

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017 (FY2016)

Terumo Corporation

Managing Executive Officer

Investor Relations, Corporate Communication Dept.

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February 9, 2017

Achieving Growth in Net Sales and Operating Income Excl. FX Impact

(billion yen)

	FY15 Q3 YTD	FY16 Q3 YTD	YoY%	YoY% (FXN)
Net Sales	396.0	374.4	-5%	+4%
Gross Profit	214.6 (54.2%)	205.3 (54.8%)	-4%	+6%
SG&A expenses	127.2 (32.1%)	121.9 (32.6%)	-4%	+5%
R&D Expenses	23.3 (5.9%)	24.5 (6.5%)	+5%	+13%
Operating Income	64.1 (16.2%)	58.9 (15.7%)	-8%	+4%
(Excl. Amortization)	79.4 (20.1%)	73.1 (19.5%)	-8%	+4%
Ordinary Income	61.0 (15.4%)	52.2 (13.9%)	-14%	
Net Income	43.5 (11.0%)	31.8 (8.5%)	-27%	

Average Exchange Rate ———— USD 122 yen 107 yen
 EUR 134 yen 118 yen

- Sales: W/ FXN, overseas Cardiac and Vascular Company achieved a double digit growth, driving the overall group
- Operating income: Gross margin improvement by sales expansion of highly profitable products and the reduced cost of the quality system improvement in Cardiac and Vascular Company
- Ordinary income: Decreased FX loss down to 3.7 BJPY.
- Net income: Extraordinary loss realized due to termination of co-development w/ ART in France

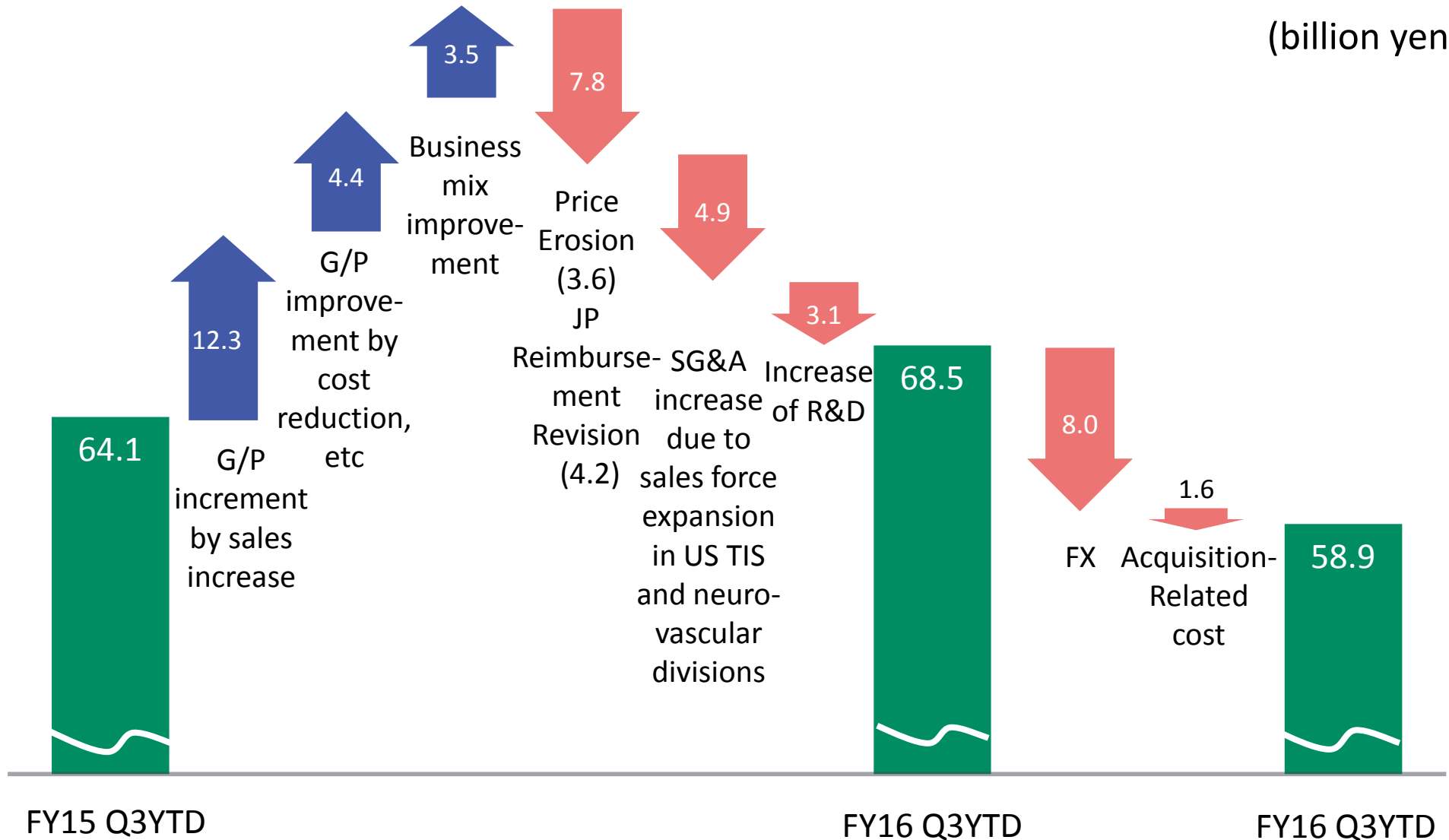
Extraordinary Gains & Losses, Income Taxes

(billion yen)

	FY15 Q3 YTD	FY16 Q3 YTD													
Operating Income	64.1	58.9	YoY%: -8%												
Non-operating Income and loss	-3.1	-6.7	<table border="1"> <thead> <tr> <th>FX</th> <th>1H</th> <th>Q3</th> <th>Q3YTD</th> </tr> </thead> <tbody> <tr> <td>FY15</td> <td>-2.4</td> <td>0.0</td> <td>-2.4</td> </tr> <tr> <td>FY16</td> <td>-6.6</td> <td>+2.9</td> <td>-3.7</td> </tr> </tbody> </table>	FX	1H	Q3	Q3YTD	FY15	-2.4	0.0	-2.4	FY16	-6.6	+2.9	-3.7
FX	1H	Q3	Q3YTD												
FY15	-2.4	0.0	-2.4												
FY16	-6.6	+2.9	-3.7												
Ordinary Income	61.0	52.2	YoY%: -14%												
Extraordinary Gains & Losses	+4.3	-7.6	<table border="1"> <tbody> <tr> <td>FY15</td> <td>Sale of land in Hatagaya</td> <td>+4.4</td> </tr> <tr> <td>FY16</td> <td>Termination of co-development w/ ART</td> <td>-7.0</td> </tr> </tbody> </table>	FY15	Sale of land in Hatagaya	+4.4	FY16	Termination of co-development w/ ART	-7.0						
FY15	Sale of land in Hatagaya	+4.4													
FY16	Termination of co-development w/ ART	-7.0													
Income before Income Tax	65.3	44.6	YoY%: -32%												
Income Taxes Total Tax Rate (%)	-21.8 33%	-12.8 29%	Tax effect due to past loss of valuation for Olympus's stocks Terumo owns												
Net Income	43.5	31.8	YoY%: -27%												

Operating Income Variance Analysis

(billion yen)



Excl. FX and Acquisition-related cost

Net Sales by Region

FY16Q3YTD
FY15Q3YTD

Net Sales

100% = 374.4 BJPY

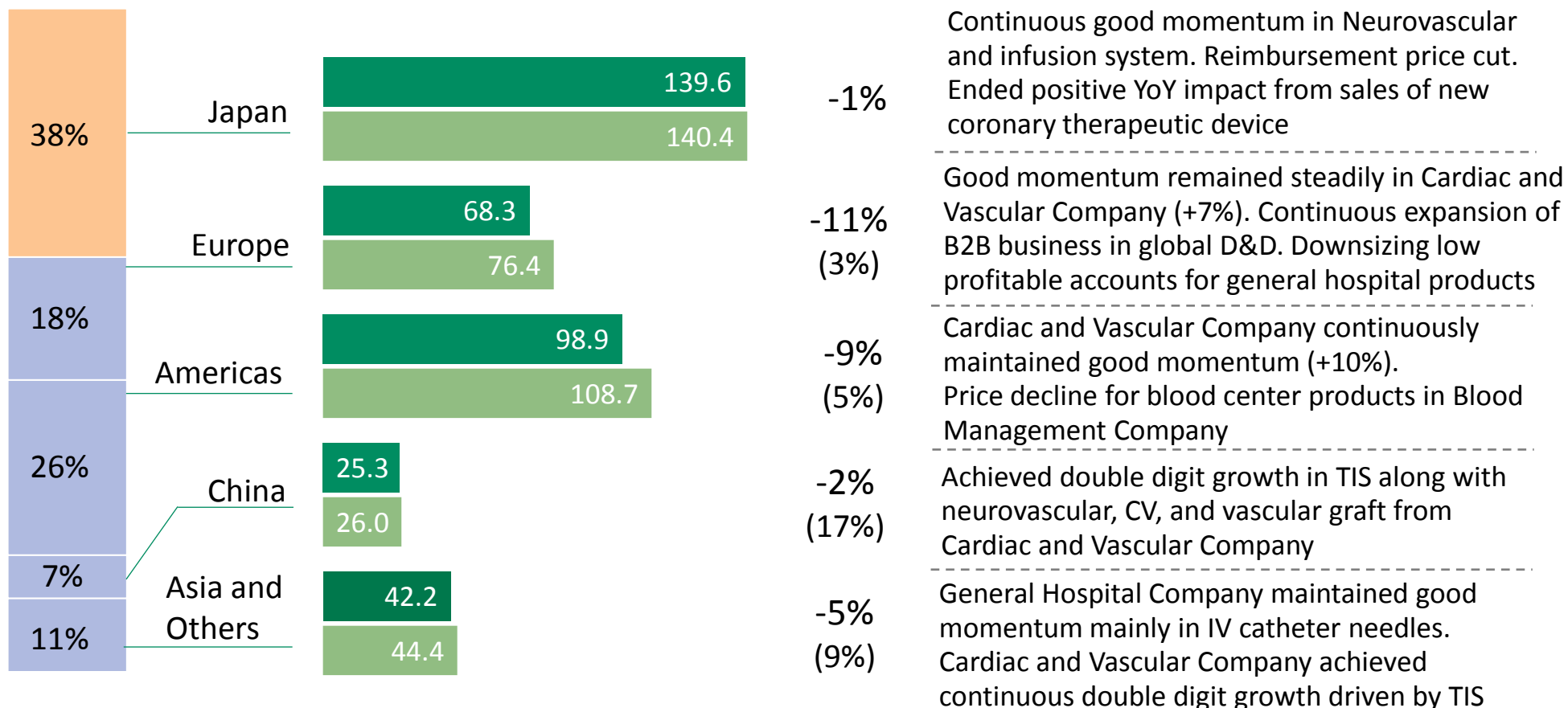
Year-on-Year Sales Comparison

billion yen

YoY%

Comments

() FXN



Net Sales by Business Segment

FY16Q3YTD
FY15Q3YTD

Net Sales

100% = 374.4 BJPY



Cardiac and Vascular

General Hospital

Blood Management

Year-on-Year Sales Comparison

billion yen	YoY%	Comments
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() FXN

186.6	193.2
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119.0	122.8
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68.7	80.0
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-3%
(8%)

-3%
(0%)

-14%
(-2%)

Overseas TIS and global neurovascular achieved a double digit growth, driving overall company growth

Continued downsizing low profitable accounts in EU and Latin Americas. In Japan, steady growth in infusion system offset the negative impact of ended distribution for contrast agents

Most of negative YoY impact of price decline for blood center products in US ended in Q3. Negative impact of stagnant macro economy in Russia and the Middle East countries

Cardiac and Vascular: Demonstrate Steady Performance While Having an Impact from Acquisition-Related Costs

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY%	Major Topics	Impact
Sales	193.2	186.6	() FXN	Negative Impact of FX	- 23.0
			-3% (8%)	JPN: Reimbursement price cut. Ended positive YoY impact from launch of new coronary therapeutic device in FY15Q3. Continuous double digit growth in neurovascular	- 0.4
				Overseas: TIS and neurovascular achieved a double digit growth. CV and vascular graft maintained good momentum as well	+16.7
Business Profit	47.8	47.5	-1% (20%)	Highly profitable access devices along with coronary therapeutic devices drove overall growth	
	(25%)	(25%)		Impact of Misago recall as well as acquisition of Sequent Medical	-2.5

General Hospital : Maintain Upward Trend in Profitability

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY%	Major Topics	Impact
Sales	122.8	119.0	-3% (0%)	() FXN	
				Negative Impact of FX	- 3.8
				Overseas: Downsizing low profitable accounts in EU and Latin Americas	- 1.0
				IV catheter needles mainly drove an overall growth in China and other regions of Asia	+1.5
				Japan: Increase of sales in infusion system	+0.9
Reimbursement price cut as well as ended distribution of contrast agents	- 1.7				
Business Profit	18.2 (15%)	17.8 (15%)	-3% (-2%)	Despite an increase in pension cost due to the lowering interest rate and negative impact of inventory valuation, profitability remained in upward trend Q1: 14% ⇒ 1H: 14% ⇒ Q3YTD: 15%	

Blood Management : Remain in Steady Upward Trend for Profitability

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY%	Major Topics	Impact
Sales	80.0	68.7	-14% (-2%)	() FXN	
				Negative Impact of FX	- 9.7
				Price declines for blood center products mainly in US	- 2.6
				Negative impact from stagnant macro economy in Russia and the Middle East countries	- 0.5
				Sales in apheresis system grew mainly in Europe and Latin Americas	+ 1.0
Business Profit	14.3 (18%)	10.3 (15%)	-28% (-21%)	Profitability remained in upward trend Q1: 12% ⇒ 1H: 14% ⇒ Q3YTD: 15%	

Major Topics in Q3

Corporate

- Owing to the company's victim support activities in disaster area highly regarded, its compression stockings received "The Medical Health Science Award of JMHS 2016" from Japanese Society of Medical Health Science (Oct)
- Announced adoption of IFRS (Nov)
- Announced 5-Year Mid- to Long-term Growth Strategy (Dec)



Business

- Launched new arm-in blood pressure monitor w/ data transmission system (Oct)
- Announced the acquisition of vascular closure devices business from St. Jude Medical and Abbott Laboratory (Dec)



New Products Pipeline in FY2016

Category	Products		Region	Launch
Coronary	DES (Ultimaster)	◎ ★	France	Launched
	DES (Ultimaster) 4.0mm	◎ ★	JP	Launched
Imaging	IVUS	◎ ★	JP	To be launched in Q4
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	To be launched in FY17
Oncology	Radioembolization beads (Quirem)	★	EU	To be launched in FY17

◎ Item with large contribution to sales and profit

★ Item with highly innovative technology

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



Disposable Centrifugal Pump (for PCPS) "SP-200" (Asia: Q3)

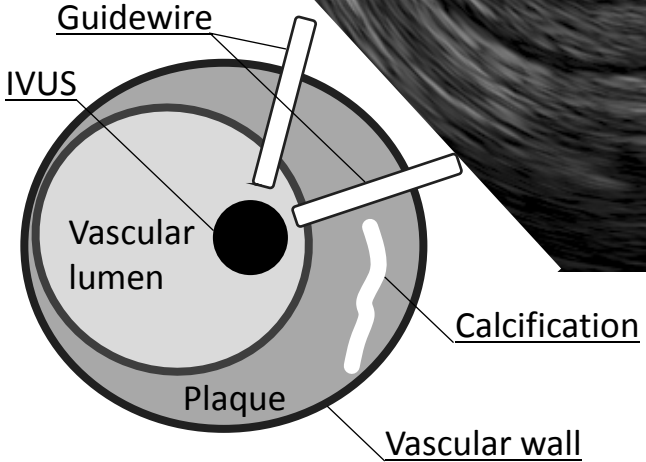
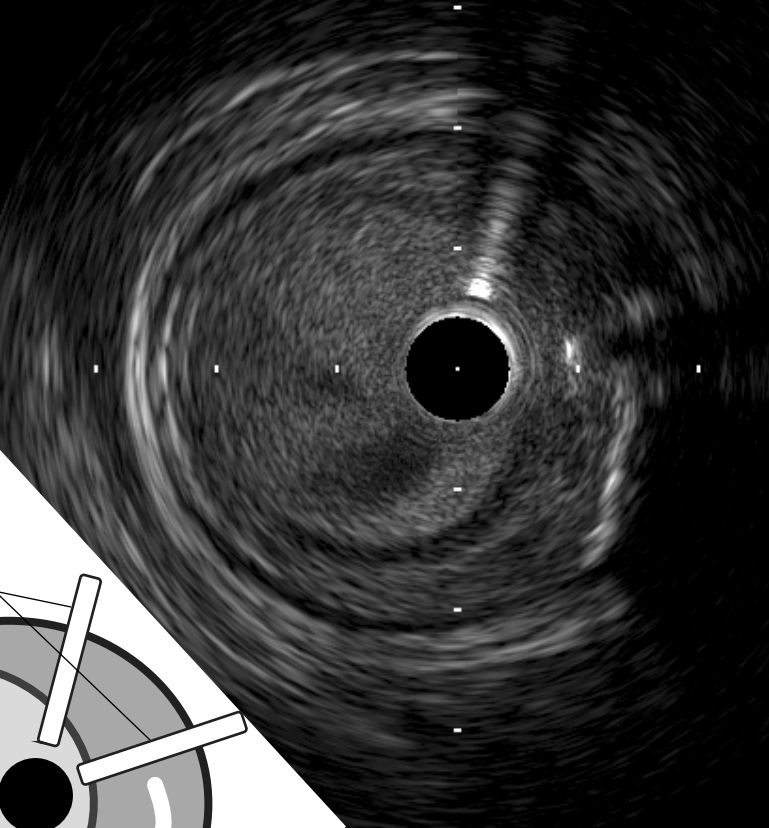


Adhesion barrier "AdSpray" (JP: Q4)

IVUS "AltaView" (JP: Q4)

New IVUS System: Aiming for the Leading Position in JP Market

- **High Resolution Image**
provides clearer view of lesion



- **Smaller & Lighter** console

Conventional



VISICUBE



- **High Speed** image acquisition and processing

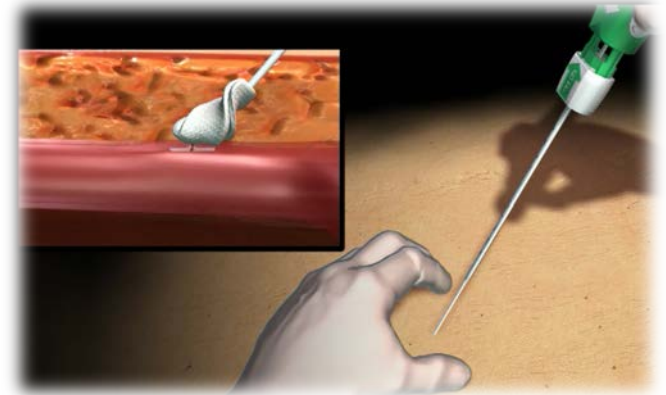


AltaView

18 x faster
than conventional ones

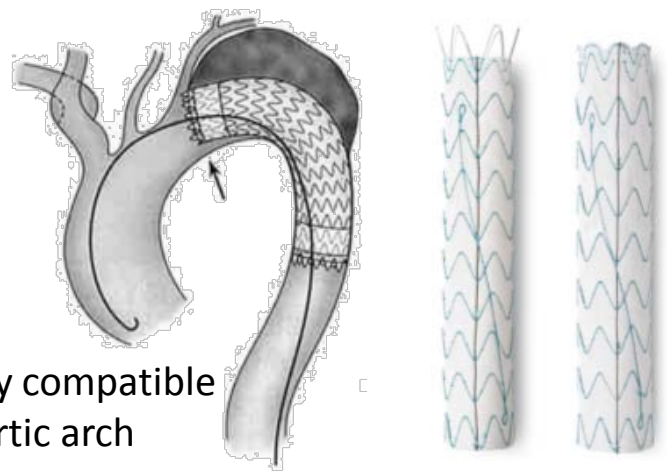
Completion in Acquisition of Vascular Closure Device Business from St. Jude Medical and Abbott Laboratory

- Completed in Jan 20, 2017
- Purchasing price: 1.12 BUSD
 - EBITDA multiple: 8 times
- Secure the leading position in access device market
- Expect stable contribution to sales and profit
 - Estimated annual sales: Over 250 MUSD
 - OPM excl. one-time costs and goodwill amortization: 30-40%
 - Profit in FY16 and at the beginning of FY17 to be affected by one-time costs



Acquisition of Bolton Medical: Expand Vascular Graft Portfolio

■ Acquired stent graft for TAA





Highly compatible to aortic arch


- Enter TAA stent graft market
- Gain the access to stent graft market in US
- Sales in FY16*: 45 MEUR
- Transaction to be completed in this coming spring


*Bolton Medical's fiscal year (Jan – Dec)

■ Reinforce portfolio in adjacent segments arising between intervention and surgery

Surgery [Vascular grafts 

Adjacent segments [Hybrid device (graft and stent graft) 

AAA stent graft 

TAA stent graft 

Bioresorbable Stent : Shift from Co-development w/ ART to In-house Development

■ Terminated the contract of co-development w/ ART



- The technological hurdle is higher than expected.
- Expect longer period of time for BRS to be mainstream in the market

■ Stay committed to development of BRS, considering its potential value



While paying a close attention to the market trends, pursue the development of next generation metal DES and in-house R&D for BRS

Unwind Cross Shareholding and Share Buyback of 50BJPY

- Continue business alliance w/ Olympus
 - Has been expanding business between Terumo and Olympus (Endoscopic Guidewires, etc.)
 - Both companies reassured no need of capital tie-up to further deepen business alliance

- Sale of Olympus's stocks
 - Sell all Olympus's stocks by the end of FY16Q4, expected to be realized in extraordinary gains

- Share buyback of 50BJPY (at maximum)

Revision of FY16 Guidance

- Sales: Considered the delay in acquisition of vascular closure device business and recent sales trend
- Revise the current guidance to include the acquisition-related cost emerging after the previous revision
- No revision onto net income
 - Negative factors Termination of contract for co-development w/ ART
Acquisition-related costs
 - Positive factors Profit on sale of Olympus's stocks

(billion yen)

	Net sales	Operating Income	Ordinary Income	Net Income
Current Guidance	517.0	75.0	65.0	47.5
New Guidance	510.0	71.0	62.0	47.5
Change	-7.0	-4.0	-3.0	-

Average Exchange Rate	Current Guidance	New Guidance	Current Guidance	New Guidance
Q4	USD: 105yen	→ 110yen	FY16	105yen → 107yen
	EUR: 115yen	→ 120yen		116yen → 118yen

Reference

FY16 Q3YTD Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	37.3 (-1%)	149.2 (+11%)	46.0 (+7%)	64.3 (+10%)	20.4 (+19%)	18.6 (+16%)	186.6 (+8%)
Out of C&V Interventional Systems*	28.5 (-2%)	119.8 (+12%)	37.6 (+8%)	47.7 (+11%)	19.2 (+18%)	15.4 (+20%)	148.3 (+10%)
General Hospital	93.5 (-1%)	25.5 (+3%)	5.6 (-11%)	5.6 (-0%)	1.5 (+21%)	12.7 (+9%)	119.0 (+0%)
Blood Management	8.6 (+2%)	60.1 (-2%)	16.7 (-1%)	29.0 (-4%)	3.5 (+4%)	10.9 (-3%)	68.7 (-2%)
G. Total	139.6 (-1%)	234.8 (+6%)	68.3 (+3%)	98.9 (+5%)	25.3 (+17%)	42.2 (+9%)	374.4 (+4%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion yen)

	FY15 Q3YTD	FY16 Q3YTD	YoY	YoY%	YoY% (FXN)
Salaries & Wages	57.5	55.2	-2.3	-4%	+6%
Sales Promotion	12.6	11.2	-1.4	-11%	-2%
Logistical Costs	8.3	8.4	+0.1	+1%	+5%
Depreciation & Amortization	21.0	19.1	-1.9	-9%	+2%
Others	27.8	28.0	+0.2	+0%	+9%
SG&A Expenses Total	127.2 (32.1%)	121.9 (32.6%)	-5.3	-4%	+5%
R&D Expenses	23.3 (5.9%)	24.5 (6.5%)	+1.2	+5%	+13%
Operating Expenses Total	150.5 (38.0%)	146.4 (39.1%)	-4.1	-3%	+6%

(%) Against net sales

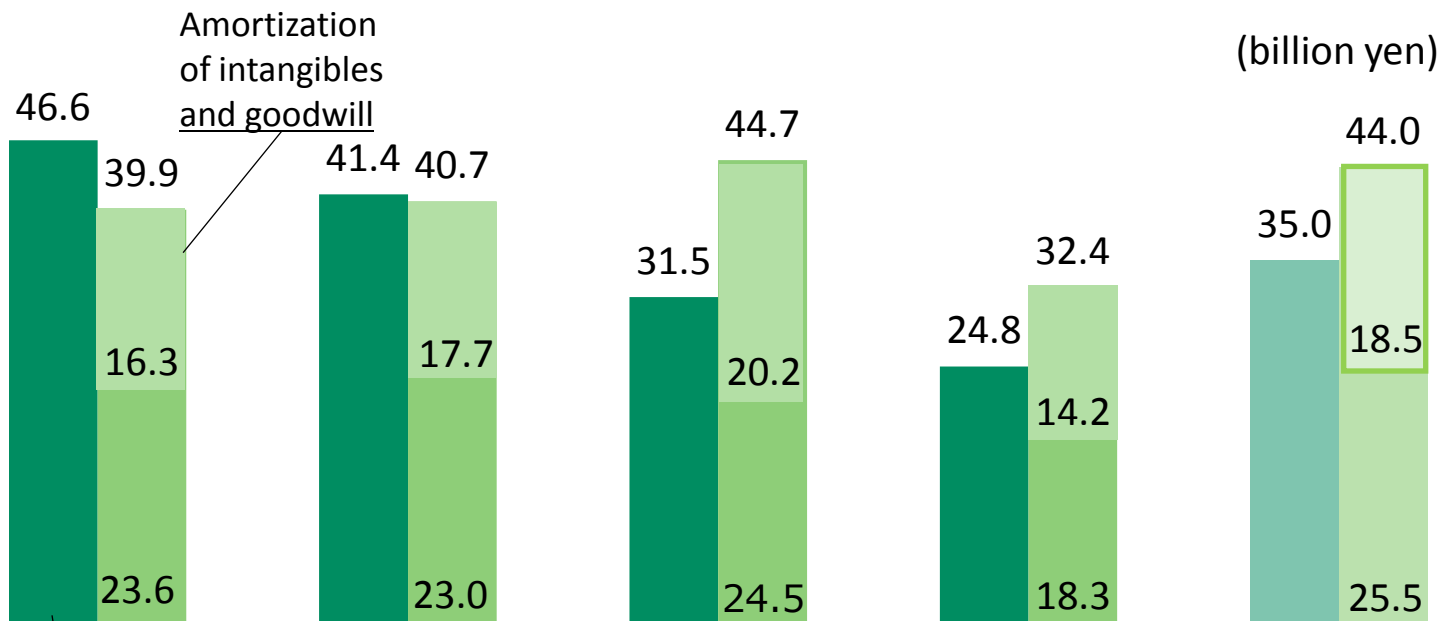
Quarterly Results

(billion yen)

	FY15 Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY16Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Net Sales	136.8	129.0	124.5	120.6	129.3
Gross Profit	75.3 (55.0%)	70.3 (54.4%)	69.8 (56.0%)	66.3 (55.0%)	69.2 (53.6%)
SG&A Expenses	42.9 (31.3%)	42.8 (33.1%)	40.3 (32.3%)	40.1 (33.3%)	41.5 (32.1%)
R&D Expenses	7.4 (5.4%)	9.9 (7.7%)	8.1 (6.5%)	8.2 (6.8%)	8.2 (6.4%)
Operating Income	25.0 (18.3%)	17.6 (13.6%)	21.4 (17.2%)	18.0 (14.9%)	19.5 (15.1%)
(Excl. Amortization)	30.1 (22.0%)	22.5 (17.4%)	25.9 (20.8%)	22.6 (18.8%)	24.5 (19.0%)

Average	USD	121 yen	115 yen	108 yen	102 yen	109 yen
Exchange Rate	EUR	133 yen	127 yen	122 yen	114 yen	118 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

CAPEX: CIP basis

CAPEX
Depreciation

30.1
R&D Expenses

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

FY13

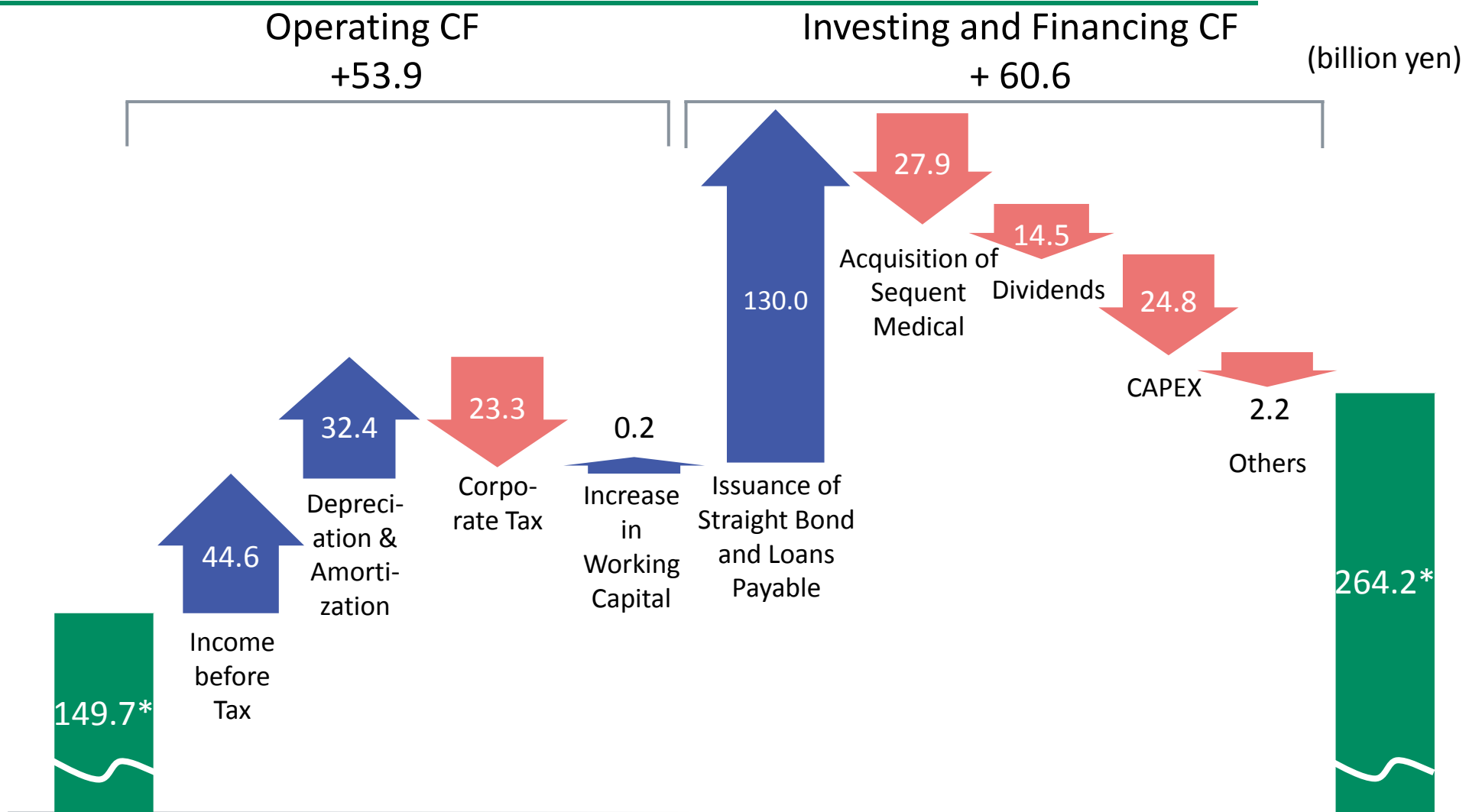
FY14

FY15

FY16 Q3YTD

FY16 Guidance

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 Dec. 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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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.