



# Financial Results for the First Half of the Fiscal Year Ending March 31, 2016 (FY2015)

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# Overview: Double Digit Growth Both in Sales and Profit

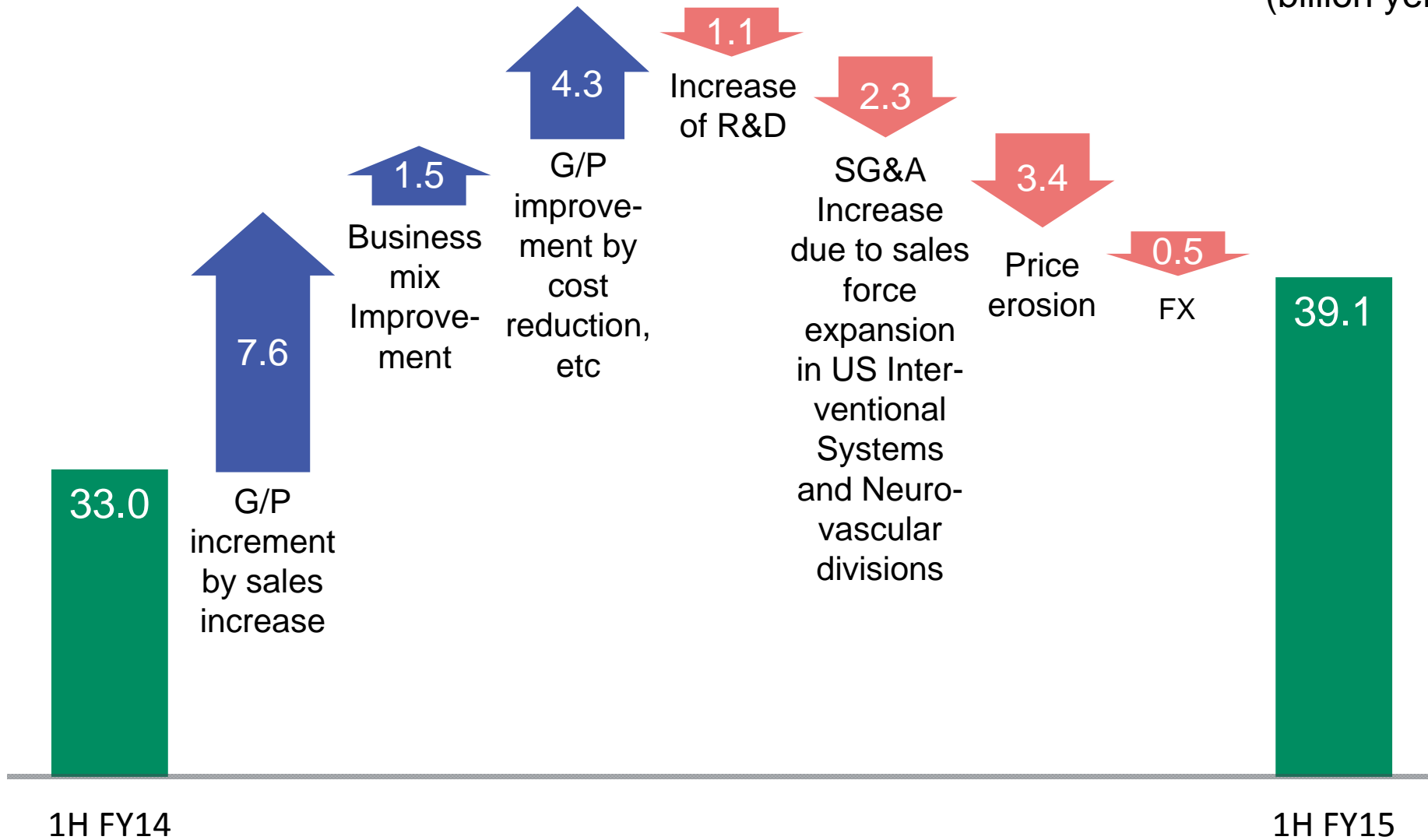
(billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Net Sales	233.3	259.2	+11%	+5%
Gross Profit	122.9 (52.7%)	139.4 (53.8%)	+13%	+8%
SG&A Expenses	76.3 (32.8%)	84.4 (32.6%)	+10%	+3%
R&D Expenses	13.6 ( 5.8%)	15.9 ( 6.1%)	+17%	+8%
Operating Income	33.0 (14.1%)	39.1 (15.1%)	+19%	+20%
(Excl. Amortization)	41.3 (17.7%)	49.3 (19.0%)	+19%	+16%
Ordinary Income	34.0 (14.6%)	35.8 (13.8%)	+ 5%	
Net Income	21.9 ( 9.4%)	27.0 (10.4%)	+23%	
Average Exchange Rate	US\$ 103 yen EUR 139 yen	122 yen 135 yen		

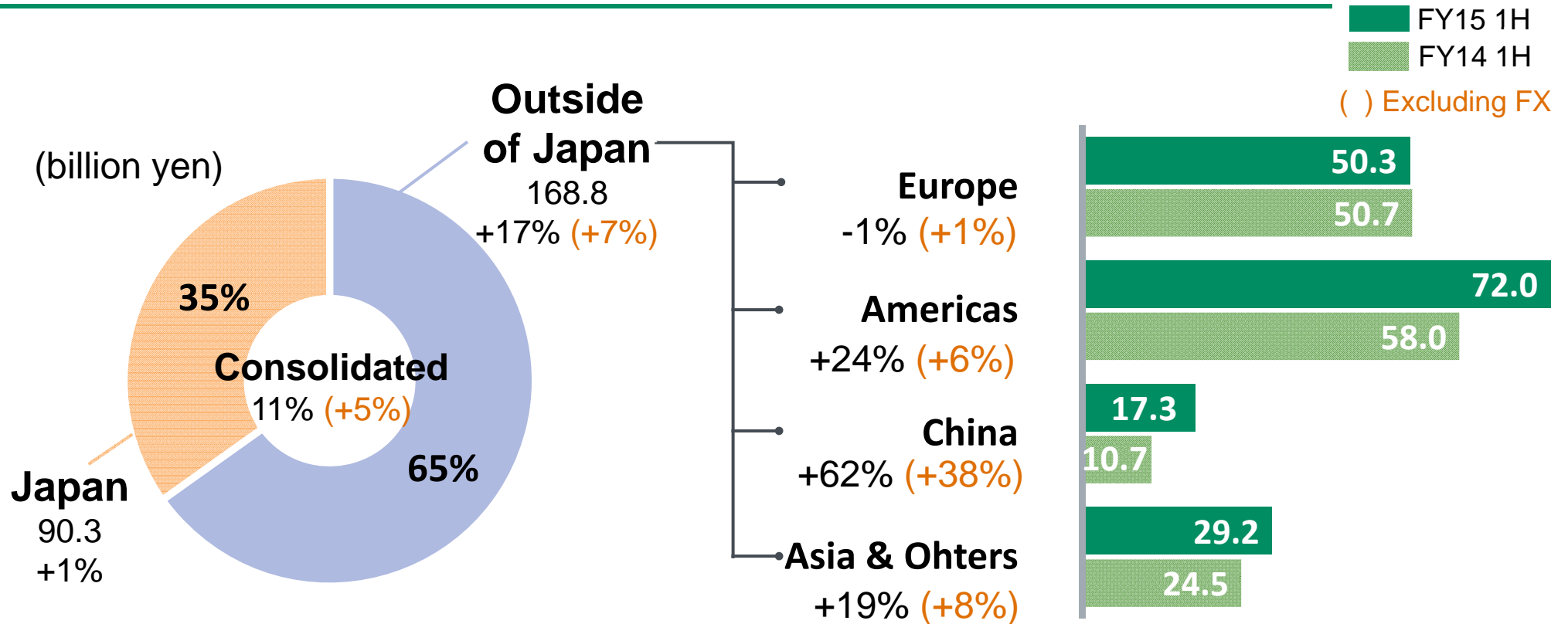
- Sales: sustain solid performance for all companies. Overseas IS and neurovascular, especially in US, drove the corporate growth
- Operating income: the gross profit growth driven by sales expansion exceed the expense growth
- Ordinary income: posted a FX loss of 2.4 BJPY in FY15 1H, while posted a gain of 2.5 BJPY in FY14 1H
- Net income: gain through the sales of fixed asset of Shibuya, Tokyo. Lowered corporate tax burden ratio due to tax system revision

# Operating Income Variance Analysis

(billion yen)

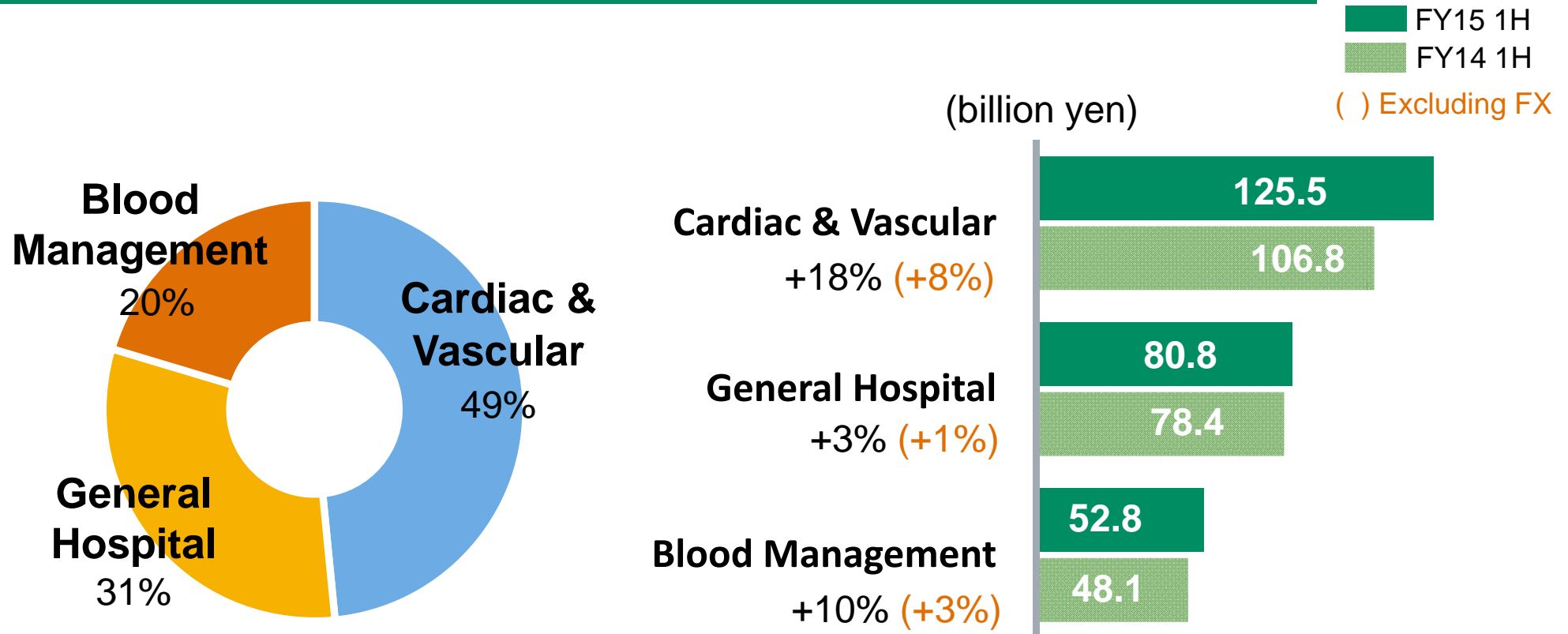


# Net Sales by Region



- Japan: General Hospital drove increase in overall sales.
- Europe: increase in sales for Cardiac & Vascular. Pursue portfolio restructuring in General Hospital. Effect of appreciation of yen against Euro for all businesses
- Americas: increase in sales for IS and Neurovascular businesses. For US Blood Management business, certain anticipated price declines had not taken hold yet with some blood center groups
- China: driven by completion of realignment of local distribution network

# Net Sales by Business Segment



- Achieve increase in sales for all companies, even without FX support
- Cardiac & Vascular and Blood Management businesses achieve double digit growth due to strong overseas sales.

# Cardiac & Vascular: Overseas Business Drove Double-digit Growth in Sales and Profit

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	106.8	125.5	+18%	+8%
Business Profit (%)	21.5 (20%)	29.3 (23%)	+36%	+21%

## <Sales>

- Increase in sales for overseas IS and Neurovascular businesses (mainly in US) + 12.5 BJPY
- In China, complete local distributors realignment and expand customer coverage + 5.3 BJPY
- Sales of Ultimaster continued to expand in EU and Asia. Gained its regulatory approval in JP

## <Business Profit>

- Increase profit and improve portfolio mix through the sales expansion of overseas IS and Neurovascular businesses

# General Hospital: Profitability is Recovered by Cost Improvement

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	78.4	80.8	+3%	+1%
Business Profit (%)	9.6 (12%)	11.7 (15%)	+22%	+25%

## <Sales>

- Japan: D&D, especially peritoneal dialysate and pain control drugs, expand the sales + 1.4 BJPY
- Japan: recovery in sales for daily use items such as general hospital products and DM products + 0.7 BJPY
- Progress in portfolio restructuring in EU and Americas - 1.2 BJPY

## <Business Profit>

- Cost improvement both at Japanese and overseas plants + 0.8 BJPY

# Blood Management: Businesses in Emerging Countries and Therapeutic Apheresis Continuously Drives Growth

(Billion yen)

	1H FY14	1H FY15	YoY%	YoY% (Excl. FX)
Sales	48.1	52.8	+10%	+3%
Business Profit (%)	9.3 (19%)	10.0 (19%)	+8%	+16%

## <Sales>

- Continue to grow therapeutic apheresis and cell processing systems + 2.7 BJPY
- Increase sales for blood component collection mainly in developing countries + 1.2 BJPY

## <Business Profit>

- Certain anticipated price declines in the US had not taken hold yet with some blood center groups. (the negotiation with customers for the longer term contract with increasing volume takes longer time than expected.)
- Profit from the products, which are manufactured in US and sold in EU, are negatively affected by weaker EUR against US\$.



# Q2 Topics

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## Corporate

- Acquired the company's own shares valued at 11 BJPY (dissolution of cross-shareholding)
  - Co-established "KENKO Commitment Companies Association" with other 14 firms which declare keeping their employees healthy
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## Business

- Received approval for the manufacturer and sale of HeartSheet autologous skeletal myoblast sheets in Japan (Sep 18)
- Received approval for Ultimaster DES in Japan (Aug 10)
- Gained FDA approval for peripheral PTA balloon co-developed with Kaneka
- Made an equity investments in Dutch venture company for the radioembolization treatment of liver cancer
- Gained approval for the manufacturer and sale of the intradermal injection device (excluding drug) in Japan

# New Product Pipeline for FY2015

Business	Product	Region	Launch
Coronary	<b>DES (Ultimaster)</b> ◎◎★	JP	<b>Approved in Q2</b> Launch in Oct 1
	New aspiration catheter	EU, Latin A, Asia	
Peripheral	Stent (Misago) ★	US	<b>Q1</b>
	Stent for small vessel (Misago)	EU	
	PTA balloon (above the knee)	EU, US	<b>Q2</b>
	PTA balloon (below the knee)	JP	
	<b>Embolic particles (beads)</b> ★	EU	<b>Q1</b>
Neuro	<b>Coil assist stent</b> ◎	JP	<b>Q1</b>
	<b>Liquid embolic glue</b> ★	EU	<b>Q1</b>
	<b>Distal protection device</b> ★	EU	

Business	Product	Region	Launch
CV	Disposable centrifugal pump (for PCPS)	JP	
Blood Management	<b>Automated blood component processing system</b> ★	JP	



New DES (Ultimaster)  
Approved in JP  
Launched in Oct 1



PTA Balloon (Metacross RX)  
Co-developed with Kaneka  
Launched in US

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

# Reference

# 1H FY15 Net Sales and Growth by Region

(Billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac & Vascular	22.8 (-3%)	102.8(+11%)	32.5 (+3%)	44.5(+12%)	13.5(+40%)	12.3(+13%)	125.5(+8%)
Out of C&V Interventional Systems*	17.2 (-5%)	81.1 (+16%)	26.1 (+5%)	32.3(+18%)	12.8(+42%)	9.9 (+19%)	98.3 (+11%)
General Hospital	62.0 (+3%)	18.8 (-6%)	4.8 (-18%)	4.2 (-5%)	1.1 (+25%)	8.7 (-1%)	80.8 (+1%)
Blood Management	5.6 (-8%)	47.2 (+4%)	13.0 (+4%)	23.3 (-1%)	2.7 (+37%)	8.2 (+12%)	52.8 (+3%)
G. Total	90.3 (+1%)	168.8 (+7%)	50.3 (+1%)	72.0 (+6%)	17.3 (+38%)	29.2 (+8%)	259.2 (+5%)

\*Including Neurovascular business

(YoY%): Excluding foreign exchange

# Operating Expenses

(Billion yen)

	1H FY14	1H FY15	YoY	YoY%	YoY% (Excl. FX)
Salaries & Wages	33.9	38.2	+4.3	+13%	
Sales Promotion	7.6	8.1	+0.5	+7%	
Logistical Costs	5.3	5.5	+0.2	+3%	
Depreciation & Amortization	11.9	14.0	+2.1	+18%	
Others	17.6	18.6	+1.0	+5%	
<b>SG&amp;A Expenses Total</b>	<b>76.3 (32.8%)</b>	<b>84.4 (32.6%)</b>	<b>+8.1</b>	<b>+10%</b>	<b>+3%</b>
<b>R&amp;D Expenses</b>	<b>13.6 (5.8%)</b>	<b>15.9 (6.1%)</b>	<b>+2.3</b>	<b>+17%</b>	<b>+8%</b>
<b>Operating Expenses Total</b>	<b>89.9 (38.6%)</b>	<b>100.3 (38.7%)</b>	<b>+10.4</b>	<b>+11%</b>	<b>+4%</b>

(%) Against net sales

# Quarterly Results

(Billion yen)

	FY14 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY15 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Net Sales	118.4	129.9	126.3	128.7	130.5
Gross Profit	62.3 (52.6%)	67.8 (52.2%)	65.4 (51.7%)	69.0 (53.7%)	70.4 (53.9%)
SG&A Expenses	38.5 (32.5%)	40.5 (31.2%)	42.4 (33.5%)	41.7 (32.5%)	42.7 (32.7%)
R&D Expenses	6.9 (5.8%)	7.4 (5.7%)	8.4 (6.7%)	7.9 (6.1%)	8.0 (6.1%)
Operating Income	16.9 (14.3%)	19.9 (15.3%)	14.6 (11.5%)	19.4 (15.1%)	19.7 (15.1%)
(Excl. Amortization)	21.1 (17.8%)	24.5 (18.8%)	19.4 (15.3%)	24.5 (19.1%)	24.8 (19.0%)

Average	US\$	104 yen	115 yen	119 yen	121 yen	122 yen
Exchange Rate	EUR	138 yen	143 yen	134 yen	134 yen	136 yen

# CAPEX, R&D Expenses

(Billion yen)

	FY2015 Guidance	1H FY2015 Result	Progress to Guidance
CAPEX	36.0	14.9	41%
Depreciation & Amortization *	45.0	22.0	49%
R&D Expenses	35.0	15.9	45%

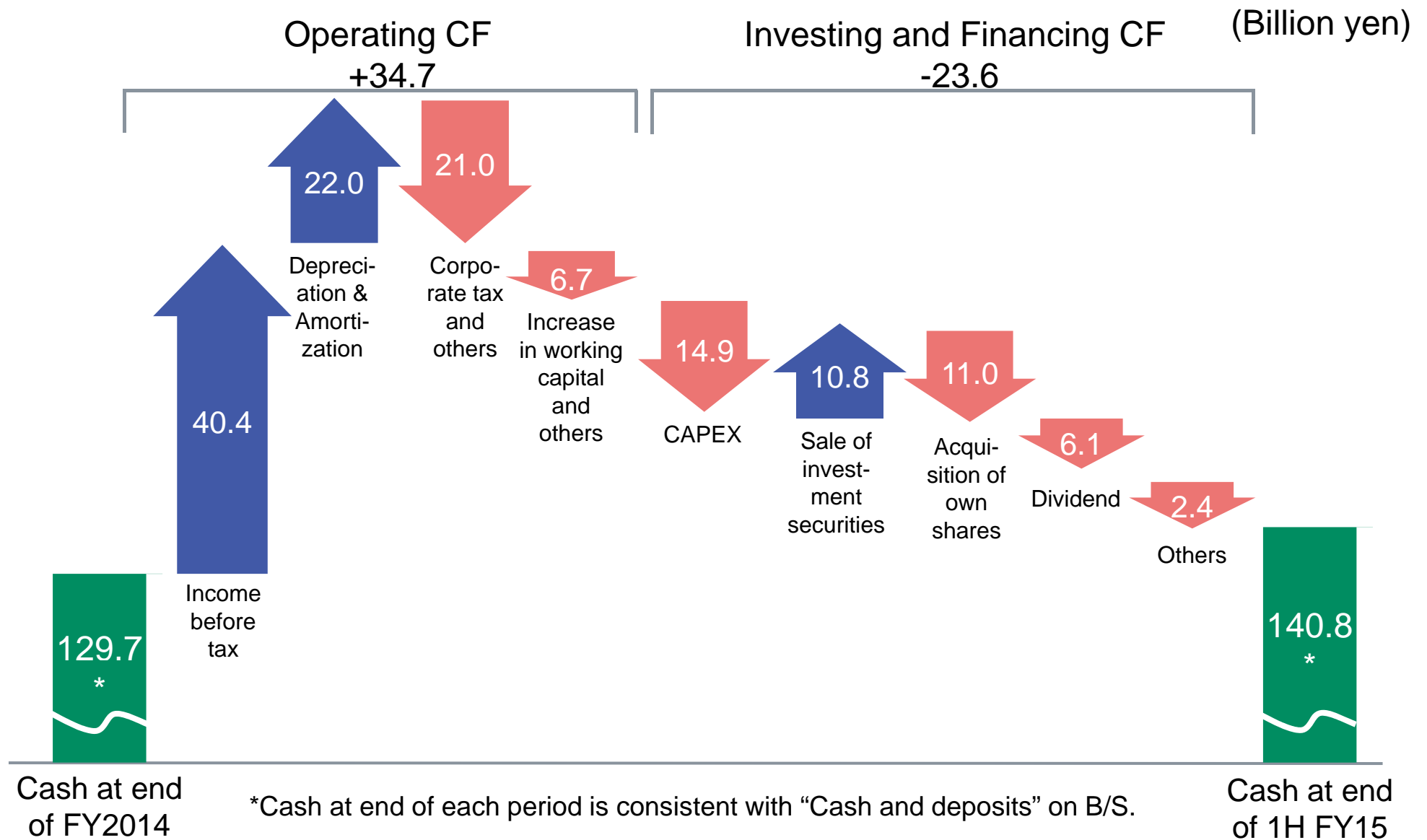
Depreciation & Amortization: Including intangibles

CAPEX: Acquisition basis

<Downward revision in FY15 CAPEX guidance to 36 BJPY from 42 BJPY>

- Delay in construction of new R&D facility in southern California 3 BJPY
  - ✓ Change of building design. No delay in R&D projects
- Decrease in CAPEX into Terumo Yamaguchi Corp. (plant) 2 BJPY
  - ✓ Prioritize new products of which manufacturing effectively utilize the existing production lines

# Cash Flow





# Foreign Exchange Sensitivity

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(Billion yen)

	US\$	EUR
Net Sales	1.8	0.7
Operating Income	0.1	0.2

- For US\$, sales expansion in U.S. drove higher FX sensitivity at sales. However, the increase in overseas production ratio since acquisition of Caridian BCT resulted in less impact of yen depreciation against US\$ at operating income.
- Impact of depreciation in currencies in emerging countries on operating income was offset by depreciation of EUR.

# 1H FY15: Impact of FX

Average exchange rate in 1H

	FY14	FY15	
US\$	103 yen	122 yen	(+ 19 yen) Depreciated by 18%
EUR	139 yen	135 yen	(- 4 yen) Appreciated by 3%
CNY	16.6 yen	19.5 yen	(+ 3 yen) Depreciated by 17%

(Billion yen)

	Sales	Operating Income
US\$	+13.0	- 0.7 Impact on goodwill amortization and others -1.5
EUR	- 1.2	-1.0
CNY	+2.9	+1.0 Profit increment by sales increase +2.0 Impact on COGS at Hangzhou factory -1.0
Other currencies in emerging countries	+ 0.3	+0.2
<b>Total</b>	<b>+15.0</b>	<b>- 0.5</b>

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The market share information in this presentation is partly derived from our own independent research.