

# Financial Results for the Fiscal Year Ended March 31, 2017 (FY2016) and Guidance for the Fiscal Year Ending March 31, 2018 (FY2017)

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May 10, 2017

# Achieved Growth in Sales and Profit w/ FXN, and Recorded Highest-ever Net Income

(billion yen)

	FY2015	FY2016	YoY%	YoY% (Excl. FX)
Net Sales	525.0	514.2	-2%	+6%
Gross Profit	282.9 (53.9%)*	278.0 (54.1%)*	-2%	+8%
SG&A expenses	168.1 (32.0%)	167.7 (32.6%)	-0%	+9%
R&D Expenses	33.1 ( 6.3%)	33.7 ( 6.6%)	+2%	+8%
Operating Income	81.7 (15.6%)	76.6 (14.9%)	-6%	+7%
(Excl. Amortization)	101.9 (19.4%)	97.3 (18.9%)	-5%	+8%
Ordinary Income	73.1 (13.9%)	68.6 (13.3%)	-6%	
Net Income	50.7 ( 9.7%)	54.2 (10.5%)	+7%	

Average Exchange Rate	USD	120 yen	108 yen
	EUR	133 yen	119 yen

- Sales: Overseas continuous double digit growth in Cardiac and Vascular Company drove overall growth
- Operating income: Improved gross margin due to expansion of highly profitable products in TIS, production volume increase in general hospital products, and reduced cost for quality system improvement
- Ordinary income: Decrease in posted FX loss on YoY (FY2015: 7.5 BJPY → FY2016: 4.1BJPY)
- Net income: Realized extraordinary loss due to termination of contract for co-development w/ French venture company. Gain from sales of Olympus's stocks

\*Transferred some SG&A expenses for the independent manufacturing subsidiaries into COGS (2.0BJPY)

# FY2016 Comparison between Guidance and Results

(billion yen)

(billion yen)	FY2016 Guidance as of Feb 9 <sup>th</sup>	Results	Difference
Net Sales	510.0	514.2	+4.2
Operating Income (%)	71.0 (13.9%)	76.6 (14.9%)	+5.6
Ordinary Income	62.0	68.6	+6.6
Net Income	47.5	54.2	+6.7

USD 107 yen  
EUR 118 yen

108 yen  
119 yen

## <Operating Income>

- Achieved sales above the forecast in access and neurovascular products + 2.0
- Steady sales for acquired businesses + 1.0
- Delay of realization for SG&A, etc. (Cardiac and Vascular company) + 1.0
- R&D: Slight delay for clinical trial, receipt of R&D fee from partner companies + 1.5

## <Ordinary Income>

- Less FX losses than expected, delay in realization of temporary cost for financing + 1.0

## <Net Income>

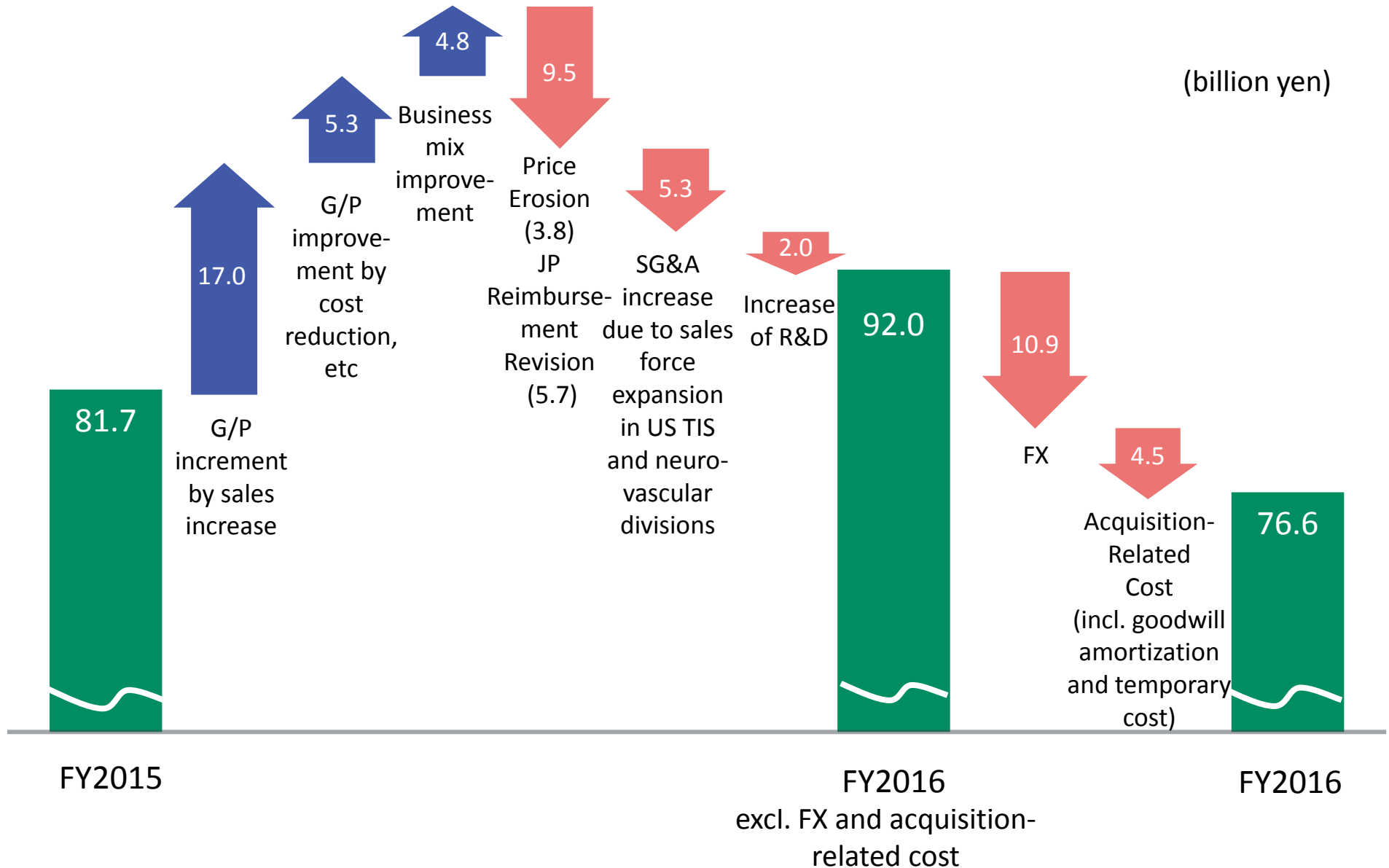
- Gain from sales of Olympus's stocks, etc. + 1.5

# Extraordinary Gains & Losses, Income Taxes

(billion yen)

	FY2015	FY2016													
Operating Income	81.7	76.6	YoY%: -6%												
Non-operating Income and loss	-8.6	-8.0	<table border="0"> <tr> <td>FX</td> <td>1H</td> <td>2H</td> <td>Q4YTD</td> </tr> <tr> <td>FY15</td> <td>-2.4</td> <td>-5.1</td> <td>-7.5</td> </tr> <tr> <td>FY16</td> <td>-6.6</td> <td>+2.5</td> <td>-4.1</td> </tr> </table>	FX	1H	2H	Q4YTD	FY15	-2.4	-5.1	-7.5	FY16	-6.6	+2.5	-4.1
FX	1H	2H	Q4YTD												
FY15	-2.4	-5.1	-7.5												
FY16	-6.6	+2.5	-4.1												
Ordinary Income	73.1	68.6	YoY%: -6%												
Extraordinary Gains & Losses	+3.8	+6.4	<table border="0"> <tr> <td>FY15</td> <td></td> </tr> <tr> <td>Sale of land in Hatagaya</td> <td>+4.4</td> </tr> <tr> <td>FY16</td> <td></td> </tr> <tr> <td>Termination of co-development w/ ART</td> <td>-7.0</td> </tr> <tr> <td>Gain from sale of equity</td> <td>+15.7</td> </tr> </table>	FY15		Sale of land in Hatagaya	+4.4	FY16		Termination of co-development w/ ART	-7.0	Gain from sale of equity	+15.7		
FY15															
Sale of land in Hatagaya	+4.4														
FY16															
Termination of co-development w/ ART	-7.0														
Gain from sale of equity	+15.7														
Income before Income Tax	76.9	75.0	YoY%: -3%												
Income Taxes Total	-26.2	-20.8	Tax effect due to past loss of valuation for Olympus's stocks Terumo owns												
Tax Rate (%)	34%	28%													
Net Income	50.7	54.2	YoY%: +7%												

# Operating Income Variance Analysis



# FX Impact on Operating Income in FY2016

Currencies	FY15 Rate (Yen)	Original FY16 Guidance		Results in FY16	
		Rate (yen)	Impact (billion yen)	Rate (yen)	Impact (billion yen)
USD	120	110	1.9	108	2.7
EUR	133	125	-2.3	119	-5.2
CNY	19	17	-1.5	16	-2.3
Others (Asia, L. America etc.)			-6.6		-6.1
Total			-8.5		-10.9

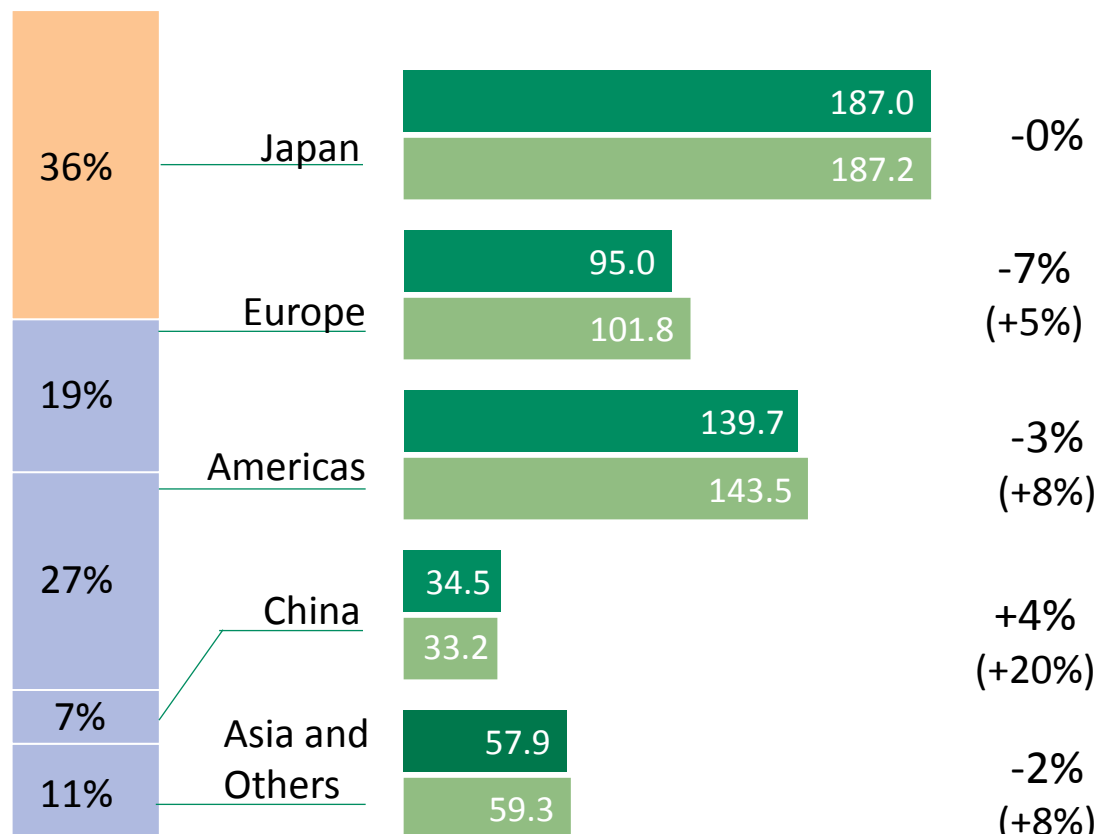
# Net Sales by Region

FY16  
FY15

## Net Sales

100% = 514.2BJPY

## Year-on-Year Sales Comparison



( ) FXN

-0%

-7%  
(+5%)

-3%  
(+8%)

+4%  
(+20%)

-2%  
(+8%)

## Comments

Access devices in TIS and neurovascular as well as infusion system and businesses in Blood Management Company drove overall growth. Reimbursement price cut. Ended YoY positive impact from sales of new coronary therapeutic devices launched in FY15

Closure device added further good momentum in continuous high growth for TIS, neurovascular, and vascular graft (+9%). Large expansion of B2B for Pharma (22%). Downsizing low profitable accounts for general hospital products

Closure device accelerated the overall high growth in Cardiac and Vascular Company (+14%)

Price decline for blood center products in Blood Management Company

Achieved high growth in sales for all businesses in Cardiac and Vascular Company (+24%).

Continuous double digit growth in General Hospital Company (+17%)

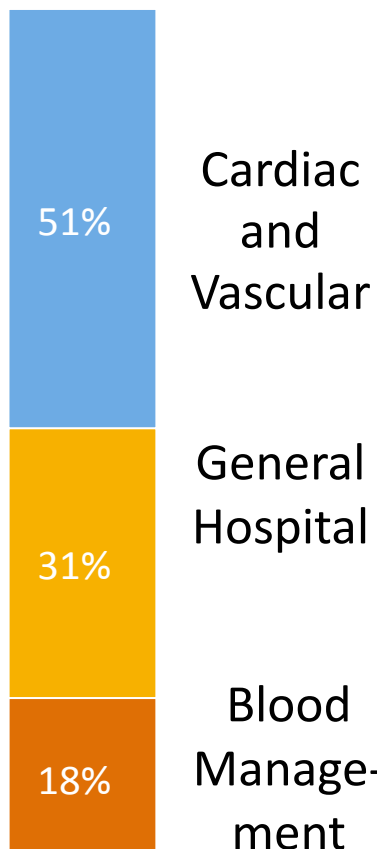
General Hospital Company maintained good momentum mainly in IV catheter needles. Cardiac and Vascular Company achieved continuous double digit growth driven by TIS (+15%)

# Net Sales by Business Segment

FY16  
FY15

## Net Sales

100% = 514.2BJPY



## Year-on-Year Sales Comparison

billion yen	YoY%	Comments
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( ) FXN

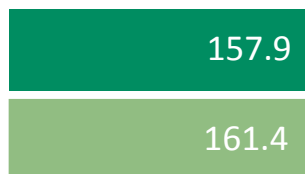
Cardiac and Vascular



+1%  
(+11%)

Despite the negative impact of reimbursement price cut, overseas TIS and neurovascular along with acquired closure device led overall double digit growth in the company

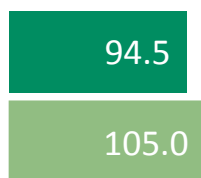
General Hospital



-2%  
(+0%)

Growth mainly for infusion system and IV catheters offset the impact of downsizing low profitable accounts in EU and Latin Americas in general hospital products. Double digit growth in global D&D for overseas pharmaceutical companies alleviated the impact of reimbursement price cut in D&D

Blood Management



-10%  
(+0%)

Continuous growth for businesses in emerging countries and apheresis system offset the impact of price decline for blood center product in US



# Cardiac and Vascular : Achieved Double Digit Growth Both in Sales and Profit

(billion yen)

	FY2015	FY2016	YoY%	Major Topics	Impact
Sales	258.6	261.5	( ) FXN	Negative Impact of FX	-25.5
			+1% (+11%)	JPN: Reimbursement price cut. Annualized positive impact from the launch of new coronary therapeutic device in FY15. Double digit growth in neurovascular (+16%)	-0.6
				Overseas: All businesses showed positive growth. TIS and neurovascular achieved a double digit growth (+16%).	+22.7
				Increase in sales owing to acquisition	+6.3
Business Profit	63.4 (25%)	65.0 (25%)	+3% (+22%)	Highly profitable products in TIS such as access devices and coronary therapeutic devices drove overall growth Impact of Misago recall (-2.0)	

# General Hospital : Steady Progress in Profitability Improvement

(billion yen)

	FY2015	FY2016	YoY%	Major Topics	Impact
Sales	161.4	157.9	-2% (+0%)	( ) FXN	
				Negative Impact of FX	-4.0
				JPN: Infusion system mainly drove overall growth in general hospital products	+1.2
				Ended distribution of contrast agents	- 1.3
				Overseas: Downsizing low profitable accounts in EU and Latin Americas	- 1.5
Achieved high growth in B2B for pharmaceutical companies in EU	+ 0.8				
IV catheter needles mainly drove an overall growth in China and other regions of Asia	+ 1.1				
Business Profit	22.6 (14%)	23.8 (15%)	+5% (+7%)	Increase in pension cost due to the lowering interest rate. Continuous cost reduction mainly in general hospital products FY15: 13.9% → FY16: 15.0%	

# Blood Management : Annualized Impact of Price Decline in US

(billion yen)

	FY2015	FY2016	YoY%	Major Topics	Impact
Sales	105.0	94.5	-10% (+0%)	( ) FXN	-10.6
				Negative Impact of FX	- 2.0
				Price declines for blood center products mainly in US	- 0.6
				Negative impact from stagnant macro economy in Russia and the Middle East countries	+ 1.8
				Sales expansion in apheresis system	+ 1.2
				Blood center business in emerging countries continuously grew	
Business Profit	16.9	13.6	-20% (-6%)	Decrease in G/P due to price declines for blood center products along with increase in R&D investment and start-up cost for new factory in Vietnam.	
	(16%)	(14%)		Decrease in profit due to FX, yet achieved more profit than the guidance level w/ FXN.	

# Major Topics in FY2016

## Corporate

- Announced adoption of IFRS (Nov)
- Announced 5-Year Mid- to Long-term Growth Strategy (Dec)
- Share buyback of 44.2 BJPY (Feb)
- Selected as “the Health and Productivity Stock Selection” for three consecutive years (Feb)

## Business

- “AdSpray” obtained regulatory approval for the first time in spray type adhesion barrier in Japan (Jun)
- FDA lifted all shipping restrictions at TCVS (Jun)
- Strengthened product portfolio in Cardiac and Vascular Company through M&As
  - Acquisition of US-based Sequent Medical for new neurovascular aneurysm embolization device (Jun)
  - Acquisition of vascular closure devices, etc. from St. Jude Medical and Abbott Laboratory (Dec)
  - Acquisition of US-based Bolton Medical for TAA and AAA stent grafts (Jan)



# New Products Pipeline in FY2016

Category	Products		Region	Launch
Coronary	DES (Ultimaster)	◎ ★	France	Launched
	DES (Ultimaster) 4.0mm	◎ ★	JP	Launched
Imaging	IVUS	◎ ★	JP	Launched
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
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	Launched
DM	Blood glucose meter (MEDISAFE Fit Smile)		China	To be launched in FY17
Blood Management	Automated blood component processing system	★	JP	Launched



DES "Ultimaster"

JP, France



Adhesion barrier "AdSpray"

JP

IVUS "AltaView"  
JP

# FY17 Guidance

(billion yen)

Reference

	FY16 Results	FY17 Guidance	YoY%	IFRS Basis FY17 Guidance
Net Sales	514.2	575.0	+12%	575.0
Operating Income (%)	76.6 (14.9%)	82.0 (14.3%)	+7%	95.0 (16.5%)
Ordinary Income	68.6	79.5	+16%	
Net Income	54.2	53.0	-2%	68.0

Average	USD 108 yen	110 yen
Exchange Rate	EUR 119 yen	120 yen

In FY17 guidance, figures related to acquisition is tentative since PPA is still in process.

# FY17 Guidance (excl. Impacts of FX and M&As)

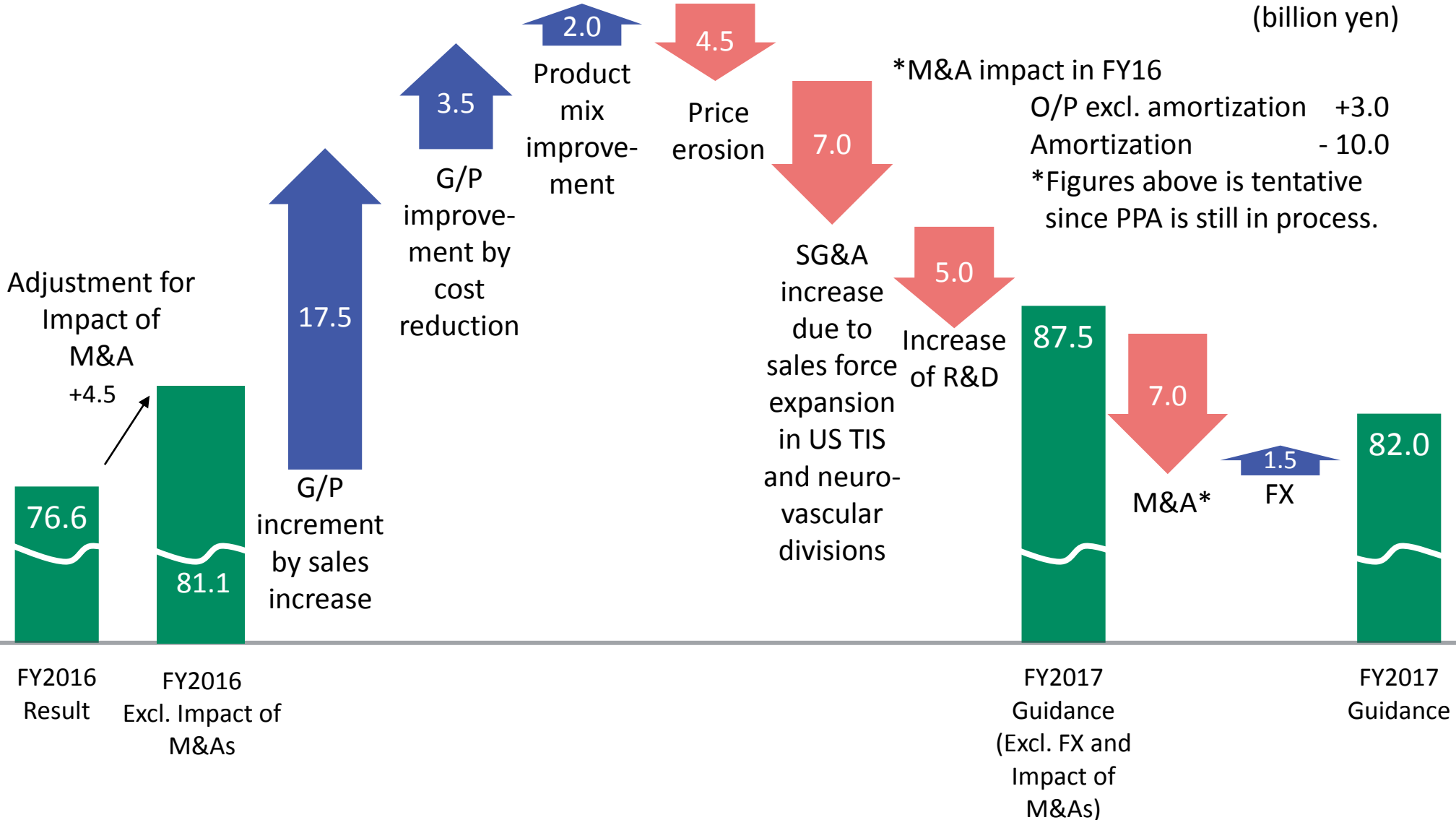
(billion yen)

	FY16 Result Excl. M&As	FY17 Guidance w/ FXN Excl. M&As	YoY%	FX Impact	M&As Impact	FY17 Guidance
Net Sales	507.8	536.5	+6%	+6.0	+32.5	575.0
Operating Income (%)	81.1 (16.0%)	87.5 (16.3%)	+8%	+1.5	-7.0	82.0 (14.3%)
Ordinary Income	73.2	85.5	+17%	+1.5	-7.5	79.5
Net Income	58.7	56.5	-4%	+1.0	-4.5	53.0

Average	USD 108 yen	108 yen				110 yen
Exchange Rate	EUR 119 yen	119 yen				120 yen

# FY2017 Annual Guidance

(billion yen)





# FY2017 Guidance : Increase of Sales and Profit in All Three Companies

	Sales*		Business Profit*		Comments
	billion yen	YoY%	billion yen	YoY%	
Cardiac and Vascular	FY17	308.0	23%	72.0	Contribution to sales and profit not only by TIS but by all businesses in the company
	FY16	261.5	+18%	25% 65.0	
General Hospital		160.5	15%	24.5	Steady growth. Continuous improvement for profitability
		157.9	+2%	15% 23.8	
Blood Management		100.5	14%	14.5	Back to growth trajectory. Growth in emerging countries business and apheresis system
		94.5	+6%	14% 13.6	

\* W/ FXN, Incl. impact of M&A

# New Products Pipeline in FY2017

Category	Products	Region
Coronary	PTCA balloon	US
Peripheral	Stent (TRI) ★	JP, US & EU
	PTA balloon (TRI) ★	JP, US & EU
	PTA guiding sheath (TRI) ★	JP, US & EU
	Drug coated balloon ◎ ★	EU
	Embolization coil ◎	EU
Neuro	Distal protection device	EU
	Hydrogel coil 3D	JP, US & EU
Oncology	Radioembolization beads (Quirem) ★	EU

Category	Products	Region
CV	Heart lung machine (Re-launch) ◎	Global
	Next generation of oxygenator ◎	Global
General Hospital Products	Vertical infusion pump	JP
	Needleless infusion system for Anti-cancer drugs	JP
DM	Insulin patch pump ★	JP
Blood Management	New software for automated blood collection system	Global

◎ Item with large contribution to sales and profit

★ Item with highly innovative technology



Drug Coated Balloon  
"Kanshas"  
EU



Heart Lung Machine  
Re-launch  
Global



Insulin Patch Pump  
JP

# Reference

# 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	51.0 (-1%)	210.6 (+14%)	64.7 (+9%)	92.0 (+14%)	28.2 (+24%)	25.6 (+15%)	261.5 (+11%)
Out of C&V Interventional Systems*	38.8 (-2%)	170.1 (+16%)	53.1 (+11%)	69.1 (+17%)	26.8 (+23%)	21.2 (+19%)	208.9 (+13%)
General Hospital	123.8 (-0%)	34.1 (+2%)	7.8 (-7%)	7.8 (+5%)	1.9 (+17%)	16.6 (+5%)	157.9 (+0%)
Blood Management	12.0 (+5%)	82.5 (-1%)	22.4 (-1%)	39.9 (-2%)	4.4 (+4%)	15.8 (+2%)	94.5 (+0%)
G. Total	187.0 (-0%)	327.2 (+9%)	95.0 (+5%)	139.7 (+8%)	34.5 (+20%)	57.9 (+8%)	514.2 (+6%)

\*Including Neurovascular business

(YoY%): Excluding foreign exchange

# Operating Expenses

(billion yen)

	FY2015	FY2016	YoY	YoY%	YoY% (Excl. FX)
Salaries & Wages	75.1	74.6	- 0.5	-1%	+8%
Sales Promotion	17.2	15.6	-1.6	-9%	-2%
Logistical Costs	11.0	11.2	+0.2	+2%	+6%
Depreciation & Amortization	27.4	27.5	+0.1	+0%	+10%
Others	37.4	38.8	+1.4	+4%	+11%
<b>SG&amp;A Expenses Total</b>	<b>168.1</b> (32.0%)	<b>167.7</b> (32.6%)	<b>-0.4</b>	<b>-0%</b>	<b>+9%</b>
<b>R&amp;D Expenses</b>	<b>33.1</b> (6.3%)	<b>33.7</b> (6.6%)	<b>+0.6</b>	<b>+2%</b>	<b>+8%</b>
<b>Operating Expenses Total</b>	<b>201.2</b> (38.3%)	<b>201.4</b> (39.2%)	<b>+0.2</b>	<b>+0%</b>	<b>+8%</b>

# Quarterly Results

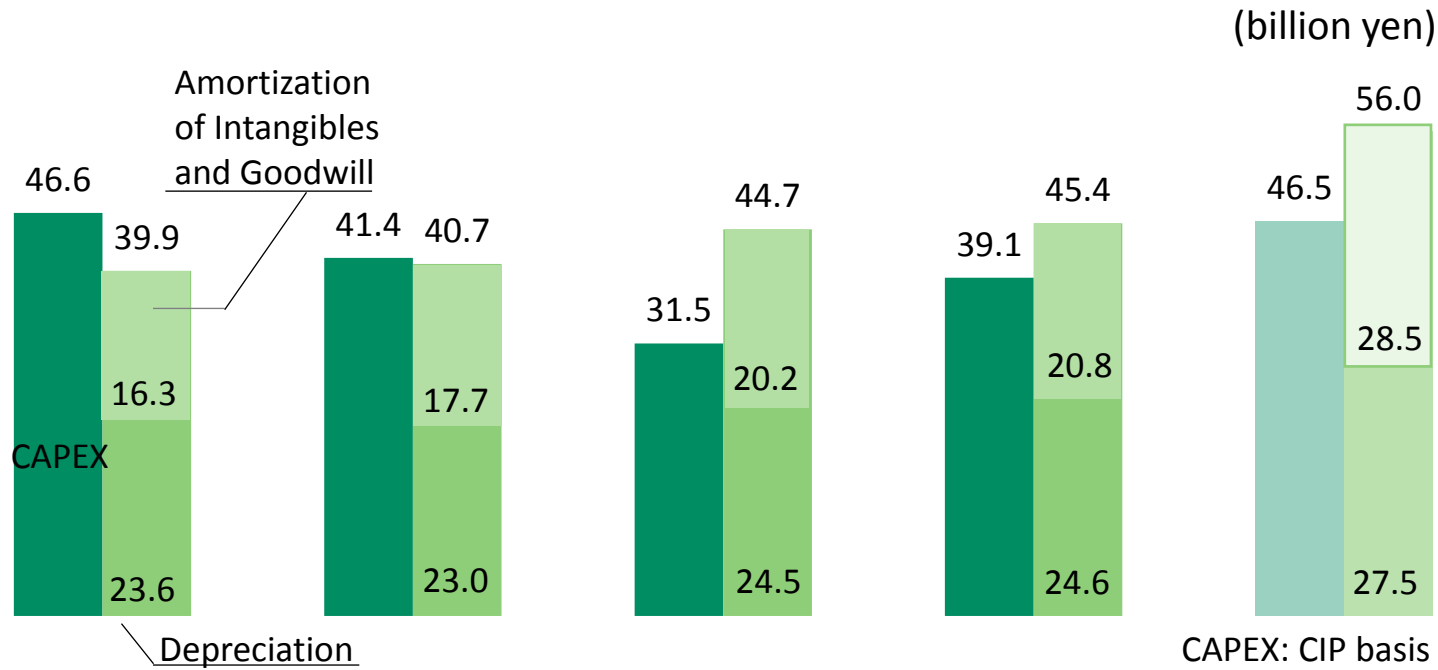
(billion yen)

	FY15 Q4 (Jan-Mar)	FY16 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
Net Sales	129.0	124.5	120.6	129.3	139.8
Gross Profit	69.7 (54.0%)	69.2 (55.6%)	65.8 (54.6%)	68.7 (53.2%)	74.3 (53.2%)
SG&A Expenses	42.2 (32.7%)	39.7 (31.9%)	39.6 (32.9%)	41.0 (31.7%)	47.4 (34.0%)
R&D Expenses	9.9 (7.7%)	8.1 (6.5%)	8.2 (6.8%)	8.2 (6.4%)	9.2 (6.6%)
Operating Income	17.6 (13.6%)	21.4 (17.2%)	18.0 (14.9%)	19.5 (15.1%)	17.7 (12.6%)
(Excl. Amortization)	22.5 (17.4%)	25.9 (20.8%)	22.6 (18.8%)	24.5 (19.0%)	24.2 (17.4%)

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

\*Transferred SG&A expenses for the independent manufacturing Subsidiaries into COGS

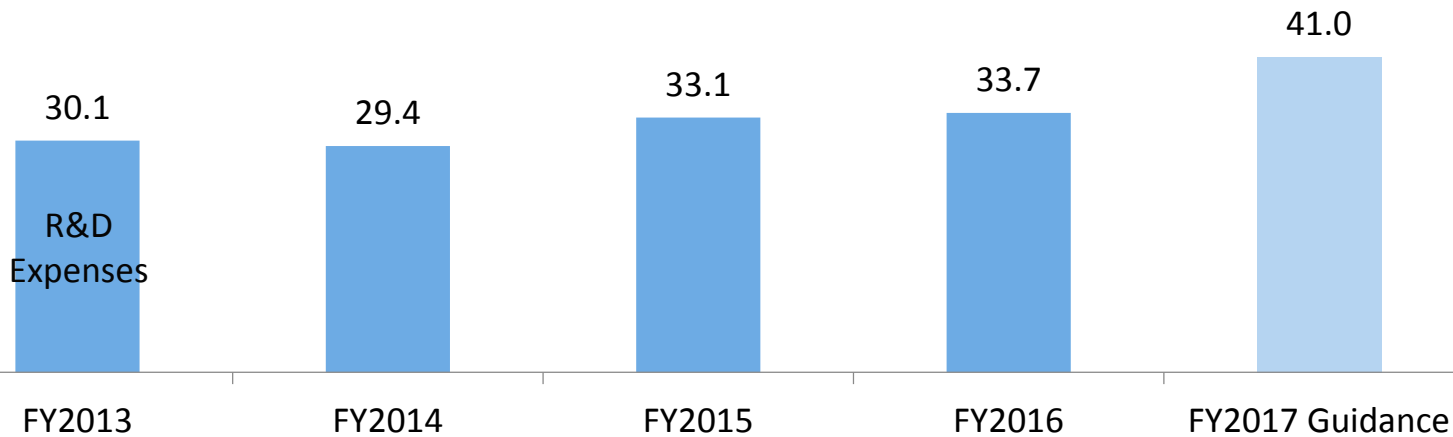
# CAPEX and R&D Expenses



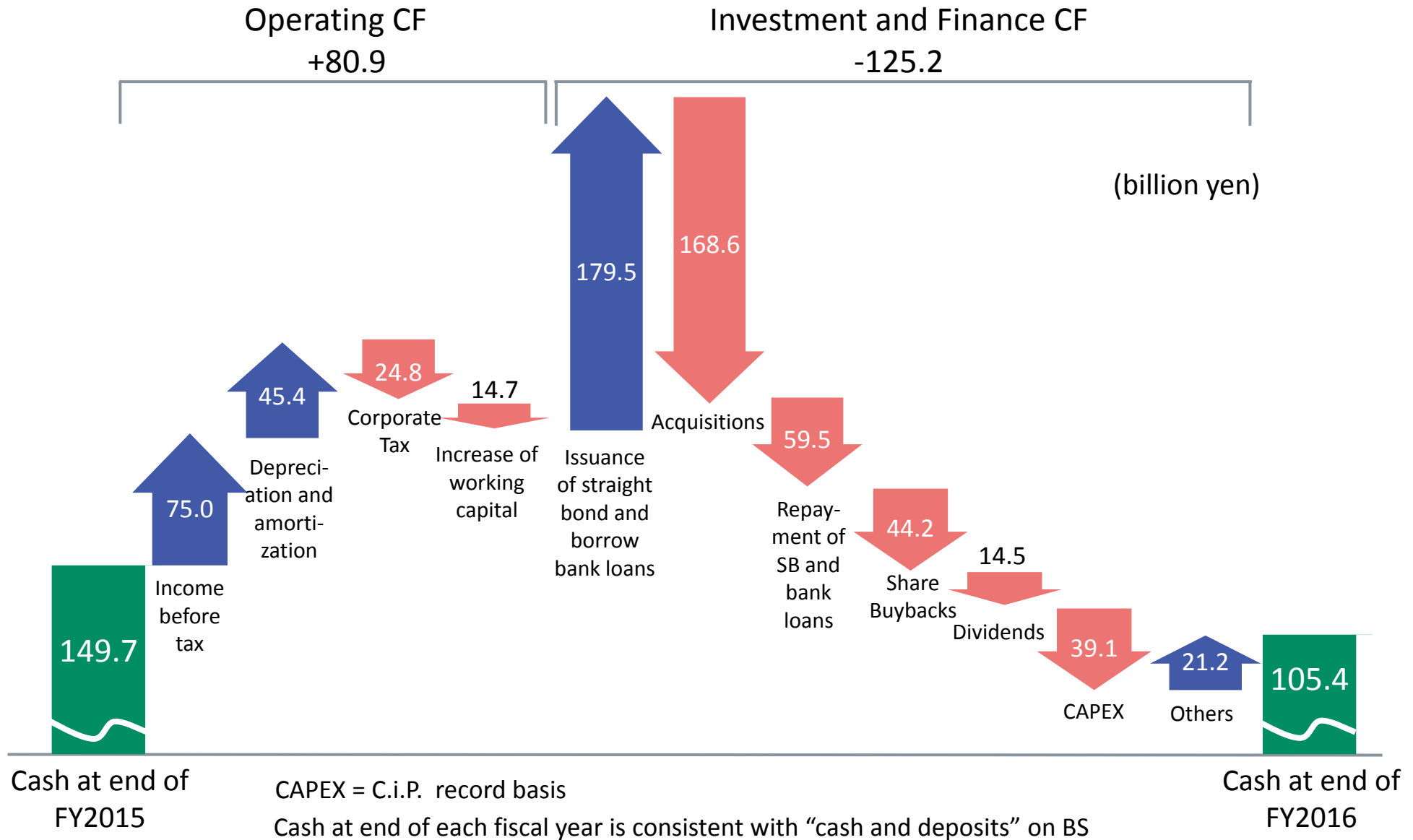
- Expand investment in production capacity and space as well as IT infrastructure in FY17

- Amortization of intangibles and goodwill in FY17 are projected to increase due to M&As in FY16

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



# Cash Flow





# Financing Capital for M&As by Self-financing and Low-Interest Debt

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- Make use of low interest rate while considering financial soundness

- Financing since the introduction of minus interest rate policy

➤ Jan, 2017	Syndicate loans(*)	30.0 BJPY
➤ Apr, 2017	Syndicate loans(*)	120.0 BJPY
➤ Apr, 2017	Straight bonds	20.0 BJPY

- ✓ Loan term 3-10 yrs (Average: 7yrs)

(\*)A part of financing comes from JBIC

- Despite increase in interest bearing debt, interest expenses decreases.

➤ FY15 1.4BJPY → FY16 1.2BJPY → FY17 1.0 BJPY

# FY17 Foreign Exchange Sensitivity

(billion yen)

	USD		EUR	CNY
	Excl. Amortization	Incl. Amortization		
Net Sales	1.6	1.6	0.8	1.8
Operating Income	0.0	-0.2	0.5	0.9

<Reference> Impact of +/-10% fluctuation

	North America	Latin America	EMEA		Asia	
			EUR	Others	CNY	Others
Operating Income	-1.8	0.8	5.6	1.0	1.4	3.3

# FY17 Guidance: Adoption of International Financial Reporting Standards (IFRS)

- Adopting International Financial Reporting Standards (IFRS) from the year-end financial announcement for FY2017
- Schedule for disclosure

FY17 Q1-Q3 : Japanese GAAP

FY17 year-end financial announcement : IFRS

(billion yen)	Japanese GAAP	IFRS	Impact
Net Sales	575.0	575.0	-
Operating Income (%)	82.0 (14.3%)	95.0 (16.5%)	+13.0
Adjusted Operating Income (%)	110.5 (19.2%)	110.0 (19.1%)	-0.5
Net Income	53.0	68.0	+15.0

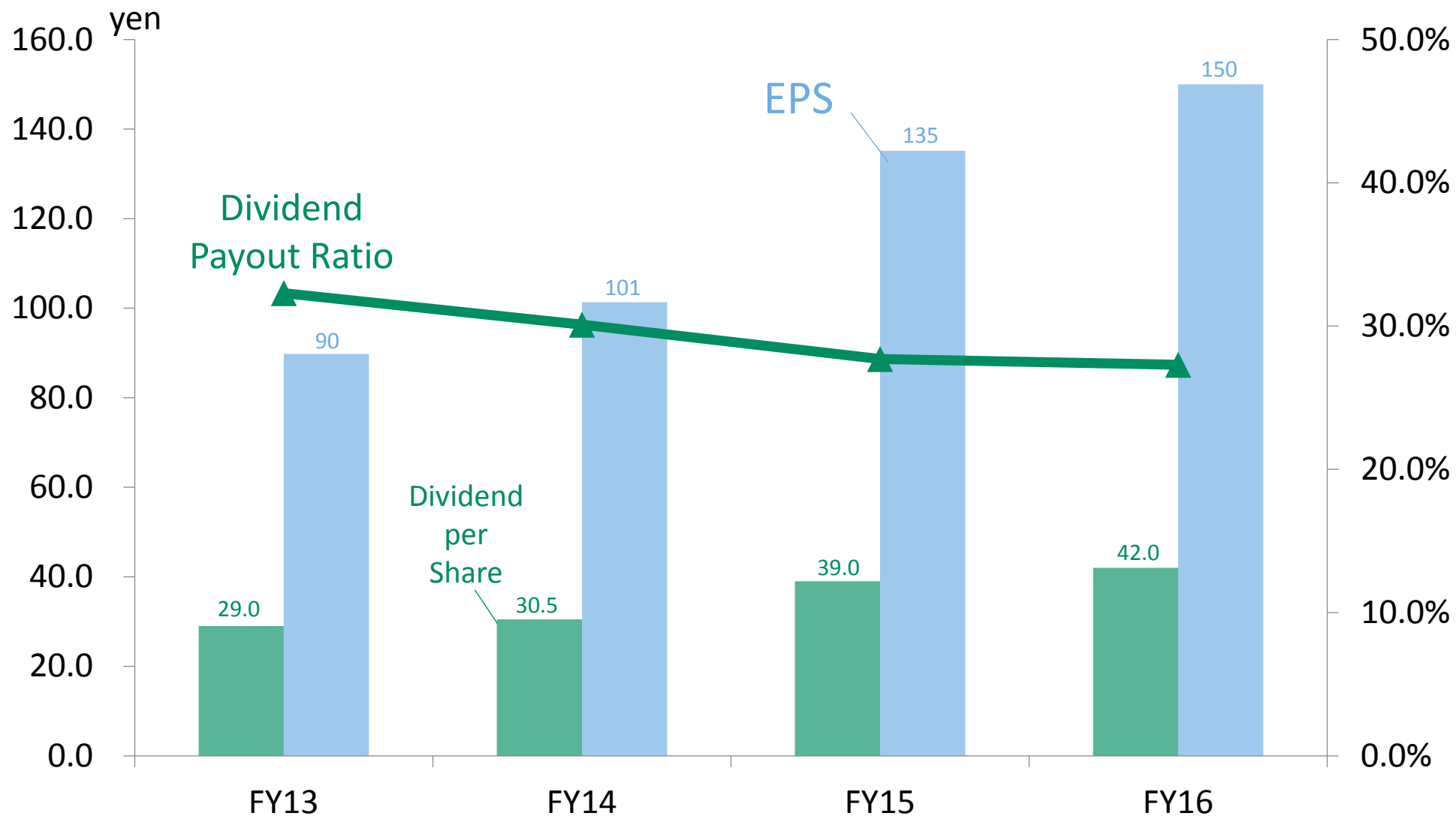
## ■ Major Impact

- Non-amortization of goodwill
- Transferring items in non-operating gains and losses into operating income in P/L

## ■ Adjusted Operating Income

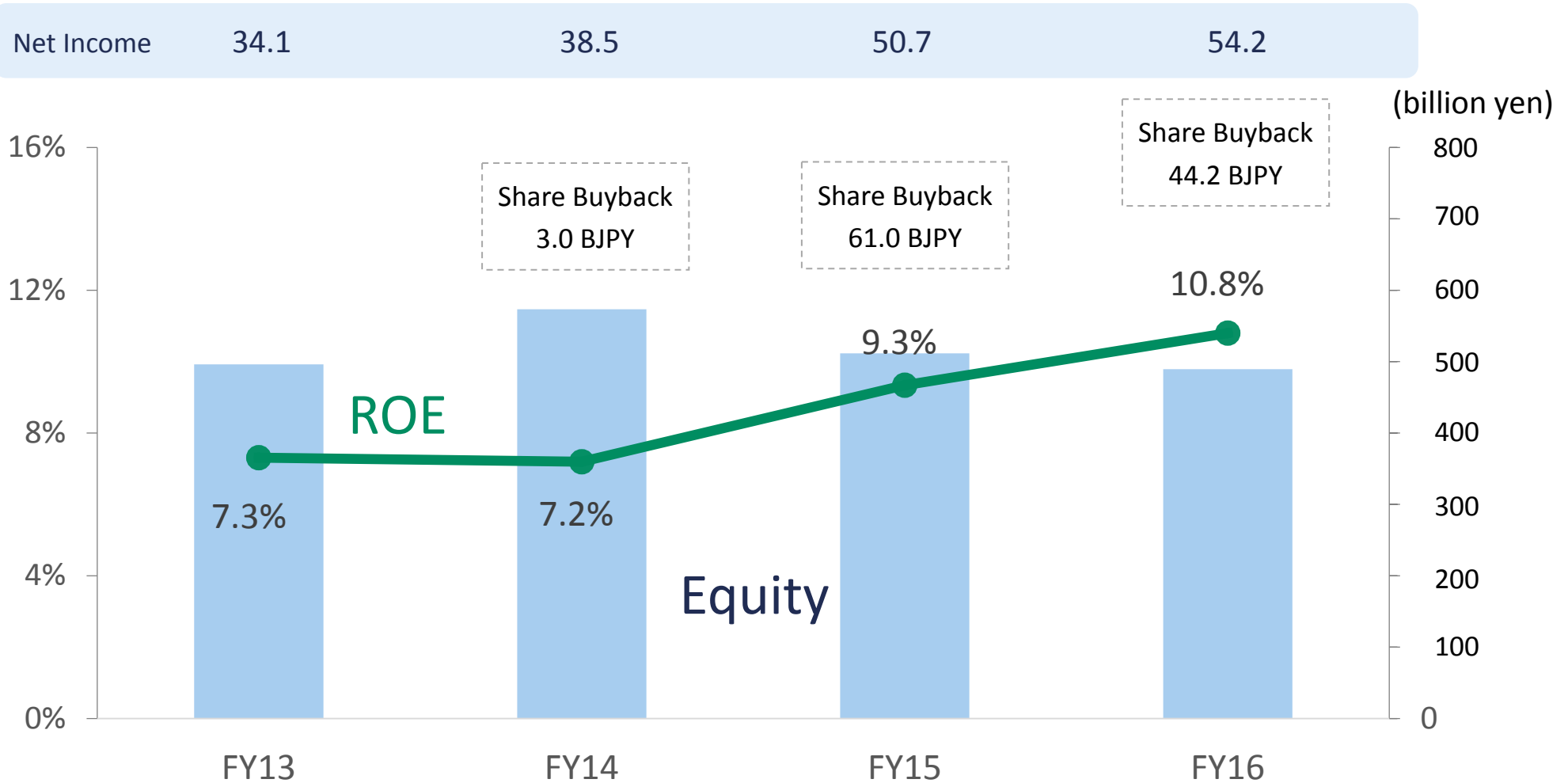
Business profit, that is, O/P for IFRS basis w/o cost of M&A, amortization of intangibles, and temporary cost (≠ existing “Operating Income excl. Amortization”)

# Dividends and EPS



# ROE

■ Achieved 10% range



# *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.