

Financial Review

Revenue and Profits

In fiscal 2017 (the fiscal year ended March 31, 2018), revenue totaled ¥587.8 billion, a growth of 14.3% in comparison with the previous fiscal year. In Japan, overall revenue increased year on year, reflecting brisk sales in the Terumo Interventional Systems (TIS) business of the Cardiac and Vascular Company for products including access devices, the VISICUBE, an intravascular ultrasound system, and AltaView, an intravascular ultrasound catheter. As for overseas, revenue expanded in contrast with a year earlier. In the TIS business of the Cardiac and Vascular Company, sales of access devices grew steadily. At our production subsidiary in Puerto Rico, which is a territory of the United States, production of the Angio-Seal, a vascular closure device, had been suspended since September 20, 2017 due to the impact of Hurricane Maria. Production was resumed in November 2017 and shipments were recommenced in January 2018. In the neurovascular business, revenue increased owing to solid sales of products including coils for the embolization of cerebral aneurysms. Furthermore, in the Blood Management Company, revenue grew for blood centers and therapeutic apheresis systems.

Gross profit amounted to ¥319.3 billion, a rise of 16.6% compared with the previous fiscal year. This mainly

reflects contributions from an expansion in sales in the Cardiac and Vascular Company, which boasts a high profit margin, and a reduction in manufacturing costs in the General Hospital Company.

Adjusted operating profit came to ¥124.9 billion, a climb of 19.4% year on year, as the growth in gross profit more than offset the rise in selling, general and administrative expenses, excluding acquisition costs and amortization expense for intangible assets.

Operating profit came to ¥108.6 billion, a growth of 23.7% year on year. This was also due to the growth in gross profit more than offsetting the increase in selling, general and administrative expenses.

Profit before tax was ¥106.6 billion, an increase of 42.4% versus a year earlier. This reflects contributions from the increase in operating profit as well as a decrease in finance costs owing in part to a decline in forex translation loss.

Profit for the year attributable to owners of the parent totaled ¥91.3 billion, a rise of 66.0% year on year. This is attributable to an increase in profit before tax as well as a one-off decline in income tax expenses, owing mainly to the revaluation of deferred tax assets and liabilities due to the tax reform in the United States.

Results by Business Segment

Cardiac and Vascular Company

In Japan, overall revenue increased year on year, reflecting brisk sales in the TIS business for products such as access devices, the VISICUBE, an intravascular ultrasound system, and AltaView, an intravascular ultrasound catheter. Meanwhile, overseas in the TIS business, sales of access devices grew steadily. At our production subsidiary in Puerto Rico, which is a territory of the United States, production of the Angio-Seal, a vascular closure device, had been suspended since September 20, 2017 due to the impact of Hurricane Maria.

Production was resumed in November 2017 and shipments were recommenced in January 2018. In the neurovascular business, sales were solid for coils for the embolization of cerebral aneurysms, which use hydrogel, and suction catheters. Accordingly, revenue in the Cardiac and Vascular Company totaled ¥324.0 billion, a growth of 23.9% year on year, reflecting double-digit revenue expansion overseas.

Adjusted operating profit increased 24.2% year on year, to ¥83.6 billion, due to the growth in revenue.

General Hospital Company

In Japan, sales trended firmly for infusion systems, which are expected to contribute to improving treatment safety; analgesics to alleviate pain; and sprayable adhesion barrier gel to reduce post-surgery adhesion. Nonetheless, revenue declined due to a sharp increase in competition for commodity products, including syringes, and infusion solutions. Overseas, we continued to review low-margin businesses in Europe and Latin America. Overseas revenue increased on brisk sales of high-margin

business-to-business for pharmaceutical companies and solid sales of infusion systems in Asia. As a result, revenue in the General Hospital Company was ¥158.8 billion, an increase of 0.6% versus the same period a year earlier.

Adjusted operating profit rose 9.5% year on year, to ¥26.8 billion, due primarily to contributions made by cost reduction efforts and by the liquidation of low-profit businesses overseas.

Blood Management Company

Sales were strong for automated blood component collection systems for blood centers in developed markets, including the United States and Europe, and for blood bags in emerging markets, including Latin America and Asia. Sales also grew for therapeutic apheresis systems, mainly in North America and Japan, reflecting replacement demand. Consequently, revenue in the

Blood Management Company totaled ¥104.7 billion, a rise of 10.8% year on year.

Adjusted operating profit declined 0.7% year on year, to ¥15.1 billion, due primarily to a year-on-year decrease in the amount of development expenses that were capitalized accompanying the transition to IFRS.

Financial Position and Cash Flows

Financial Position

Goodwill and intangible assets decreased ¥29.0 billion, owing to amortization of intangible assets, excluding goodwill. Meanwhile, given the brisk revenue, cash and cash equivalents rose ¥62.8 billion, trade and other receivables increased ¥10.3 billion, and property, plant and equipment climbed ¥6.6 billion. Consequently, as of March 31, 2018, total assets stood at ¥1,079.0 billion, an increase of ¥56.7 billion compared with March 31, 2017.

Liabilities came to ¥528.5 billion, a decrease of ¥2.2 billion. This was primarily attributable to an increase in trade and other payables of ¥6.4 billion and a rise in current tax liabilities of ¥4.9 billion. Meanwhile, deferred tax liabilities were down ¥16.0 billion, due in part to the impact of tax reforms in the United States.

Equity was ¥550.4 billion, an increase of ¥58.9 billion versus a year earlier.

Cash Flows

Net cash provided by operating activities was ¥114.6 billion. During the fiscal year under review, profit before tax was ¥106.6 billion and depreciation and amortization was ¥42.0 billion. In addition, income taxes paid came to ¥24.1 billion.

Net cash used in investing activities was ¥44.1 billion. This primarily reflects the ¥31.9 billion in payments for purchase of property, plant and equipment and ¥9.5 billion in payments for purchase of intangible assets.

Net cash used in financing activities was ¥4.1 billion. Despite cash inflows of ¥19.9 billion in proceeds from

issue of corporate bonds and ¥119.6 billion in proceeds from long-term borrowings, outflows included ¥15.8 billion in payments for dividends, ¥120.0 billion in repayments of short-term borrowings, and ¥7.8 billion in repayments of long-term borrowings.

As a result of the above, cash and cash equivalents totaled ¥167.8 billion as of March 31, 2018, an increase of ¥62.8 billion compared with March 31, 2017.

Performance Highlights

Terumo Corporation and consolidated subsidiaries
Years ended March 31

(Millions of yen)

	FY2013 (Ended March 2014)	FY2014 (Ended March 2015)	FY2015 (Ended March 2016)	FY2016*2 (Ended March 2017)	FY2017 (Ended March 2018)	
	JGAAP				IFRS	
Results of Operations and Cash Flow*1						
Net sales/Revenue	467,359	489,506	525,026	514,164	514,164	587,775
Adjusted operating profit*3	—	—	—	—	104,643	124,929
Operating income/Operating profit	65,288	67,456	81,703	76,578	87,777	108,552
Income before income taxes/Profit before tax	52,907	64,046	76,920	74,981	74,881	106,630
Profit attributable to owners of parent/ Profit for the year attributable to owners of the parent*4	34,096	38,470	50,676	54,225	55,003	91,295
Net cash provided by (used in) operating activities	96,259	73,110	80,303	80,862	82,888	114,562
Net cash provided by (used in) investing activities	(52,744)	(40,421)	(23,495)	(181,433)	(183,517)	(44,105)
Free cash flow	43,515	32,689	56,808	(100,571)	(100,628)	70,457
Net cash provided by (used in) financing activities	(31,785)	44,121	(79,936)	60,937	60,993	(4,132)
Research and development expenses	30,130	29,360	33,147	33,747	32,378	41,342
Capital expenditure	46,624	41,441	31,454	39,091	41,175	43,620
Depreciation and amortization*5	39,881	40,692	44,674	45,400	34,471	42,035
Per Share Indicators						
EPS (Yen)	89.78	101.33	135.14	150.15	152.31	259.12
Dividends per share (Yen)	58.00	30.50	39.00	42.00	42.00	50.00
BPS (Yen)	1,306.72	1,513.73	1,408.53	1,389.70	1,396.17	1,555.88
Financial Position (at year-end)*1						
Current assets	310,985	412,458	374,746	349,459	330,934	410,912
Current liabilities	160,936	129,947	168,835	248,645	250,137	179,013
Total assets	832,814	992,073	901,685	1,020,879	1,022,262	1,078,981
Net assets/Total equity	496,245	573,523	511,544	489,554	491,522	550,435
Capital stock/Share capital	38,716	38,716	38,716	38,716	38,716	38,716
Management Indicators*1						
ROE	7.3%	7.2%	9.3%	10.8%	11.1%	17.5%
ROA	4.3%	4.2%	5.4%	5.6%	5.7%	8.7%
Shareholders' equity ratio (%) / Ratio of equity attributable to owners of the parent to total assets (%)	59.6%	57.8%	56.7%	47.9%	48.1%	51.0%
Shares issued and outstanding at year-end (thousand)*6	379,749	378,829	362,969	351,979	351,979	353,694
Employees at year-end	19,263	19,934	20,697	22,441	22,441	23,319

*1 Items separated by a " / " refer to items under "JGAAP/IFRS."

*2 A provisional accounting treatment, for the integration of businesses acquired in fiscal 2016, was finalized in fiscal 2017, and is reflected on certain figures for fiscal 2016 under JGAAP. These adjusted fiscal 2016 figures for JGAAP have not been audited.

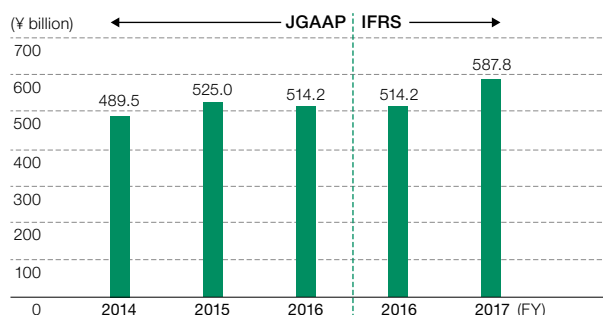
*3 Adjusted operating profit is operating profit excluding amortization of acquired intangible assets and other non-recurring profit or loss. The Terumo Group uses adjusted operating profit as a performance indicator.

*4 The figure for fiscal 2013 is "net income."

*5 Depreciation and amortization under JGAAP up to fiscal 2016 includes amortization of goodwill.

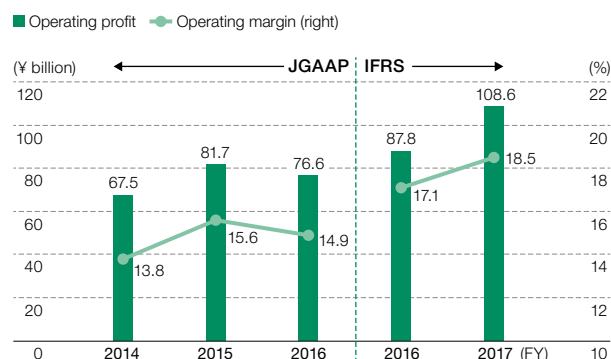
*6 A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2014. The figures for EPS, BPS, and shares issued and outstanding at year-end for fiscal 2013 are reflected as if the aforementioned stock split had been carried out at the beginning of fiscal 2013. Moreover, the figure for dividends per share for fiscal 2014 reflects the stock split. Shares issued and outstanding at year-end do not include treasury shares.

Revenue*



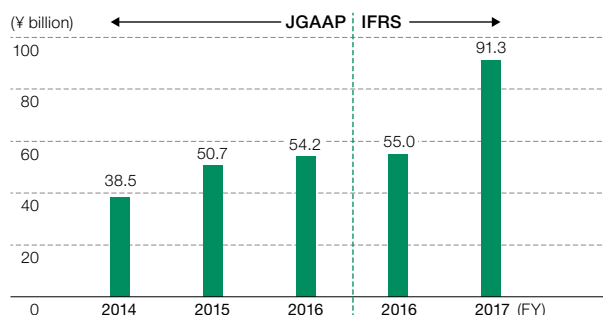
* "Net sales" under JGAAP

Operating Profit*/Operating Margin



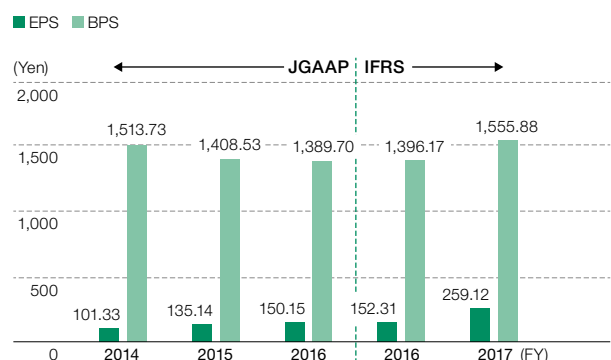
* "Operating income" under JGAAP

Profit for the Year Attributable to Owners of the Parent*

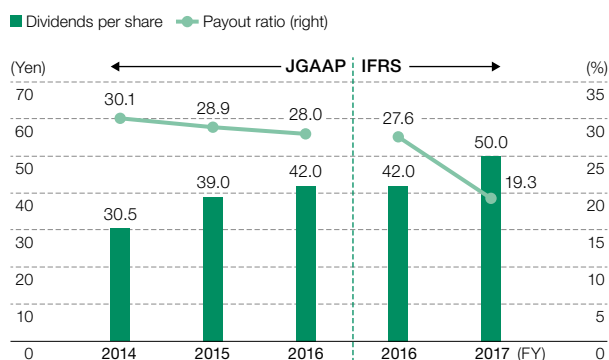


* "Profit attributable to owners of parent" under JGAAP

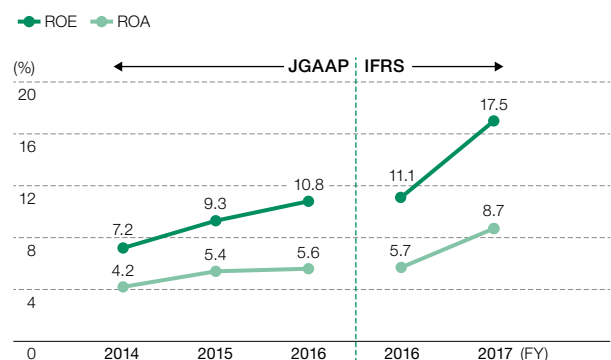
EPS/BPS



Dividends per Share/Payout Ratio



ROE/ROA



Consolidated Financial Statements

Terumo Corporation and consolidated subsidiaries
March 31, 2018 and 2017

Consolidated Statement of Financial Position

(Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	146,927	105,046	167,832
Trade and other receivables	105,270	111,090	121,402
Other current financial assets	3,149	625	659
Inventories	95,280	106,046	112,064
Current tax assets	2,106	750	530
Other current assets	5,819	7,375	8,421
Total current assets	358,553	330,934	410,912
Non-current assets			
Property, plant and equipment	165,554	172,644	179,196
Goodwill and intangible assets	294,767	471,616	442,660
Investments accounted for using the equity method	5,955	5,717	5,710
Other non-current financial assets	41,154	13,651	13,815
Deferred tax assets	19,788	24,019	23,356
Other non-current assets	3,716	3,679	3,328
Total non-current assets	530,938	691,328	668,068
Total assets	889,491	1,022,262	1,078,981

(Millions of yen)

	As of April 1, 2016	As of March 31, 2017	As of March 31, 2018
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	55,485	61,152	67,515
Bonds and borrowings	59,901	127,853	47,436
Other current financial liabilities	444	370	407
Current tax liabilities	11,341	11,115	15,970
Provisions	115	212	198
Other current liabilities	43,884	49,433	47,483
Total current liabilities	171,172	250,137	179,013
Non-current liabilities			
Bonds and borrowings	157,172	210,335	288,776
Other non-current financial liabilities	1,455	10,724	15,452
Deferred tax liabilities	39,549	40,093	24,124
Defined benefit liabilities	10,256	8,650	10,063
Provisions	230	84	82
Other non-current liabilities	9,323	10,712	11,032
Total non-current liabilities	217,987	280,602	349,532
Total liabilities	389,160	530,739	528,545
Equity			
Share capital	38,716	38,716	38,716
Capital surplus	52,478	52,478	52,445
Treasury shares	(64,040)	(108,225)	(101,546)
Retained earnings	459,264	513,578	588,932
Other components of equity	13,803	(5,126)	(28,240)
Total equity attributable to owners of the parent	500,221	491,421	550,307
Non-controlling interests	109	101	128
Total equity	500,331	491,522	550,435
Total liabilities and equity	889,491	1,022,262	1,078,981

Consolidated Statement of Profit or Loss

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Revenue	514,164	587,775
Cost of sales	240,329	268,442
Gross profit	273,835	319,333
Selling, general and administrative expenses	183,288	212,363
Other income	2,789	4,764
Other expenses	5,559	3,180
Operating profit	87,777	108,552
Finance income	709	1,089
Finance costs	13,228	2,792
Share of profit (loss) of investments accounted for using the equity method	(377)	(218)
Profit before tax	74,881	106,630
Income tax expenses	19,989	15,429
Profit for the year	54,891	91,201
Attributable to:		
Owners of the parent	55,003	91,295
Non-controlling interests	(111)	(94)
Total profit for the year	54,891	91,201

(Yen)

Earnings per share		
Basic earnings per share	152.31	259.12
Diluted earnings per share	142.75	242.06

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit for the year	54,891	91,201
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	(1,412)	298
Remeasurements of defined benefit plans	2,969	(46)
Total items that will not be reclassified to profit or loss	1,556	252
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(6,321)	(24,395)
Cash flow hedges	(479)	2
Cost of hedging	33	607
Share of other comprehensive income (loss) of investments accounted for using the equity method	(0)	(1)
Total items that are or may be reclassified subsequently to profit or loss	(6,768)	(23,787)
Other comprehensive income (loss) for the year	(5,211)	(23,534)
Total comprehensive income for the year	49,680	67,666
Attributable to:		
Owners of the parent	49,798	67,774
Non-controlling interests	(118)	(108)
Total comprehensive income for the year	49,680	67,666

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance at April 1, 2016	38,716	52,478	(64,040)	459,264	13,803	500,221	109	500,331
Profit for the year	—	—	—	55,003	—	55,003	(111)	54,891
Other comprehensive income	—	—	—	—	(5,205)	(5,205)	(6)	(5,211)
Total comprehensive income	—	—	—	55,003	(5,205)	49,798	(118)	49,680
Acquisition of treasury shares	—	—	(44,227)	—	—	(44,227)	—	(44,227)
Disposal of treasury shares	—	—	41	(18)	(22)	0	—	0
Dividends	—	—	—	(14,518)	—	(14,518)	—	(14,518)
Transfer from other components of equity to retained earnings	—	—	—	13,848	(13,848)	—	—	—
Changes in shares of subsidiaries due to capital increase	—	—	—	—	—	—	110	110
Share-based payments	—	—	—	—	147	147	—	147
Total transactions with owners of the parent	—	—	(44,185)	(689)	(13,724)	(58,599)	110	(58,488)
Balance at March 31, 2017	38,716	52,478	(108,225)	513,578	(5,126)	491,421	101	491,522
Profit for the year	—	—	—	91,295	—	91,295	(94)	91,201
Other comprehensive income	—	—	—	—	(23,520)	(23,520)	(14)	(23,534)
Total comprehensive income	—	—	—	91,295	(23,520)	67,774	(108)	67,666
Acquisition of treasury shares	—	—	(6)	—	—	(6)	—	(6)
Disposal of treasury shares	—	—	109	(19)	(90)	0	—	0
Dividends	—	—	—	(15,839)	—	(15,839)	—	(15,839)
Transfer from other components of equity to retained earnings	—	—	—	(50)	50	—	—	—
Changes in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	447	447	—	447
Conversion of convertible bonds	—	(33)	6,576	(33)	—	6,509	—	6,509
Total transactions with owners of the parent	—	(33)	6,679	(15,942)	406	(8,889)	135	(8,753)
Balance at March 31, 2018	38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435

Consolidated Statement of Cash Flows

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from operating activities		
Profit before tax	74,881	106,630
Depreciation and amortization	34,471	42,035
Share of loss of investments accounted for using the equity method	377	218
Increase in defined benefit liabilities	2,876	2,204
Interest and dividend income	(701)	(855)
Interest expenses	1,709	1,805
Foreign exchange loss, net	2,881	616
Loss on disposal of property, plant and equipment	1,293	557
Loss on valuation of financial instruments	6,984	—
Increase in trade and other receivables	(4,718)	(9,256)
Increase in inventories	(4,182)	(7,537)
Increase in trade and other payables	886	3,991
Others	(7,875)	(1,639)
Subtotal	108,883	138,770
Interest and dividend income received	842	1,039
Interest expenses paid	(1,318)	(1,129)
Income taxes paid	(25,518)	(24,118)
Net cash provided by operating activities	82,888	114,562
Cash flows from investing activities		
Payments for purchase of time deposits	(298)	(25)
Proceeds from withdrawal of time deposits	2,443	—
Payments for purchase of property, plant and equipment	(29,838)	(31,866)
Proceeds from sale of property, plant and equipment	1,315	32
Payments for purchase of intangible assets	(8,763)	(9,456)
Payments for purchase of investment securities	(1,243)	(572)
Proceeds from sale of investment securities	21,440	—
Payments for acquisition of business	(119,191)	(2,217)
Payment for acquisition of shares of subsidiaries	(49,380)	—
Others	(0)	—
Net cash used in investing activities	(183,517)	(44,105)
Cash flows from financing activities		
Proceeds from short-term borrowings	120,000	—
Repayments of short-term borrowings	(58)	(120,000)
Proceeds from long-term borrowings	29,640	119,638
Repayments of long-term borrowings	(19,460)	(7,759)
Proceeds from issue of corporate bonds	29,888	19,931
Payments for redemption of corporate bonds	(40,000)	—
Proceeds from non-controlling interests	110	135
Finance lease payments	(379)	(232)
Payments for purchase of treasury shares	(44,227)	(6)
Payments for dividends	(14,518)	(15,839)
Net cash provided by (used in) financing activities	60,993	(4,132)
Effect of exchange rate changes on cash and cash equivalents	(2,246)	(3,538)
Net (decrease) increase in cash and cash equivalents	(41,880)	62,786
Cash and cash equivalents at the beginning of the year	146,927	105,046
Cash and cash equivalents at the end of the year	105,046	167,832