

Financial Results for the First Half of
Fiscal Year Ending March 31, 2020 (FY2019)

Terumo Corporation
Chief Accounting and Financial Officer
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November 7, 2019

I am the CAFO, Muto. I will now explain the first-half results for the fiscal year ending March 2020.

Highest-ever 1H Revenue and Profit

(billion JPY)

	1H FY18	1H FY19	YoY%	YoY% (FXN)
Revenue	285.0	307.3	+8%	+11%
Gross Profit	154.6 (54.2%)	171.5 (55.8%)	+11%	+14%
SG&A Expenses	87.0 (30.5%)	89.6 (29.2%)	+3%	+6%
R&D Expenses	23.8 (8.3%)	24.3 (7.9%)	+2%	+5%
Other Income and Expenses	3.7	1.6	-	-
Operating Profit	47.6 (16.7%)	59.2 (19.2%)	+24%	+29%
Adjusted Operating Profit	55.3 (19.4%)	67.0 (21.8%)	+21%	+27%
Profit before Tax	44.5 (15.6%)	58.1 (18.9%)	+30%	
Profit for the Year	34.5 (12.1%)	45.7 (14.9%)	+33%	

Average Exchange Rates	USD	110 JPY	109 JPY
	EUR	130 JPY	121 JPY

- Revenue : Positive growth in all companies. Overall growth driven by double digit growth of TIS business in all regions
- Adjusted Operating Profit : High growth due to increase in high margin products sales and expenses behind the plan in Cardiac and Vascular Company
- Profit before Tax : FX loss decreased from 2.8 B JPY in 1H FY18 to 1.1 B JPY in 1H FY19



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First, the overall results. Sales revenue grew positively in all three companies. Among these, the TIS business of the Cardiac and Vascular Company achieved double-digit growth in all regions, driving the Terumo Group as a whole to 8% growth.

Adjusted Operating Profit grew a large 21%. This was due to strong growth in high-margin products across the Group, in addition to Cardiac and Vascular Company expenses, especially sales promotions, occurring later than planned.

Profit before taxes grew 30% year-on-year, due to far less FX loss than the same period of the previous year.

The first-half results in sales revenue and all profit categories were their highest ever.

Adjusted Operating Profit Variance Analysis



This is the variance analysis of adjusted operating profit, compared to the previous year. "Profit increase through sales increment" is 18.5 billion yen, which is ahead of progress toward our 33 billion yen annual guidance. However, this is a comparison with the previous fiscal year, when we experienced a shipping delay. This heavily influenced our 2nd quarter this fiscal year, so it represents an increase according to plan.

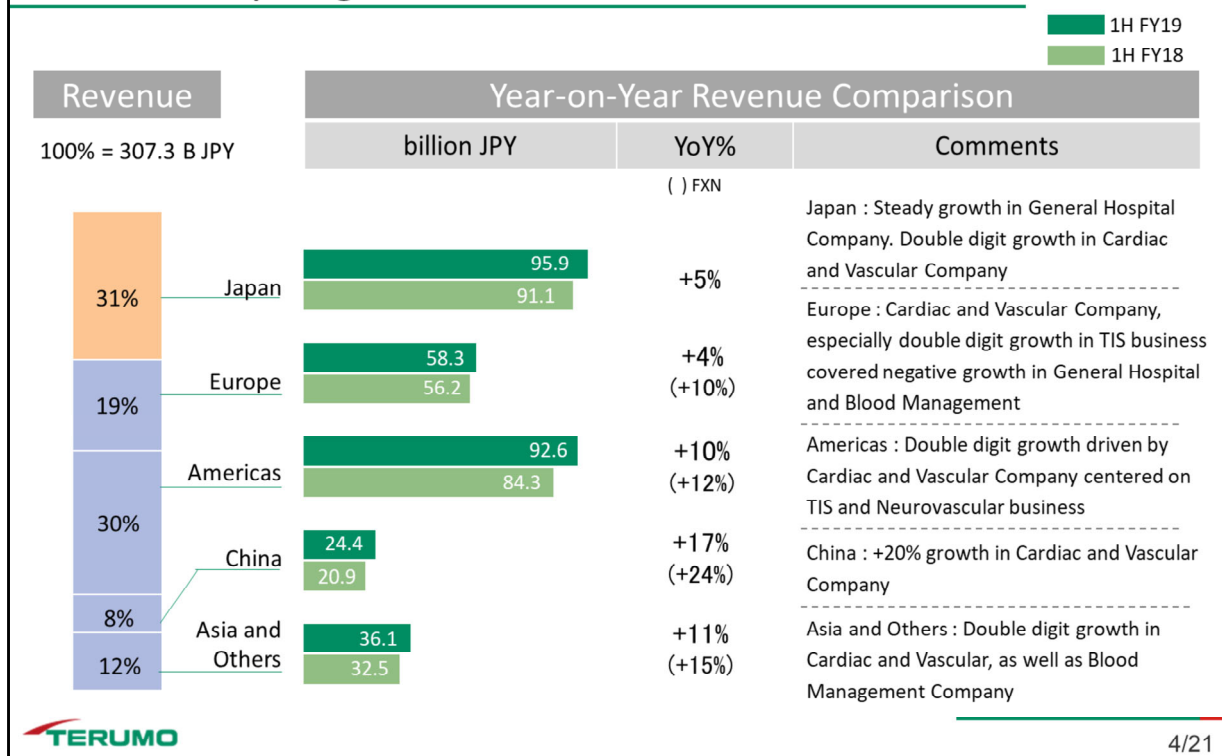
The 6 billion yen of gross profitability on sales came in above our annual guidance of 4.8 billion yen. In addition to improvement in business mix driven by good Cardiac and Vascular Company sales performance, we saw more positive effects from cost reductions in production than expected; these contributed greatly to us exceeding our first-half guidance.

There was no price-erosion impact from the reimbursement price revision, and progress of 5 billion yen was according to plan.

"European MDR expenses" occurred behind schedule. However, preparations for the new regulations are progressing on schedule, and expenses are expected to catch up in the second half. At 4.1 billion yen, "SG&A increase" progressed slower than the annual guidance of 12.5 billion yen, which also contributed to our exceeding first-half guidance. Some of this unused amount may possibly remain unused in the second half as well, due to the good sales performance. However, we anticipate that most of the amount will be used in the second half. "R&D expense" was 2.8 billion yen, progressing according to plan against the annual guidance of 5.7 billion yen.

"FX impact" was approximately according to guidance.

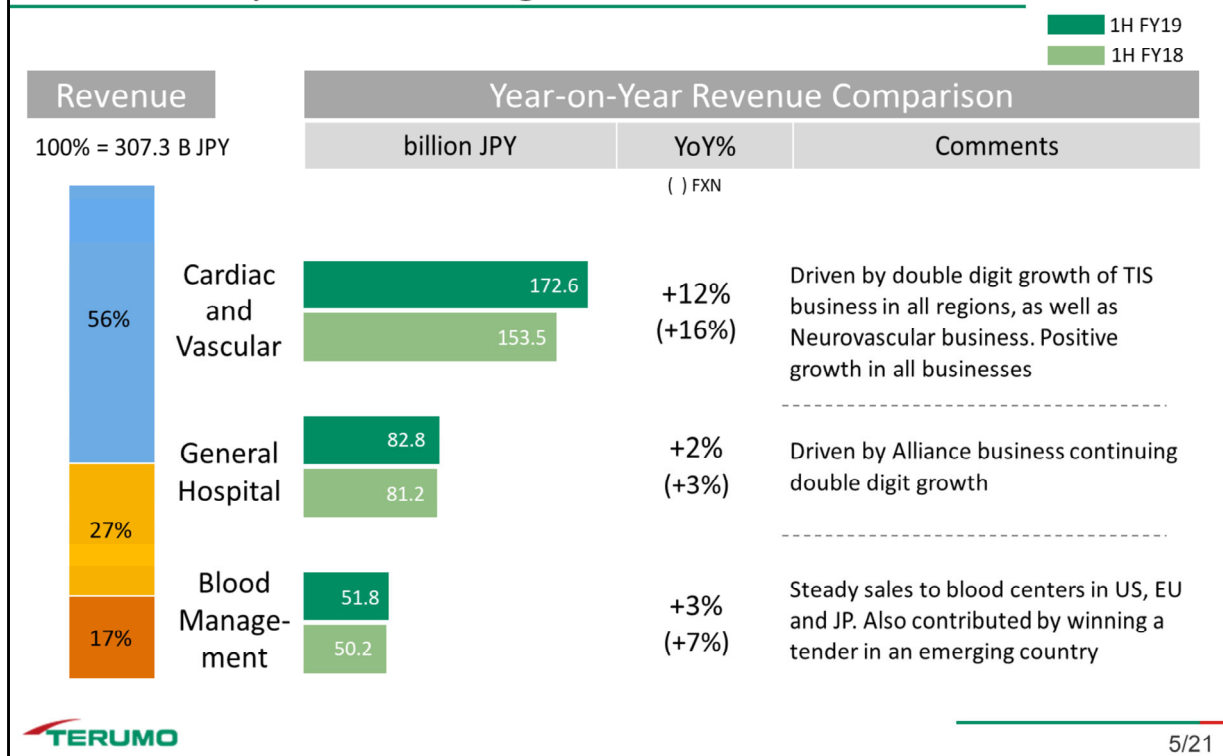
Revenue by Region



Next is revenue by region. In Japan, General Hospital maintained good performance, while Cardiac and Vascular grew in double digits, for an overall result of 5% growth.

Outside Japan, all regions grew in double digits when excluding FX impact.

Revenue by Business Segment



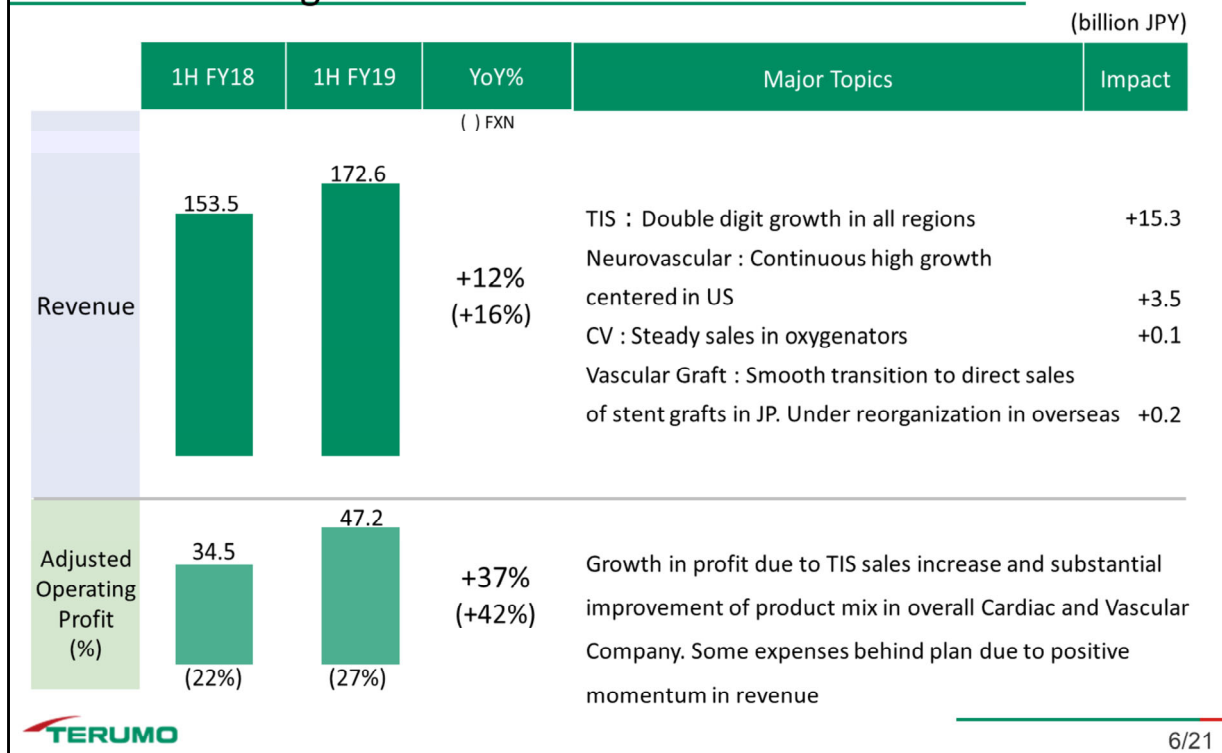
Next is revenue by company. Cardiac and Vascular Company was driven by double-digit growth in all regions of the TIS business, as well as the entire Neurovascular business.

The General Hospital Company saw double-digit growth in its Alliance Business, and did well overall.

Blood Management Company overcame heavily negative FX impact to return to positive growth, on the strength of good performance by blood center products in developed markets, in addition to contributions from tenders won in emerging markets.

I will give more detail by company in the next slides.

Cardiac and Vascular : Positive Growth in All Businesses. Significant Increase in Revenue and Profit



Here is Cardiac and Vascular Company. Revenue was affected negatively by FX, but still grew 12%.

The TIS business drove the entire company with double-digit growth in all regions.

The Neurovascular business maintained good performance, especially in the United States, where the new WEB product has been introduced.


All businesses saw positive growth, including CV and Vascular graft.

In profit, the increase in sales of high-profitability TIS and neurovascular products, and improved product mix across the whole company, both contributed to a strong result. Some anticipated expenses not occurring during the first half against a background of the good sales performance of TIS and Neurovascular businesses led to 37% year-on-year growth. In addition to the reimbursement price revision impact, expenses that were delayed from the first half will have impact in the second half, bringing results back toward annual guidance.

General Hospital : Revenue and Profit in Line with the Guidance

	1H FY18	1H FY19	YoY%	Major Topics	Impact
			() FXN		
Revenue	81.2	82.8	+2% (+3%)	General hospital products : Steady momentum excluding the FX impact Pharmaceutical and nutrition : Double digit growth in pain management products and adhesion barrier DM Healthcare : Steady momentum in DM products Alliance : As planned in spite of negative impact due to order timing issues	0.0 +0.4 +0.1 +1.2
Adjusted Operating Profit (%)	13.8 (17%)	12.6 (15%)	-8% (-7%)	Profitability back on guidance from Q1 in which expenses were preceded	

(billion JPY)

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The General Hospital Company saw progress according to plan in both sales and profit.


Sales revenue progress was according to plan overall, with general hospital products, pharmaceutical, and DM healthcare businesses maintaining good performance, despite impact from timing gap of some expected pharmaceutical company orders in the Alliance business making it a slower 2nd quarter.

Profit came back to planned levels for the first half overall, after some expenses occurred ahead of schedule in the 1st quarter. In addition, profitability improved to the 15% of annual guidance.

Blood Management : Returned to Positive Growth in Revenue. Profitability Recovered as Planned

	1H FY18	1H FY19	YoY%	Major Topics	Impact
			() FXN		
Revenue	50.2	51.8	+3% (+7%)	Blood center products : Recovered the delay occurred in Q1. Also contributed by winning a tender in an emerging country Therapeutic apheresis : Recoil of replacement with the latest version of consoles Cell processing : Driven by steady sales in US & Asia	+1.4 0.0 +0.2
Adjusted Operating Profit (%)	7.0 (14%)	6.7 (13%)	-4% (+6%)	Huge negative impact of FX. Profitability recovered as planned	

(billion JPY)



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Next is Blood Management Company. Sales revenue returned to growth across the company, with blood center products recovering in the 2nd quarter, after a slow 1st-quarter start due to sales happening in the previous fiscal year, and with contributions from tenders won in emerging markets.

Profit growth was negative due to heavy FX impacts, but profitability was restored according to plan.

Factors for Higher Profit Than 1H Guidance and Risks in 2H

- Major factors for higher profit than 1H Guidance
 - Product mix improvement due to higher sales in TIS and Neurovascular, production cost down in those two businesses
 - Delay in spending pace of MDR cost
 - Delay in spending pace of SG&A expenses
 - ✓ Promotion cost : Cardiac and Vascular Company (Post Marketing Surveillance, promotion for sales expansion etc.)
 - ✓ Saved expenses due to solid sales : Expenses for launching “WEB” in Neurovascular and for market share recovery of TIS products
- Risk factors in 2H
 - Revenue : FX impact, recoil from rush demand before the consumption tax increase in JP
 - Profit : MDR cost etc.
- No revision for the FY19 guidance for now. Aim to exceed the annual guidance by maintaining the strong momentum of 1H



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I will now summarize the causes for exceeding our first-half guidance, and the risks for the second half.

First, the causes for exceeding our first-half guidance are the ones I outlined earlier.

Next, I will explain the risks for the second half. In sales, there could be negative FX impact. And, there is some lack of clarity regarding to what degree demand was front-loaded to avoid the consumption tax hike that occurred in Japan.

In profit, if the expenses occur as I outlined earlier.

Therefore, we will not revise our annual guidance at this time, while still striving to exceed that guidance by maintaining the momentum of the first half.

Major Topics in FY19 Q2

- Japan's first domestic disposable syringe made by Terumo was selected for "Essential historical materials for science and technology" (Sep)



Corporate

- Joined two U.S.-based venture capital funds (Aug)
- Participated in "TELEWORKDAYS 2019" as a special cooperative organization. Led by the corporate office (Jul)

- Launched "Misago (TRI)", a peripheral stent for iliac arteries supporting therapies from the radial artery in US (Sep)

- Decided to increase production capacity for pre-filled syringes at Terumo Yamaguchi D&D Corporation (Sep)



Business

- A new formulation to treat osteoporosis developed by a pharmaceutical company and pre-filled in "PLAJEX" received approval for manufacturing and sales within Japan (Sep)



- Launched "Fentanyl injection", a prescription-only analgesic in Japan (Sep)
- Decided to invest 26 M EUR in new production lines for Alliance and TIS in Belgian factory (Jul)



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Next, the major topics from the quarter.

Main topics for the Terumo Group include our decision to participate in two United States venture funds. Through investment in funds and functional support for startup companies, we will encourage new product development and commercialization.

Regarding topics specific to companies: In the Alliance Business, the product in contract manufacturing for a pharmaceutical company received regulatory approval in Japan, and production capacity will be increased, indicating acceleration of business growth.

New Products Pipeline in FY19

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



This slide shows our new product pipeline for this fiscal year. Currently, product launches are on schedule.

This concludes my explanation. Thank you.

Reference

1H FY19 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Grand Total
		Subtotal	Europe	Americas	China	Asia etc.	
Cardiac and Vascular	24.8 (+11%)	147.9 (+17%)	42.2 (+14%)	67.2 (+15%)	20.5 (+27%)	18.0 (+23%)	172.6 (+16%)
Out of C&V Interventional Systems*	18.7 (+11%)	122.3 (+21%)	34.4 (+17%)	53.7 (+20%)	19.1 (+28%)	15.0 (+26%)	140.9 (+20%)
General Hospital	65.0 (+3%)	17.8 (+0%)	4.3 (+1%)	4.1 (+5%)	1.2 (+6%)	8.2 (-4%)	82.8 (+3%)
Blood Management	6.1 (+5%)	45.7 (+8%)	11.8 (+2%)	21.3 (+6%)	2.7 (+8%)	9.9 (+20%)	51.8 (+7%)
Grand Total	95.9 (+5%)	211.4 (+13%)	58.3 (+10%)	92.6 (+12%)	24.4 (+24%)	36.1 (+15%)	307.3 (+11%)

*Including Neurovascular business

(YoY%): FXN



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Operating Expenses

(billion JPY)

	1H FY18	1H FY19	YoY	YoY%	YoY% (FXN)
Salaries & Wages	43.3	44.0	+0.7	+2%	+5%
Sales Promotion	8.7	9.5	+0.8	+9%	+12%
Logistical Costs	6.6	6.8	+0.3	+4%	+7%
Depreciation & Amortization	6.9	9.1*	+2.2	+32%	+34%
Others	21.6	20.3*	-1.3	-6%	-4%
SG&A Expenses Total	87.0 (30.5%)	89.6 (29.2%)	+2.6	+3%	+6%
R&D Expenses	23.8 (8.3%)	24.3 (7.9%)	+0.6	+2%	+5%
Operating Expenses Total	110.7 (38.8%)	113.9 (37.1%)	+3.2	+3%	+6%

*Reclassification between Depreciation & Amortization and Others due to IFRS 16 (Lease Accounting)



Quarterly Results

(billion JPY)

	FY18 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY19 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Revenue	142.0	158.6	155.9	152.5	154.8
Gross Profit	74.7 (52.6%)	87.6 (55.2%)	84.3 (54.1%)	85.2 (55.8%)	86.3 (55.8%)
SG&A Expenses	43.5 (30.5%)	45.0 (28.4%)	46.7 (29.9%)	44.5 (29.2%)	45.1 (29.1%)
R&D Expenses	12.4 (8.8%)	12.3 (7.7%)	11.6 (7.5%)	11.8 (7.8%)	12.5 (8.1%)
Other Income and Expenses	2.9	0.6	2.1	0.4	1.3
Operating Profit	21.7 (15.3%)	30.9 (19.5%)	28.2 (18.1%)	29.2 (19.1%)	30.0 (19.4%)
Adjusted Operating Profit	24.8 (17.4%)	35.9 (22.6%)	30.9 (19.9%)	33.9 (22.3%)	33.1 (21.4%)

Average Exchange Rates	USD	111 JPY	113 JPY	110 JPY	110 JPY	107 JPY
	EUR	130 JPY	129 JPY	125 JPY	123 JPY	119 JPY



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Adjusted Operating Profit : Adjustments

(billion JPY)

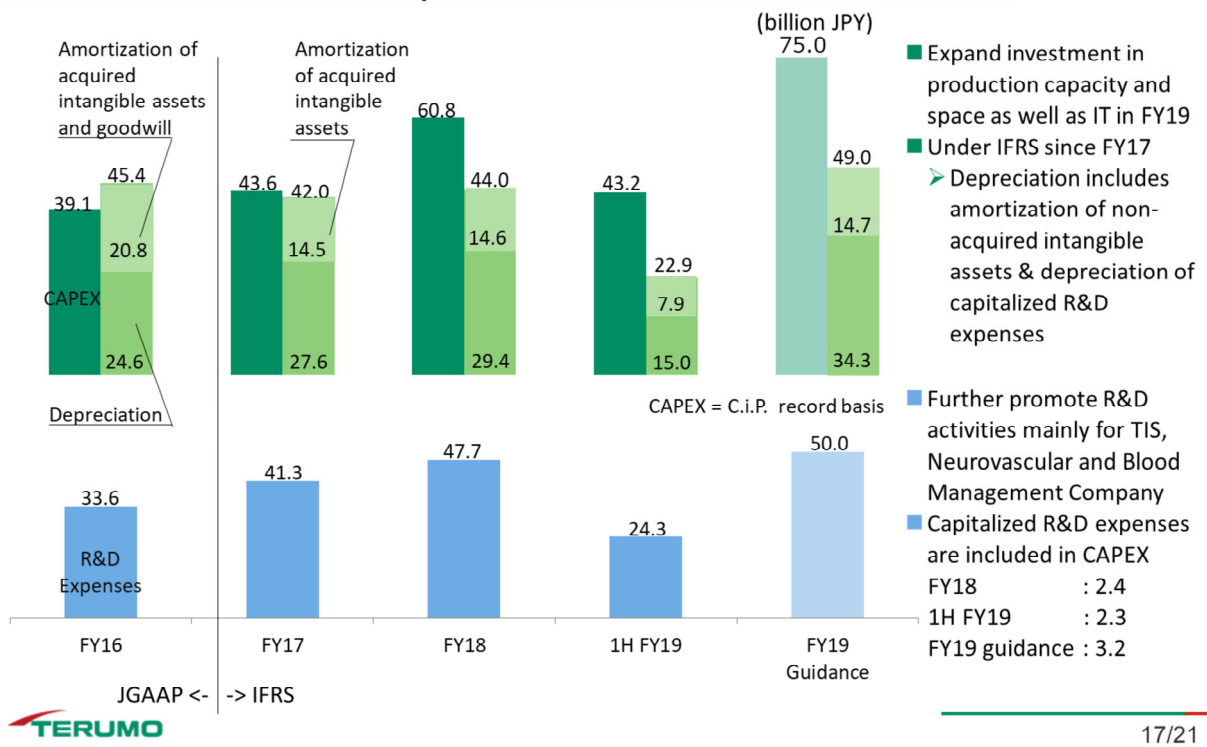
	1H FY18	1H FY19
Operating profit	47.6	59.2
Adjustment 1. Amortization of acquired intangible assets	+7.5	+7.8
Adjustment 2. Non-recurring profit or loss	+0.2	+0.0*
Adjusted operating profit	55.3	67.0

<General examples of adjustment items>

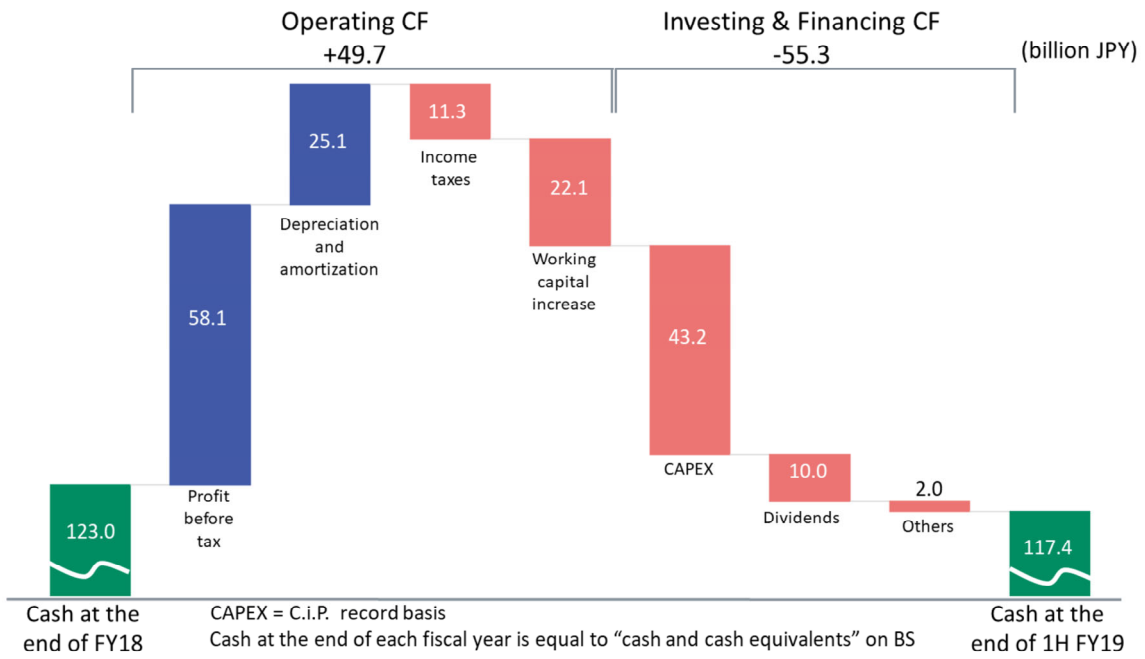
- Acquisition related cost
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other one-time profits & losses

* 1H FY19 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganization cost	+0.9
Disaster insurance income for Puerto Rico factory	-1.2

CAPEX and R&D Expenses



Cash Flows



Foreign Exchange Sensitivity

Annual impact of 1 JPY depreciation (billion JPY)

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

<Reference> Impact when JPY 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 JPY)	Coupon	Conversion price (JPY)	Contingent conversion trigger price (JPY)	Number of shares required to be issued for conversion
Dec. 2019	50.0	0.0%	1,919	2,495	approx. 26 M shares
Dec. 2021	50.0	0.0%	1,919	2,495	approx. 26 M shares
Total	100.0				approx. 52 M shares

■ Status of conversion (as of Oct. 31, 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	50.0 B JPY (100.0%)	26 M shares (3.4%)
Convertible Bonds due Dec. 2021	35.4 B JPY (70.9%)	18 M shares (2.4%)
Total	85.4 B JPY (85.4%)	44 M shares (5.8%)

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 11 M shares
(at the end of Oct. 2019, treasury stock cost per share : 1,949 JPY, % against total number of issued shares : 1.5%)

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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.