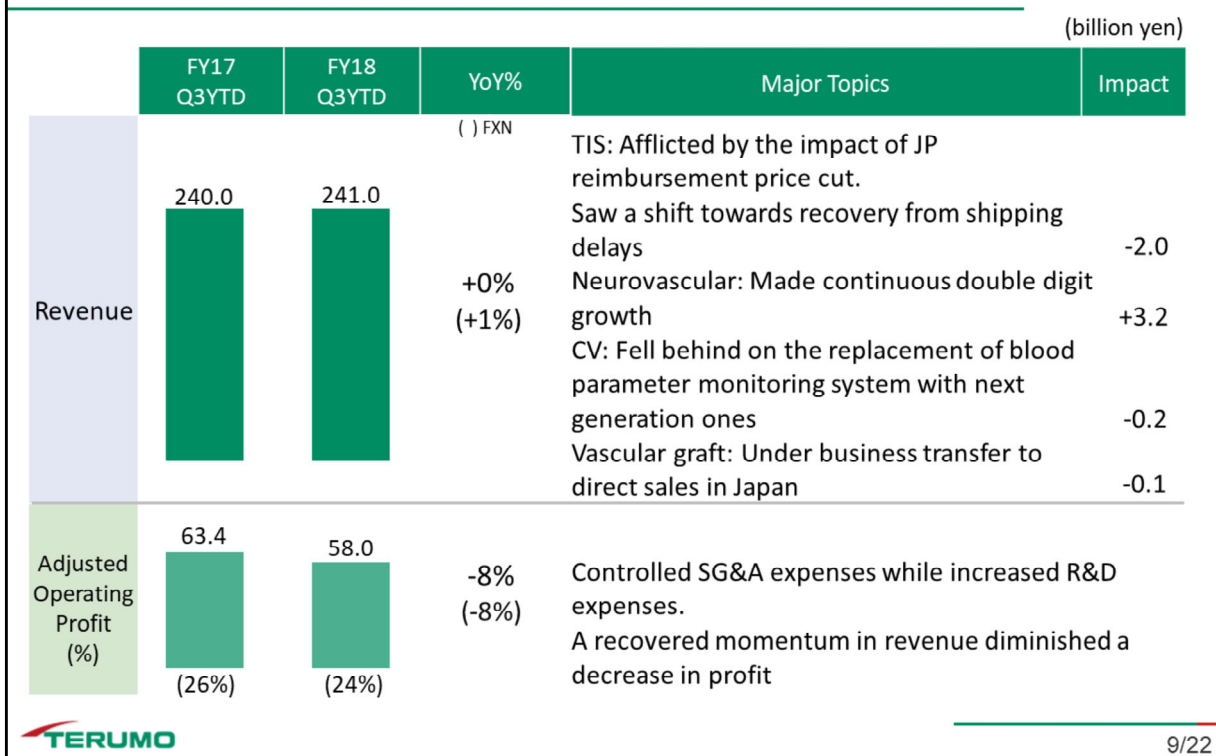
Revenue by Business Segment



The next slide shows revenue by company.

Cardiac and Vascular Company, which had been negative 3% in the first half, turned positive in the third quarter. General Hospital Company continued to show strong results. Blood Management was most affected of all three companies by FX impacts. This was due to the emerging market currencies I mentioned, as well as the negative impact of high production volume on a US dollar basis and high euro sales.

Cardiac and Vascular : Returned to a Positive Growth in Revenue



Next, I will explain company results in detail.

First, Cardiac and Vascular Company: In the TIS business, the negative year-on-year amount shrank significantly after the much tougher first half. Year-on-year growth returned to positive outside Japan. In Neurovascular, hydrogel coil for aneurysm and aspiration catheter for ischemic stroke were drivers as the business continued its double-digit growth. In addition, the WEB product received FDA PMA approval at the end of December.

In the CV business, we were slightly negative, but this was due to the replacement of the blood parameter monitoring system with its next-generation product falling behind, and we expect it to catch up in the fourth quarter.

In the vascular graft business, we had a slight negative result due to a transition to direct sales in Japan.

The negative growth in adjusted operating profit was greatly shrunk as a result of controlling SG&A expenses, while R&D expenditures increased.

General Hospital : Achieved an Increase in Revenue and Profit with Continuous Steady Growth

(billion yen)

| | FY17 Q3YTD | FY18 Q3YTD | YoY% | Major Topics | Impact |
|-------------------------------|---------------|---------------|--------------|---|--|
| Revenue | 120.2 | 125.9 | +5% (+5%) | General hospital product: Saw a steady growth in infusion lines as well as needlefree closed system transfer device in Japan Pharmaceutical and nutrition: Made a double digit growth in I.V. solutions and pain management products Sales expansion for adhesion barrier DM Healthcare: DM business achieved a steady growth Alliance: Made over 30% growth both in- and outside Japan | +0.9 +1.0 +0.1 +3.8 |
| Adjusted Operating Profit (%) | 21.2 (18%) | 22.3 (18%) | +5% (+5%) | Revenue growth of high value-added products contributed to an increase in overall profit in spite of a rise in R&D expenses | |

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Next is General Hospital Company: Inside and outside Japan, and in all businesses, we saw a continuation of strong results, especially in the alliance business.


In adjusted operating profit, general hospital company maintained a very high 18%; this is thanks to strong revenue growth in high-value-added products.

Blood Management : Made Steady Growth in Line with the Guidance

| | FY17 Q3YTD | FY18 Q3YTD | YoY% | Major Topics | Impact |
|-------------------------------|---------------|---------------|---------------|--|--------------|
| Revenue | 76.5 | 76.6 | +0% (+2%) | Blood center products: Automated Blood Processing System mainly drove overall growth in- and outside Japan Therapeutic apheresis: Made a negative growth due to the special demand seen in the last fiscal year | +1.3 -1.4 |
| Adjusted Operating Profit (%) | 12.2 (16%) | 10.9 (14%) | -11% (-8%) | Decreased in profit due to an increase in SG&A and R&D expenses | |

(billion yen)

() FXN



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Next is Blood Management Company. The company's year-on-year adjusted operating growth was negative, and there are three negative factors currently at play: One is the year-on-year difference resulting from a large, one-time therapeutic apheresis sale that happened in the previous year but not this year. The transaction was around 2 billion yen, and the impact in year-to-date the third quarter of FY2018 was negative 1.4 billion yen year on year.

SG&A and R&D increased with investments in future prospects, continuing the trend we saw in the first half. Added to these in the third quarter was the aforementioned negative FX impact. When excluding the FX impact, this year-on-year impact of therapeutic apheresis one-time demand in FY2017 and SG&A increase were included in our original plan, and we will see improvement in the fourth quarter as those items go away.

Major Topics in FY18Q3

Corporate

- Has received “GOOD DESIGN AWARD” for twenty three consecutive years with the award in FY2018 for five products (Oct)



Adhesion barrier gel
“AdSpray”



State-changeable nutrient formula
“Mermed One”



Insulin patch pump
“MEDISAFE WITH”



Blood Glucose
Monitoring System
“MEDISAFE FIT Pro II”



Endovascular intervention
system for radial access
“R2P”

Business

- Received GMP certificate from US-FDA for Premixed Intravenous solutions (Nov)
- Launched “Ryurei” PTCA balloon in Japan (Dec)
- The biosimilar pre-filled in “PLAJEX” prefillable syringe was introduced in EU (Dec)
- Gained a regulatory approval in Japan for aspiration catheter “SOFIAFLOW Plus” for ischemic stroke (Dec)
- Acquired an exclusive distribution right in Japan for stent retriever “Tron FX” for ischemic stroke (Dec)
- Gained a PMA approval in US for “WEB” Novel Intracascular Aneurysm Treatment Device (Dec)



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The next slide shows major topics. As a group, Terumo has won a Good Design Award for 23 consecutive years, and this year we received it for a record five products.

By business, the Ryurei PTCA balloon was launched, further boosting sales of the Ultimaster Tansei. We also received FDA PMA approval for WEB, a new neurovascular product, which will provide to further revenue growth contributions.

New Products Pipeline in FY18

| Category | Products | Region | Launch | Category | Products | Region | Launch |
|------------|---|--------------|----------|--|--|---|--------------|
| Access | Closure device for distal radial approach | JP | FY19 | CV | Next generation of oxygenator | EU, US | Q4 |
| | | | | | | JP | FY19 |
| Coronary | PTCA balloon | US | Launched | Vascular graft | Next generation of blood parameter monitoring system | EU, US, Asia | Launched |
| | PTCA balloon | JP | Launched | | | TAA stent graft (low profile) | EU |
| | DES (Ultimaster Tansei) | EU, JP, Asia | Launched | AAA stent graft (Anaconda w/ smaller diameter) | EU | Launched | |
| Peripheral | Stent (TRI) | JP, US | FY19 | General hospital product | Portable vascular access imaging device | JP | Launched |
| | PTA balloon (TRI) | JP, US | Launched | DM | Insulin patch pump | JP | FY19 1H |
| | PTA guiding sheath (TRI) | JP, US | Launched | Blood Management | New software for automated blood collection system | EU, US, Asia | Launched |
| | Drug coated balloon | EU | FY19 | | | New disposable kits for automated blood component processing system | EU, US, Asia |
| Neuro | Distal access catheter (Sofia EX) | EU, US | FY19 1H | | | | |
| | Mini balloon | EU, US | FY19 1H | | | | |



The last slide is our new product pipeline in FY2018.

Most products remain on schedule, with a few experiencing delays resulting from the shipping delays at Ashitaka Factory; these may end up released in FY19.

Thank you for your attention.

Reference

Quarterly Results

(billion yen)

| | FY17Q3 (Oct-Dec) | Q4 (Jan-Mar) | FY18Q1 (Apr-Jun) | Q2 (Jul-Sep) | Q3 (Oct-Dec) |
|------------------------------|---------------------|-----------------|---------------------|-----------------|-----------------|
| Revenue | 152.3 | 150.8 | 143.0 | 142.0 | 158.6 |
| Gross Profit | 83.2 (54.6%) | 80.7 (53.5%) | 79.9 (55.8%) | 74.7 (52.6%) | 87.6 (55.2%) |
| SG&A Expenses | 43.8 (28.7%) | 45.9 (30.4%) | 43.5 (30.4%) | 43.5 (30.5%) | 45.0 (28.4%) |
| R&D Expenses | 10.7 (7.0%) | 12.4 (8.2%) | 11.3 (7.9%) | 12.4 (8.8%) | 12.3 (7.7%) |
| Other income and Expenses | 0.6 | - 0.4 | 0.8 | 2.9 | 0.6 |
| Operating Profit | 29.4 (19.3%) | 22.0 (14.6%) | 25.9 (18.1%) | 21.7 (15.3%) | 30.9 (19.5%) |
| Adjusted Operating Profit | 32.7 (21.5%) | 27.4 (18.1%) | 30.5 (21.4%) | 24.8 (17.4%) | 35.9 (22.6%) |

| | | | | | | |
|-----------------------------|-----|---------|---------|---------|---------|---------|
| Average Exchange Rate | USD | 113 yen | 108 yen | 109 yen | 111 yen | 113 yen |
| | EUR | 133 yen | 133 yen | 130 yen | 130 yen | 129 yen |



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FY18 Q3 Revenue and Growth by Region

(billion yen)

| Business Segment | Japan | Outside of Japan | | | | | G. Total |
|------------------------------------|----------------|------------------|---------------|----------------|---------------|---------------|----------------|
| | | Subtotal | Europe | Americas | China | Asia | |
| Cardiac and Vascular | 35.4 (-13%) | 205.6 (+4%) | 62.3 (+2%) | 91.9 (+5%) | 26.7 (+5%) | 24.7 (+3%) | 241.0 (+1%) |
| Out of C&V Interventional Systems* | 26.6 (-14%) | 166.6 (+4%) | 50.1 (+2%) | 71.1 (+6%) | 24.9 (+5%) | 20.6 (+3%) | 193.2 (+1%) |
| General Hospital | 97.8 (+4%) | 28.1 (+8%) | 7.0 (+13%) | 6.2 (+10%) | 1.9 (+15%) | 13.1 (+3%) | 125.9 (+5%) |
| Blood Management | 9.0 (+7%) | 67.6 (+1%) | 18.9 (+3%) | 31.6 (-0%) | 4.2 (+2%) | 12.9 (+4%) | 76.6 (+2%) |
| G. Total | 142.2 (-0%) | 301.4 (+4%) | 88.2 (+3%) | 129.7 (+4%) | 32.8 (+5%) | 50.8 (+3%) | 443.6 (+2%) |

*Including Neurovascular business

(YoY%): FXN



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Operating Expenses

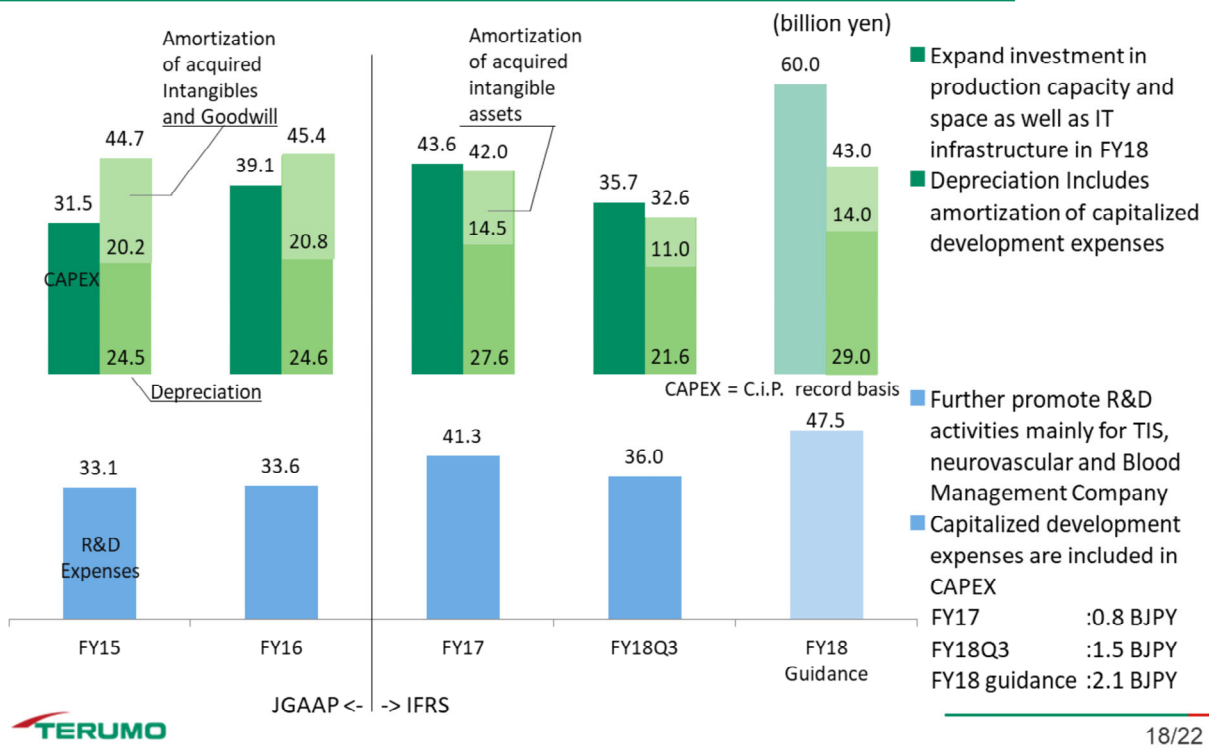
(billion yen)

| | FY17 Q3YTD | FY18 Q3YTD | YoY | YoY% | YoY% (FXN) |
|---------------------------------|-------------------------|-------------------------|--------------|-------------|---------------|
| Salaries & Wages | 62.6 | 65.5 | +2.9 | +5% | +5% |
| Sales Promotion | 12.6 | 13.3 | +0.7 | +6% | +6% |
| Logistical Costs | 9.4 | 10.1 | +0.7 | +7% | +8% |
| Depreciation & Amortization | 10.6 | 10.4 | -0.2 | -1% | -1% |
| Others | 30.0 | 32.7 | +2.7 | +9% | +9% |
| SG&A Expenses Total | 125.2 (28.7%) | 132.0 (29.8%) | +6.8 | +5% | +6% |
| R&D Expenses | 28.9 (6.6%) | 36.0 (8.1%) | +7.1 | +25% | +25% |
| Operating Expenses Total | 154.1 (35.3%) | 168.0 (37.9%) | +13.9 | +9% | +10% |

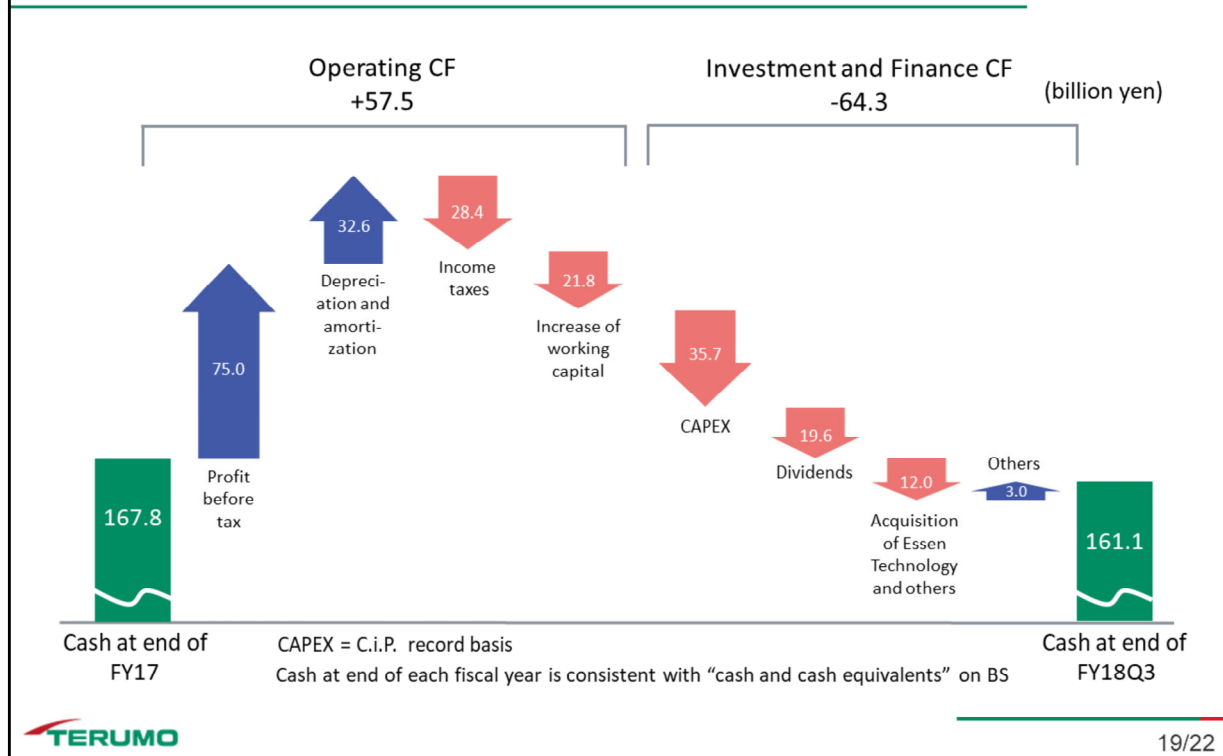
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CAPEX and R&D Expenses



Cash Flow



Essen等買収は、連結CF計算書と整合させているため、実際支払い額と乖離。実際支払い額は879M元 × 0.9 = 791.1M元(10%はエスクロ-)、AR換算(16.6)すると13,132M。ここからEssen保有Cashを差し引いた額11,277MがCF数値。残り753MはVAKが買収したSerom分で、Essenと同様の原理で計算。

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 |

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 Jan 31, 2019)

| 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 | 48.94 BJPY (97.88%) | 12.7M shares (3.34%) |
| Convertible Bonds due Dec, 2021 | 23.62 BJPY (47.24%) | 6.1M shares (1.61%) |
| Total | 72.56 BJPY (72.56%) | 18.8M shares (4.96%) |

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 8.9M shares
(as of the end of Jan. 2019, treasury stock cost per share: 3,897 JPY, % against total number of issued shares: 2.3%)



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 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.