Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 (FY2020)

August 6, 2020

Naoki Muto
Chief Accounting and Financial Officer
Terumo Corporation

TERUMO

I am the CAFO, Muto. I will now explain the first-quarter results for the fiscal year ending March 2021.

Despite The COVID-19 Impact on Cardiac & Vascular, The Overall Impact Was Mitigated by Other Companies

(billion JPY)

	FY19 Q1	FY20 Q1	YoY%	YoY% (FXN)
Revenue	152.5	131.3	-14%	-11%
Gross Profit	85.2 (55.8%)	68.9 (52.5%)	-19%	-15%
SG&A Expenses	44.5 (29.2%)	40.1 (30.5%)	-10%	-8%
R&D Expenses	11.8 (7.8%)	11.2 (8.5%)	-6%	-4%
Other Income and Expenses	0.4	0.5	-	-
Operating Profit	29.2 (19.1%)	18.1 (13.8%)	-38%	-31%
Adjusted Operating Profit	33.9 (22.3%)	21.7 (16.5%)	-36%	-30%
Profit before Tax	28.8 (18.9%)	17.9 (13.6%)	-38%	
Profit for the Year	22.8 (14.9%)	14.0 (10.7%)	-39%	

Average Exchange Rate		FY19 Q1	FY20 Q1
	USD	110 JPY	108 JPY
	EUR	123 JPY	119 JPY

- Revenue: Although there was the COVID-19 impact on Cardiac and Vascular, the impact on General Hospital as well as Blood and Cell Technologies was minor
- Adjusted Operating Profit: Year-on-year negative growth due to the revenue decrease. While the control on R&D Expenses was limited, SG&A Expenses was controlled below the previous year level

 2 /24 TERUMO

First, I will give an overview of the Terumo Group as a whole.

In sales revenue, Cardiac and Vascular was impacted by COVID-19, but impact on the General Hospital and Blood and Cell Technologies companies was very light, resulting in a 14% decrease in revenue for the Terumo Group, and an 11% revenue decrease when excluding FX impact.

Group Adjusted Operating Profit was greatly affected by the decrease in Cardiac and Vascular revenue, because that company has high profitability. In expenses, control of R&D spending that is important for mid- to long-term growth was only limited, and SG&A was reduced year-on-year due to COVID-19 restrictions on activities and our efforts to control non-urgent spending, leading to a 30% decline in adjusted operating profit and 31% in operating profit when excluding FX impact.

Profit for the year was 39% below the same quarter of the previous fiscal year.

As the title suggests, the Cardiac and Vascular Company was affected by COVID-19, but there was only light impact on General Hospital and Blood and Cell Technologies, resulting in a lessening of the total COVID-19 impact on revenue and profit.

Next slide, please.

Adjusted Operating Profit Variance Analysis

TERUMO

This is the variance analysis of adjusted operating profit, compared to the same quarter of the previous fiscal year.

“Gross profit decrement by sales decrease” had a negative impact of 9.1 billion yen, primarily due to the loss of sales in the Cardiac and Vascular Company.

“Gross margin” decrease had a negative impact of 2.8 billion yen, due to the adverse effect on product mix resulting from decreased Cardiac and Vascular revenue. Amid reduced demand in the 1st Quarter, we took into consideration the unclear outlook and, rather than reducing our production volume, built up inventory for BCP purposes. As a result, our manufacturing cost slightly decreased, somewhat lessening the negative profitability impact.

“Price” erosion was lessened with the decrease in Cardiac and Vascular sales to start the year with a modest 300 million yen negative impact. The Japan reimbursement price revision impact was 1.1 billion yen, which was heavy compared to the previous fiscal year. This is because there was no price revision in the first half of the previous fiscal year due to the consumption tax increase that took effect then.

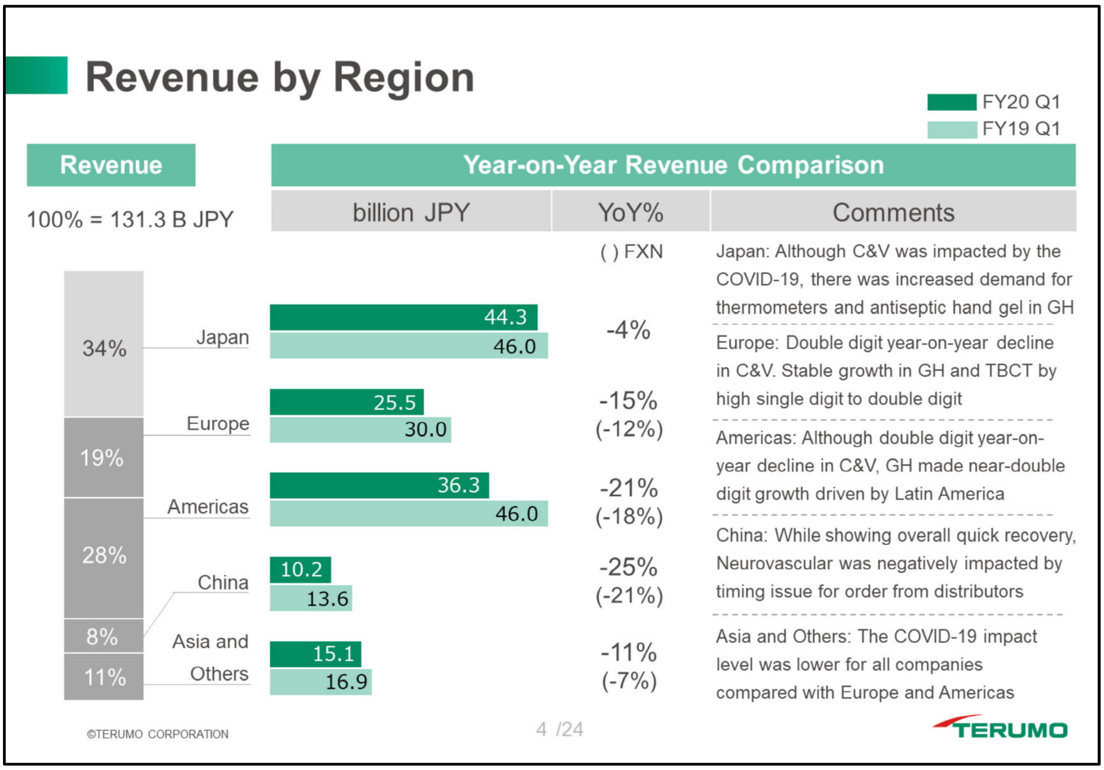
European “MDR” had an impact of 400 million yen, while IT investment amortization expenses were 300 million yen. These were not significantly different from the previous fiscal year, and work in both projects is proceeding as planned.

“SG&A decrease” had a positive year-on-year impact of 3.4 billion yen, not only because of reduced travel and promotion expenses due to limited access to hospitals, cancellation of conferences, and remote activities amid COVID-19; but also thanks to Terumo Group-wide efforts to thoroughly control non-urgent expenses.

On the other hand, “R&D decrease” had a positive year-on-year impact of 400 million yen, because though we generally maintained our R&D investment in projects for mid- to long-term growth, we also controlled spending on some non-urgent projects.

“FX” negative impact was 2 billion yen year-on-year, due to yen appreciation against the euro, Chinese yuan, and Latin American currencies.

Next slide, please.

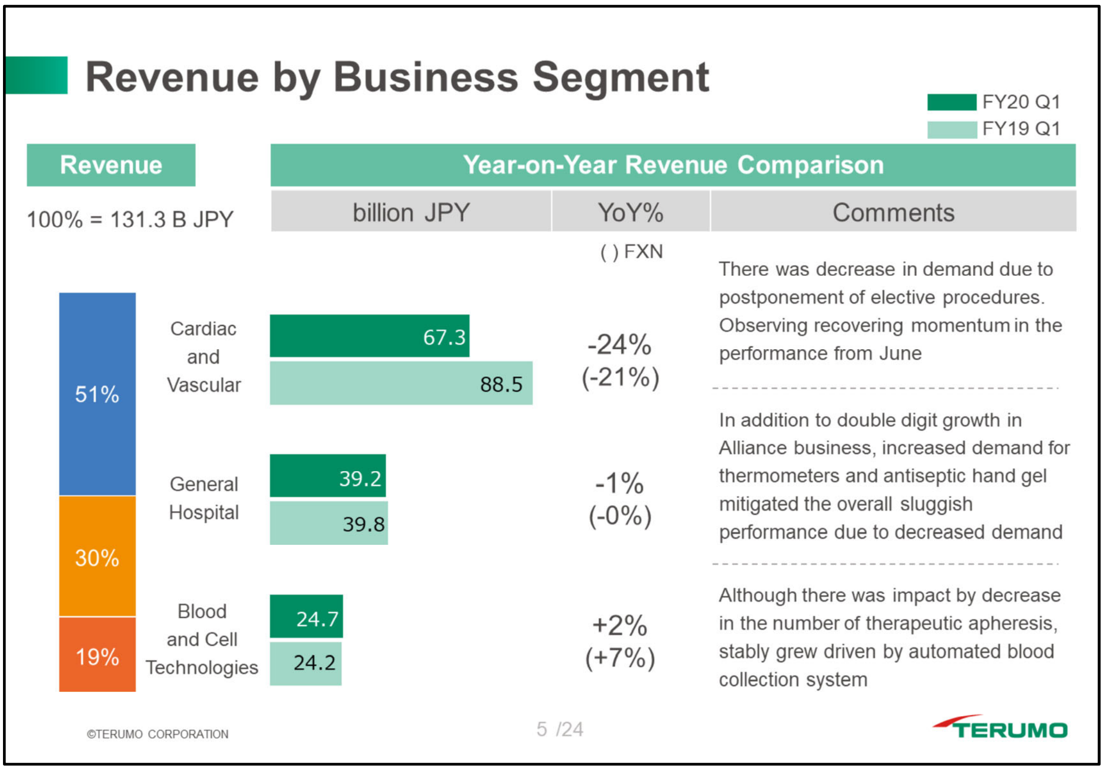


Next is revenue by region.

In Japan, there was some COVID-19 impact on Cardiac and Vascular sales, but in General Hospital, which accounts for the largest proportion of Japan sales, there was also increased demand for some products due to COVID-19, making General Hospital sales stable, for a total Japan revenue decrease of 4% year-on-year.

Outside Japan, all regions saw double-digit negative revenue growth due to the decrease in Cardiac and Vascular sales. In the United States in particular, there was a significant decline in the number of procedures performed in the 1st Quarter. In China, there was some loss of revenue due to impact from the timing of orders from distributors in the Neurovascular business, but when that is excluded, China showed the best recovery of any region.

Next slide, please.

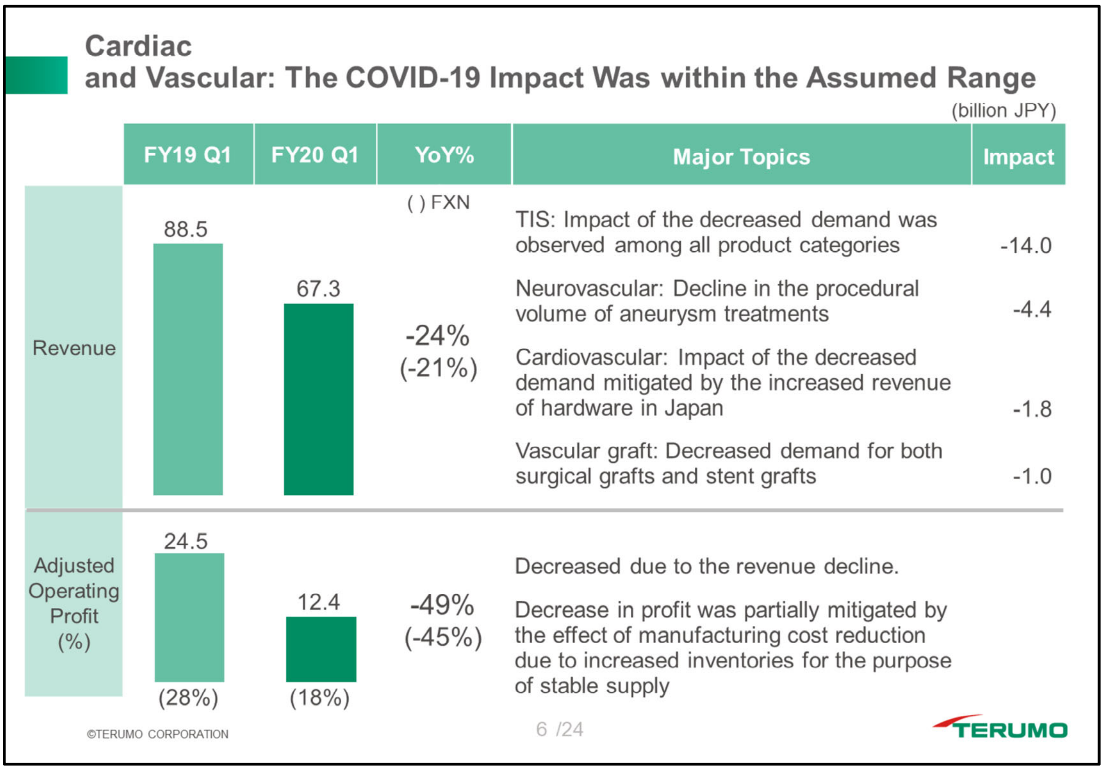


Next is revenue by business segment.

Due to postponement of elective procedures both for interventional procedures and outpatient procedures, Cardiac and Vascular Company had seen impact on its demand, but there began to be a recovery in revenue along with the recovery of procedure numbers in June at the end of the 1st Quarter.

General Hospital saw decreased revenue for some products due to COVID-19 impact, but other products including thermometers and disinfectant saw increased demand, and the Alliance business continued its double-digit growth, to stabilize the company as a whole.

Blood and Cell Technologies had postponement of apheresis therapies, but blood component collection system was a driver in the company as a whole seeing stable growth.
I will give more detail by company in the next slides.



Here is Cardiac and Vascular Company.

Revenue was impacted by COVID-19 in all businesses, resulting in 21% negative sales growth when excluding FX.

TIS business was negatively impacted overall by decreased demand.

The Neurovascular business demand was greatly impacted, because most aneurysm cases are elective procedures.

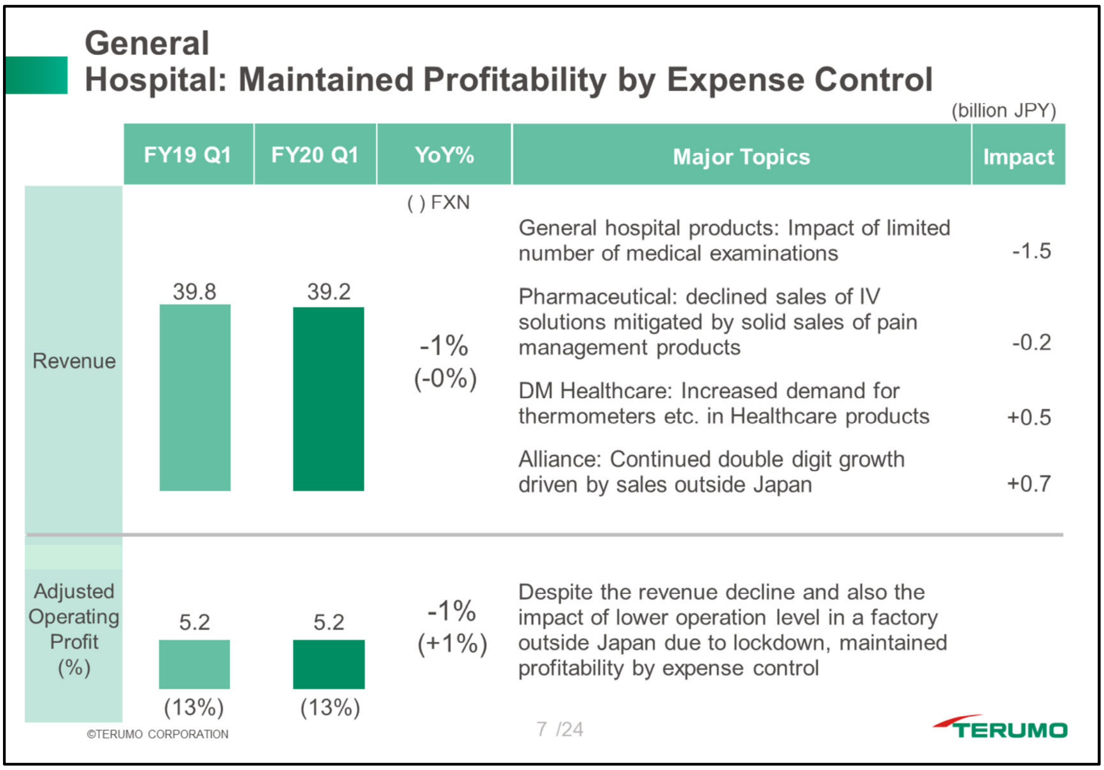
CV was affected by some decreased demand, but ECMO and other instrument sales increased in Japan, lessening the severity of the decrease in sales.

The Vascular business experienced a decrease both in surgical graft and stent grafts, leading to negative sales growth.

Profit also declined as a result of the decreased sales revenue. While there were instances in which demand declined in the 1st

Quarter, our efforts toward building inventory for BCP and stable supply purposes led to improved production cost, and this lessened some of the decreased profit impact.

Next slide, please.



Next, the General Hospital Company.

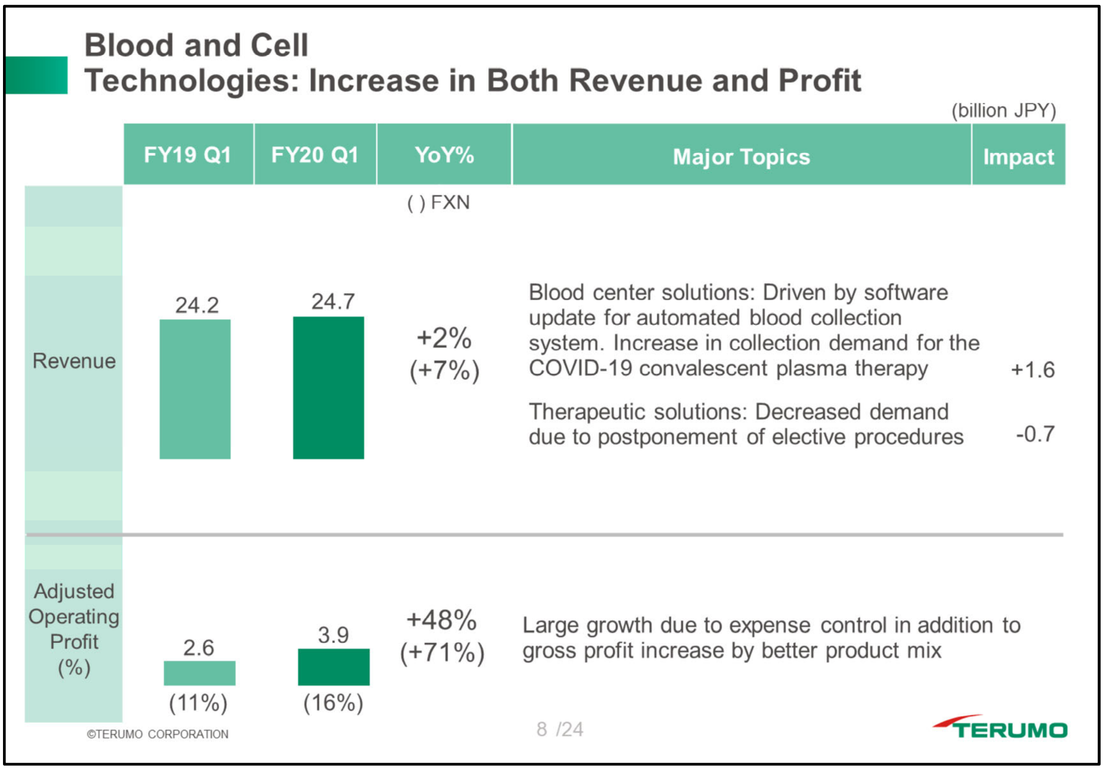
Sales revenue was affected by decreased demand and limitations on care involving certain General Hospital Products and Pharmaceuticals.

In DM Healthcare, demand expanded for thermometers and other healthcare products used in COVID-19 measures.

In the Alliance business, regions outside of Japan were drivers in maintaining double-digit growth as a whole.

In profit, there was slight impact from the lowered production level due to the lockdown in the Philippines, but the company controlled expenses to maintain the same profitability as the previous fiscal year.

Next slide, please.



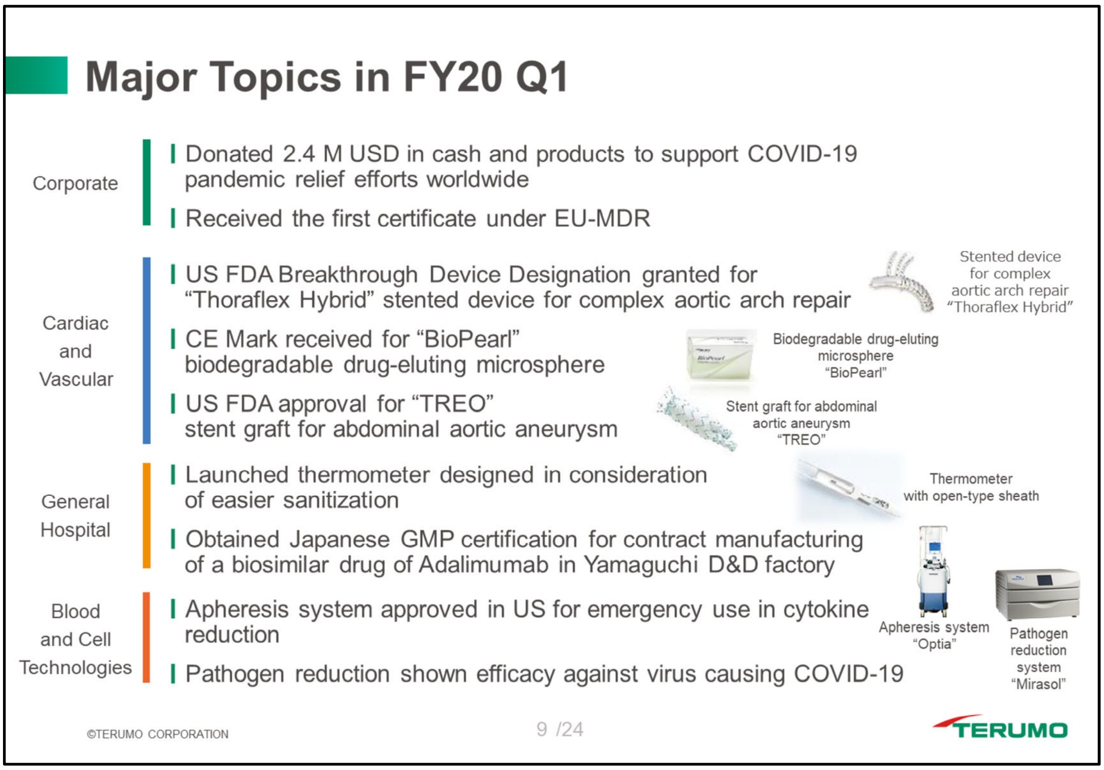
Next is Blood and Cell Technologies.

In sales revenue, amid concerns about a lack of donors affecting the blood center business, the highly efficient blood component collection system drew attention, and further, blood centers moved to build inventory from a BCP perspective, leading to increased demand. In that situation, new software was introduced for blood component collection system Trima, and sales grew with its message of better efficiency. There was also a contribution from increased demand for convalescent plasma to be used in COVID-19 treatment; this too helped drive the blood center business's overall double-digit growth when excluding FX impact.

There was impact from the decrease in demand due to postponement of elective therapeutic apheresis, but as a whole, the Blood and Cell Technologies Company achieved sales revenue growth of 2%, and 7% growth when excluding FX impact.

Product mix improved due to a higher proportion of high-profitability blood component collection system sales. In addition, strong cost control, especially in SG&A, led to a large increase in profit.

Next slide, please.



Here are the topics for the 1st Quarter.

One topic for the Terumo Group was that we made a 2.4-million-dollar donation to support the WHO and others in the fight against COVID-19.

In company topics, there were new product approvals and launches, showing that Terumo is making steady progress for sustainable growth even amid COVID-19.

Next slide, please.

FY20 New Product Pipeline

Category	Products	Region	Launch
Coronary	Steerable sheath	JP	
	PTCA balloon (manufactured by Essen Technology)	China	
Imaging	IVUS catheter	JP	Launched
Oncology	Biodegradable drug-eluting microsphere	EU	
	Peripheral embolization plug	US	
Neuro-vascular	Flow diverter	JP, US	Launched
	Balloon guide catheter	EU	
	Carotid stent	JP	
	Intrasaccular aneurysm treatment device (WEB)	JP	
Cardio-vascular	Oxygenator	JP	Launched
	Heart lung machine (re-launch)	JP	Launched
	Surgical stabilizer	Global	JP, US, Asia Launched

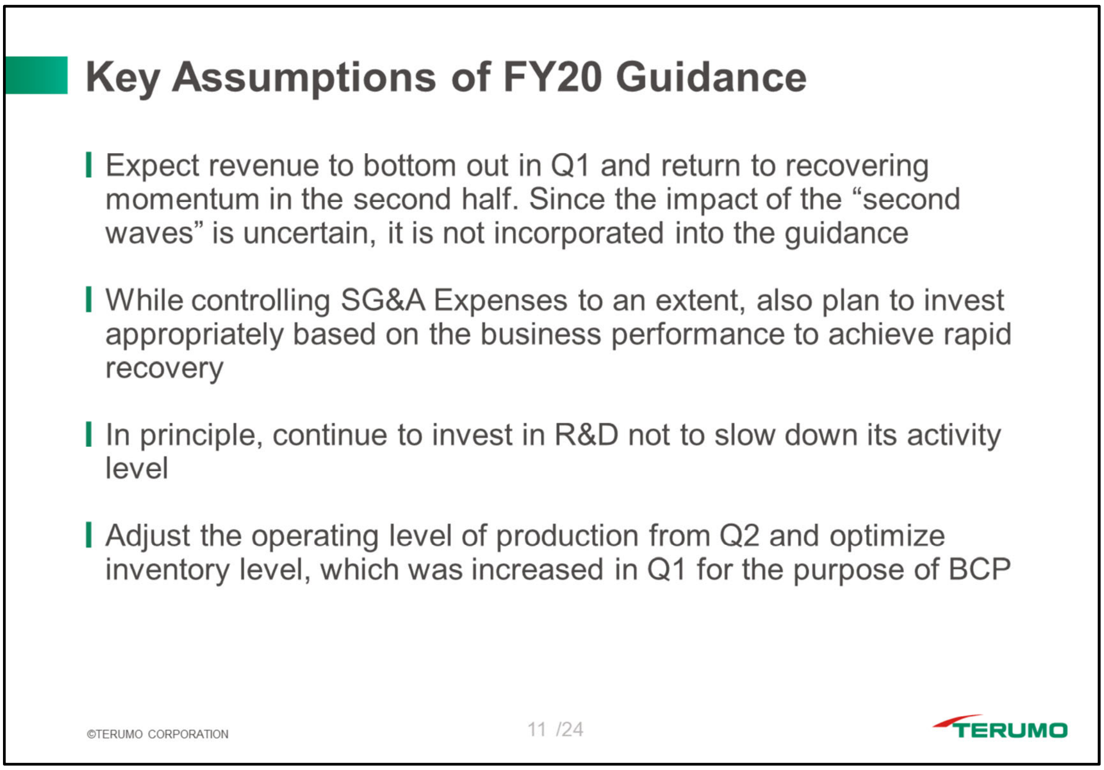
Category	Products	Region	Launch
Vascular graft	Stent graft for abdominal aortic aneurysm	US	
General hospital products	Syringe pump	JP	
	Safety IV catheter	JP	
	Syringe pump for open TCI	EU, Asia	EU Launched
Pharma-ceutical	Strong opioid analgesic (Fentanyl citrate tape for 1 day use)	JP	Launched
DM and consumer healthcare	Continuous glucose monitoring system	JP	
	Blood glucose monitoring system	JP	
	Thermometer	JP	Launched

TERUMO

Here is the new product pipeline for this fiscal year. I won’t go into the details, but product launches are currently on schedule.

However, we will carefully watch to see if COVID-19 impact will affect any anticipated releases.

Next slide, please.



Next is our FY20 guidance. First, I will explain our guidance assumptions.

Regarding sales, we anticipate that the 1st Quarter was where sales bottomed out, and that there will be a recovery thereafter. Many aspects of the COVID-19 2nd Wave impact remain unclear, so we have not assumed those impacts in our FY20 guidance.

We will continue to maintain certain controls on SG&A. However, as demand returns in the 2nd Half, it is anticipated that companies will become aggressive in competition to realize quicker recovery. We will compete proactively as we watch performance for the appropriate timing and amount to increase spending.

As a principle, we will not lower R&D activities level and continue to invest in its spending that contributes to mid- to long-term growth.

As I mentioned earlier, we built up our inventory for BCP purposes during the 1st Quarter, when the outlook was uncertain. From the

2nd Quarter onward, we will monitor the spread of COVID-19 and how each country responds to it, and watch our own results, adjusting our production activity volume to gradually decrease inventory toward normal levels.

Next slide, please.

FY20 Guidance

(billion JPY)

	FY19 Actual	FY20 Guidance	YoY% (FXN)
Revenue	628.9	600.0	-5% (-2%)
Operating Profit	110.6 (17.6%)	85.0 (14.2%)	-23% (-20%)
Adjusted Operating Profit	125.0 (19.9%)	103.0 (17.2%)	-18% (-14%)
Profit for the Year	85.2	65.0	-24%

Average Exchange Rate		(Actual)	(Predicted)
	USD	109 JPY	105 JPY
	EUR	121 JPY	120 JPY

- No revision for the FY20 annual dividend proposal disclosed in the financial announcement in May 2020

TERUMO

Here is our FY20 Guidance.

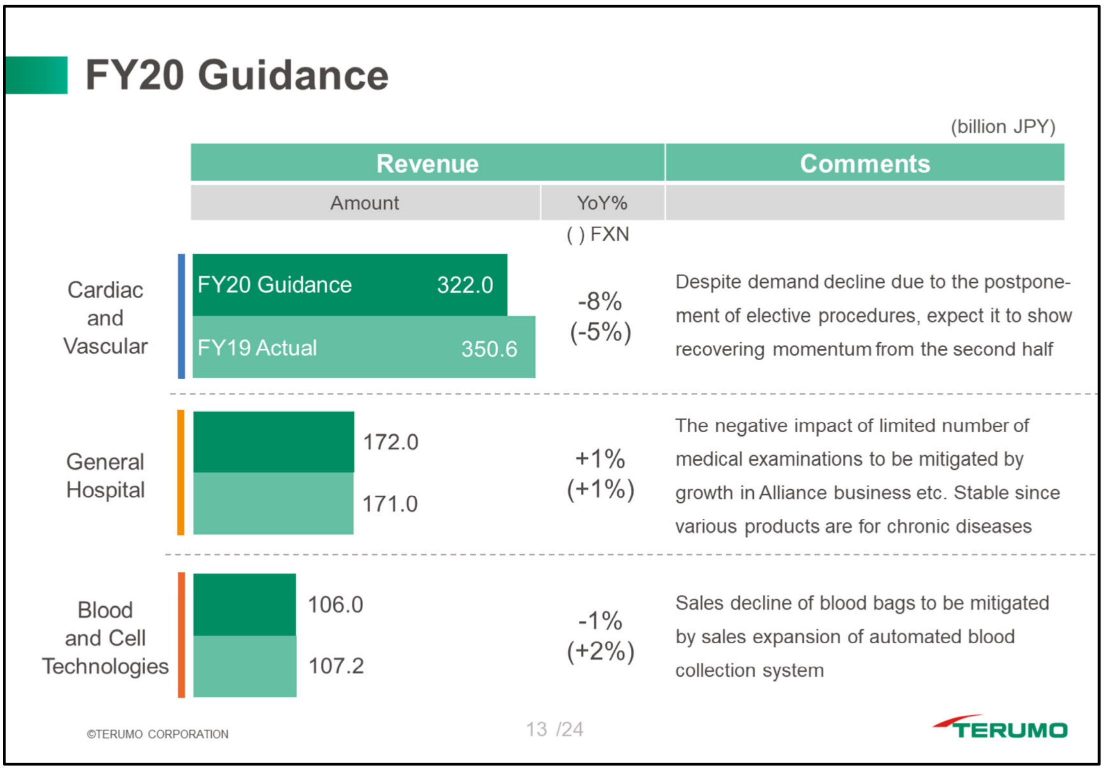
In sales revenue, we expect to see a recovery pattern, back up to a 5%-level decrease from the 10% level of the 1st quarter, and then to a 2% decrease year-on-year when excluding FX impact.

In adjusted operating profit, we hope to restore the year-on-year decrease from the 30% of the 1st Quarter back up to minus 18% year-on-year by the end of this fiscal year.

Guidance FX rates are 105 yen to the US dollar, and a slight yen appreciation against the euro from the current level, to 120 yen.

Our dividend guidance from the May earnings announcement is unchanged, with a 14-yen interim dividend and 14-yen year-end dividend.

Next slide, please.



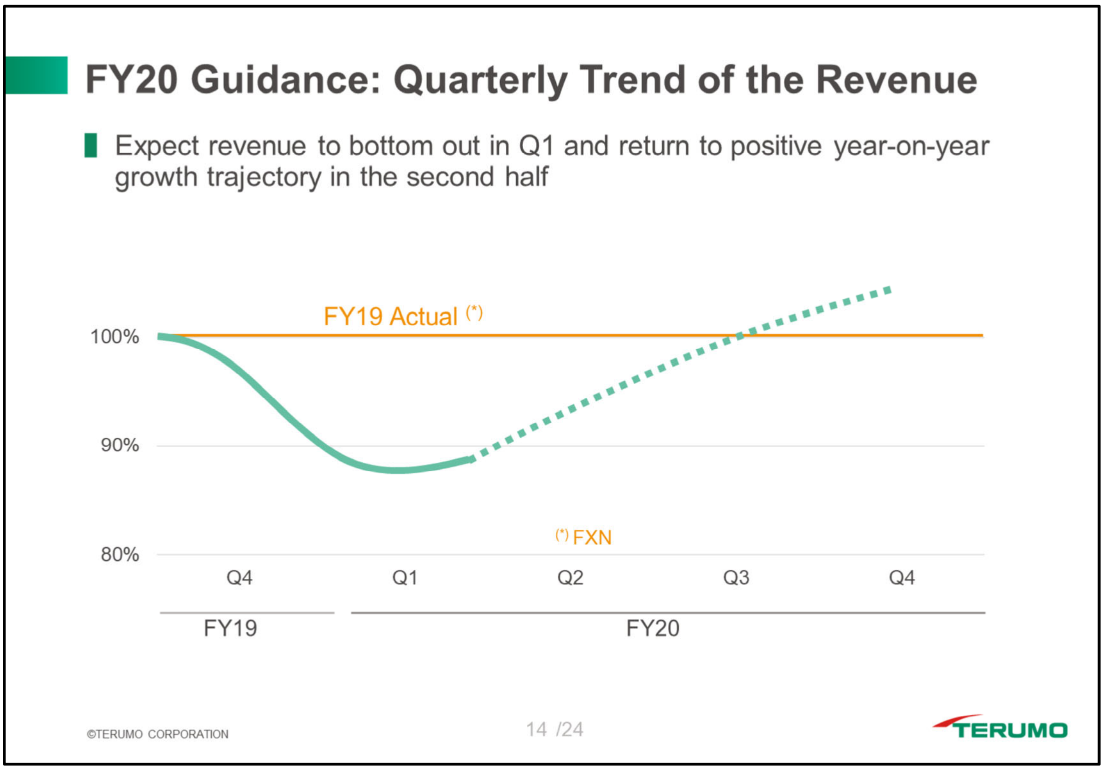
Next is our revenue guidance by company.

Cardiac and Vascular experienced decreased demand due to postponed elective procedures in the 1st Quarter, but we anticipate that it will recover in the 2nd Half and end up around minus 8% for the year, and minus 5% when excluding FX impact.

In General Hospital, COVID-19-related limitations on some medical care will continue at a certain level, having a negative impact on General Medical Products and Pharmaceuticals. On the other hand, we anticipate that the Alliance business will drive to cancel that out, leading to 1% sales growth.

In Blood and Cell Technologies, we anticipate that there will be a decrease in blood bags sales, but that the strong momentum of blood component collection system will cancel out the negative impact for a 2% increase in sales when excluding FX impact.

Next slide, please.



This is the last slide. I will explain how we envision the quarterly sales trend, based on last fiscal year's results.

The 1st Quarter saw a little over 10% decline in sales revenue. However, looking at monthly sales of Cardiac and Vascular, which was the most affected by the virus: While there was a mid- 30% year-on-year decrease in April, sales recovered to a decline of only a little below 10% by June.

We anticipate a recovery pattern to start in the 2nd Quarter, with approximately normal levels in the 3rd Quarter, and then positive growth in the 4th Quarter.

This fiscal year still poses uncertainty with the COVID-19 2nd Wave. However, we will make proactive contributions toward its prevention and treatment, as we seek to meet the needs of the New Normal, and steadily return to a growth pattern.

Thank you.

Reference

TERUMO

FY20Q1 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	10.9 (-10%)	56.4 (-23%)	16.7 (-21%)	24.4 (-25%)	8.0 (-28%)	7.3 (-14%)	67.3 (-21%)
Out of C&V Interventional Systems*	7.8 (-15%)	46.2 (-24%)	13.6 (-22%)	19.2 (-26%)	7.4 (-30%)	6.0 (-15%)	54.0 (-23%)
General Hospital	30.8 (-1%)	8.4 (+3%)	2.3 (+10%)	2.1 (+20%)	0.4 (-19%)	3.5 (-6%)	39.2 (-0%)
Blood and Cell Technologies	2.5 (-0%)	22.2 (+8%)	6.4 (+17%)	9.8 (-0%)	1.7 (+38%)	4.3 (+7%)	24.7 (+7%)
Total	44.3 (-4%)	87.0 (-15%)	25.5 (-12%)	36.3 (-18%)	10.2 (-21%)	15.1 (-7%)	131.3 (-11%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion JPY)

	FY19 Q1	FY20 Q1	YoY	YoY%	YoY% (FXN)
Salaries & Wages	21.9	22.4	+0.5	+2%	+5%
Sales Promotion	4.9	2.0	-2.8	-58%	-57%
Logistical Costs	3.5	3.3	-0.2	-5%	-2%
Depreciation & Amortization	4.5	4.6	+0.1	+1%	+4%
Others	9.7	7.8	-2.0	-20%	-19%
SG&A Expenses Total	44.5 (29.2%)	40.1 (30.5%)	-4.4	-10%	-8%
R&D Expenses	11.8 (7.8%)	11.2 (8.5%)	-0.7	-6%	-4%
Operating Expenses Total	56.4 (37.0%)	51.3 (39.0%)	-5.1	-9%	-7%

Quarterly Results

(billion JPY)

	FY19 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY20 Q1 (Apr-Jun)
Revenue	152.5	154.8	162.9	158.8	131.3
Gross Profit	85.2 (55.8%)	86.3 (55.8%)	87.2 (53.5%)	85.3 (53.7%)	68.9 (52.5%)
SG&A Expenses	44.5 (29.2%)	45.1 (29.1%)	47.2 (29.0%)	47.7 (30.1%)	40.1 (30.5%)
R&D Expenses	11.8 (7.8%)	12.5 (8.1%)	12.7 (7.8%)	13.6 (8.6%)	11.2 (8.5%)
Other Income and Expenses	0.4	1.3	-0.2	0.4	0.5
Operating Profit	29.2 (19.1%)	30.0 (19.4%)	27.1 (16.6%)	24.4 (15.3%)	18.1 (13.8%)
Adjusted Operating Profit	33.9 (22.3%)	33.1 (21.4%)	31.4 (19.3%)	26.6 (16.7%)	21.7 (16.5%)
Average Exchange Rate USD	110 JPY	107 JPY	109 JPY	109 JPY	108 JPY
Average Exchange Rate EUR	123 JPY	119 JPY	120 JPY	120 JPY	119 JPY

TERUMO

Adjusted Operating Profit: Adjustments

(billion JPY)

	FY19 Q1	FY20 Q1
Operating Profit	29.2	18.1
Adjustment 1. Amortization of acquired intangible assets	+4.0	+3.5
Adjustment 2. Non-recurring profit or loss	+0.8	+0.1 *
Adjusted Operating Profit	33.9	21.7

<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

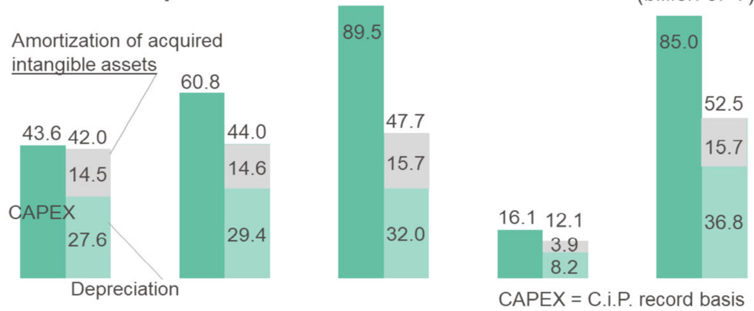
* FY20 Q1 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganizing cost	+0.2
Others	-0.1

TERUMO

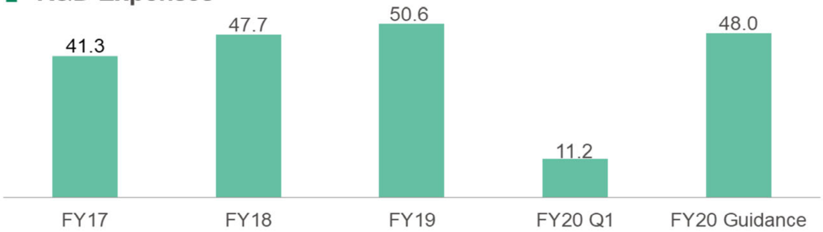
CAPEX, Depreciation and R&D Expenses

CAPEX & Depreciation

(billion JPY)



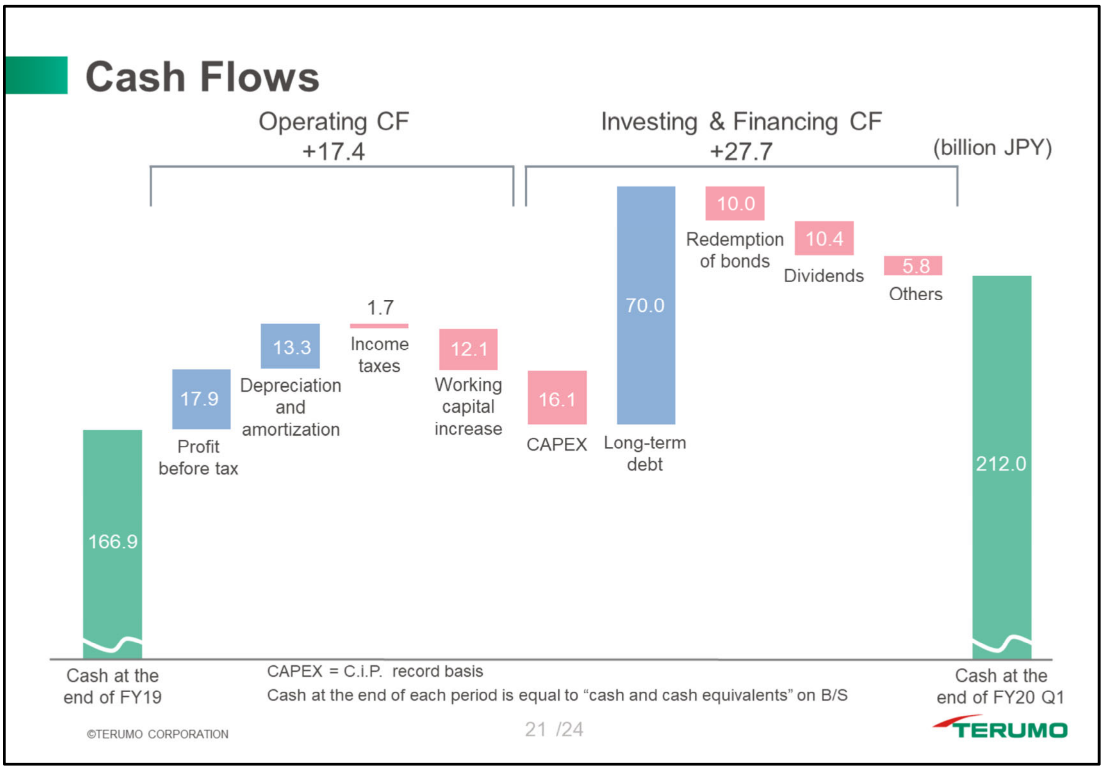
R&D Expenses



- Lease depreciation (IFRS16) is not included in FY19, FY20 Q1 results and FY20 Guidance
- Expand investment in production capacity and space as well as IT in FY20
- Further promote R&D activities mainly for TIS, Neurovascular and TBCT
- Capitalized R&D expenses are included in CAPEX

FY18:	2.4
FY19:	4.8
FY20 Q1:	1.3
FY20 Guidance:	5.4

TERUMO



Cash Flows
Operating CF
+17.4
Investing & Financing CF
+27.7
(billion JPY)
166.9
17.9
Profit
before tax
13.3
Depreciation
and
amortization
1.7
Income
taxes
12.1
Working
capital
increase
16.1
CAPEX
70.0
Long-term
debt
10.0
Redemption
of bonds
10.4
Dividends
5.8
Others
212.0
Cash at the
end of FY19
Cash at the
end of FY20 Q1
CAPEX = C.i.P. record basis
Cash at the end of each period is equal to “cash and cash equivalents” on B/S
©TERUMO CORPORATION
21 /24
TERUMO

Foreign Exchange Sensitivity

Annual impact of 1 JPY depreciation (billion JPY)

	USD	EUR	CNY
Revenue	1.7	0.8	2.4
Adjusted Operating Profit	0.0	0.5	1.3

<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	2.0	3.6

TERUMO

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 price (JPY)	Number of shares required to be issued for conversion
Dec. 2019	50.0	0.0%	1,912	2,486	Approx. 26 M shares
Dec. 2021	50.0	0.0%	1,912	2,486	Approx. 26 M shares
Total	100.0				Approx. 52 M shares

The status of conversion (as of Jul. 31, 2020)

Bonds	Amount of shares issued for conversion (% against the total amount of bonds)	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	46.2 B JPY (92.4%)	24 M shares (3.2%)
Total	96.2 B JPY (96.2%)	50 M shares (6.6%)

Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 5 M shares
  (at the end of Jul. 2020, treasury stock cost per share: 1,949 JPY, % against total number of issued shares: 0.7%)

TERUMO

IR Contact

Terumo Corporation

Investor Relations Dept.

E-mail: kouhou_terumo01@terumo.co.jp