I will now begin my explanation of the financial results from the 3rd quarter of the fiscal year ending March 31, 2018.
The first main point of the results is that we maintained good momentum despite the negative impact of the hurricane in Puerto Rico.

We were able to minimize impact from the hurricane thanks to the concerted efforts of associates in Puerto Rico, in addition to global-level inventory management and sales coordination. I will give further details later in the presentation.

First, Cardiac and Vascular drove 17% overall sales growth for a result of 437 billion yen.

In operating income, all three companies continued to grow in double digits for a total of 72.4 billion yen.

Net income almost doubled, reaching 63.5 billion yen, due to the aforementioned income growth, as well as other factors including a one-time 14-billion-yen positive impact from the United States tax reform.

I will explain the impact of the U.S. tax reform on the next slide.
I will outline the main two aspects of the U.S. tax reform impacting us: The lowering of the corporate tax rate, and the medical device excise tax.

The corporate tax rate was lowered from 35% to 21%. This had a one-time effect in which deferred tax assets and liabilities are reevaluated at the lower tax rate, resulting in a reduction of 14 billion yen of corporate taxes. However, this does not affect cash flow, and is only an adjustment on the balance sheet.

On an ongoing basis, our annual tax burden is reduced due to the lower rate. In our current situation, the burden is expected to decrease by 2 billion yen annually.

Regarding the Medical Device Excise Tax: It was under a moratorium during 2016 and 2017, and after some uncertainty whether it would be reinstated, the moratorium was extended for two more years, through 2018 and 2019. As a result, there is no impact because the moratorium continues.

Without the moratorium, we would have seen a 2-3-billion-yen negative impact on profit annually.
I will now explain the operating income variance analysis.

The biggest factor raising operating income was higher gross profit through continued sales growth. Sales grew well again in the 3rd quarter, resulting in a large increase in gross profit.

Another factor changing in the 3rd quarter was increased sales force investment which resulted in higher SG&A, and R&D expenses also increased; these two factors increased in impact compared with the 1st and 2nd quarters.

As we have explained previously, this was expected: SG&A and R&D expenses accelerated in the 3rd quarter after starting slowly in the 1st and 2nd. We expect this trend to continue into the 4th quarter.

The most notable factor for the 3rd quarter was FX impact, as explained on the next slide.
FX impact in the first half totaled just 600 million yen, or relatively no impact.

At the end of the 3rd quarter, FX impact year-to-date was 5-billion-yen. This impact was seen on both a flow basis and inventory basis.

On a flow basis, there was impact from yen depreciation against the euro, as you can see in the first bullet point. This was occurring at a lower rate in the 1st and 2nd quarters, but increased in the 3rd quarter.

Emerging market currencies, especially the Chinese yuan, Thai baht, and Latin American currencies, appreciated against the yen for more positive impact.

The third point illustrates a more unusual impact. Dollar-denominated operational costs and expenses decreased during the Puerto Rico production stoppage; while we are usually not affected by yen-dollar rate fluctuations, this unforeseen lack of dollar spending had a positive effect on income.

Those are the three flow-basis effects.

In inventory, we experienced a decrease in unrealized gain of inventories since FX rates at the end of third quarter periods did not change year-on-year significantly, so the expected negative impact turned out to be smaller.

These factors led to a year-to-date FX positive impact of 5 billion yen as of the end of the 3rd quarter.
Next, net sales by region. There was no major change to the pattern of previous quarters.

In Japan, the year-on-year 1% growth of the first half was followed in the 3rd quarter by 2% growth. This represents a gradual acceleration of Japan growth. Overall, sales grew 5% in the 3rd quarter alone.

Overseas, all regions grew sales 20% or more year on year.
In sales by company, there were no significant changes in trend. However, the General Hospital company posted 2% growth, a turnaround from minus 1% growth through the first half.

Both Cardiac and Vascular and Blood Management showed double-digit growth, continuing from previously.

I will now give an explanation of each company’s results.
In Cardiac and Vascular, all four business segments had increased sales. Not only in TIS and Neurovascular, but also in CV and Vascular, sales increased significantly.

The TIS and Neurovascular businesses have grown the most to this point and are expected to continue to grow going forward.

Regarding the surgically-oriented CV and Vascular businesses;

This year, the CV business resumed shipments of heart-lung machines following the lifting of its consent decree last year, leading to strong growth this year. After this restoration of sales, this year’s results will form a base from which the business will then grow thereafter.

In the Vascular business, the impact of our acquisition, Bolton, is being fully realized this fiscal year. These results will also form a base for ensuing years, when we do not anticipate drastic growth.

Therefore, while we see major growth in all four Cardiac and Vascular businesses this year, we expect that next year and onward we will see the bulk of the growth in just the two businesses of TIS and Neurovascular.

In business profit, there was little impact from the hurricane, and the company overall maintained its high profitability.
Next is the General Hospital company. As we have previously explained, the company plans to see positive sales growth across the year. Growth was initially negative in the first half, but has now turned positive in the 3rd quarter.

Continuous cost reductions have resulted in the company maintaining high profitability.

In profit, the continued downsizing of low-profit accounts over the past few years has improved profit each quarter, but that is almost now annualized. Going forward, the alliance business will drive the overall General Hospital in making a positive, rather than negative contribution.
Next is Blood Management. The company continued in its pattern of growing sales and improving profitability.

Sales grew 11% year on year.

However, this sales number includes growth from demand for next-generation therapeutic apheresis console to replace the previous version. The COBE Spectra therapeutic apheresis system is being discontinued and replaced by Spectra Optia.

The original plan was to keep selling COBE Spectra into next year, but the decision was made to discontinue it this year. This means that sales expected for next year were instead realized this year, for a positive impact of 1 billion yen.

In business profit, therapeutic apheresis and other high-profitability products grew well, resulting in continued overall profitability improvement.
Next, major topics from the 3rd quarter.

Continuing from previously were our group-wide CSR activities.

We also held shareholders’ meetings in Nagoya and Osaka.

In the business side, we obtained manufacturing and marketing approval for Japan’s first-ever insulin patch pump.

We also announced construction of a new building at Terumo Yamaguchi.
The next major topic is resumption of shipments of our closure device. I will give some detail on this.

We stopped production of our Angio-Seal product on September 20, just before the arrival of the hurricane. As damage from the hurricane continued, we remained unable to manufacture for a time.

Beginning in mid-October, we were able to gradually resume production using a private power generator. Production was approximately back to normal by mid-November, and in December, the local power supply began to stabilize. We then shifted back to using power from the public utility, and have produced normally thereafter.

In early January, when we had accumulated necessary inventory, we resumed shipments to customers. We are therefore now operating and shipping normally.

Regarding sales during the production stoppage, as I explained previously, we had approximately 1.5 months of inventory initially, throughout the world. Needs varied greatly by region, however. We met approximately all needs in the Japan and Europe markets by managing that 1.5-month inventory, with only very limited impact.

In the largest market, the United States, a backorder did occur in December, but it has already been resolved through resumption of shipments in early January.

Sales were normal in October, and then fell to about half the normal global monthly rate in the two months of November and December. With extra sales to clear that back order, we saw a jump in growth in January.

Going forward, we realize the need to carefully monitor February and March sales.
I will skip over the new products pipeline slide.
The final slide explains our revision of FY17 guidance.

As we have made public, we have revised our sales guidance upward by 13 billion yen, our operating income by 10 billion yen, and also our ordinary income by 10 billion yen. Reflecting both performance and the United States tax reform, we have revised our net income guidance upward by 23 billion yen.

That is our guidance revision, and I will explain about operating income in further detail.

At the end of the first half, the operating income had risen approximately 9 billion yen above the guidance. At that time, we received questions regarding why we did not revise our guidance then.

Our reasoning for not doing so at the time was that, comparing the first- and second-half plans, the second half included 4 billion yen more than the first half guidance; in other words, the second-half plan was already somewhat aggressive.

In addition, the 9 billion yen realized above plan in the first half was partially attributable to delays in some spending; however, it was difficult to foresee at that time when those expenses would occur.

We were also unable to know then what would happen in Puerto Rico.

For these reasons, we decided not to revise upward at that time; however, I did explain that we were confident we would achieve the operating income guidance of 82 billion yen no matter what difficulties might occur in Puerto Rico, due to the 9 billion yen achieved above plan in the first half.

Regarding our current situation, as I explained in the operating income variance analysis, SG&A indeed began increasing strongly in the 3rd quarter. Sales continue to grow well, and the Puerto Rico impact is not very large.

Therefore, we have revised our guidance up to 92 billion yen, taking into account the 9 billion yen above guidance in the first half, and another 1 billion yen anticipating that we will overshoot the second half guidance, for a total of 10 billion yen.

This concludes my explanation. Thank you.
Reference
<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Japan (Growth)</th>
<th>Subtotal (Growth)</th>
<th>Outside of Japan</th>
<th>G. Total (Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Europe</td>
<td>Americas</td>
</tr>
<tr>
<td>Cardiac and Vascular</td>
<td>40.5 (+9%)</td>
<td>199.5 (+26%)</td>
<td>61.5 (+24%)</td>
<td>88.0 (+30%)</td>
</tr>
<tr>
<td>Out of C&amp;V Interventional Systems*</td>
<td>31.0 (+5%)</td>
<td>161.0 (+27%)</td>
<td>49.2 (+21%)</td>
<td>67.7 (+35%)</td>
</tr>
<tr>
<td>General Hospital</td>
<td>93.8 (0%)</td>
<td>26.4 (-2%)</td>
<td>6.2 (-1%)</td>
<td>5.7 (-3%)</td>
</tr>
<tr>
<td>Blood Management</td>
<td>8.4 (-2%)</td>
<td>68.1 (+7%)</td>
<td>18.4 (+2%)</td>
<td>32.5 (+7%)</td>
</tr>
<tr>
<td>G. Total</td>
<td>142.9 (+4%)</td>
<td>294.1 (+18%)</td>
<td>86.1 (+17%)</td>
<td>126.3 (+27%)</td>
</tr>
</tbody>
</table>

*Including Neurovascular business (YoY%): FXN

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16/24
## Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY16 Q3Y16</th>
<th>FY17 Q3Y16</th>
<th>YoY</th>
<th>YoY%</th>
<th>YoY% (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>54.6</td>
<td>63.1</td>
<td>+8.5</td>
<td>+16%</td>
<td>+11%</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>11.2</td>
<td>12.6</td>
<td>+1.4</td>
<td>+12%</td>
<td>+8%</td>
</tr>
<tr>
<td>Logistical Costs</td>
<td>8.4</td>
<td>9.4</td>
<td>+1.0</td>
<td>+12%</td>
<td>+10%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>18.9</td>
<td>27.9</td>
<td>+9.0</td>
<td>+47%</td>
<td>+41%</td>
</tr>
<tr>
<td>Others</td>
<td>27.2</td>
<td>30.6</td>
<td>+3.4</td>
<td>+13%</td>
<td>+9%</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses Total</strong></td>
<td>120.3 (32.2%)</td>
<td>143.6 (32.8%)</td>
<td>+23.3</td>
<td>+19%</td>
<td>+15%</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>24.5 (6.5%)</td>
<td>28.7 (6.6%)</td>
<td>+4.2</td>
<td>+17%</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Operating Expenses Total</strong></td>
<td>144.8 (38.7%)</td>
<td>172.3 (39.4%)</td>
<td>±27.5</td>
<td>±19%</td>
<td>±15%</td>
</tr>
</tbody>
</table>
## Quarterly Results

(hundred yen)

<table>
<thead>
<tr>
<th></th>
<th>FY16 Q3 (Oct-Dec)</th>
<th>Q4 (Jan-Mar)</th>
<th>FY17 Q1 (Apr-Jun)</th>
<th>Q2 (Jul-Sep)</th>
<th>Q3 (Oct-Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>129.3</td>
<td>139.8</td>
<td>139.3</td>
<td>145.3</td>
<td>152.3</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>68.7 (53.2%)</td>
<td>74.3 (53.2%)</td>
<td>78.3 (56.2%)</td>
<td>81.4 (56.1%)</td>
<td>85.0 (55.8%)</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
<td>41.0 (31.7%)</td>
<td>47.4 (34.0%)</td>
<td>46.4 (33.3%)</td>
<td>47.3 (32.6%)</td>
<td>49.9 (32.7%)</td>
</tr>
<tr>
<td><strong>R&amp;D Expenses</strong></td>
<td>8.2 (6.4%)</td>
<td>9.2 (6.6%)</td>
<td>8.5 (6.1%)</td>
<td>9.6 (6.8%)</td>
<td>10.6 (7.0%)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>19.5 (15.1%)</td>
<td>17.7 (12.4%)</td>
<td>23.4 (16.8%)</td>
<td>24.5 (16.0%)</td>
<td>24.5 (16.1%)</td>
</tr>
<tr>
<td>(Excl. Amortization)</td>
<td>24.5 (19.0%)</td>
<td>24.2 (17.4%)</td>
<td>30.6 (22.0%)</td>
<td>31.8 (21.9%)</td>
<td>31.9 (21.0%)</td>
</tr>
</tbody>
</table>

### Average Exchange Rates

- **USD**: 109 yen, 114 yen, 111 yen, 111 yen, 113 yen
- **EUR**: 118 yen, 121 yen, 122 yen, 130 yen, 133 yen
**CAPEX and R&D Expenses**

- **Expand investment in production capacity and space as well as IT infrastructure in FY17**
- **Amortization of Intangibles and goodwill are projected to increase due to M&As made in FY16**
- **Further promote US-based R&D activities for TIS and neurovascular**

*Investment into venture technologies was booked in other than R&D expenses. (1.5 BIPY)*
Cash Flow

Operating CF
+72.3

Investment and Finance CF
-23.4

(billion yen)

Depreciation and amortization: 42.0
Corporate tax: 22.6
Increase of working capital: 10.4
Repayment for short-term debt: 28.9
CAPEX: 120.0
Finance: 1.934
Dividends: 15.9
Others: 1.1

Cash at end of FY16: 105.4
CAPEX - C.I.P. record basis
Cash at end of each fiscal year is consistent with "cash and deposits" on B/S

Cash at end of FY17 Q3: 154.3

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20/24
## FY17 Foreign Exchange Sensitivity

(billion yen)

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>EUR</th>
<th>CNY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excl. Amortization</td>
<td>Incl. Amortization</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>1.6</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>0.0</td>
<td>-0.2</td>
<td>0.5</td>
</tr>
</tbody>
</table>

<Reference> Impact of +/-10% fluctuation

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>FMFA EUR</th>
<th>FMFA Others</th>
<th>Asia CNY</th>
<th>Asia Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>1.8</td>
<td>0.8</td>
<td>5.6</td>
<td>1.0</td>
<td>1.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>
(Reference) IFRS Basis

- Adopting International Financial Reporting Standards (IFRS) from the year-end financial announcement for FY17
- Schedule for disclosure

<table>
<thead>
<tr>
<th>Reference</th>
<th>Japanese GAAP FY17 Q1-Q3</th>
<th>IFRS FY17 Q1-Q3 YTD</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>437.0</td>
<td>437.0</td>
<td>-</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>2.4 (16.6%)</td>
<td>8.0 (19.9%)</td>
<td>+14.6</td>
</tr>
<tr>
<td>Adjusted Operating Income (%)</td>
<td>94.3 (21.6%)</td>
<td>97.5 (22.3%)</td>
<td>+3.7</td>
</tr>
<tr>
<td>Net Income</td>
<td>63.5</td>
<td>76.2</td>
<td>+12.7</td>
</tr>
</tbody>
</table>

Adjusted Operating Income: Business profit, that is, O/P for IFRS basis w/ cost of M&A, amortization of intangibles, and temporary cost avoided.
The Status of Convertible Bonds

**Detail of the bonds (Issued in Dec. 2014)**

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Aggregate principal amount (billion yen)</th>
<th>Coupon</th>
<th>Conversion price (yen)</th>
<th>Contingent conversion trigger price (yen)</th>
<th>Number of shares required to be issued for conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec, 2019</td>
<td>50.0</td>
<td>0.0%</td>
<td>3,868</td>
<td>5,028</td>
<td>12.9M shares</td>
</tr>
<tr>
<td>Dec, 2021</td>
<td>50.0</td>
<td>0.0%</td>
<td>3,868</td>
<td>5,028</td>
<td>12.9M shares</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>0.0%</strong></td>
<td><strong>3,868</strong></td>
<td><strong>5,028</strong></td>
<td><strong>25.9M shares</strong></td>
</tr>
</tbody>
</table>

**Status of conversion (as of Jan 31, 2018)**

<table>
<thead>
<tr>
<th>Bonds</th>
<th>Amount of shares issued for conversion (% against the total amount of bond)</th>
<th>Number of shares issued for conversion (% against total number of issued shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible Bonds due Dec, 2019</td>
<td>5.47 BJPY (10.9%)</td>
<td>1.4M shares (0.37%)</td>
</tr>
</tbody>
</table>

- Allocated treasury shares to the shares issued for conversion
  - Number of treasury shares: 27.8M shares (7.3% of total number of issued shares as of the end of Dec, 2017)
IR Contact

Terumo Corporation
Corporate Communication (IR) Dept.
E-mail: 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 or projections due to various factors. Factors affecting 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.