

## Financial Results for the First Half of the Fiscal Year Ending March 31, 2018: Reference

### Analysis of Business Performance

#### 1. Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2018

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

In the first half of the current fiscal year (from April 1 to September 30, 2017), the global healthcare market was highlighted by the following trends. Amid the ongoing movement in developed countries to curb medical expenditures, lawmakers in the United States moved forward with discussions to revision to the affordable care act, which was introduced for the purpose of lowering the uninsured rate. In Japan, the government continued to examine the introduction of cost-benefit analysis for pharmaceuticals and medical devices as an approach to achieving a more focused and efficient allocation of fiscal resources.

Amid this backdrop, as a global corporation with unique excellence, the Terumo Group continued to work toward its Mid- to Long-term Vision of becoming recognized by medical professionals worldwide as a top brand and a trusted manufacturer. To this end, we are focused on earning a high level of trust globally for our total quality (which includes the total quality of its products, supply, and services).

Financial results for the first half of the fiscal year ending March 31, 2018 are as follows:

##### Net sales

Net sales totaled 284.6 billion yen, an increase of 16.1% compared with the same period of the previous fiscal year.

(million yen)

	1H FYE3/2017	1H FYE3/2018	Growth (%)	Growth excluding impact of forex translations (%)
Net sales	245,110	284,610	16.1	11.8
Gross profit	134,974	159,713	18.3	14.9
Operating income	39,370	47,899	21.7	20.2
Ordinary income	30,601	46,971	53.5	-
Profit attributable to owners of parent	20,423	32,967	61.4	-

(million yen)

Regional sales	1H FYE3/2017	1H FYE3/2018	Growth (%)	Growth excluding impact of forex translations (%)
Japan	91,803	92,502	0.8	0.8
Europe	45,451	55,336	21.7	14.4
Americas	64,652	83,629	29.4	21.9
Asia and others	43,203	53,141	23.0	17.2
Overseas total	153,306	192,107	25.3	18.3
Total	245,110	284,610	16.1	11.8

In Japan, overall sales in the region rose year on year. In the Interventional Systems (TIS) business in the Cardiac and Vascular Company, sales were brisk for access devices, including vascular closure devices, the VISICUBE, an intravascular ultrasound system, and AltaView, an intravascular ultrasound catheter. The sales growth posted in the Cardiac and Vascular Company offset the sales decline in the General Hospital Company and the Blood Management Company.

Meanwhile, overseas sales rose compared with a year earlier. In the TIS business in the Cardiac and Vascular Company, sales were brisk for the access devices, including vascular closure devices, and the Ultimaster, a drug-eluting stent. Sales in the neurovascular business also grew substantially, owing in part to brisk sales for products such as coils for the embolization of cerebral aneurysms. Furthermore, in the Blood Management Company, sales grew to blood centers and in the field of therapeutic apheresis systems.

### Gross profit

Gross profit totaled 159.7 billion yen, a rise of 18.3% compared to the same period of the previous fiscal year. This mainly reflects contribution from an expansion in sales at the Cardiac and Vascular Company, which boasts a high profit margin.

### Operating income

Operating income came to 47.9 billion yen, an increase of 21.7% year on year. The increase in selling, general and administrative expenses was absorbed by a growth in gross profit.

### Ordinary income

Ordinary income stood at 47.0 billion yen, a growth of 53.5% year on year. This reflects the increase in operating income as well as the gain on foreign exchange translations posted in the first half versus a loss on foreign exchange translations in the same period a year earlier.

### Profit attributable to owners of parent

Profit attributable to owners of parent came to 33.0 billion yen, a rise of 61.4% year on year, owing to an increase

in ordinary income and also in part attributable to a reduction in tax rate.

Net sales results by company are as follows:

(million yen)

Segment		1H FYE3/2017	1H FYE3/2018	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac and Vascular Company	Net sales	121,540	157,572	29.6	23.6
	(Japan)	24,500	26,365	7.6	7.6
	(Overseas)	97,039	131,206	35.2	27.6
General Hospital Company	Net sales	78,242	77,705	(0.7)	(1.9)
	(Japan)	61,485	60,651	(1.4)	(1.4)
	(Overseas)	16,756	17,053	1.8	(3.9)
Blood Management Company	Net sales	45,227	49,214	8.8	3.6
	(Japan)	5,717	5,378	(5.9)	(5.9)
	(Overseas)	39,510	43,835	10.9	4.9

### Cardiac and Vascular Company

In Japan, sales in the TIS business rose year on year underpinned by strong sales of access devices, including vascular closure devices, the VISICUBE, an intravascular ultrasound system, and AltaView, an intravascular ultrasound catheter.

Meanwhile in the TIS business overseas, sales trended briskly for access devices, including vascular closure devices, and the Ultimaster, a drug-eluting stent. In the neurovascular business, sales were robust for coils for the embolization of cerebral aneurysms, which use hydrogel, and suction catheters. We also posted sales growth in the CV business, owing to rapid sales of oxygenators. Accordingly, overseas sales in this company rose substantially overall.

In light of this performance, net sales in the Cardiac and Vascular Company totaled 157.6 billion yen, a growth of 29.6% year on year.

### General Hospital Company

In Japan, sales in the second quarter trended toward recovery for infusion line products, including needleless infusion systems, and infusion and syringe pumps. However, in the first quarter, there was negative impact due to distributor inventory adjustments and refrained purchasing of infusion and syringe pumps. Other negative catalysts included the termination of the supply of some pharmaceutical and healthcare products and downsizing related accounts to improve profit margins.

Reflecting these factors, net sales in the General Hospital Company were 77.7 billion yen, a decrease of 0.7% versus the same period a year earlier.

### **Blood Management Company**

Sales were strong to blood centers in Latin America and Asia. Also therapeutic apheresis system sales grew, mainly in North America.

Consequently, net sales in the Blood Management Company totaled 49.2 billion yen, a rise of 8.8% year on year.

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

#### **Total Assets**

As of September 30, 2017, total assets stood at 1,073.5 billion yen, an increase of 52.1 billion yen compared to March 31, 2017. Current assets amounted to 406.4 billion yen, an increase of 57.2 billion yen, primarily attributable to an increase in cash and deposits.

Non-current assets came to 663.5 billion yen, a decrease of 4.6 billion yen. Property, plant and equipment increased 5.2 billion yen, intangible assets were down 9.9 billion yen, and investments and other assets rose 200 million yen.

#### **Total Liabilities**

Liabilities came to 545.5 billion yen, an increase of 13.7 billion yen.

Current liabilities totaled 122.8 billion yen, a decline of 125.6 billion yen primarily attributable to the repayment of short-term loans payable.

Non-current liabilities were 422.7 billion yen, an increase of 139.2 billion yen, owing in part to a rise in long-term loans payable.

#### **Total Net Assets**

Total net assets totaled 528.0 billion yen, a growth of 38.4 billion yen.

Terumo's equity ratio stood at 49.1%, a rise of 1.2 percentage points compared with March 31, 2017.

### **(3) Forecasts, including the Consolidated Financial Results for the Fiscal Year Ending March 31, 2018**

We are reiterating our consolidated financial forecasts for the first half and full year, which we released on October 19, 2017. Terumo Puerto Rico LLC, which produces vascular closure devices, has suspended its production activities since September 20, 2017 due to the impact of Hurricane Maria. Though the impact of the disaster on Terumo's business performance of second-half is being examined, at this moment, we are not changing the full-year results forecast, since we anticipate achieving the full-year forecast even with the potential impact taken into account.