

Financial Results for the Fiscal Year Ended March 31, 2019 (FY2018)

Terumo Corporation
Managing Executive Officer
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May 9, 2019

I will now explain concerning the Financial Results for the Fiscal Year ended March 31, 2019.

Both Revenue and Profit in Line w/ the Revised Guidance

(billion yen)

	FY17	FY18	YoY%	YoY% (FXN)
Revenue	587.8	599.5	+2%	+3%
Gross Profit	319.3 (54.3%)	326.5 (54.5%)	+2%	+4%
SG&A Expenses	171.0 (29.1%)	178.7 (29.8%)	+4%	+5%
R&D Expenses	41.3 (7.0%)	47.7 (8.0%)	+15%	+15%
Other Income and Expenses	1.6	6.5	-	-
Operating Profit	108.6 (18.5%)	106.6 (17.8%)	-2%	+2%
Adjusted Operating Profit	124.9 (21.3%)	122.1 (20.4%)	-2%	+1%
Profit before Tax	106.6 (18.1%)	102.7 (17.1%)	-4%	
Profit for the Year	91.3 (15.5%)	79.5 (13.3%)	-13%	

Average Exchange Rate	USD	111yen	111yen
	EUR	130yen	128yen

- Revenue: Fully recovered from shipping delays at Ashitaka factory, and all companies made positive growth
- Adjusted operating profit: Sales recovery in Cardiac and Vascular Company largely diminished YoY negative growth from Q3 to Q4
- Profit before tax: Increased FX loss up to 3.8 BJPY in FY18, while posted FX loss of 0.5 BJPY in FY17
- Profit for the year: US tax reform temporarily increased the profit in FY17 (15.3 BJPY)



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First, the general overview: During this fiscal year, we successfully resolved the Ashitaka factory shipping delays to achieve revenue and profit in line with the revised guidance that we issued in the 1st quarter.

While the revenue growth rate was low, every company grew positively.

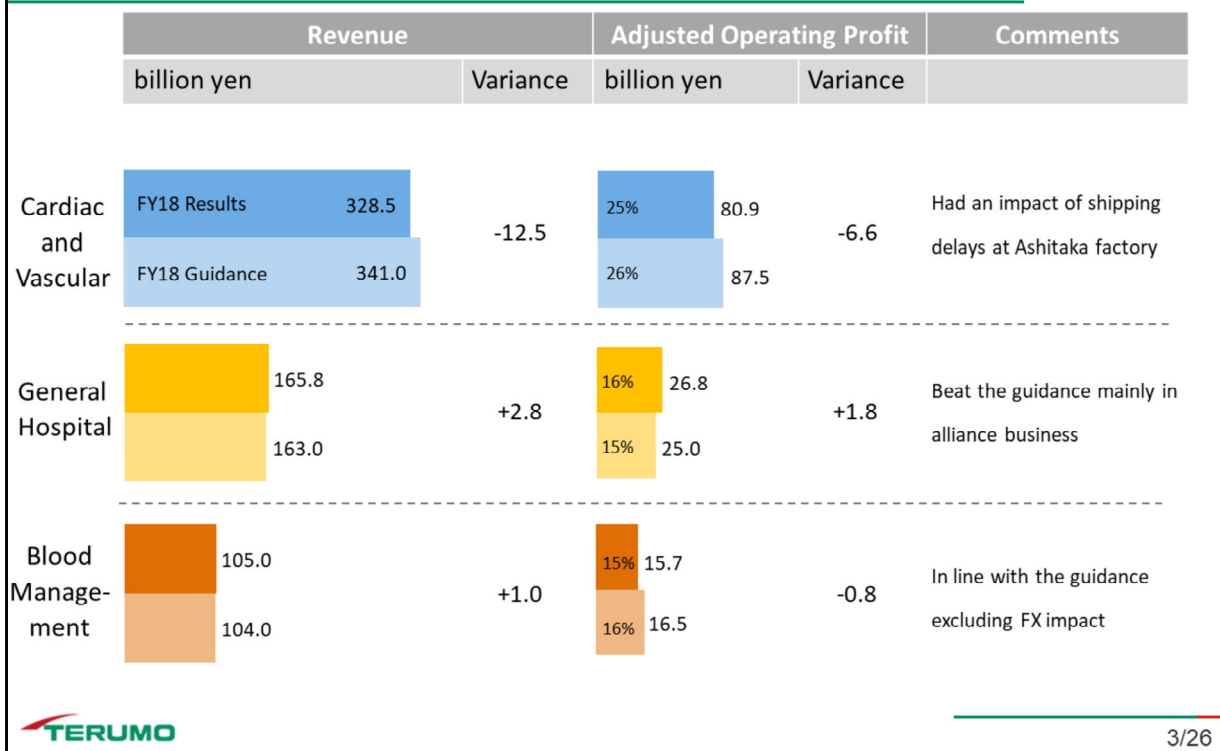
Adjusted operating profit was virtually in line with the revised guidance.

Profit was down year on year; however, year-on-year negative growth was diminished from the 3rd quarter to 4th quarter, and we achieved positive year-on-year profit growth when excluding FX impact.

When excluding the temporary increase that occurred in the previous fiscal year, profit for the Year also increased year on year.

Therefore, we overcame the Ashitaka problems to achieve increased revenue and profit when excluding FX impact.

FY18 Results in Comparison to the Original Guidance



Next, the FY18 results in comparison to the original guidance.

As you can see, the negative variance was due to Cardiac and Vascular Company. The amount negative below original guidance was approximately the amount that guidance was later revised downward.

In areas other than the Ashitaka Factory shipping delays, drug-eluting stents also came in below forecast, but businesses such as neurovascular covered for some of that shortfall.

In General Hospital, revenue and profit both exceeded original guidance largely.

In Blood Management, revenue was above guidance. Operating profit was trending well below the previous year until the 3rd quarter, but then recovered in the 4th quarter.

When excluding FX impact, its numbers were in line with guidance.

Adjusted Operating Profit: Adjustments

(billion yen)

	FY17	FY18
Operating profit	108.6	106.6
Adjustment 1. Amortization of acquired intangible assets	+14.5	+14.6
Adjustment 2. Temporary gain and loss	+1.9	(*) +0.9
Adjusted operating profit	124.9	122.1

<Adjustment items>

- Acquisition related cost
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other temporary gains and losses

(*) FY18 main items of Adjustment 2. Temporary gain and loss	Adjustment
Milestone payment for WEB in Neurovascular (-2.0)	+2.0
Settlement (+2.3)	-2.3
Insurance revenue for hurricane impact on factory in Puerto Rico (+1.6)	-1.6
Write-off of investment for venture R&Ds (-1.0)	+1.0
Loss on disposal of non-current assets (-1.1)	+1.1
M&A advisory fees (-0.7)	+0.7



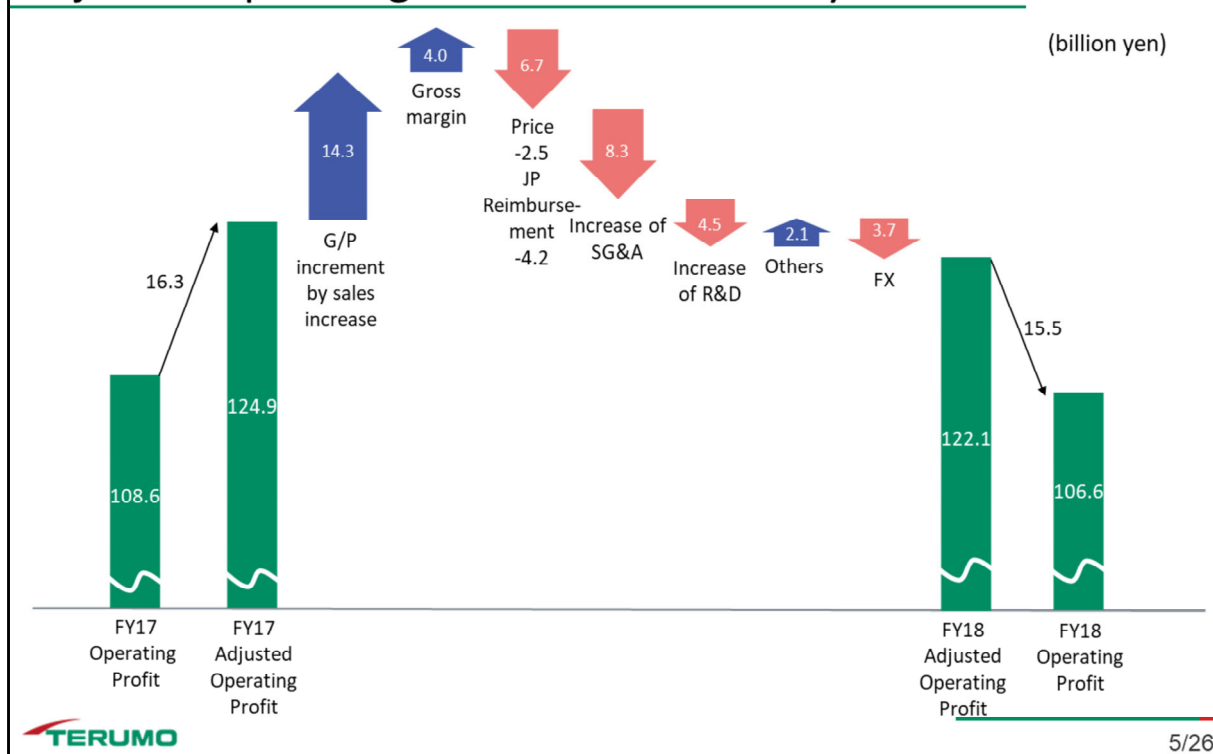
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Next, an explanation of the adjustments that result in the adjusted operating profit figures.

The largest adjustment item was the amortization of acquired intangible assets.

Temporary gains and losses were a relatively small 900 million yen in total. They consisted of the same items that we explained when announcing the 3rd quarter financial results.

Adjusted Operating Profit Variance Analysis



Next is the adjusted operating profit variance analysis.

Increased revenue and improved gross margin, the two items to the left, grew as business performance improved in the 3rd and 4th quarters.

Specifically, two main factors with positive impact on gross margin increased greatly in the 4th quarter.

The two main factors were: First, improved product mix by the increase of revenue in the TIS business. The other was gross margin improvement through increased production volume at the Yamaguchi Factory.

In price, the Japan reimbursement price revision impact was approximately as we anticipated.

Because of reduced sales during the Ashitaka shipping delays, the amount of price erosion impact was smaller than expected.

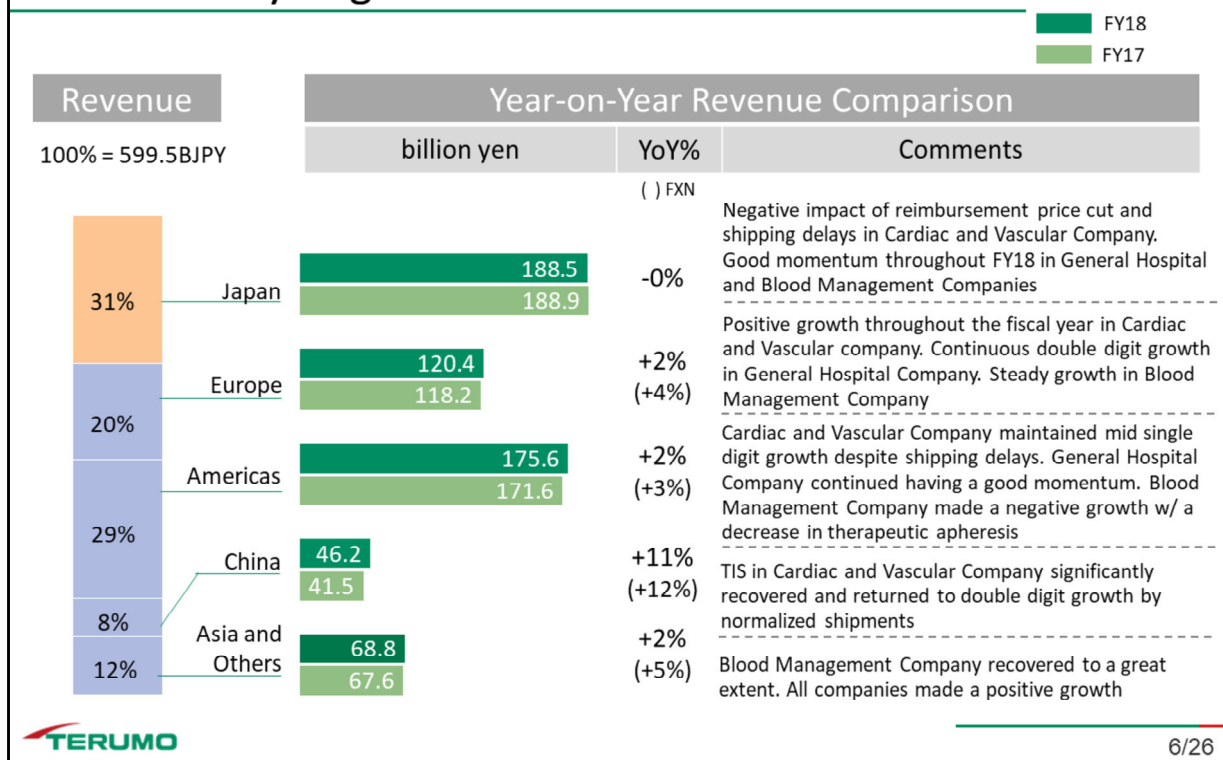
Increase of SG&A was as planned.

Increase in R&D was partially affected by the need for engineers to work on resolving the Ashitaka shipping delays, resulting in that number coming in slightly smaller than plan.

The euro and emerging market currencies had a negative impact which increased in the 4th quarter, to end with an impact of minus 3.7 billion yen over the fiscal year.

Our guidance for FY19 includes a similar impact, which I will explain in detail later.

Revenue by Region



Next, revenue by region.

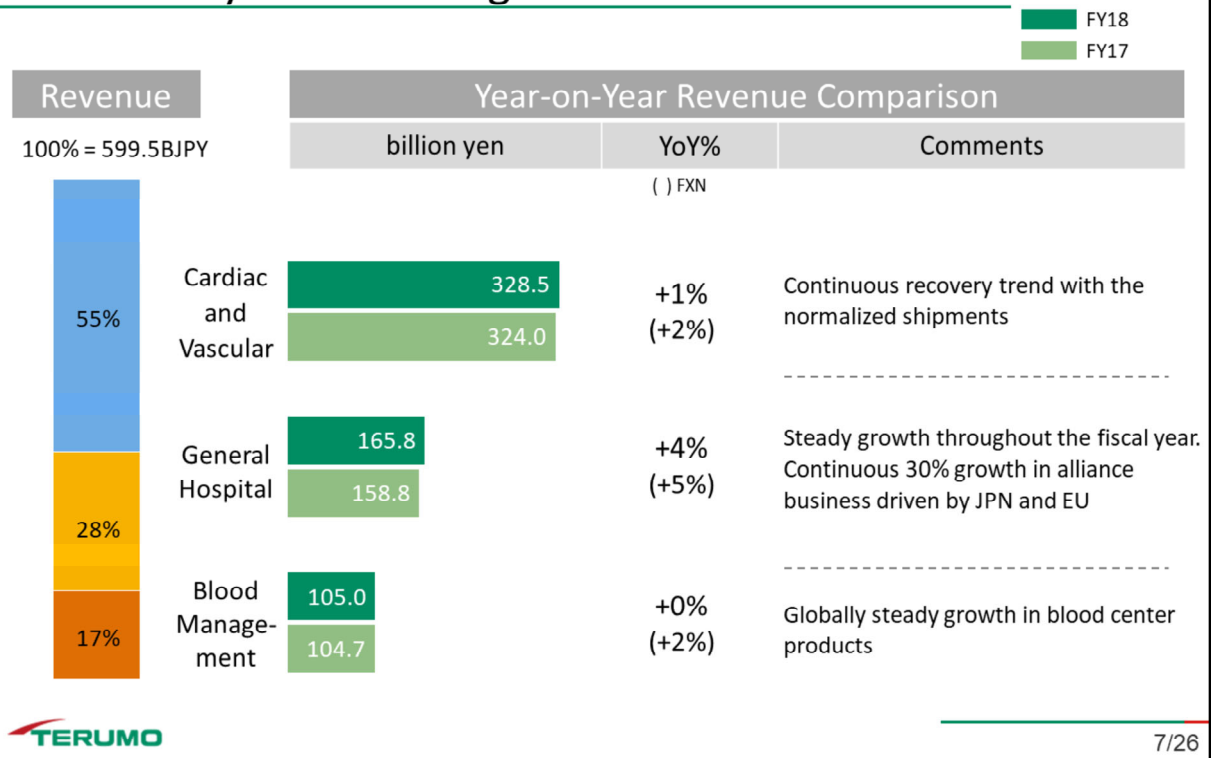
In Japan, General Hospital and Blood Management covered for negative impacts in Cardiac and Vascular to bring year-on-year revenue growth to approximately 0%.

Outside Japan, the steady recovery of Cardiac and Vascular helped to overcome FX impacts and result in an increase in positive growth.

China in particular experienced a large increase as the Essen acquisition began to contribute revenue in the 4th quarter, and as TIS shipments were increased amid recovery from the Ashitaka shipping delay.

The Americas saw a slightly lower compared to the 3rd quarter year-on-year growth. However, Cardiac and Vascular was steadily recovering, while there was a negative impact from the decrease in the Blood Management therapeutic apheresis business.

Revenue by Business Segment



Next is revenue by business segment.

I will get into more detail when I discuss the companies individually.

The Cardiac and Vascular Company normalized following the shipping delays to show positive year-on-year growth.

The General Hospital alliance business maintained its strong performance.

In Blood Management, the blood center business expanded steadily to cover the decrease in therapeutic apheresis, for overall revenue growth of approximately 0%.

Cardiac and Vascular : Revenue Increase by Overcoming the Shipping Delays

	FY17	FY18	YoY%	Major Topics	Impact
			() FXN		
Revenue	324.0	328.5	+1% (+2%)	TIS: Back to positive growth by overcoming the impacts of JP reimbursement price cut and shipping delays Neurovascular: Double digit growth throughout FY18 CV: Fell behind on the replacement of blood parameter monitoring system with next generation models Vascular graft: Transition to direct sales model for stent graft in Japan	+0.2 +4.7 -0.3 -0.1
Adjusted Operating Profit (%)	83.6 (26%)	80.9 (25%)	-3% (-1%)	Recovery in revenue for TIS products diminished negative YoY growth from Q3 to Q4	

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In Cardiac and Vascular, the TIS business pivoted to year-on-year positive growth in the 4th quarter.


The neurovascular business continued to achieve double-digit growth.

In adjusted operating profit, the recovery of TIS product sales resulted in a large reduction of the profit downturn, from the 3rd to the 4th quarter.

General Hospital: Steady in Profit of All Businesses

	FY17	FY18	YoY%	Major Topics	Impact
			() FXN		
Revenue	158.8	165.8	+4% (+5%)	General hospital product: Overall growth driven by pumps and needlefree closed system transfer device along w/ infusion lines in JP Pharmaceutical: Good result in I.V. Solutions and pain management products. Continuous sales expansion of adhesion barrier DM Healthcare: Steady growth in DM business Alliance: 30% growth driven by JP and EU	+1.4 +1.1 0.0 +4.7
Adjusted Operating Profit (%)	26.8 (17%)	26.8 (16%)	+0% (+0%)	Profit increased since increase in R&D expenses was mitigated by revenue growth in high value-added products. Depreciation for Yamaguchi factory gets into full swing in FY19	

(billion yen)

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The General Hospital Company alliance business was strong, and other businesses also posted good sales. Specific products with good sales included infusion lines, pain management, and adhesion barrier.

In profit, strong sales of high-margin products absorbed the rapid increase in R&D expenses, resulting in increased profit year on year.

Blood Management: Back to Positive Profit Growth w/ Steady Revenue

	FY17	FY18	YoY%	Major Topics	Impact
	() FXN				
Revenue	104.7	105.0	+0% (+2%)	Blood center products: Overall steady growth in and outside Japan driven mainly by automated blood processing system Therapeutic apheresis: Made a negative growth due to the special demand in the last fiscal year	+2.8 -2.6
Adjusted Operating Profit (%)	15.1 (14%)	15.7 (15%)	+4% (+13%)	Increase due to R&D subsidy from US government in FY18Q4 as planned	

(billion yen)



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In Blood Management, the blood center business covered for decreased sales of therapeutic apheresis.

Factors behind blood center business growth varied by region; in Japan, growth of the TACSI automated blood processing system contributed to the increase.

In the Americas, next version of the automated blood collection system contributed to growth.

In Asia, production increased at the Vietnam factory, leading to sales growth.

Adjusted operating profit was down year on year until catching up in the 4th quarter, for a final result of positive year-on-year growth.

There was a large FX impact on Blood Management adjusted operating profit from the euro and emerging market currencies; when excluding FX impact, the company's adjusted operating profit grew 13% year on year.

Major Topics in FY18

Corporate

- Enhanced work style reform and Health and Productivity Management by opening satellite offices and distributing healthcare wearables to associates, etc.
- Selected as "the Health and Productivity Stock Selection" for five consecutive years (Feb)
- Five products won "GOOD DESIGN AWARD" in FY18.
The company has received the award for twenty three consecutive years (Oct)

Business

- Launched drug eluting stent "Ultimaster Tansei" in EU (May) and JP (Sep)
- Concluded the agreement w/ U.S.-based DexCom, Inc. to distribute its CGM devices exclusively in JPN (May) and launched it (Feb)
- Determined to invest 7.0 BJPY in Terumo Yamaguchi D&D to Increase the capacity of PFS production lines in alliance business (Jul)
- The biosimilar, using Terumo's PLAJEX prefillable syringe in contract manufacturing, was launched in EU (Dec)
- Received US FDA approval for "WEB" intrasaccular aneurysm treatment device (Dec)
- Acquired Essen Technology (Beijing) Co., Ltd., a Chinese manufacturer specialized in drug eluting stent (Dec)
- Announced the plan to construct a new manufacturing building at Vietnam factory w/ the investment of 15.0 BJPY to strengthen the production system of TIS products (Feb)



As for major topics, please refer to the details listed here.

New Products Pipeline in FY18

Category	Products	Region	Launch	Category	Products	Region	Launch
Access	Closure device for distal radial approach	JP	FY19	CV	Next generation of oxygenator	EU, US	Launched
						JP	FY19
Coronary	PTCA balloon	US	Launched		Next generation of blood parameter monitoring system	EU, US, Asia	Launched
		JP	Launched			Vascular graft	TAA stent graft (low profile)
	EU, Asia	FY19	AAA stent graft (Anaconda w/ smaller diameter)	EU	Launched		
Peripheral	DES (Ultimaster Tansei)	EU, JP, Asia	Launched	General hospital product	Portable vascular access imaging device	JP	Launched
	Stent (TRI)	JP, US	FY19		DM	Insulin patch pump	JP
	PTA balloon (TRI)	JP, US	Launched	Blood Management		New software for automated blood collection system	EU, US, Asia
	PTA guiding sheath (TRI)	JP, US	Launched		New disposable kits for automated blood component processing system	EU, US, Asia	Launched
Neuro	Drug coated balloon	EU	FY19	Neuro	Distal access catheter (Sofia EX)	EU, US	FY19 1H
	Mini balloon	EU, US	FY19 1H		Mini balloon	EU, US	FY19 1H



I will also skip the FY18 product pipeline.

FY19 Guidance

(billion yen)

	FY18 Results	FY19 Guidance	YoY% (FXN)	FY16-19 CAGR
Revenue	599.5	635.0	+6% (+8%)	+7%
Operating Profit (%)	106.6 (17.8%)	109.0 (17.2%)	+2% (+7%)	+7%
Adjusted Operating Profit (%)	122.1 (20.4%)	124.0 (19.5%)	+2% (+6%)	+6%
Profit for the Year	79.5	81.0	+2%	+14%
Average Exchange Rate	USD 111yen EUR 128yen	108yen 123yen		



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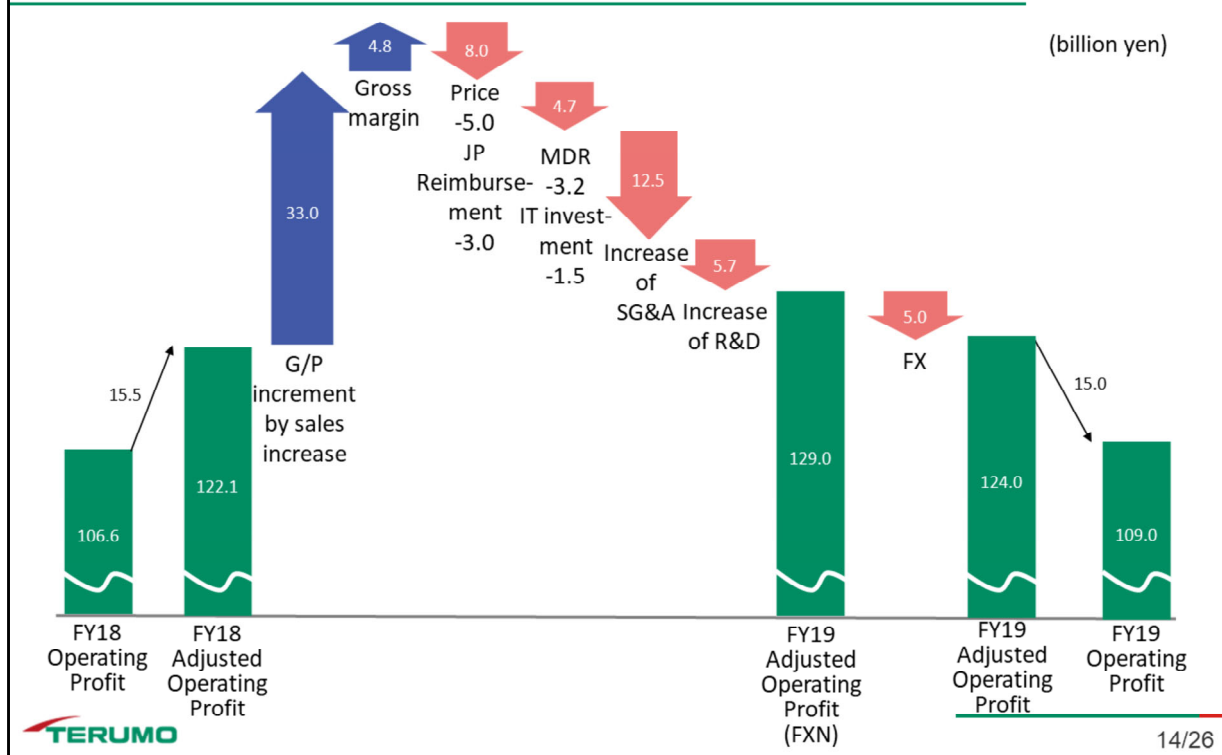
I will now explain our FY19 guidance.

Our revenue plan is to see significant growth despite yen appreciation, through TIS recovery.

Our guidance is for 6% year-on-year revenue growth; 8% when excluding FX impact.

Adjusted operating profit guidance is lower growth than revenue; I will explain this on the next slide.

FY19 Annual Guidance: Adjusted Operating Profit



This is the adjusted operating profit variance analysis.

A strong sales increase and improved gross margin are the two positive arrows on the left.

Negative factors unique to FY19 include: The Japan reimbursement price revision scheduled for this year, which will have a 3-billion-yen impact; the costs of compliance to the new European Medical Device Regulation, and investment in IT systems, which will result in 4.7 billion yen.

The euro and emerging market currencies are expected to result in a negative FX impact of 5 billion yen.

These are the factors expected to negatively impact operating profit.

FY19 Guidance

	Revenue		Adjusted Operating Profit		Comments
	billion yen	YoY%	billion yen	YoY%	
		() FXN		() FXN	
Cardiac and Vascular	FY19	357.0	24%	85.0	Back to double digit growth for revenue in TIS business. Negative impact of JP reimbursement price cut and FX
	FY18	328.5	25%	80.9	
		+9% (+12%)		+5% (+10%)	
General Hospital		171.0	15%	25.5	Maintain steady momentum. Depreciation increase due to capacity expansion of Terumo Yamaguchi D&D
		165.8	16%	26.8	
		+3% (+4%)		-5% (-5%)	
Blood Management		107.0	14%	15.5	Steady growth mainly in blood center products. Negative impact of FX
		105.0	15%	15.7	
		+2% (+5%)		-1% (+5%)	



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Next is our guidance by company.

First, Cardiac and Vascular is expected to overcome the Japan reimbursement price revision and FX impacts to grow steadily.

Excluding FX impact, both revenue and adjusted operating profit are expected to see double-digit growth.

General Hospital revenue is expected to grow steadily.

However, the operating profit plan is for negative growth. This is due to increased depreciation reflecting expansion of the Yamaguchi Factory, with a year-on-year impact of 1.9 billion yen.

Blood Management is the company most affected by FX impact. Excluding that impact, revenue and adjusted operating profit are both planned to grow 5%, meaning that the company's base business is growing well.

New Products Pipeline in FY19

Category	Products	Region	Category	Products	Region
Access	Closure device for distal radial approach	JP	General hospital product	Next generation of syringe pump	JP
Coronary	PTCA balloon	EU, Asia	Pharmaceutical	Narcotic analgesic for postoperative pain management (Fentanyl injection)	JP
Peripheral	Stent (TRI)	JP, US		Adhesion barrier (AdSpray mini)	JP
Neuro	Intrasaccular aneurysm treatment device (WEB)	US	DM and consumer healthcare	Continuous glucose monitoring system	JP
	Distal access catheter (Sofia FX)	EU, US		Blood glucose monitoring system	JP
	Mini balloon	EU, US		Insulin patch pump	JP
	Aspiration catheter	JP		Next version of blood pressure monitor	JP
	Stentriever	JP		Next version of thermometer	JP
CV	Next generation of oxygenator	JP	Blood Management	Fill and finish system for cell therapy processing (FINIA)	Global
	Heart lung machine (re-launch)	JP			
Vascular graft	Large-bore vascular graft (Triplex Advanced)	JP			



Next is the FY19 product pipeline; please refer to the details listed here.

FY18 Year-end Dividend Proposal: 27.0 JPY

- Stably increasing, and aim for the target dividend payout ratio of 30% over the mid to long term
- FY18 annual dividend: 54.0 JPY (No change from the original guidance)
- Continue to increase FY19 annual dividend up to 28.0 JPY (56.0 JPY which is calculated based on total shares issued and shares outstanding before the two-for-one stock split implemented in April 1st, 2019)

() = EPS based on total shares issued and shares outstanding before the stock split

	FY18 Results	FY19 Guidance
Profit for the year (BJPY)	79.5	81.0
EPS (JPY)	217	109 (218)
Dividend proposal/share	54.0 JPY Interim 27.0 Year-end 27.0	28.0 JPY (56.0) Interim 14.0 (28.0) Year-end 14.0 (28.0)
Dividend payout ratio	24.8%	25.7%



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Lastly, regarding dividends: This fiscal year, we have implemented a stock split, so per-share dividend is half of the prior amount; however, I will express the amount based on that of the previous year for ease in comparison.

Last year's dividend was 54 yen for the year; this year that is expected to be increased by two yen to the equivalent of 56 yen.

This concludes my explanation. Thank you.

Reference

FY18 Revenue and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	47.8 (-11%)	280.7 (+5%)	84.9 (+3%)	124.9 (+5%)	38.2 (+14%)	32.7 (+4%)	328.5 (+2%)
Out of C&V Interventional Systems*	35.9 (-12%)	227.6 (+6%)	68.1 (+3%)	96.6 (+6%)	35.7 (+14%)	27.2 (+4%)	263.5 (+3%)
General Hospital	127.9 (+4%)	37.9 (+6%)	9.5 (+11%)	8.6 (+8%)	2.7 (+17%)	17.2 (+2%)	165.8 (+5%)
Blood Management	12.5 (+5%)	92.4 (+2%)	26.0 (+5%)	42.2 (-2%)	5.3 (+2%)	18.9 (+9%)	105.0 (+2%)
G. Total	188.5 (-0%)	411.0 (+5%)	120.4 (+4%)	175.6 (+3%)	46.2 (+12%)	68.8 (+5%)	599.5 (+3%)

*Including Neurovascular business

(YoY%): FXN



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Operating Expenses

(billion yen)

	FY17	FY18	YoY	YoY%	YoY% (FXN)
Salaries & Wages	84.4	87.4	+3.0	+4%	+4%
Sales Promotion	17.8	18.2	+0.4	+2%	+3%
Logistical Costs	12.6	13.6	+1.0	+8%	+9%
Depreciation & Amortization	13.7	14.3	+0.6	+4%	+5%
Others	42.5	45.1	+2.6	+6%	+7%
SG&A Expenses Total	171.0 (29.1%)	178.7 (29.8%)	+7.6	+4%	+5%
R&D Expenses	41.3 (7.0%)	47.7 (8.0%)	+6.3	+15%	+15%
Operating Expenses Total	212.4 (36.1%)	226.3 (37.9%)	+14.0	+7%	+7%

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Quarterly Results

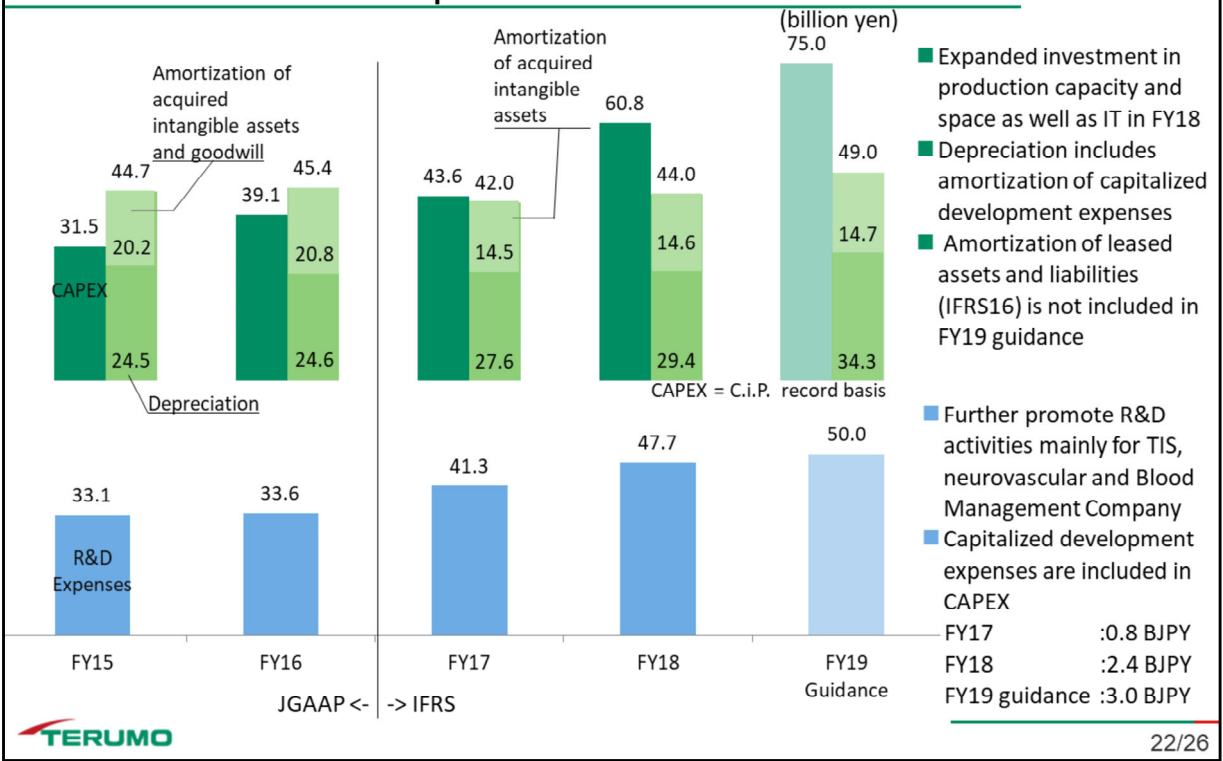
(billion yen)

		FY17Q4 (Jan-Mar)	FY18Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
Revenue		150.8	143.0	142.0	158.6	155.9
Gross Profit		80.7 (53.5%)	79.9 (55.8%)	74.7 (52.6%)	87.6 (55.2%)	84.3 (54.1%)
SG&A Expenses		45.9 (30.4%)	43.5 (30.4%)	43.5 (30.5%)	45.0 (28.4%)	46.7 (29.9%)
R&D Expenses		12.4 (8.2%)	11.3 (7.9%)	12.4 (8.8%)	12.3 (7.7%)	11.6 (7.5%)
Other Income and Expenses		- 0.4	0.8	2.9	0.6	2.1
Operating Profit		22.0 (14.6%)	25.9 (18.1%)	21.7 (15.3%)	30.9 (19.5%)	28.2 (18.1%)
Adjusted Operating Profit		27.4 (18.1%)	30.5 (21.4%)	24.8 (17.4%)	35.9 (22.6%)	30.9 (19.9%)
Average Exchange Rate	USD	108yen	109yen	111yen	113yen	110yen
	EUR	133yen	130yen	130yen	129yen	125yen

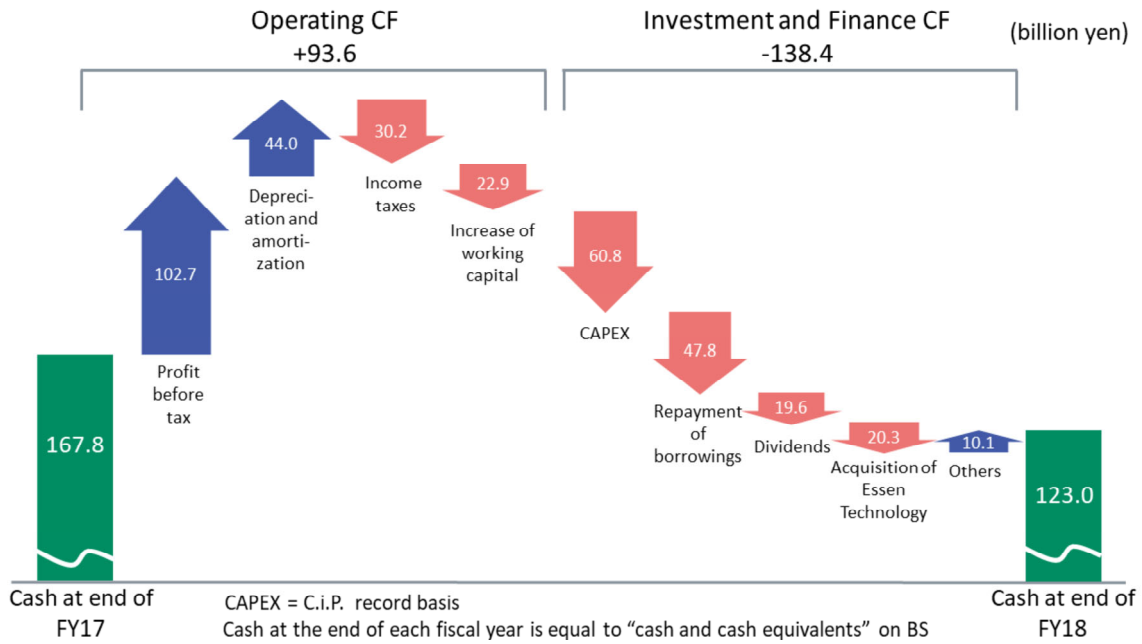


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CAPEX and R&D Expenses



FY18 Cash Flow



Foreign Exchange Sensitivity

Annual impact of one-yen depreciation (billion yen)

	USD	EUR	CNY
Revenue	1.7	0.8	2.2
Adjusted Operating Profit	0.0	0.5	1.2

<Reference> Impact when yen is depreciated by 10%

	North America	Latin America	EMEA		Asia	
			EUR	Others	CNY	Others
Adjusted Operating Profit	-0.1	1.0	6.5	1.3	1.9	3.6

The Status of Convertible Bonds

■ Detail of the bonds (Issued in Dec. 2014) *After two-for-one stock split implemented in Apr. 2019

Maturity	Aggregate principal amount (billion yen)	Coupon	Conversion price (yen)	Contingent conversion trigger price (yen)	Number of shares required to be issued for conversion
Dec. 2019	50.0	0.0%	1,927	2,505	approx. 26M shares
Dec. 2021	50.0	0.0%	1,927	2,505	approx. 26M shares
Total	100.0				approx. 52M shares

■ Status of conversion (as of Apr. 30, 2019)

Bonds	Amount of shares issued for conversion (% against the total amount of bond)	Number of shares issued for conversion (% against total number of issued shares)
Convertible Bonds due Dec. 2019	50.00 BJPY (100.0%)	25.9M shares (3.4%)
Convertible Bonds due Dec. 2021	25.21 BJPY (50.4%)	13.1M shares (1.7%)
Total	75.21 BJPY (75.2%)	39.0M shares (5.1%)

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 16.4M shares
(at the end of Apr. 2019, treasury stock cost per share: 1,949 JPY, % against total number of issued shares: 2.2%)

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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 to 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.