

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

---

Terumo Corporation

Managing Executive Officer

Investor Relations, Corporate Communication Dept.

Kazuaki Kitabatake

August 4, 2016

# Overview: Achieved 10% Growth in Operating Income despite FX Impact

	(billion yen)			
	FY2015 Q1	FY2016 Q1	YoY%	YoY% (Excl. FX)
Net Sales	128.7	124.5	-3%	+5%
Gross Profit	69.0 (53.7%)	69.8 (56.0%)	+1%	+11%
SG&A expenses	41.7 (32.5%)	40.3 (32.3%)	-3%	+6%
R&D Expenses	7.9 ( 6.1%)	8.1 ( 6.5%)	+3%	+10%
Operating Income	19.4 (15.1%)	21.4 (17.2%)	+10%	+22%
(Excl. Amortization)	24.5 (19.1%)	25.9 (20.8%)	+6%	+17%
Ordinary Income	20.6 (16.0%)	15.1 (12.1%)	-27%	
Net Income	14.5 (11.3%)	10.1 ( 8.1%)	-30%	

Average Exchange Rate	USD	121 yen	108 yen
	EUR	134 yen	122 yen

- Sales: Excluding FX, both Japan and overseas sales increased. TIS especially drove the growth.
- Operating income: Double digit growth driven by the sales expansion of TIS products and lowered cost for TCVS quality system improvement
- Ordinary income: Posted FX loss of 5.5 BJPY in FY16Q1, while posted gain of 1.8 BJPY in FY15Q1
- Net income: 4% of increase, excluding non-operating loss by FX impact

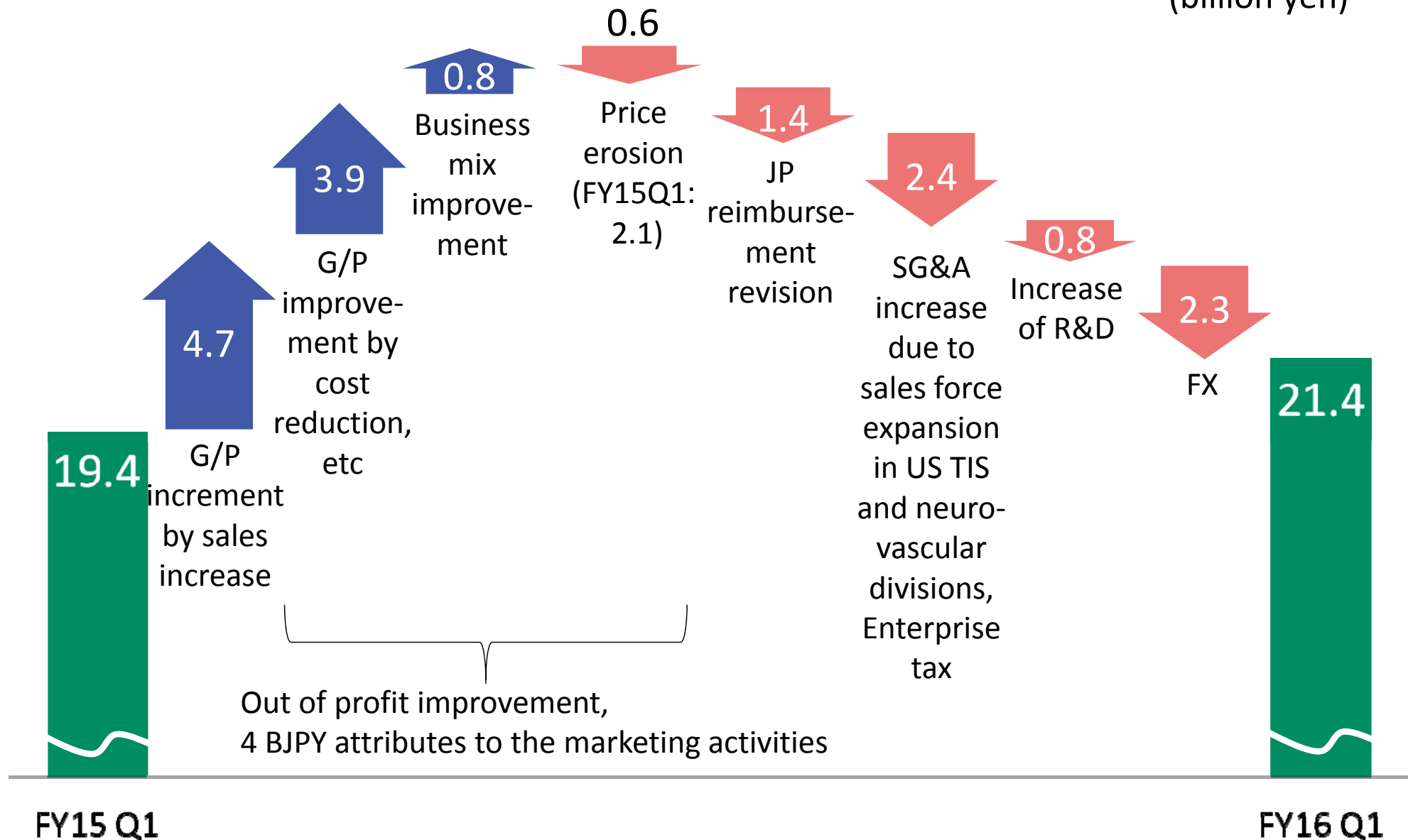
# Extraordinary Gains & Losses, Income Taxes

(billion yen)

	FY2015 Q1	FY2016 Q1			
Non-operating Income and loss	1.1	-6.2	FX	FY15Q1	+1.8
				FY16Q1	-5.5
Ordinary Income	20.6	15.1	YoY%: -27%		
Extraordinary Gains & Losses	+0.0	-0.0			
Income before Income Tax	20.6	15.1	YoY%: -27%		
Income Taxes Total	6.1	5.0	In FY15Q1, lowered tax burden ratio due to the period adjustment		
Tax Rate (%)	30%	33%			
Net Income	14.5	10.1	YoY%: -30%		

# Operating Income Variance Analysis

(billion yen)

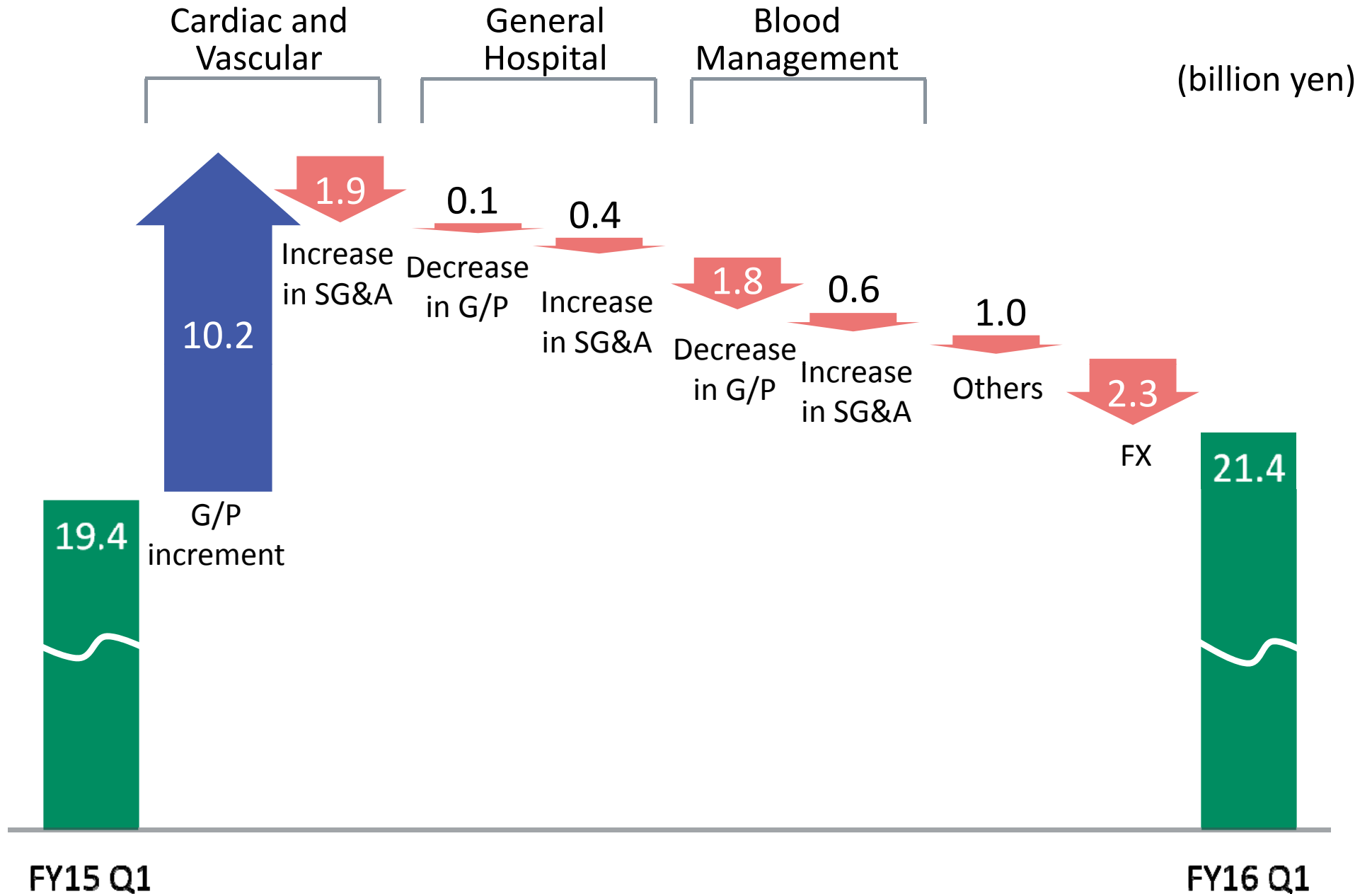


# Profit Improvement through Marketing Activities

---

- Cardiac and Vascular: Increase profit by Ultimaster sales expansion +1.5 BJPY
  - Improve profitability by the sales shifting from Nobori to Ultimaster sold at a premium price
  - Europe: Focus on highly profitable market
  
- Cardiac and Vascular: Increase profit by sales expansion for access devices +0.9 BJPY
  - North America: Shift from conventional access devices to TRI specified ones
  - Europe: Focus on highly profitable access devices
  
- General Hospital: Promote profit-driven management +0.4 BJPY
  - Asia, Latin America: Raise selling price for low profitable products (syringes, etc)
  - Japan, Asia: Shift sales toward value added products (infusion pumps, etc)

# Operating Income Variance Analysis

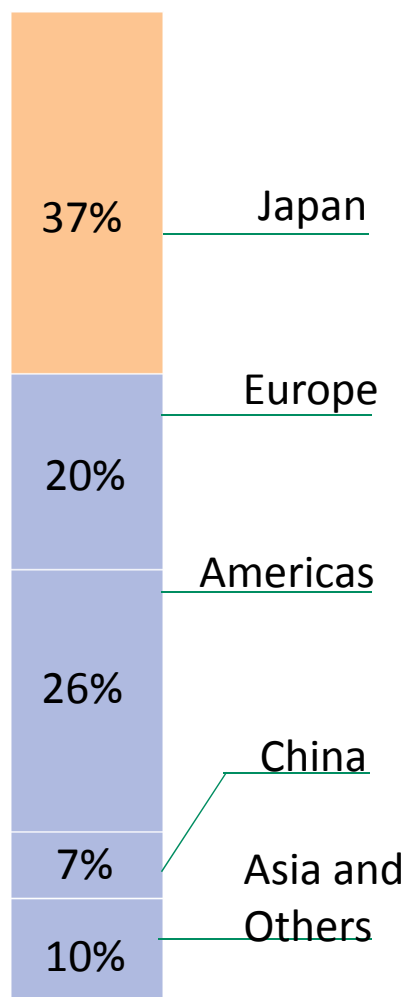


# Net Sales by Region

FY16 Q1  
FY15 Q1

## Net Sales

100% = 124.5 BJPY

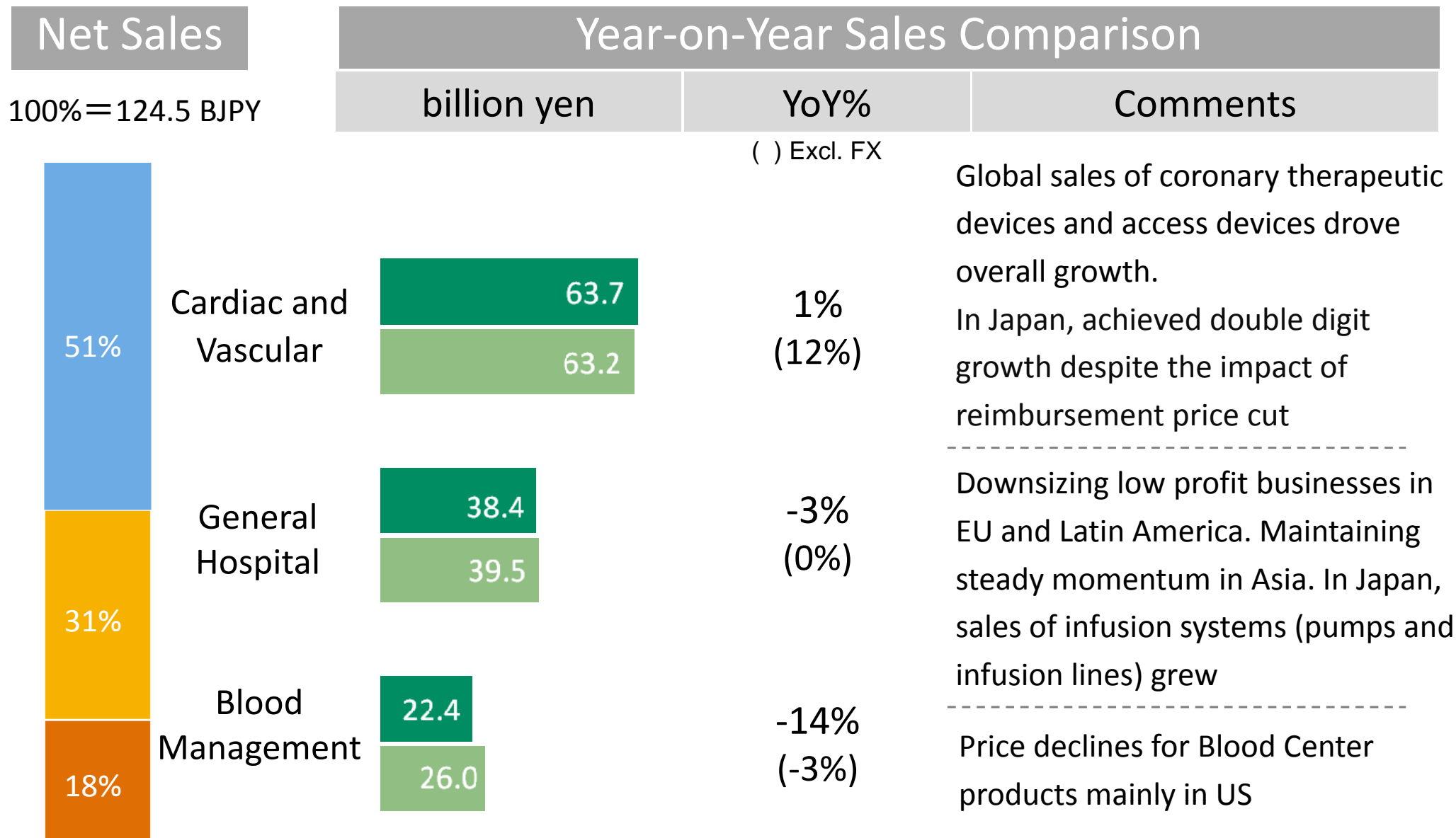


## Year-on-Year Sales Comparison

billion yen	YoY%	Comments
	( ) Excl. FX	
Japan	3%	Despite the impact of reimbursement price cut in Japan, TIS and neurovascular drove an overall growth
Europe	-4% (7%)	Double digit growth for Cardiac and Vascular, especially in TIS and neurovascular. Downsizing low profit businesses in General Hospital
Americas	-8% (5%)	TRI and other access devices drove the double digit growth in Cardiac and Vascular. Price declines in Blood Management
China	-6% (10%)	Cardiac and Vascular company made a double digit growth mainly in TIS products, through increasing customer coverage with newly realigned local distribution network
Asia and Others	-7% (7%)	Maintained a steady growth both Cardiac and Vascular, and General Hospital

# Net Sales by Business Segment

FY16 Q1  
FY15 Q1





# Cardiac and Vascular : Double Digit Growth in Profit despite the Negative Impact of FX and Reimbursement Price Cut in Japan

(billion yen)

	FY2015 Q1	FY2016 Q1	YoY%	Major Topics	Impact
			( ) Excl. FX		
Sales	63.2	63.7	1%	Negative impact of FX	-6.9
			(12%)	Japan: Sales of coronary therapeutic devices grew despite the negative impact of reimbursement price cut	+1.5
				Overseas: Coronary therapeutic devices and access devices grew at double digit	+ 5.9
Business Profit	14.1	19.5	38%	Increase in business profit due to global expansion of highly profitable coronary therapeutic devices and access devices. Continuous efforts to reduce production costs	
	(22%)	(31%)	(60%)	Lowered cost for improvement on quality system in TCVS	

# General Hospital

: Maintain Steady Profitability despite Decrease in Sales Due to Reimbursement Price Cut in Japan and Downsizing of Low Profit Businesses

(billion yen)

	FY2015 Q1	FY2016 Q1	YoY%	Major Topics	Impact
Sales	39.5	38.4	-3% (0%)	( ) Excl. FX	-1.2
				Negative Impact of FX	-1.2
				Overseas: Downsizing of low profit businesses in EU and Latin America	-0.4
				IV catheter needles drove the sales growth in Asia	+0.4
Business Profit	5.6	5.2	-7% (-6%)	Japan: Increase of sales in infusion system (pumps and infusion lines)	+0.5
				Reimbursement price cut and transfer of distribution rights for contrast agents	-0.6
	(14%)	(14%)		Despite an increase in pension cost due to the lowering interest rate and negative impact of inventory valuation, profitability remained in mildly upward trend	

# Blood Management

: Decrease Both in Sales and Profit Due to Negative Impact of FX and Price Decline Overseas

(billion yen)

	FY2015 Q1	FY2016 Q1	YoY%	Major Topics	Impact
Sales	26.0	22.4	-14% (-3%)	Negative impact of FX	-2.8
				Price declines for Blood Center products mainly in US	-0.6
Business Profit	5.4 (21%)	2.7 (12%)	-50% (-42%)	In addition to the decrease in G/P caused by the factors above, start-up cost for new factory in Vietnam and increase in R&D also lowered business profit	

# Major Topics

---

## Corporate








- Issued 30 BJPY of straight bond at the lowest interest rate ever (Apr)
- Vascutek won Queen's Award for Enterprise in the Innovation category (May)
- Exhibited "Heart Sheet" at Ise-Shima Summit (May)
- Announcement on the acquisition of U.S.-based Sequent Medical for new neurovascular aneurysm embolization device technology (Jun)

---

## Business

- Launched a regenerative medicine product "HeartSheet" in Japan (May)
- FDA lifted all shipping restrictions at TCVS (Jun)
- Adhesion barrier "Adspray" obtains domestic approval for the first time in spray type adhesion barrier in Japan (Jun)





# New Products Pipeline in FY2016

Category	Products	Region	Launch
Coronary	DES (Ultimaster)  	France	Launched
	DES (Ultimaster) 4.0mm (Diameter)  	JP	
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	

 Item with large contribution to sales and profit

 Item with highly innovative technology



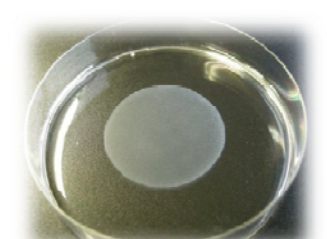
Category	Products	Region	Launch
CV	Disposable Centrifugal Pump (for PCPS)	Asia	
Regenerative Medicine	HeartSheet 	JP	Launched
D&D	Intradermal Injection Device 	JP	
	Adhesion barrier 	JP	
DM	Blood glucose meter (MEDISAFE Fit Smile)	China	
Blood Management	Automated blood component processing system 	JP	



Three brands of new PTA balloons (JP, US, EU)



Ultimaster (France)



HeartSheet (JP)

# Impact of FX onto Sales and Operating Income

(billion yen)

Currency	Fluctuation of FX (yen) FY15Q1 ~ FY16 Guidance				FY16 Guidance	If JPY Appreciated	Impact on Sales	Impact on Operating Income	
	FY15Q1	Q2	Q3	Q4					
USD	121	122	121	115	110	100	-9.8	+1.6	
EUR	134	136	133	127	125	110	-8.1	-4.7	
CNY	19.6	19.5	19.0	17.6	17.0	14.8	-2.5	-1.1	
Others (Asia, L. America, etc.)	3.7	3.5	3.4	3.2	3.1	2.8	-5.5	-3.3	
	e.g. Thai Baht								
Total	Additional impact on the current FY16 guidance →							-25.9	-7.5

# Impact of FX in FY2016: Non-operating FX Losses and Terumo's Countermeasures

---

## ■ Non-operating FX losses due to JPY Appreciation (-5.5 BJPY)

- USD            End of FY15: 113.0 JPY → End of FY16Q1: 103.0 JPY            -4.6 BJPY
- CNY            End of FY15: 17.4 JPY → End of FY16Q1: 15.5 JPY            -0.5 BJPY
- EUR            End of FY15: 128.0 JPY → End of FY16Q1: 114.0 JPY            -0.3 BJPY
- For other currencies, the impact of FX is limited.

## ■ Decrease USD based asset (End of FY15: 600 MUSD → 90 MUSD)

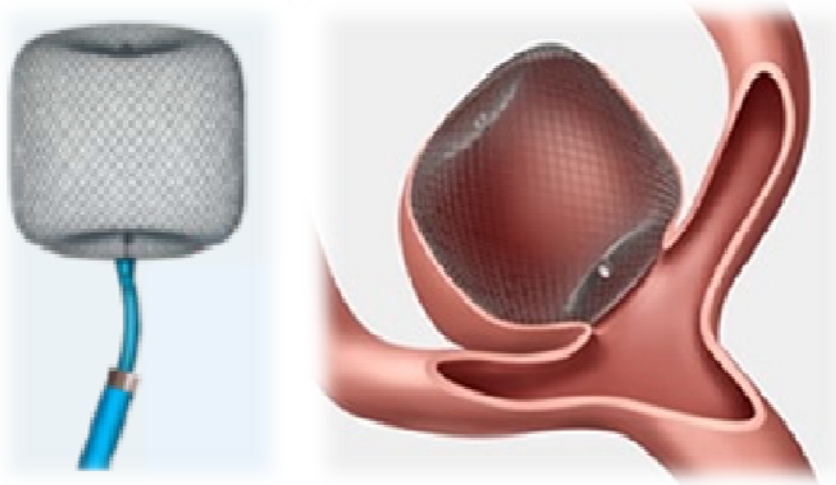
- Decreased USD based cash on hand through the acquisition of Sequent Medical (Jul)
- Streamlined the payment terms among the internal group (Q1)
- Switched from intercompany financing to capital injection (Q1)

→ Given 100 JPY/USD and 110 JPY/EUR at the end of FY16Q2,

0.9 BJPY of additional non-operating FX losses to be expected

# The Acquisition of Sequent Medical, Inc.

## ■ The “WEB” New Neurovascular Aneurysm Embolization System



- Purchasing price: 40 BJPY at maximum
- A new technology to change the market
- Mid-term potential sales: 10 BJPY

## ■ Impact on FY16 Guidance (tentative)

(billion yen)

	Impact
Sales	+ 0.8
Operating Income	- 3.6
Net Income	- 4.3

- Consolidation to be in Aug. FY16
- Currently in process of PPA



# Reference

# FY16Q1 Net Sales and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	12.8 (+13%)	50.9 (+11%)	16.7 (+10%)	21.4 (+11%)	6.8 (+13%)	6.0 (+16%)	63.7 (+12%)
Out of C&V Interventional Systems*	9.9 (+17%)	40.9 (+13%)	13.6 (+11%)	15.9 (+14%)	6.4 (+12%)	5.0 (+17%)	50.8 (+14%)
General Hospital	30.1 (-0%)	8.3 (+2%)	2.1 (-10%)	1.8 (+3%)	0.5 (+5%)	4.0 (+8%)	38.4 (+0%)
Blood Management	2.5 (-0%)	19.9 (-3%)	6.0 (+5%)	9.7 (-6%)	1.1 (-3%)	3.1 (-9%)	22.4 (-3%)
G. Total	45.5 (+3%)	79.1 (+6%)	24.7 (+7%)	32.9 (+5%)	8.4 (+10%)	13.0 (+7%)	124.5 (+5%)

\*Including Neurovascular business

(YoY%): Excluding foreign exchange

# Operating Expenses

(billion yen)

	FY2015 Q1	FY2016 Q1	YoY	YoY%	YoY% (Excl. FX)
Salaries & Wages	19.1	18.1	-1.0	- 5%	+5%
Sales Promotion	4.1	3.8	-0.3	- 6%	+3%
Logistical Costs	2.8	2.8	+0.0	+ 0%	+5%
Depreciation & Amortization	6.9	6.2	-0.7	-10%	+0%
Others	8.8	9.4	+0.6	+ 5%	+13%
<b>SG&amp;A Expenses Total</b>	<b>41.7 (32.5%)</b>	<b>40.3 (32.3%)</b>	<b>-1.4</b>	<b>- 3%</b>	<b>+6%</b>
<b>R&amp;D Expenses</b>	<b>7.9 (6.1%)</b>	<b>8.1 (6.5%)</b>	<b>+0.2</b>	<b>+3%</b>	<b>+10%</b>
<b>Operating Expenses Total</b>	<b>49.6 (38.6%)</b>	<b>48.4 (38.8%)</b>	<b>-1.2</b>	<b>- 2%</b>	<b>+6%</b>

(%) Against net sales

# Quarterly Results

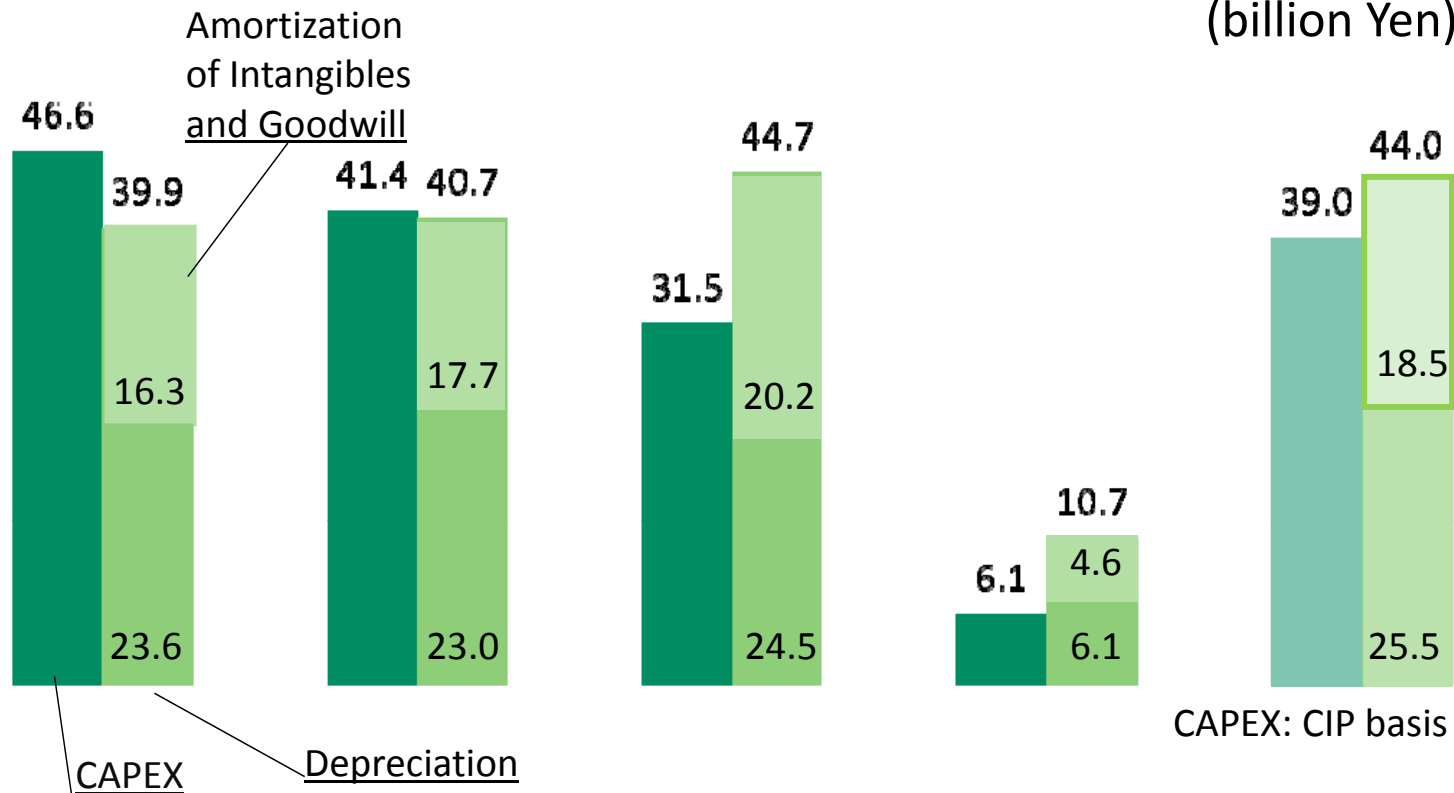
(billion yen)

	FY15 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY16Q1 (Apr-Jun)
Net Sales	128.7	130.5	136.8	129.0	124.5
Gross Profit	69.0 (53.7%)	70.4 (53.9%)	75.3 (55.0%)	70.3 (54.4%)	69.8 (56.0%)
SG&A Expenses	41.7 (32.5%)	42.7 (32.7%)	42.9 (31.3%)	42.8 (33.1%)	40.3 (32.3%)
R&D Expenses	7.9 (6.1%)	8.0 (6.1%)	7.4 (5.4%)	9.9 (7.7%)	8.1 (6.5%)
Operating Income	19.4 (15.1%)	19.7 (15.1%)	25.0 (18.3%)	17.6 (13.6%)	21.4 (17.2%)
(Excl. Amortization)	24.5 (19.1%)	24.8 (19.0%)	30.1 (22.0%)	22.5 (17.4%)	25.9 (20.8%)

Average	USD	121 yen	122 yen	121 yen	115 yen	108 yen
Exchange Rate	EUR	134 yen	136 yen	133 yen	127 yen	122 yen

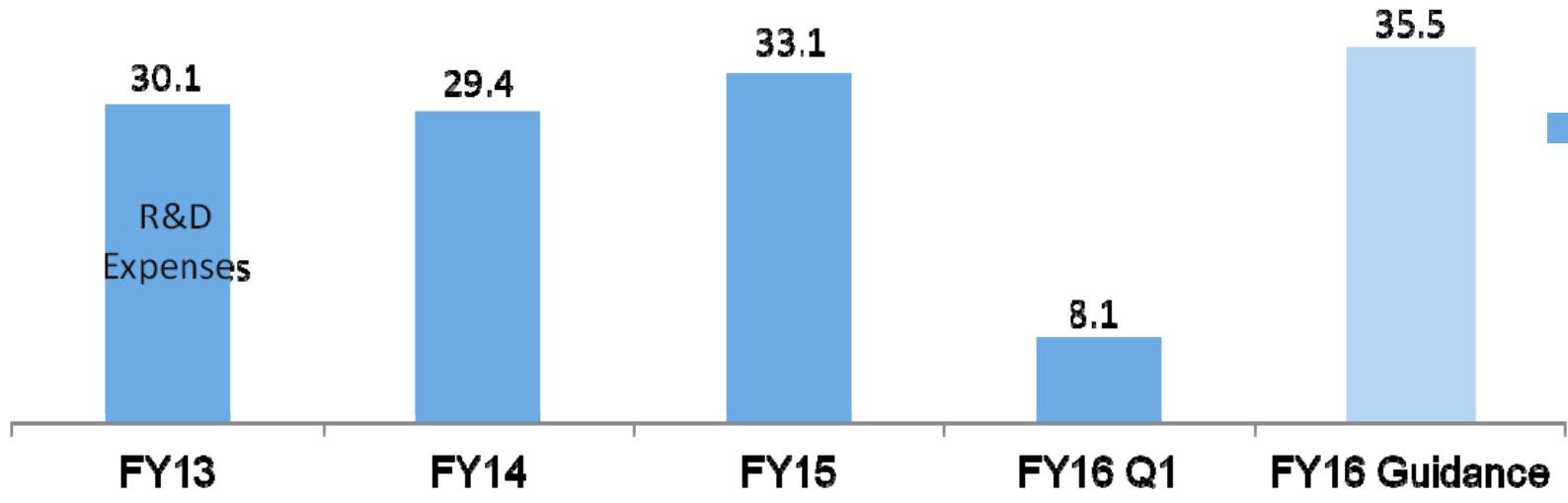
# CAPEX and R&D Expenses

(billion Yen)



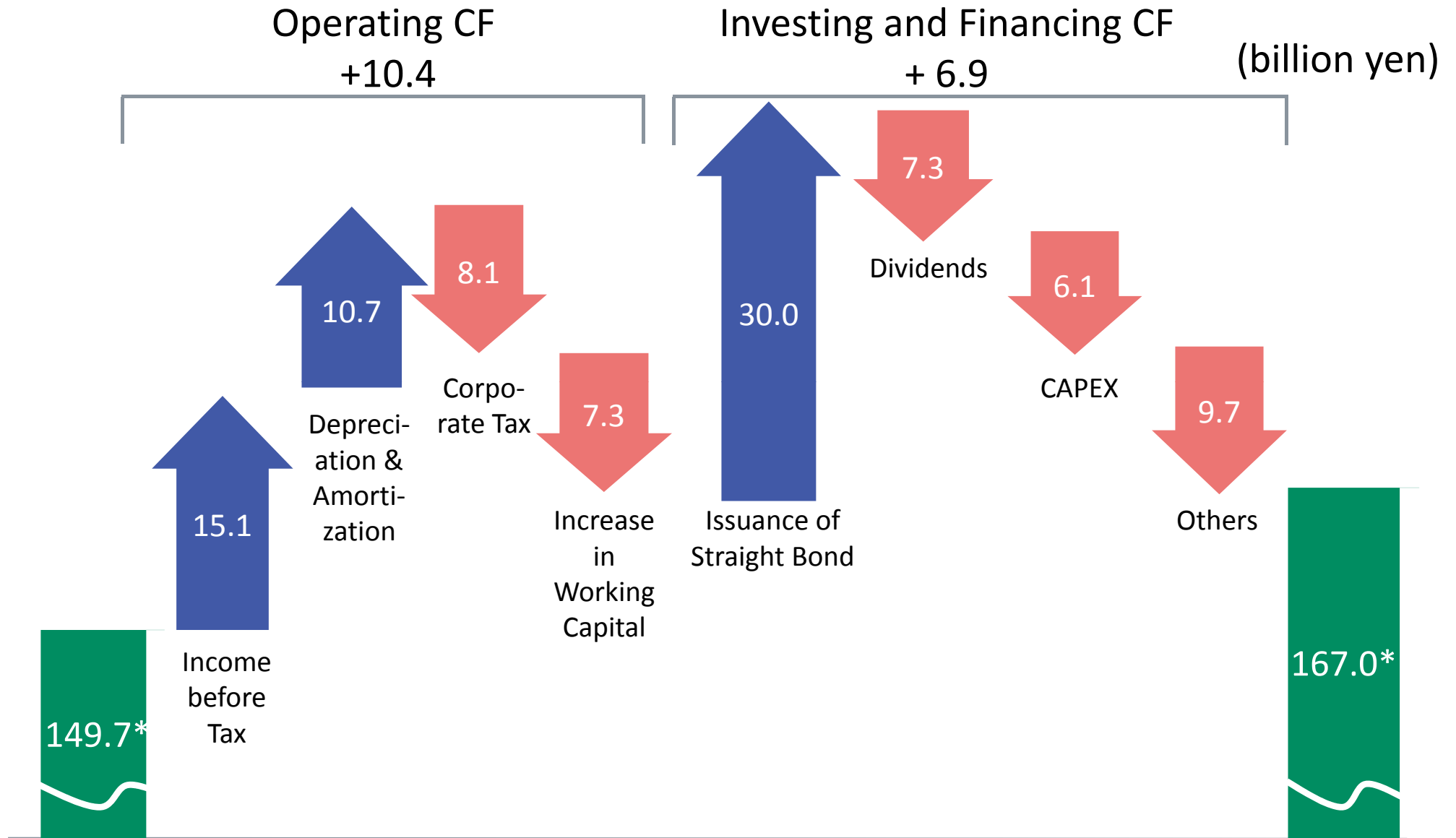
- CAPEX was peaked out in FY2013
- CAPEX is projected to be at the same level as depreciation and amortization

CAPEX: CIP basis



- 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 Jun. 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

---

## Terumo Corporation

Corporate Communication (IR) Dept.

E-mail: [kouhou\\_terumo01@terumo.co.jp](mailto:kouhou_terumo01@terumo.co.jp)

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 on 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.