

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2015



February 03, 2015
Exchange where listed: TSE

Name of listed company : TERUMO CORPORATION
(URL <http://www.terumo.com/>)
Company code number : 4543
Representative : Yutaro Shintaku, President and Representative Director
Please address all communications to : Masayuki Maruta, General Manager, Corporate Communication Dept.
Phone : +81 / 3-6742-8550

1. Consolidated Financial Highlights for the Nine Months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(1) Consolidated operating results (Notes: The amounts shown below ignore values of less than a million yen)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Nine months ended December, 2014	363,201	5.2	52,869	9.6	58,689	17.6	33,426	(9.4)
Nine months ended December, 2013	345,260	16.7	48,251	13.2	49,919	23.4	36,896	49.3

(Notes) Comprehensive income: December 2014: 91,204million yen (9.2%) December 2013: 83,517million yen (104.4%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
Nine months ended December, 2014	88.02	87.40
Nine months ended December, 2013	97.16	97.15

(Notes) Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.
Net income per share and Net income per share, fully diluted have been adjusted retrospectively to reflect the effect of the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
As of December 31, 2014	1,027,606	578,726	56.3	1,523.82
As of March 31, 2014	832,814	496,245	59.6	1,306.72

(Notes) Shareholders' equity: December 31, 2014: 578,663 million yen March 31, 2014: 496,225 million yen

Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.

Net asset per share has been adjusted retrospectively to reflect the effect of the stock split.

2. Dividends

	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended March, 2014	—	29.00	—	29.00	58.00
Year ending March, 2015	—	14.50	—	—	—
Year ending March, 2015 (forecast)	—	—	—	14.50	29.00

(Notes) Revise of dividends forecast : None

Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.

Cash dividends per share for the year ending March, 2015 and the year ending March, 2015 (forecast) have reflected this stock split.

3. Consolidated Forecast for the Year Ending March 2015 (From April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Year ending March, 2015	488,000	4.4	64,000	(2.0)	62,000	(2.8)	33,500	(1.7)	88.22

(Notes) Forecast for fiscal year ending March, 2015 which was announced on November 5, 2014 has not been revised.

(Assumed exchange rate for fiscal year ending March, 2015: USD1=JPY100, EUR1=JPY140)

Among the information that Terumo discloses, forecasts of financial performance on future projections contain potential risks and uncertainty since these are forecasts on projections made by Terumo based on limited information available at the moment of disclosure. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014		As of December 31, 2014	
	Amount		Amount	
(Assets)		%		%
I Current assets	310,985	37.3	446,440	43.5
Cash and deposits	95,618		119,658	
Notes and accounts receivable-trade	101,520		109,398	
Short-term investment securities	—		90,000	
Inventories	93,966		105,324	
Deferred tax assets	12,340		13,474	
Other	8,933		10,265	
Allowance for doubtful accounts	(1,394)		(1,681)	
II Noncurrent assets	520,332	62.5	577,900	56.2
1. Property, plant and equipment	157,755	18.9	176,791	17.2
Buildings and structures	54,215		61,379	
Machinery, equipment and vehicles	43,916		45,885	
Land	21,757		22,048	
Lease assets	406		839	
Construction in progress	27,974		36,346	
Other	9,483		10,291	
2. Intangible assets	304,756	36.7	338,150	32.9
Goodwill	154,161		170,588	
Customer relationships	93,968		105,185	
Other	56,626		62,376	
3. Investments and other assets	57,820	6.9	62,958	6.1
Investment securities	37,954		44,631	
Deferred tax assets	5,323		264	
Retirement benefit asset	2,573		5,260	
Other	11,969		12,802	
III Deferred assets	1,496	0.2	3,265	0.3
Total assets	832,814	100.0	1,027,606	100.0

(Millions of yen)

	As of March 31, 2014		As of December 31, 2014	
	Amount		Amount	
(Liabilities)		%		%
I Current liabilities	160,936	19.3	153,536	15.0
Notes and accounts payable-trade	38,147		37,979	
Short-term debt	260		423	
Current portion of long-term debt	4,652		5,440	
Lease obligations	225		162	
Current portion of bonds payable	40,000		40,000	
Income taxes payable	18,401		9,706	
Deferred tax liabilities	94		63	
Provision for bonuses	4,849		2,715	
Provision for directors' bonuses	109		90	
Notes and accounts payable-facilities	8,425		7,787	
Other	45,769		49,167	
II Noncurrent liabilities	175,632	21.1	295,343	28.7
Bonds payable	40,000		40,000	
Convertible bond-type bonds with subscription rights to shares	—		100,245	
Long-term debt	76,769		84,658	
Lease obligations	299		276	
Deferred tax liabilities	47,795		52,159	
Provision for directors' retirement benefits	66		66	
Retirement benefit liability	3,124		4,395	
Asset retirement obligations	220		232	
Other	7,354		13,308	
Total liabilities	336,568	40.4	448,880	43.7
I Shareholders' equity	444,396	53.4	469,059	45.6
Capital stock	38,716		38,716	
Capital surplus	52,103		52,103	
Retained earnings	353,600		378,272	
Treasury stock	(24)		(33)	
II Accumulated other comprehensive income	51,828	6.2	109,603	10.7
Valuation difference on available-for-sale securities	11,269		15,481	
Deferred gains or losses on hedges	(2)		—	
Foreign currency translation adjustments	43,377		96,949	
Accumulated adjustments for retirement benefit	(2,816)		(2,827)	
III Stock subscription rights	20	0.0	62	0.0
Total net assets	496,245	59.6	578,726	56.3
Total liabilities, net assets	832,814	100.0	1,027,606	100.0

(2) Consolidated Statements of Income

(Millions of yen)

	For nine months ended			For nine months ended		
	December 31, 2013			December 31, 2014		
	Amount			Amount		
			%			%
I Net sales		345,260	100.0		363,201	100.0
II Cost of sales		166,599	48.3		172,522	47.5
Gross profit		178,661	51.7		190,678	52.5
III Selling, general and administrative expenses		130,409	37.7		137,808	37.9
Operating income		48,251	14.0		52,869	14.6
IV Non-operating income						
Interest income	287			378		
Dividends income	226			247		
Royalty income	81			124		
Foreign exchange gains	4,664			8,098		
Equity in earnings of affiliates	96			10		
Other	776	6,131	1.8	989	9,848	2.7
V Non-operating expenses						
Interest expenses	1,124			896		
Sales discounts	479			513		
Loss on disposal of inventories	75			239		
Other	2,784	4,464	1.3	2,378	4,028	1.1
Ordinary income		49,919	14.5		58,689	16.2
VI Extraordinary gains						
Gain on sales of noncurrent assets	7			490		
Gain on transfer of businesses	299			—		
Gain on adjustment of account payable	—			1,974		
Settlement received	6,000	6,307	1.8	—	2,465	0.7
VII Extraordinary losses						
Loss on disposal of noncurrent assets	216			419		
Impairment loss	561			1,450		
Loss on liquidation of subsidiaries and affiliates	—			549		
Restructuring loss	—			6,420		
Directors' retirement benefits	33			—		
Loss on liquidation of business	881	1,693	0.5	—	8,839	2.5
Income before income taxes and minority interests		54,533	15.8		52,315	14.4
Income taxes-current	18,041			21,133		
Income taxes-deferred	(434)	17,606	5.1	(2,243)	18,889	5.2
Income before minority interests		36,926	10.7		33,426	9.2
Minority interests in income		30	0.0		—	—
Net income		36,896	10.7		33,426	9.2

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	For nine months ended December 31, 2013		For nine months ended December 31, 2014	
	Amount		Amount	
I Income before minority interests	36,926		33,426	
II Other comprehensive income				
Valuation difference on available-for-sale securities	4,450		4,211	
Deferred gains or losses on hedges	(16)		2	
Foreign currency translation adjustments	42,158		53,571	
Adjustments for retirement benefit	—		(10)	
Share of other comprehensive income of associates accounted for using equity method	(2)	46,590	3	57,778
Comprehensive income		83,517		91,204
Attributable to:				
Shareholders of Terumo Corporation		83,530		91,204
Minority interests		(13)		—

(4)Notes

<Significant accounting policies in preparing the consolidated financial statements>

Changes in accounting policy

(Adoption of Accounting Standard for Retirement Benefits)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")), and the method of calculating retirement benefit obligations and service costs are revised, with the method of attributing benefits to accounting periods changed from the straight-line basis to the benefit formula basis, and the method of determination of the discount rate changed to several weighted average discount rates which are set at the time of each expected retirement benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the change in calculation methods of retirement benefit obligations and service costs arising from initial application has been recognized in "Retained earnings" at the beginning of the first quarter of the fiscal year ending March 31, 2015.

As a result, "Retirement benefit assets" and "Retained earnings" have increased by ¥3,509 million and ¥2,258 million, respectively, at the beginning of the current third quarter of the fiscal year ending March 31, 2015. "Operating income", "Ordinary income" and "Income before income taxes and minority interests" have increased by ¥316 million, respectively, for the current third quarter.

5. Segment Information

[Reportable Segments]

(1) The Third Quarter of Fiscal Year Ended March 31, 2014

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	152,839	123,911	68,541	345,292	(31)	345,260
Internal sales	—	—	—	—	—	—
Sales total	152,839	123,911	68,541	345,292	(31)	345,260
Segment income (Excl. Amortization)	32,010	16,215	13,775	62,000	(1,618)	60,382
Segment income (loss)	30,587	16,215	3,068	49,870	(1,618)	48,251
Segment income(%) (Excl. Amortization)	20.9	13.1	20.1	18.0	—	17.5

Notes: 1. The (1,618) million yen adjustment to segment income is the sum of (626) million yen for inventories and (992) million yen for others.

2. Segment income is adjusted to be consistent with “Operating income” shown on the quarterly consolidated statements of income.

(2) The Third Quarter of Fiscal Year Ending March 31, 2015

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	168,041	122,466	72,693	363,201	—	363,201
Internal sales	—	—	—	—	—	—
Sales total	168,041	122,466	72,693	363,201	—	363,201
Segment income (Excl. Amortization)	34,088	16,497	14,225	64,811	972	65,783
Segment income (loss)	32,677	16,497	2,722	51,897	972	52,869
Segment income(%) (Excl. Amortization)	20.3	13.5	19.6	17.8	—	18.1

Notes: 1. The 972 million yen adjustment to segment income is the sum of (478) million yen for inventories and 1,450 million yen for others.

2. Segment income is adjusted to be consistent with “Operating income” shown on the quarterly consolidated statements of income.

(Changes in the category of segments)

As a result of reclassification in performance management among overseas subsidiaries, “Harvest Technologies Corporation” and “Harvest Technologies GmbH” have been transferred from “Cardiac & Vascular Company” to “Blood Management Company” since October 1, 2014. This change is reflected retrospectively.

(Changes in the name of segments)

“Cardiac & Vascular Business”, “General Hospital Business” and “Blood Management Business” changed their names to “Cardiac & Vascular Company”, “General Hospital Company” and “Blood Management Company”, respectively, from the first quarter of fiscal year ending March 31, 2015. This change is reflected retrospectively.

(Changes in the composition of segments)

Sales and expenses related to the domiciliary oxygen system business and the domiciliary infusion pump business which were transferred, and the next generation implantable left ventricular assist system business which was entered into a strategic alliance in the previous fiscal year are allocated to “Adjustment.”

As a result of these changes, compared to the previous classification, the segment income of “Cardiac & Vascular Company” and “Blood Management Company” for the third quarter of fiscal year ended March 31, 2014 have increased by ¥505 million and ¥26 million, respectively. The segment income of “General Hospital Company” and “Adjustment” have decreased by ¥3 million and ¥528 million, respectively.

(Note) Main products belonging to each business segment

Business segments	Sub-segments	Main products
Cardiac & Vascular Company	Interventional Systems	Angiographic catheters, PTCA balloon catheters, Coronary stents
	Neurovascular	Neuro interventional coils, etc.
	CV Systems	Oxygenators, Cardio-pulmonary bypass system, etc.
	Vascular Graft	Artificial vascular grafts, Stent grafts
General Hospital Company	General Hospital Products	Syringes, Needles, Blood collection tubes, Solution sets, I.V.catheters, Infusion pumps, Syringe pumps, etc.
	DM and Consumer Healthcare	Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, etc.
	Pharmaceutical and Nutrition	I.V.solutions, Nutritious food, CAPD systems, etc.
	D&D	Prefilled syringes, Pain management systems etc.
Blood Management Company	—	Blood bags, Automated blood collection system, Therapeutic apheresis system, Cell expansion system, etc.