

## **Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016: Reference**

### **Analysis of Business Performance**

#### **1. Overview of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016**

##### **(1) Overview of Consolidated Business Results**

During the first quarter of the current fiscal year (from April 1 to June 30, 2015), the global healthcare industry continued to undergo a transformation. In the United States the business environment was impacted by the reorganization of major healthcare insurance companies. The U.S. Supreme Court decided to uphold subsidies for health insurance. Meanwhile in Europe, there was concern that Greece's financial crisis would ripple over and negatively impact the region's macro economy. In Japan, the government established the Japan Agency for Medical Research and Development (AMED) in April 2015. Operations are already underway. AMED's core responsibility is to conduct research and development in the medical field and to maintain an R&D environment.

Amid this environment, the Terumo Group is pursuing its goal of "becoming a company with a global presence," and in line with its business-led management structure, Terumo is promoting management that aims to achieve sustainable and profitable growth.

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

- In the Cardiac & Vascular Company, performance trended steadily in the overseas interventional systems and neurovascular intervention businesses. In FY2014, sales of the "Ultimaster", a drug-eluting stent, were launched in Europe, Asia, and Central and South America. Ultimaster sales grew solidly in all three regions in the first quarter.
- In the General Hospital Company, the company strived to improve its profitability through portfolio reorganization by the expansion of the Drug and Device and the DM businesses, both of which generate a high earnings.
- In the Blood Management Company, with responding to the market environment austere as evidenced in part by the downward pressure on prices in the United States, the company increased sales for therapeutic apheresis systems and cell expansion systems, and automated blood component collection system mainly in emerging countries.

A partial revision was made to the management of earnings at Terumo's overseas subsidiaries. Accordingly, starting October 1, 2014, earnings at consolidated subsidiaries Harvest Technologies Corporation and Harvest Technologies GmbH are being posted under the Blood Management Company reporting segment, as opposed to the Cardiac & Vascular Company. The segment

information for the first quarter of the fiscal year ended March 31, 2015 disclosed herein has been prepared to conform to the revised reporting segments.

Financial results for the first quarter of the fiscal year ending March 31, 2016 are as follows:

**Net sales**

Net sales totaled 128.7 billion yen, an increase of 11.9% compared with the same period in the previous fiscal year.

(million yen)

	Q1 FYE 3/2015	Q1 FYE 3/2016	Growth (%)	Growth excluding impact of forex translations (%)
Net sales	114,945	128,660	11.9	5.3
Gross profit	60,706	69,047	13.7	7.4
Operating income	16,114	19,449	20.7	18.4
Ordinary income	14,449	20,592	42.5	—
Profit attributable to owners of parent	8,394	14,504	72.8	—

(million yen)

Regional sales	Q1 FYE 3/2015	Q1 FYE 3/2016	Growth (%)	Growth excluding impact of forex translations (%)
Japan	43,414	43,986	1.3	1.3
Europe	26,033	25,868	(0.6)	1.7
Americas	28,403	35,854	26.2	7.1
Asia, outside Japan	17,094	22,951	34.3	17.8
Overseas total	71,531	84,673	18.4	7.7
Total	114,945	128,660	11.9	5.3

In Japan, net sales totaled 44.0 billion yen, a rise of 1.3% in contrast with the same period a year earlier. Sales in the General Hospital Company rose owing to a recovery from the slowdown in demand that was triggered by a change in the market environment, including the consumption tax hike in FY2014 and the division of functions at medical institutions. Meanwhile net sales overseas totaled 84.7 billion yen, a growth of 18.4%, owing to a substantially expansion in sales of

interventional systems and neurovascular intervention businesses in the United States, Europe, and Asia, and the sales growth in the Blood Management Company.

### Gross profit

Gross profit totaled 69.0 billion yen, a growth of 13.7% in contrast with the same period a year earlier. This was primarily attributable to an expansion in sales of high-value-added products abroad.

### Operating income

Operating income totaled 19.4 billion yen, an expansion of 20.7% versus the same period a year earlier, as the increase in gross profit overshadowed the increase in selling, general and administrative expenses.

### Ordinary income

Ordinary income was 20.6 billion yen, an increase of 42.5% in comparison with the same period a year earlier, reflecting a growth in operating income and foreign exchange gains owing to a weaker yen.

### Profit attributable to owners of parent

Profit attributable to owners of parent came to 14.5 billion yen, an increase of 72.8% in contrast with the same period in the previous year, owing to a decline in extraordinary loss, and a decline in the corporate tax rate owing to revisions to the tax system and adjustments to taxes for previous fiscal years.

Net sales results by company are as follows:

(million yen)

Segment		Q1 FYE 3/2015	Q1 FYE3 /2016	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac & Vascular Company	Net sales	53,480	63,195	18.2	8.8
	(Domestic)	11,756	11,317	(3.7)	(3.7)
	(Overseas)	41,723	51,877	24.3	12.4
General Hospital Company	Net sales	38,005	39,484	3.9	1.8
	(Domestic)	28,916	30,159	4.3	4.3
	(Overseas)	9,088	9,325	2.6	(6.3)
Blood Management Company	Net sales	23,459	25,980	10.7	3.0
	(Domestic)	2,740	2,509	(8.4)	(8.4)
	(Overseas)	20,718	23,471	13.3	4.5

### Cardiac & Vascular Company

In the interventional systems business in Japan, sales declined 3.7% year-on-year. This reflected a decline in sales of coronary and peripheral stents owing to a temporary change in the market and competitive environment. Meanwhile, in the interventional systems business in overseas markets, sales of products for transradial coronary intervention (TRI: a technique using a catheter to approach the coronary artery from a vein in the wrist) increased and sales of the Ultimaster, drug-eluting stent, were brisk in Europe and other regions. Sales in the neurovascular intervention business grew in all regions.

Consequently, sales in the Cardiac & Vascular Company totaled 63.2 billion yen, a growth of 18.2% in comparison with the same period in the previous fiscal year.

### **General Hospital Company**

In Japan, sales rose 4.3% year-on-year, owing in part to an expansion in sales of high-value-added products, including infusion systems and blood glucose monitoring systems. Overseas sales were up 2.6% reflecting an expansion in sales of high-value-added products in accordance with the reorganization of its portfolio.

Accordingly, sales in the General Hospital Company came to 39.5 billion yen, an increase of 3.9% in contrast with the same period a year earlier.

### **Blood Management Company**

In Japan, blood donation numbers continued to trend downward. In light of this, sales declined due to negative impact to demand for blood collection products, including blood bags. Meanwhile, overseas sales increased for therapeutic apheresis systems and cell expansion systems. Sales were also brisk for automated blood component collection systems, mainly in emerging countries.

Consequently, sales in the Blood Management Company amounted to 26.0 billion yen, a growth of 10.7% in contrast with the same period in the previous fiscal year.

## **(2) Overview of Consolidated Balance Sheets**

### **Total Assets**

As of June 30, 2015, total assets came to 983.0 billion yen, a decrease of 9.1 billion yen compared with March 31, 2015. Current assets were 400.6 billion yen, a decline of 11.9 billion yen owing in part to a reduction in cash and deposits.

Non-current assets totaled 578.1 billion yen, an increase of 2.2 billion. Property, plant and equipment increased 2.9 billion yen, intangible assets decreased 2.2 billion yen, and investments and other assets rose 1.5 billion yen.

### **Total Liabilities**

Liabilities totaled 394.7 billion yen, a decline of 23.9 billion yen. Current liabilities were 103.3 billion

yen, a decrease of 26.6 billion yen, owing in part to the payment of income taxes payable. Non-current liabilities came to 291.4 billion yen, an increase of 2.8 billion yen, reflecting an increase in long-term loans payable.

#### **Total Net assets**

Net assets totaled 588.3 billion yen, an increase of 14.8 billion yen. Accordingly, the company posted an equity ratio of 59.8%, an increase of 2.0 points versus March 31, 2015.

#### **(3) Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016**

The business environment is likely to remain murky going forward, including changes in the business climate for medical devices. However, Terumo is reiterating its consolidated financial forecasts. Amid this business environment, to achieve its goals, the Terumo Group aims to introduce and expand sales of high-value-added products that contribute to the improvement of healthcare economics. Furthermore, the Company plans to embark on the reduction of manufacturing costs and the full-fledged implementation of SG&A cost efficiency measures.