

# Financial Results for the First Half of the Fiscal Year Ending March 31, 2017 (FY2016)

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Terumo Corporation

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November 10, 2016

# Overview: Achieved the Highest-ever Operation Income despite FX Impact

(billion yen)

	1H FY15	1H FY16	YoY%	YoY% (FXN)
Net Sales	259.2	245.1	-5%	+5%
Gross Profit	139.4 (53.8%)	136.0 (55.5%)	-2%	+8%
SG&A expenses	84.4 (32.6%)	80.3 (32.8%)	-5%	+5%
R&D Expenses	15.9 ( 6.1%)	16.3 ( 6.6%)	+3%	+11%
Operating Income	39.1 (15.1%)	39.4 (16.1%)	+1%	+11%
(Excl. Amortization)	49.3 (19.0%)	48.6 (19.8%)	-2%	+10%
Ordinary Income	35.8 (13.8%)	30.6 (12.5%)	-14%	
Net Income	27.0 (10.4%)	20.4 ( 8.3%)	-24%	

Average Exchange Rate      USD 122 yen      105 yen  
    EUR 135 yen      118 yen

- Sales: Both Japan and overseas sales increased w/FXN. Cardiac and Vascular Company made a continuous double digit growth.
- Operating income: Growth in profit made by sales expansion of highly profitable products mainly in TIS and the reduced cost of the quality system improvement
- Ordinary income: Posted FX loss of 6.6 BJPY. Decrease in FX loss posted in Q2 due to decreased receivables in USD
- Net income: Decrease in profit due to sale of land in 1H FY15 and posed FX loss

# Reduce the Receivables in USD to Minimize the Risk from the fluctuation of FX

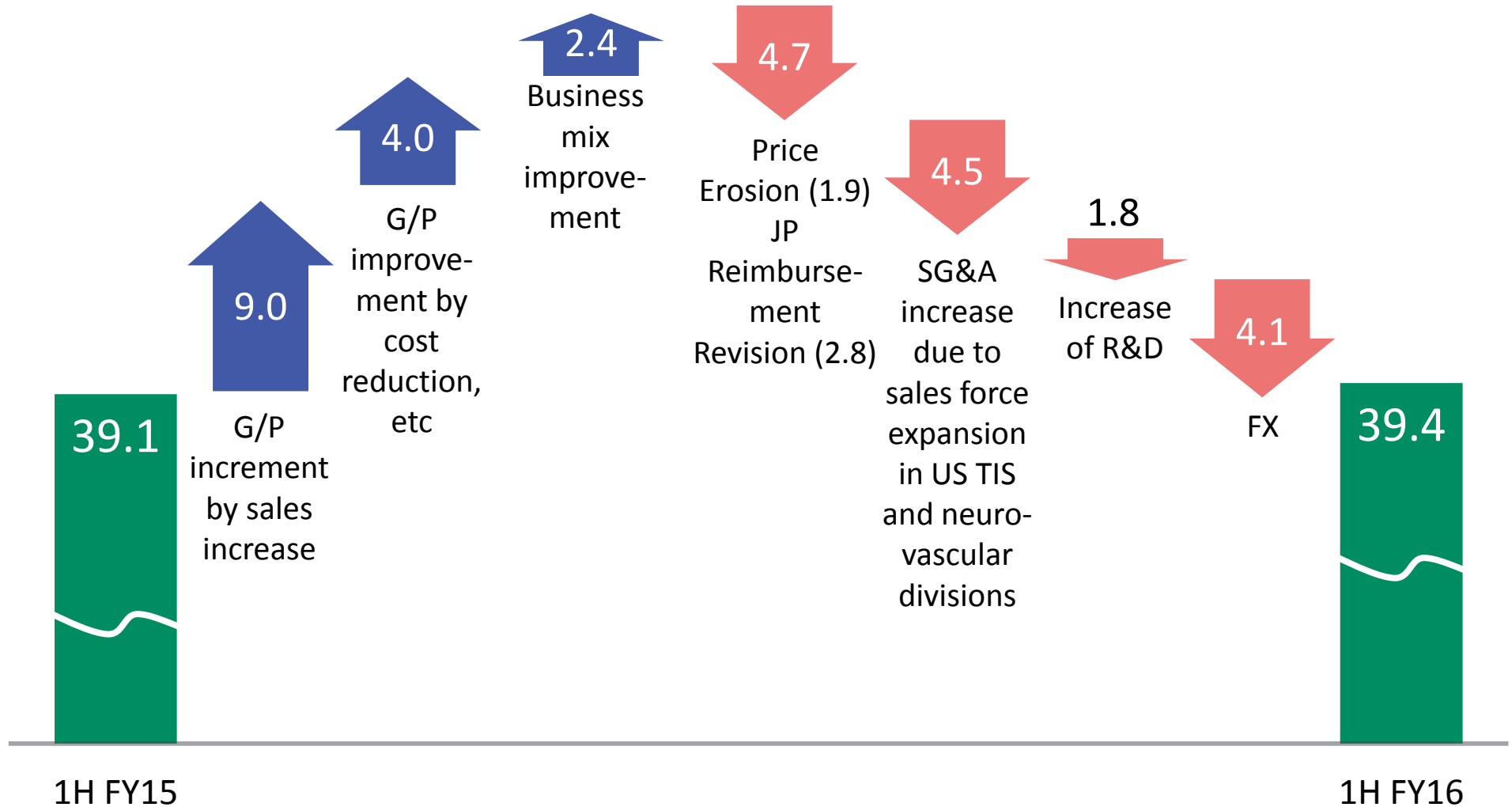
- Decreased receivables in USD from 600MUSD at the end of FY15 to 100MUSD at the end of FY16Q2
- FX loss posted in 1H FY16: 6.6BJPY (FYQ1: 5.5BJPY, FY16Q2: 1.1BJPY)

	FX rate (yen)			FX gain/Loss in 1H FY16 (billion yen)	
	End of FY15	End of FY16Q1	End of FY16Q2	FY16Q1	FY16Q2
USD	112.68	102.91	101.12	-4.6	-0.9*
CNY	17.39	15.46	15.14	-0.5	-0.1
EUR	127.70	114.39	113.36	-0.3	0.0
Others		-		-0.1	-0.1
Total		-		-5.5	-1.1

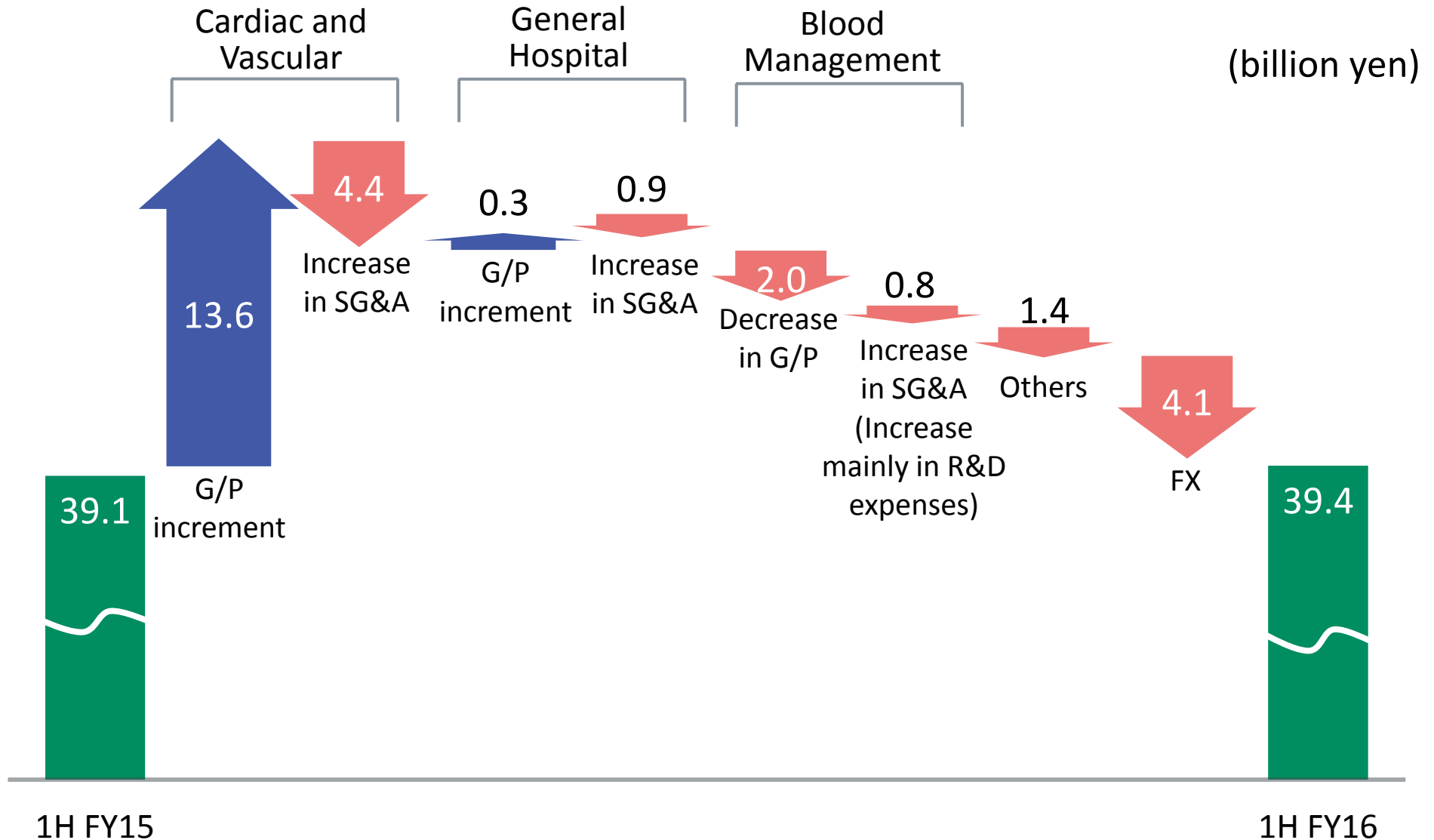
\*Incl. 0.7 BJPY of FX loss realized at the payment for an acquisition of Sequent Medical

# Operating Income Variance Analysis

(billion yen)



# Operating Income Variance Analysis

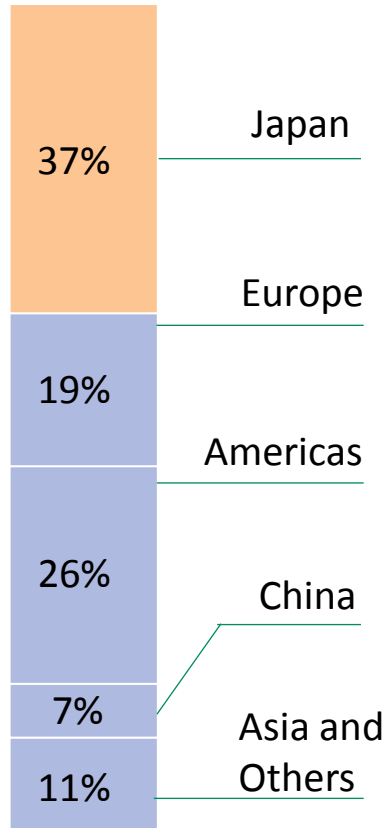


# Net Sales by Region

1H FY16  
1H FY15

## Net Sales

100%=245.1 BJPY



## Year-on-Year Sales Comparison

billion yen	YoY	Comments
	( ) FXN	
Japan	2%	Despite the impact of reimbursement price cut in Japan, TIS and neurovascular business along with infusion system drove an overall growth
Europe	-10% (5%)	Continuous growth in TIS and neurovascular. Downsizing low profit businesses in General Hospital Products while sales expansion in Global D&D (B2B)
Americas	-10% (5%)	TRI and other access devices as well as therapeutic guide wire in U.S. along with DES in Latin Americas drove the overall growth. New price has come into effect in Blood Management
China	-8% (12%)	Double digit growth driven by access devices and coronary therapeutic devices through newly realigned local distribution network with high customer coverage
Asia and Others	-7% (9%)	Double digit growth in Cardiac and Vascular Company, and General Hospital Company

# Net Sales by Business Segment

1H FY16  
1H FY15

## Net Sales

100%=245.1 BJPY

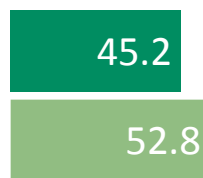
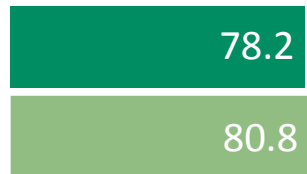
## Year-on-Year Sales Comparison



Cardiac and Vascular

General Hospital

Blood Management



billion yen

YoY

Comments

( ) FXN

-3%  
(10%)

-3%  
(0%)

-14%  
(-1%)

TIS , neurovascular along with vascular graft business achieved double digit growth, and drove an overall growth.

Downsizing low profit businesses in EU and Latin Americas.  
Maintaining double digit growth in Asia.

In Japan, infusion systems grew while having a impact of ended distribution for contrast agents.

Mildly gaining a momentum after having price declines for Blood Center products in U.S.

QoQ% in sales (FXN) from Q1 to Q2: 7%

# Cardiac and Vascular : Double Digit Growth in Profit Driven by Highly Profitable Access and Coronary Therapeutic Devices

(billion yen)

	1H FY15	1H FY16	YoY%	Major Topics	Impact
Sales			( ) FXN	Negative impact of FX	- 16.4
	125.5	121.5	-3% (10%)	Japan: Bouncing back an impact of reimbursement price cut, sales of coronary therapeutic devices and neurovascular business have been continuously growing.	+1.7
				Overseas: Coronary therapeutic devices and access devices have been continuously growing at double digit	+10.6
Business Profit	29.3	33.0	13% (32%)	Highly profitable access devices and coronary therapeutic devices drove an overall growth in profit.	
	(23%)	(27%)		Impacts of recall for Misago and acquisition of Sequent Medical	-1.3



# General Hospital

: Mildly Upward Trend in Profitability despite Decrease in Sales due to Reimbursement Price Cut in Japan and Downsizing of Low Profit Businesses

(billion yen)

	1H FY15	1H FY16	YoY%	Major Topics	Impact
Sales	80.8	78.2	-3% (0%)	( ) FXN	
				Negative Impact of FX	- 2.8
				Overseas: Downsizing of low profit businesses in EU and Latin Americas.	- 0.9
				IV catheter needles and others drove the sales growth in Asia.	+1.1
				Japan: Increase of sales in infusion system	+1.0
				Reimbursement price cut and ended distribution for contrast agents	- 1.4
Business Profit	11.7 (15%)	11.2 (14%)	-4% (-5%)	Despite a remaining impact of increase in pension cost due to the lowering interest rate and inventory revaluation, profitability remained in mildly upward trend. Business Profit Margin: Q1: 14% ⇒ Q2: 15%	

# Blood Management

: Year-on-year Negative Impacts of Price Decline for Blood Center products in U.S. Is Nearly Over in 1H of FY2016

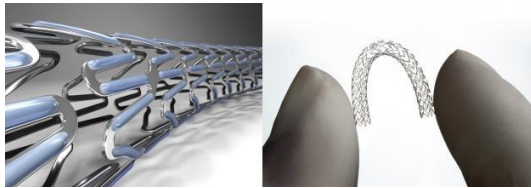
(billion yen)

	1H FY15	1H FY16	YoY%	Major Topics	Impact
Sales	52.8	45.2	-14% (-1%)	( ) FXN	
				Negative impact of FX	- 6.9
				Price declines for Blood Center products in US	- 1.4
				Sales in apheresis system grew mainly in Europe and Latin Americas	+ 0.7
Business Profit	10.0 (19%)	6.5 (14%)	-35% (-28%)	Regaining momentum in sales of Blood Center products in Asia and Japan. Profitability remained in mildly upward trend along with increase in sales from FY16Q1 to FY16Q2 Business Profit Margin: Q1: 12% ⇒ Q2: 17%	

# Major Topics in Q2

## Corporate

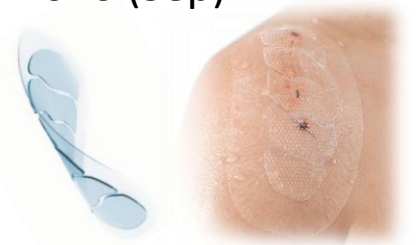
- Established a new affiliated company in Singapore to retain investment capital for the growth (Aug)
- Heartsheet received “the Minister of Health, Labour and Welfare Award of the Annual Merit Awards for Industry-Academia-Government Collaboration” (Aug)
- The three products below won “Good Design Award” on FY2016 (Sep)



Ultimaster



Infusion “Terupack eco”














Leukomed C Film Dressing



## Business

- Automated blood component processing system “TACSI” was launched in Japan (Jul)
- Ultimaster w/ diameter of 4mm was launched in Japan (Aug)
- “MEDISAFE FINETOUCH II LANCING DEVICE” was launched in Japan (Sep)

# New Products Pipeline in FY2016

Category	Products	Region	Launch
Coronary	DES (Ultimaster)  	France	Launched
	DES (Ultimaster) 4.0mm (Diameter)  	JP	Launched
Imaging	IVUS  	JP	
Peripheral	PTA Balloon (Below the knee, RX/OTW)	JP • US • EU	Launched in JP&US
	PTA Balloon (Below & above the knee, RX/OTW)	JP • US • EU	Launched in JP&US
	PTA balloon (Above the knee, RX/OTW)	JP • US • EU	Launched in JP,US&EU
Neuro	Distal protection device	EU	
Oncology	Radioembolization beads (Quirem) 	EU	

Category	Products	Region	Launch
CV	Disposable Centrifugal Pump (for PCPS)	Asia	
Regenerative Medicine	HeartSheet 	JP	Launched
D&D	Intradermal Injection Device 	JP	To be launched in FY17
	Adhesion barrier 	JP	Approved Launch in Q4
DM	Blood glucose meter (MEDISAFE Fit Smile)	China	
Blood Management	Automated blood component processing system 	JP	Launched

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



DES (Ultimaster) 4.0mm (Diameter) (JP:Q2)



Automated blood component processing system "TACSI" (JP:Q2)



Adhesion barrier (JP: Launch in Q4)

# Revision of FY16 Guidance

- Revising FY16 Guidance considering the FX impact and acquisition of Sequent Medical

(billion yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Original Guidance	517.0	75.0	71.0	52.5
New Guidance	517.0	75.0	65.0	47.5
Gap to Original Guidance	-	-	-6.0	-5.0

FX rate  
 2H of FY16 : USD=105 yen, EUR=115 yen  
 FY16 : USD=105 yen, EUR=116 yen

- Influential events / points in 2H FY2016

- No change in good momentum in TIS overseas
- Temporary impact on profit given the completion of closure devices' acquisition
- Net income and ordinary income might change due to FX at the end of FY16

# Adoption of International Financial Reporting Standards (IFRS)

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## ■ Adopting IFRS from the fiscal year ending March 31, 2018

- Q1-Q3 in FY18      Generally Accepted Accounting Principle in Japan(Japanese GAAP)
- End of FY18      International Financial Reporting Standards (IFRS) basis

## ■ The purpose of adopting global standard “IFRS”

- To improve the comparability of the financial statements on global scale
- To enhance the management capability and the corporate governance by standardizing basis of accounting among group

## ■ The major impact on profit due to adoption of IFRS

- Goodwill will no longer be amortized under Japanese GAAP

# Reference

# 1H FY16 Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	24.5 (+8%)	97.0 (+10%)	30.4 (+8%)	42.0 (+10%)	12.8 (+15%)	11.8 (+12%)	121.5 (+10%)
Out of C&V Interventional Systems*	18.9 (+10%)	77.7 (+12%)	24.7 (+9%)	31.1 (+12%)	12.1 (+14%)	9.8 (+15%)	96.6 (+11%)
General Hospital	61.5 (-1%)	16.8 (+4%)	3.8 (-11%)	3.7 (+3%)	1.0 (+9%)	8.3 (+12%)	78.2 (+0%)
Blood Management	5.7 (+3%)	39.5 (-2%)	11.2 (+1%)	19.0 (-4%)	2.2 (-3%)	7.1 (-0%)	45.2 (-1%)
G. Total	91.8 (+2%)	153.3 (+6%)	45.5 (+5%)	64.7 (+5%)	16.0 (+12%)	27.2 (+9%)	245.1 (+5%)

\*Including Neurovascular business

(YoY%): Excluding foreign exchange



# Operating Expenses

(billion yen)

	1H FY15	1H FY16	YoY	YoY%	YoY% (FXN)
Salaries & Wages	38.2	36.3	-1.9	- 5%	+6%
Sales Promotion	8.1	7.5	-0.6	- 7%	+3%
Logistical Costs	5.5	5.5	-0.0	- 0%	+5%
Depreciation & Amortization	14.0	12.4	-1.6	- 11%	+0%
Others	18.6	18.6	+0.0	+ 0%	+9%
<b>SG&amp;A Expenses Total</b>	<b>84.4 (32.6%)</b>	<b>80.3 (32.8%)</b>	<b>-4.1</b>	<b>- 5%</b>	<b>+5%</b>
<b>R&amp;D Expenses</b>	<b>15.9 (6.1%)</b>	<b>16.3 (6.6%)</b>	<b>+0.4</b>	<b>+3%</b>	<b>+11%</b>
<b>Operating Expenses Total</b>	<b>100.3 (38.7%)</b>	<b>96.6 (39.4%)</b>	<b>-3.7</b>	<b>- 4%</b>	<b>+6%</b>

(%) Against net sales

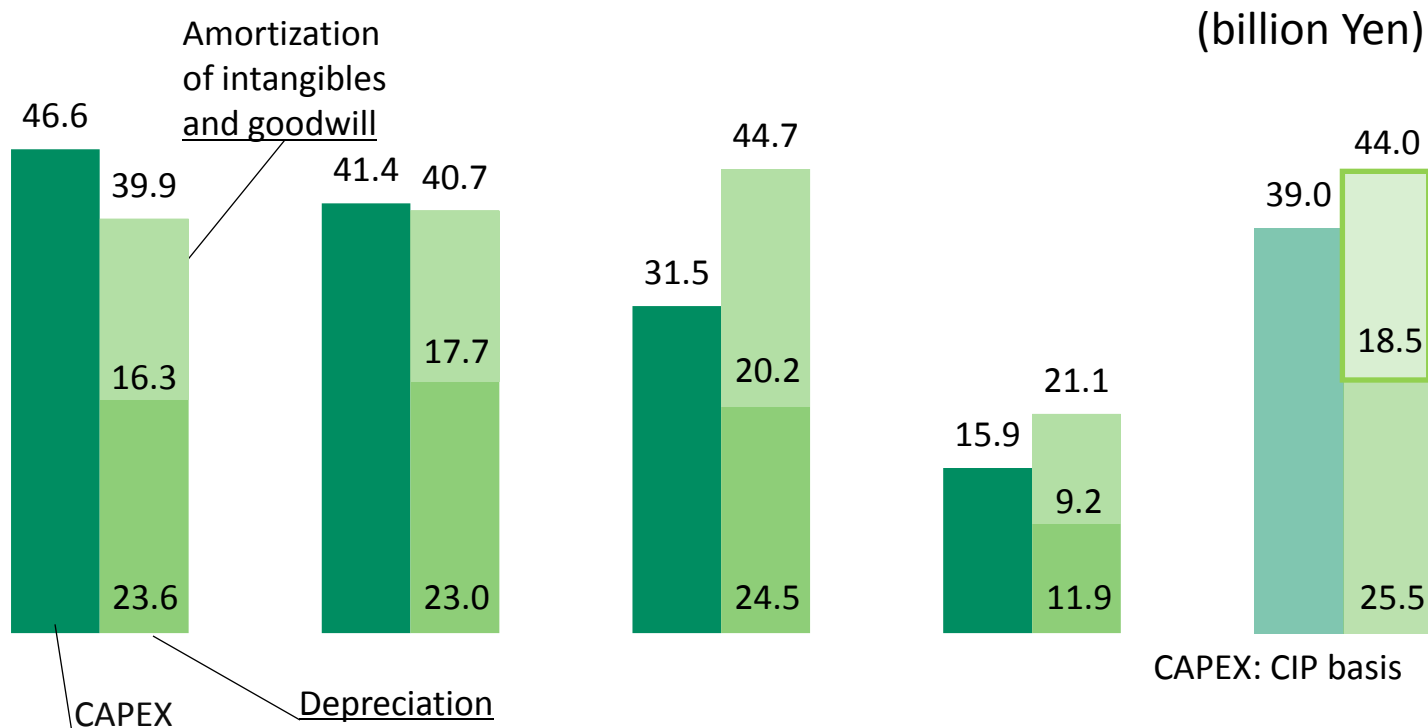
# Quarterly Results

(billion yen)

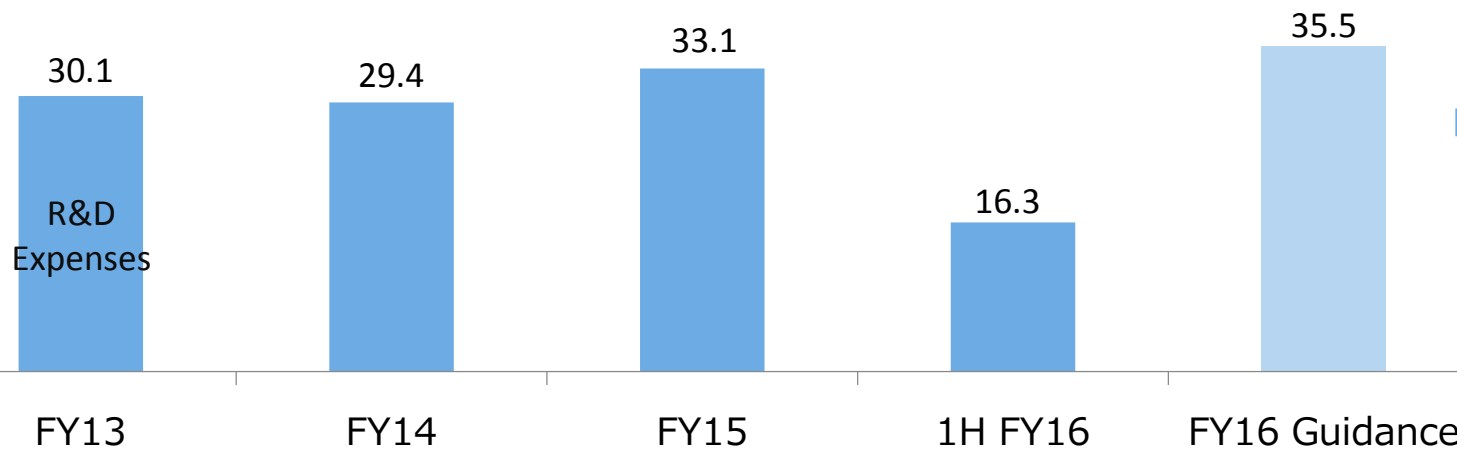
	FY15Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY16Q1 (Apr-Jun)	Q2 (Jul-Sep)
Net Sales	130.5	136.8	129.0	124.5	120.6
Gross Profit	70.4 (53.9%)	75.3 (55.0%)	70.3 (54.4%)	69.8 (56.0%)	66.3 (55.0%)
SG&A Expenses	42.7 (32.7%)	42.9 (31.3%)	42.8 (33.1%)	40.3 (32.3%)	40.1 (33.3%)
R&D Expenses	8.0 (6.1%)	7.4 (5.4%)	9.9 (7.7%)	8.1 (6.5%)	8.2 (6.8%)
Operating Income	19.7 (15.1%)	25.0 (18.3%)	17.6 (13.6%)	21.4 (17.2%)	18.0 (14.9%)
(Excl. Amortization)	24.8 (19.0%)	30.1 (22.0%)	22.5 (17.4%)	25.9 (20.8%)	22.6 (18.8%)

Average	USD	122 yen	121 yen	115 yen	108 yen	102 yen
Exchange Rate	EUR	136 yen	133 yen	127 yen	122 yen	114 yen

# CAPEX and R&D Expenses

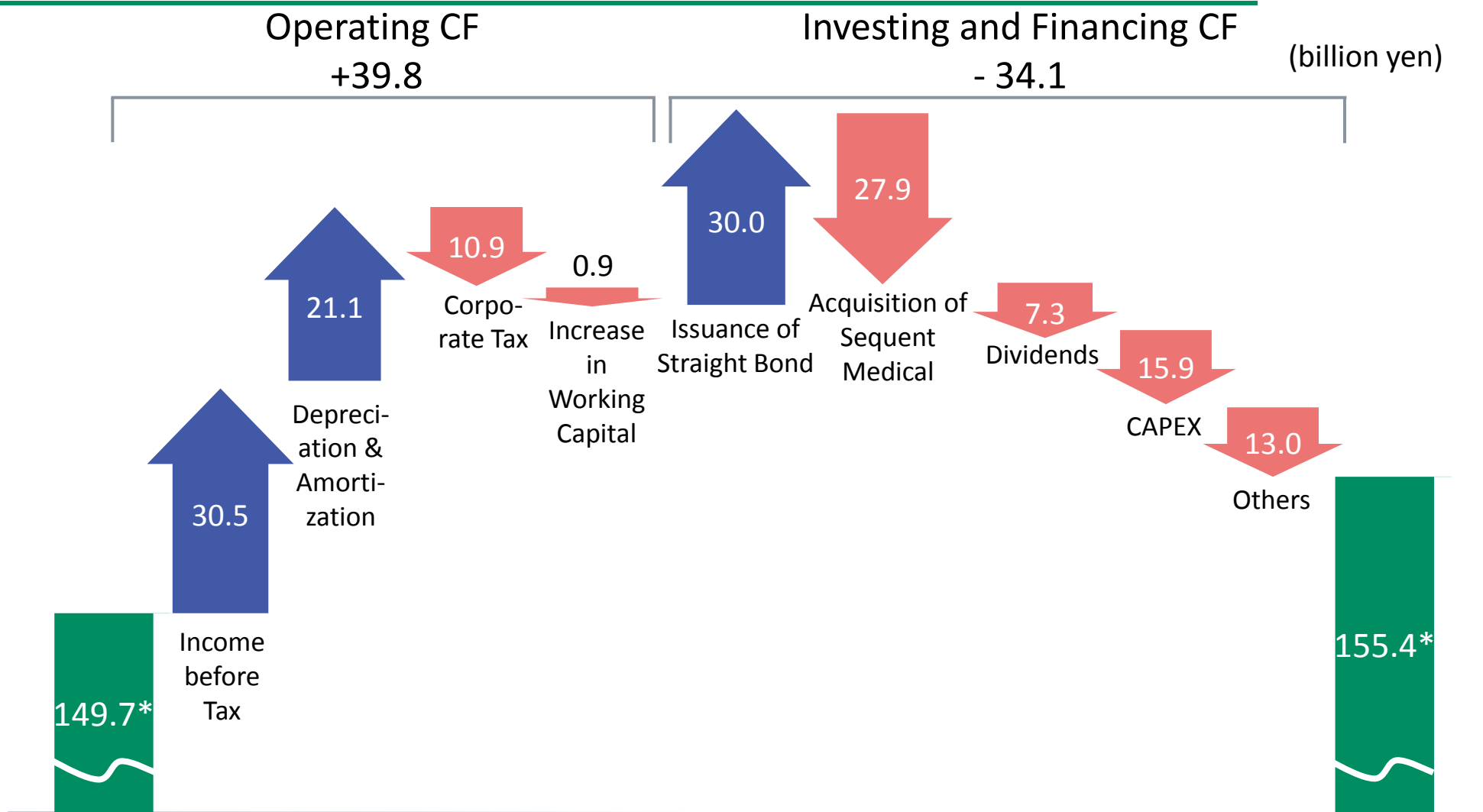


- CAPEX was peaked out in FY2013
- CAPEX is projected to be at the same level as depreciation and amortization



- Further promote R&D activities for TIS and neurovascular business in US

# Cash Flow



Cash at end of Mar. 2016

\* Cash at end of fiscal year is consistent with "Cash and deposits" on B/S.

Cash at end of Sep. 2016

# Foreign Exchange Sensitivity

(billion yen)

	USD		EUR
	Excl. Amortization	Incl. Amortization	
Net Sales	1.4	1.4	0.5
Operating Income	0.0	-0.2	0.3

# IR Contact

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