

**Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017:
Reference**

Analysis of Business Performance

**1. Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017:
Reference**

(1) Overview of Consolidated Business Results

In the first three quarters of the current fiscal year (from April 1 to December 31, 2016), trends in the global healthcare industry were as follows. In the healthcare industry overseas, there were reorganization trends, including the sale and acquisition of businesses by major medical device companies, mainly in the United States. In Japan, NHI reimbursement prices were revised in April 2016. There is growing demand for improved medical cost efficiency, including the trial introduction of a cost benefit analysis to determine the focus and efficient allocation of fiscal resources.

Amid this environment, in December 2016, the Terumo Group established a five-year Mid- to Long-term Growth Strategy, starting from April 2017, with ten-year perspective. In addition, the company announced the launch of a new Boardroom from April 1, 2017, to reinforce the implementation of the Mid- to Long-term Growth Strategy. Under the leadership of a new Chairman and President and CEO, we aim to achieve profitable and sustainable growth as a global corporation with Japanese origins.

The following are highlights of performance at each company during the first three quarters of the current fiscal year.

- In the Cardiac and Vascular Company, access device sales in the Terumo Interventional Systems (TIS) business trended briskly. In the current fiscal year, Terumo added on sales regions for the “Ultimaster,” a drug-eluting stent, launching sales in France, Brazil, and South Korea. In Japan, Terumo poured energies into increasing sales of a 4mm diameter stent that it introduced to its product lineup in August 2016. On December 7, 2016, Terumo signed contracts with St. Jude Medical, Inc. and Abbott Laboratories, both of the United States, to acquire a vascular closure device business.
- In the General Hospital Company, sales in Japan trended briskly for infusion line products, including the needleless infusion system. Meanwhile, in Asia sales momentum was strong for IV catheters.
- In the Blood Management Company, sales were down year on year reflecting price revisions for products for US blood centers implemented in the second half of the fiscal year ended March 31, 2016, and also due to negative impact from appreciation in the yen’s value against major currencies.

Financial results for the first three quarters of the fiscal year ending March 31, 2017 are as follows:

Net sales

Net sales totaled 374.4 billion yen, a decrease of 5.5% compared with the same period in the previous fiscal year.

(million yen)

	Q1-Q3 FYE3/2016	Q1-Q3 FYE3/2017	Growth (%)	Growth excluding impact of forex translations (%)
Net sales	395,991	374,394	(5.5)	3.8
Gross profit	214,648	205,283	(4.4)	6.2
Operating income	64,115	58,904	(8.1)	4.3
Ordinary income	60,977	52,204	(14.4)	-
Profit attributable to owners of parent	43,484	31,822	(26.8)	-

(million yen)

Regional sales	Q1-Q3 FYE3/2016	Q1-Q3 FYE3/2017	Growth (%)	Growth excluding impact of forex translations (%)
Japan	140,433	139,591	(0.6)	(0.6)
Europe	76,420	68,327	(10.6)	3.3
Americas	108,732	98,934	(9.0)	4.7
Asia etc.	70,404	67,541	(4.1)	11.6
Overseas total	255,558	234,803	(8.1)	6.2
Total	395,991	374,394	(5.5)	3.8

In Japan, sales decreased year on year due to the wind down of sales contribution from the Ultimaster, which was launched in October 2015, and impact from the transfer of contrast agent sales to Fuji Pharma Co., Ltd. in the same month. Sales overseas also declined. Although sales trended briskly in the TIS business and neurovascular intervention business, performance was hindered by the yen's appreciation in value against major currencies.

Gross profit

Gross profit totaled 205.3 billion yen, a fall of 4.4% year on year. However, the decline in sales due to the yen's appreciation in value was only partially offset by an improvement in production costs.

Operating income

Operating income stood at 58.9 billion yen, a decrease of 8.1% year on year. SG&A expenses were down but did not compensate for the fall in gross profit.

Ordinary income

Ordinary income totaled 52.2 billion yen, a decline of 14.4% versus a year earlier, owing to an increase in foreign exchange rate translation loss.

Profit attributable to owners of parent

Profit attributable to owners of parent came to 31.8 billion yen, a fall of 26.8% year on year. Terumo posted an extraordinary loss of 7.0 billion yen owing to the termination of a contract for the joint development of a bioresorbable scaffold with Arterial Remodeling Technologies (ART) of France in Q3. In addition, the decline was in reaction to extraordinary income of 4.4 billion yen posted in tandem with the sale of land in the first half of the previous fiscal year.

Net sales results by company are as follows:

(million yen)

Segment		Q1-Q3 FYE3/2016	Q1-Q3 FYE3/2017	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac and Vascular Company	Net sales	193,241	186,570	(3.5)	8.4
	(Japan)	37,765	37,345	(1.1)	(1.1)
	(Overseas)	155,476	149,225	(4.0)	10.8
General Hospital Company	Net sales	122,777	118,979	(3.1)	0.0
	(Japan)	94,257	93,515	(0.8)	(0.8)
	(Overseas)	28,520	25,464	(10.7)	2.6
Blood Management Company	Net sales	79,972	68,692	(14.1)	(1.9)
	(Japan)	8,410	8,577	2.0	2.0
	(Overseas)	71,561	60,114	(16.0)	(2.4)

Cardiac and Vascular Company

In Japan, access device sales trended briskly in the TIS business. However, sales in Japan were pushed down by a wind down in contribution from Ultimaster sales, which were launched in October 2015, and negative impact from revisions to NHI reimbursement prices. Meanwhile, overseas sales also declined. Although access device and Ultimaster sales trended solidly in the TIS business, sales in the neurovascular intervention business also rose, this did not offset the negative impact from a rise in the yen's value against major currencies.

Consequently, net sales in the Cardiac and Vascular Company totaled 186.6 billion yen, a decrease of 3.5% year on year.

General Hospital Company

In Japan, sales declined in comparison with the same period a year earlier. Although sales were strong for infusion

line products, including needleless infusion systems, sales in Japan were weighed down by negative impact from the transfer of contrast agent sales to Fuji Pharma Co., Ltd. in October 2015, and from revision to NHI drug reimbursement prices. Overseas, sales also fell. Although sales momentum was strong for IV catheter in Asia, performance was hindered by downsizing low-profit businesses mainly in Europe and Latin America and negative impact from a rise in the yen's value against major currencies.

In light of this, net sales in the General Hospital Company came to 119.0 billion yen, a drop of 3.1% year on year.

Blood Management Company

In Japan, sales increased in comparison with the same period in the previous year. Sales momentum was initially somewhat weak for products shipped to blood centers due to a change in delivery times by customers, but picked up in Q2 onward. Overseas sales fell. This was due to negative impact from revisions to selling prices on products shipped to blood centers in the United States implemented in the second half of the previous fiscal year, and also reflecting a rise in the yen's value against major currencies in various regions.

Accordingly, net sales in the Blood Management Company were 68.7 billion yen, a decrease of 14.1% year on year.

(2) Overview of Consolidated Balance Sheets

Assets

As of December 31, 2016, total assets stood at 1,063.8 billion yen, an increase of 162.1 billion yen compared with March 31, 2016.

Current assets were 499.9 billion yen, a rise of 125.2 billion yen owing in part to an increase in cash and deposits.

Non-current assets were 559.4 billion yen, a rise of 37.8 billion yen. Property, plant and equipment increased 4.6 billion yen, intangible assets increased 39.4 billion yen, and investments and other assets shrank 6.3 billion yen.

Total Liabilities

Total liabilities stood at 522.9 billion yen, an increase of 132.7 billion yen, owing in part to an increase in short-term loans payable and the issuance of unsecured bonds.

Total Net Assets

Net assets totaled 540.9 billion yen, an increase of 29.4 billion yen.

Consequently, Terumo's equity ratio stood at 50.8%, down 5.9 percentage points compared with March 31, 2016.

(3) Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

Earnings performance is trending steadily, mainly in the Cardiac and Vascular Company. However, given the negative impact from an appreciation in the yen's value against major currencies in the first half and other factors,

sales are trending slightly below our initial forecast. On top of this, we anticipate one-off costs in Q4 for the acquisition of the vascular closure device business and other assets from St. Jude Medical, Inc. and Abbott Laboratories. Reflecting these factors, we downwardly revised our net sales, operating income and ordinary income forecasts released on November 10, 2016 to the figures in the table below.

Note that in Q3 we posted an extraordinary loss of 7.0 billion yen owing to the termination of a contract for the joint development of a bioresorbable scaffold with Arterial Remodeling Technologies (ART). As mentioned in our press release on “Notice Concerning Sale of Shares Held by Terumo Corporation” dated February 9, 2017, we expect to post extraordinary income in Q4 on the sale of equity in Olympus Corporation. Taking these factors into account, we are sticking with our earlier forecast for profit attributable to owners of parent. (Foreign exchange rate assumptions for Q4 are ¥110/USD1 and ¥120/EUR1 and for the full fiscal year are ¥107/USD1 and ¥118/EUR1.)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Prior forecast (A)	Million yen 517,000	Million yen 75,000	Million yen 65,000	Million yen 47,500	Yen 130.87
Revised forecast (B)	510,000	71,000	62,000	47,500	130.86
Change (B – A)	(7,000)	(4,000)	(3,000)	-	-
Change (%)	(1.4)	(5.3)	(4.6)	-	-
(Ref.) Results for prior fiscal year	525,026	81,703	73,090	50,676	135.14

2. Summary Information (Notes)

(1) Change in major subsidiaries in the first nine months of the fiscal year ending March 31, 2017

Newly-established Terumo Capital Management Pte. Ltd. was added to the scope of consolidation from Q2. Owing to capital increases carried out in stages, the company was designated a specified subsidiary from the start of Q3.

(2) Adoption of accounting procedures uniquely specific to the preparation of quarterly financial statements

Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

Not applicable