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

November 5, 2020

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

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The market share information in this presentation is partly derived from our own independent research.

Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

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Revenue and Profits Were Ahead of Schedule Toward FY20 Guidance

(billion JPY)

	1H FY19	1H FY20	YoY%	YoY% (FXN)
Revenue	307.3	283.3	-8%	-6%
Gross Profit	171.5 (55.8%)	150.5 (53.1%)	-12%	-9%
SG&A Expenses	89.6 (29.2%)	85.9 (30.3%)	-4%	-3%
R&D Expenses	24.3 (7.9%)	23.1 (8.2%)	-5%	-4%
Other Income and Expenses	1.6	0.4	-	-
Operating Profit	59.2 (19.2%)	41.8 (14.8%)	-29%	-24%
Adjusted Operating Profit	67.0 (21.8%)	51.3 (18.1%)	-24%	-19%
Profit before Tax	58.1 (18.9%)	40.7 (14.4%)	-30%	
Profit for the Year	45.7 (14.9%)	31.8 (11.2%)	-30%	

Average Exchange Rate		1H FY19	1H FY20
	USD	109 JPY	107 JPY
	EUR	121 JPY	121 JPY

- Revenue: Significant recovery in demand for Cardiac and Vascular. The COVID-19 negative impact on General Hospital as well as Blood and Cell Technologies has been continuously minor
- Adjusted Operating Profit: Year-on-year negative growth due to the revenue decrease. SG&A and R&D Expenses were controlled based on priorities

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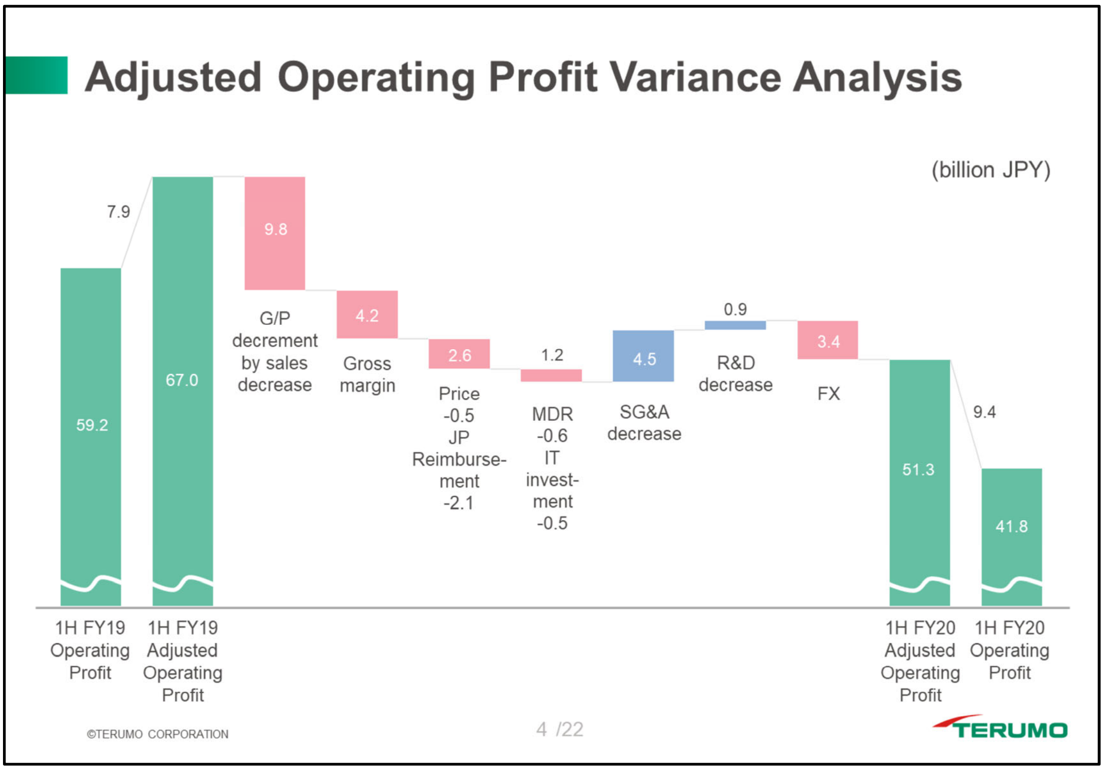
First, a summary of the overall results.

Sales revenue of the Cardiac and Vascular Company was negatively affected by a drop in demand in the 1st quarter, but we saw a significant recovery in the 2nd quarter. Impact on the General Hospital and Blood and Cell Technologies companies remained minor, resulting in a recovery to minus 8% in sales for the Group as a whole—minus 6% when excluding FX impact.

Adjusted Operating Profit was impacted by decreased sales revenue in the high-profitability Cardiac and Vascular Company, but we evaluated each expenditure and limited spending to urgent matters or those contributing to mid- to long-term growth, even while gradually restoring sales activities, leading to a 19% decline in adjusted operating profit and 24% in operating profit when excluding FX impact.

Profit for the year was minus 30% year-on-year.

We announced our annual guidance in August, but the recovery of the Cardiac and Vascular Company exceeded expectations in the 2nd quarter, so progress is ahead of schedule in restoring both sales revenue and profit.



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

"GP Decrement by Sales Decrease" had a 9.8-billion-yen negative impact, largely due to decreased sales of the Cardiac and Vascular Company. However, a marked recovery in sales closed much more of the year-on-year gap of the 2nd quarter, compared to that of the 1st quarter.

"Gross Margin" accounted for a 4.2-billion-yen negative impact. The Cardiac and Vascular Company sales decrease was improved in the 2nd quarter, but the mix remained poor for the full 1st Half. As some countries saw increases in COVID-19 or enacted lockdowns, we managed to maintain high production and inventory levels, which slightly pushed down manufacturing costs similarly to the 1st quarter. This had the effect of somewhat lessening negative impact on gross profitability.

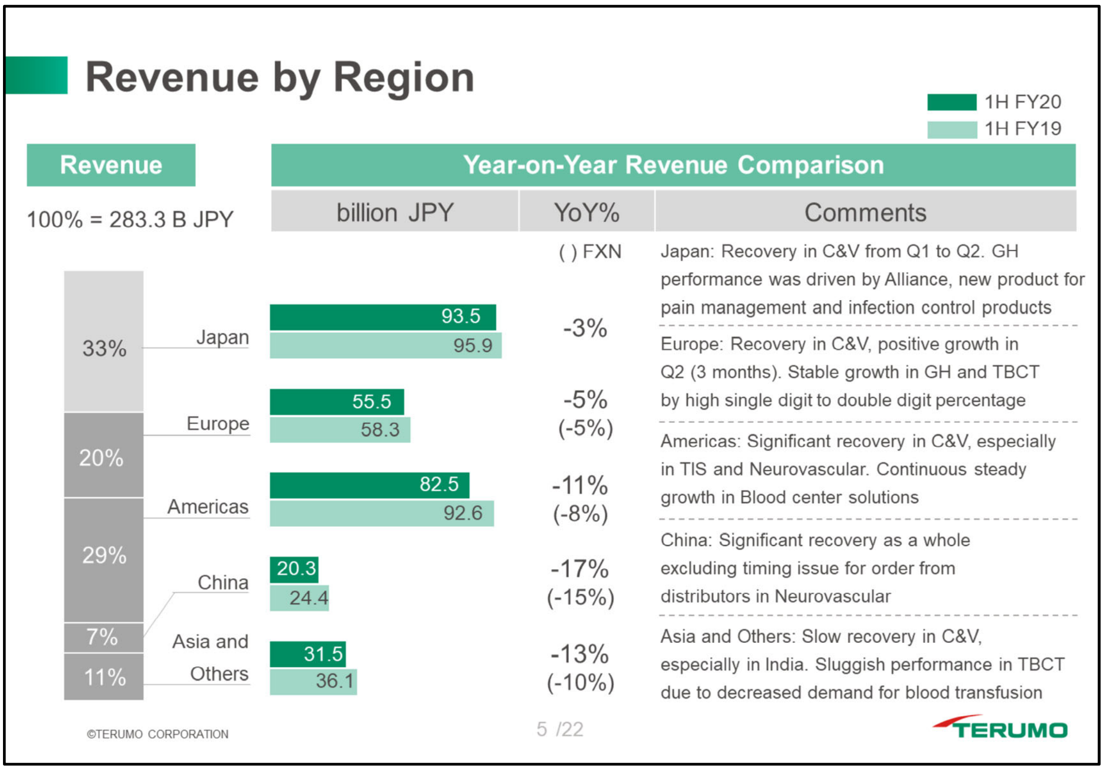
In Price, decreased Cardiac and Vascular sales moderated negative impact to 500 million yen. Reimbursement Price Revision negative impact was 2.1 billion yen, because the 1st half of the previous year did not have a price revision in conjunction with the increase in consumption tax rate.

Work related to European MDR and IT Investment progressed as planned, resulting in 600 million and 500 million yen negative impacts, respectively, as progress led to increased spending year-on-year.

SG&A decrease was due to lower promotional and travel costs, as limitations on access to hospitals and remote holding of academic conferences continued in the 2nd quarter. Further, we carefully evaluated each proposed expenditure for its urgency to control expenses on a pinpoint basis, resulting in a 4.5 billion yen positive year-on-year impact for the 1st Half.

“R&D Decrease” resulted from reconfirming the level of priority for each project while largely maintaining R&D investment, yielding a 900-million-yen positive year-on-year impact.

FX impact was the result of yen appreciation against emerging market currencies, for a 3.4-billion-yen negative year-on-year impact.



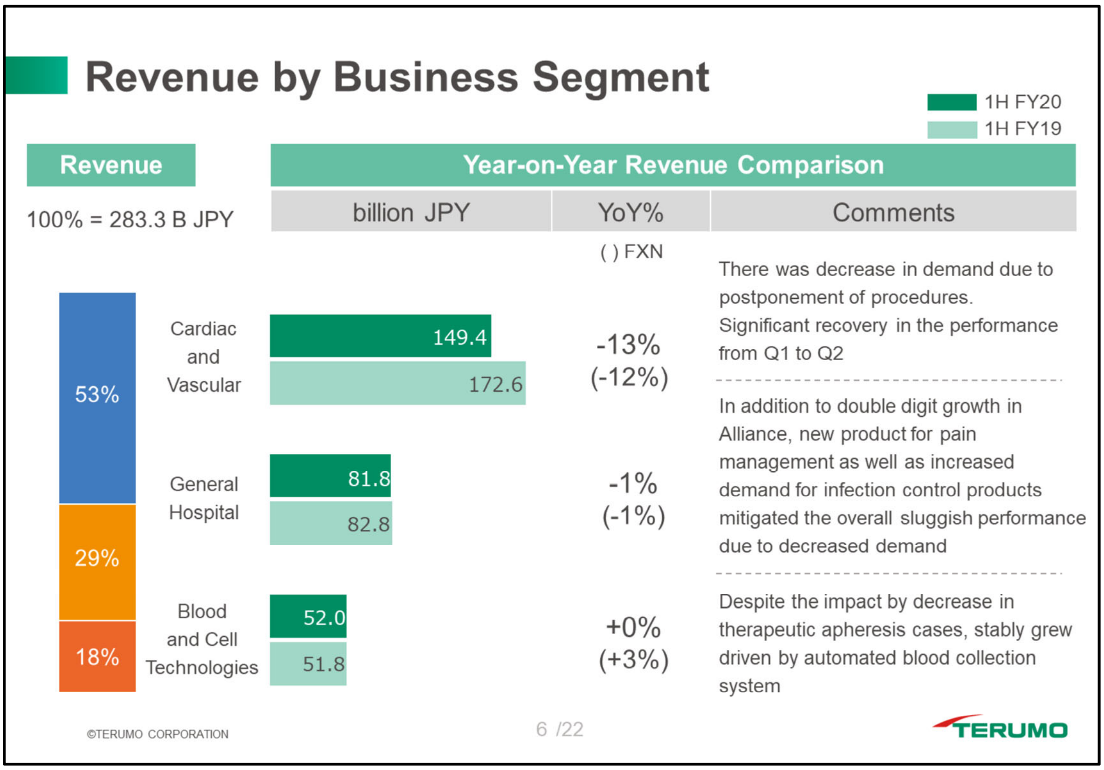
Next is revenue by region.

In addition to the 2nd-quarter recovery trend of the Cardiac and Vascular Company in Japan, the General Hospital Company, which accounts for the largest percentage of sales there, returned to the levels of the previous year, reducing the gap between year-on-year sales levels.

In Europe and the United States, the Cardiac and Vascular Company saw a marked recovery, reducing the sales gap there.

In China, when excluding the impact of distributor order timing in the neurovascular business, Q2 alone returned to the previous year level.

In Asia and others, the recovery of demand in the Philippines and India is happening slowly.



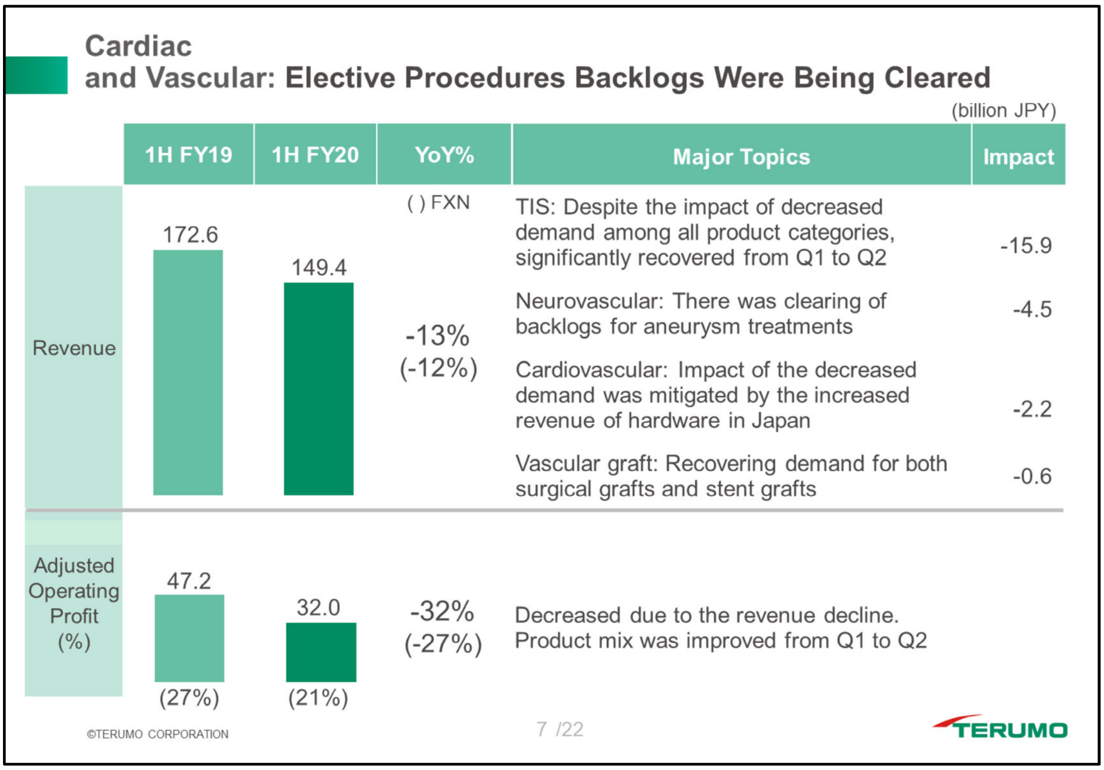
Next is revenue by company.

In the 1st Half as a whole, the Cardiac and Vascular Company was negatively impacted by decreased demand due to the postponement of elective procedures using its products. However, looking at just the 2nd quarter, we can see a significant recovery in all segments.

The General Hospital Company saw a decrease in demand for General Hospital Products overall, but double-digit growth in the Alliance Business and pain management products, and increased demand for infection prevention products. This enabled the company to maintain the same level as the previous year.

The Blood and Cell Technologies Company was impacted by decreased demand for whole blood collection in Asia especially, and the postponement of therapeutic apheresis, but increased sales of component collection systems drove stable growth for the company as a whole.

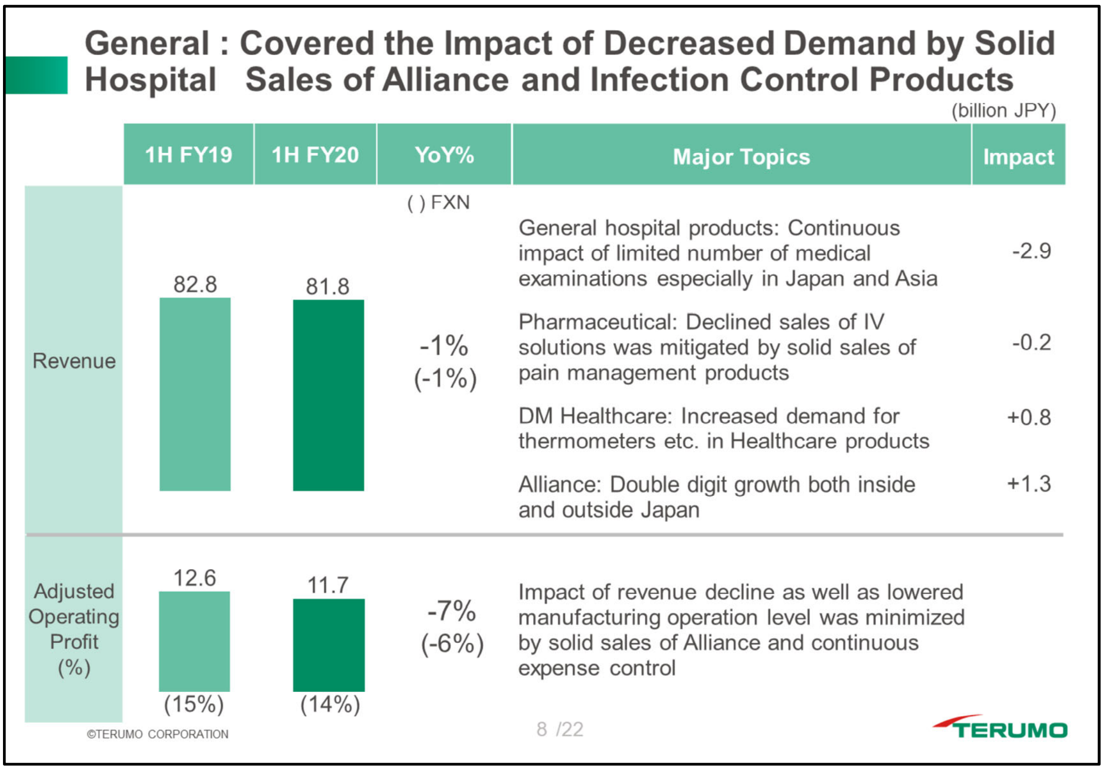
I will give more detail by company in the next slides.



Here is Cardiac and Vascular Company.

Sales revenue was minus 13% for the 1st Half.
On its own, the 2nd quarter alone recovered to just minus 2%. TIS and CV grew in the low single digits, Neurovascular was approximately the same as the previous year, and Cardiovascular saw positive growth, resulting in the company as a whole showing a recovery in the 2nd quarter alone as a backlog of postponed elective procedures in all businesses has begun to be cleared.

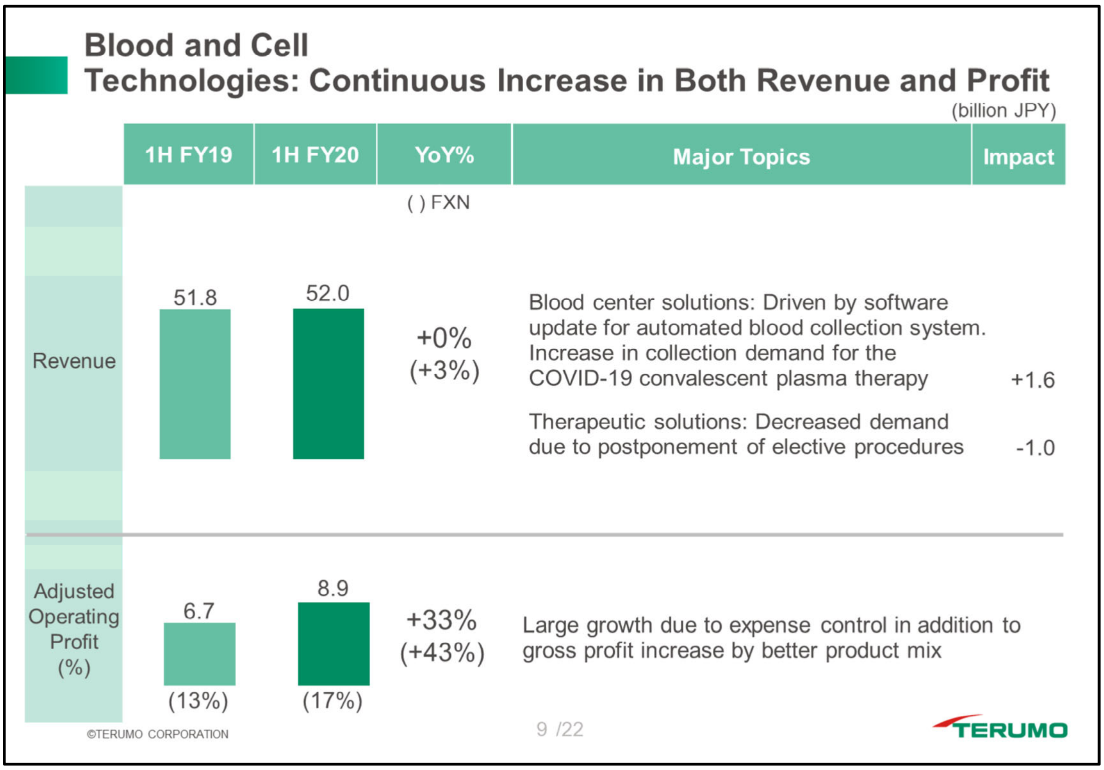
Profit grew negatively due to decreased sales revenue, but the severe drop of highly profitable TIS and Neurovascular businesses in the 1st quarter was replaced in the 2nd quarter by a notable recovery that reduced the year-on-year drop in profit while improving profitability.



Next, the General Hospital Company.

Sales revenue was impacted in General Hospital and Pharmaceutical products by decreased demand caused by limitations on patient hospital visits. However, pain management products and the Alliance Business posted double-digit growth, while demand increased for thermometers, disinfectant, and other infection prevention products, resulting in an overall result on par with the previous year.

In profit, there was impact from reduced production activity at the Philippines Factory due to lockdown, but careful expense control helped to minimize that impact.



Next is Blood and Cell Technologies Company.

In sales revenue, the blood center-oriented business experienced decreased demand for whole blood collection in Asia, but a 1st-quarter software update to raise efficiency in component collection systems continued to be well received in the 2nd quarter. Further, demand increased for convalescent plasma used in COVID-19-related treatment. These factors resulted in steady growth overall. Because therapeutic apheresis is elective, many patients' therapies have been postponed amid COVID-19 impact.

As a whole, the Blood and Cell Technologies Company saw a 3% year-on-year increase in sales revenue, when excluding FX impact.

Profit increased significantly due to improved mix as the ratio of high-margin component collection grew, and thanks to efforts to control SG&A and other expenditures.

Revision of FY20 Guidance

(billion JPY)

	Original Guidance	Revised Guidance	Change in amount
Revenue	600.0	600.0	-
Operating Profit	85.0 (14.2%)	90.0 (15.0%)	+5.0
Adjusted Operating Profit	103.0 (17.2%)	108.0 (18.0%)	+5.0
Profit for the Year	65.0	68.0	+3.0
Average Exchange Rate (Predicted)	USD 105 JPY EUR 120 JPY	106 JPY 121 JPY	

- Factored in the better 1H performance than expected
- No revision for the FY20 annual dividend proposal disclosed at the financial announcement in May 2020

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Next is our revision of guidance.

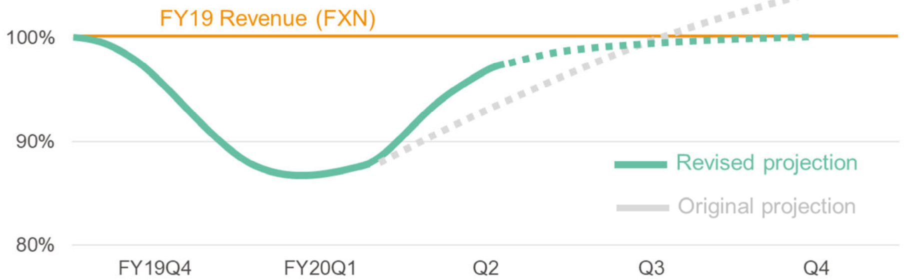
As I mentioned at the beginning, the Cardiac and Vascular Company recovery in the 2nd quarter exceeded expectations. As a result, the progress toward recovery of both sales revenue and profit are ahead of the guidance we announced in August.

Therefore, we have decided to add the profit amount of the 1st Half that exceeded guidance into our full-year guidance, revising adjusted operating profit and operating profit upward by 5 billion yen, and Profit for the year upward by 3 billion yen.

Also, regarding dividends, in light of the renewed spread of COVID-19 in some countries and the risks and lack of visibility of the 2nd Half, we have decided to maintain our dividend amount as announced in May.

Key Assumptions of 2H FY20 Projection

- Recovery in the 2H revenue becomes slower than the original projection disclosed at the financial announcement in August 2020
  - Overall healthcare demand including new procedure pipeline is declined due to limited number of medical examination, continuing on a global basis



- Adjust the operating level of production from Q3 onward to optimize inventory level, which was raised in Q1 for the purpose of BCP
- While controlling SG&A Expenses to an extent, also plan to invest appropriately based on the business performance to achieve rapid recovery
- Control R&D Expenses by prioritizing from the perspective of mid- to long-term growth

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Now I will explain about our thinking regarding the 2nd Half outlook.

First, sales revenue. As I mentioned earlier, Cardiac and Vascular Company-related elective procedures began to recover in the 2nd quarter, leading to a notable sales recovery. We estimate that there were significant effects as the backlog of these procedures was addressed.

Looking at our latest numbers from October, we are not seeing a dropoff of elective procedures following the elimination of this backlog, which is something about which we had been concerned. Therefore, we anticipate that we will recover to the level of the previous year within this year.

On the other hand, the risk remains of a renewed spread of COVID-19 in certain countries outside Japan. Because medical settings now have protocols and systems in place to handle COVID-19 impacts better than the first wave of infections that happened early this year, we do not expect the same degree of stoppage in healthcare even if there is another rise in infections. However, we cannot deny that limitations on patient visits could continue and that there is a possibility of slow recovery of new procedures.

Therefore, regarding sales revenue, we revised our thinking to be that the recovery trend will continue into the 2nd Half, but that the recovery trajectory will level off more than initially anticipated, reaching the level of the previous year in the 4th quarter.
Although 1st Half sales were stronger than guidance, we are taking into account the possibility of some weakness in the 2nd Half, and we will therefore maintain our existing annual guidance regarding sales.

Having built up extra inventory in the 1st quarter for business continuity purposes, we will adjust our production volume in the 2nd Half to return inventory to appropriate normal levels. If there is more weakness in 2nd-Half sales than anticipated, there will be a strong need to adjust production more than scheduled, which will place pressure on gross profit.

In expenses, we continue to expect that as access to hospitals is restored, sales activities will resume. However, in order to push back potential weakness of sales and downward pressure on gross profit, we will further review our SG&A and R&D spending to achieve our profit guidance for the 2nd Half.

Major Topics in FY20 Q2

Corporate

- Donated cash and products to support relief efforts for heavy rains in July 2020 in Japan through Japanese Red Cross and other organizations
- Joined in a fund operated by CD Capital, a Chinese venture capital firm


Radioactive microspheres "QuiremSpheres"

Cardiac and Vascular

- Acquired Quirem Medical, a startup specializing in the development of microspheres for liver tumors
- Started a new clinical study of "Renzan" peripheral stent system in Europe
- Launched "CASPER Rx" carotid stent in Japan


Peripheral Stent System "Renzan"


Carotid Stent "CASPER Rx"

General Hospital

- Started co-development of digital supporting system for diabetes treatment with MICIN, Inc.
- Received GMP certification from the US FDA to manufacture a biosimilar to adalimumab at Yamaguchi factory


Pre-fillable syringe "PLAJEX"


Pathogen reduction system "Mirasol"

Blood and Cell Technologies

- Received approval for "Mirasol" pathogen reduction system to treat platelets in Switzerland

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Here are the major topics for the 2nd quarter.

As a Terumo Group, we donated goods and funds through the Japan Red Cross to support relief efforts for "Heavy rains in July 2020" in Japan.

Company topics include interventional oncology and peripheral intervention items for the Cardiac and Vascular Company; DM Healthcare and Alliance for General Hospital; and pathogen reduction systems for Blood and Cell Technologies, showing good progress on the mid- to long-term growth drivers. .

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	Launched
	Intrasaccular aneurysm treatment device (WEB)	JP	
Cardio-vascular	Oxygenator	JP	Launched
	Heart lung machine (re-launch)	JP	Launched
	Surgical stabilizer	Global	Launched

Category	Products	Region	Launch
Vascular graft	Stent graft for abdominal aortic aneurysm	US	Launched
General hospital products	Syringe pump	JP	Launched
	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	Launched
	Thermometer	JP	Launched

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This is the final slide, and shows our pipeline status for the fiscal year. I will omit the details, but new product launches are generally on schedule. We will continue to watch for any impact from COVID-19 on those schedules.

The possibility of a renewed spread of COVID-19 remains in the 2nd Half. However, we will exercise vigilance in our management efforts in ways that include maintaining our pinpoint control of expenses, in order to work toward achieving our guidance.

Thank you.

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1H FY20 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	22.9 (-8%)	126.6 (-13%)	37.9 (-10%)	57.2 (-13%)	16.1 (-19%)	15.3 (-13%)	149.4 (-12%)
Out of C&V, TIS and Neurovascular	16.5 (-12%)	104.1 (-13%)	30.7 (-11%)	46.0 (-12%)	14.8 (-21%)	12.6 (-14%)	120.6 (-13%)
General Hospital	64.8 (-0%)	17.0 (-2%)	4.6 (+6%)	4.1 (+9%)	1.0 (-15%)	7.3 (-10%)	81.8 (-1%)
Blood and Cell Technologies	5.7 (-6%)	46.3 (+4%)	13.1 (+12%)	21.2 (+4%)	3.1 (+20%)	8.9 (-6%)	52.0 (+3%)
Total	93.5 (-3%)	189.8 (-8%)	55.5 (-5%)	82.5 (-8%)	20.3 (-15%)	31.5 (-10%)	283.3 (-6%)

(YoY%): FXN

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Operating Expenses

(billion JPY)

	1H FY19	1H FY20	YoY	YoY%	YoY% (FXN)
Salaries & Wages	44.0	45.6	+1.6	+4%	+5%
Sales Promotion	9.5	5.1	-4.4	-46%	-46%
Logistical Costs	6.8	6.9	+0.1	+1%	+2%
Depreciation & Amortization	9.1	9.5	+0.5	+5%	+7%
Others	20.3	18.8	-1.5	-7%	-6%
SG&A Expenses Total	89.6 (29.2%)	85.9 (30.3%)	-3.7	-4%	-3%
R&D Expenses	24.3 (7.9%)	23.1 (8.2%)	-1.2	-5%	-4%
Operating Expenses Total	113.9 (37.1%)	109.0 (38.5%)	-4.9	-4%	-3%

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Quarterly Results

(billion JPY)

	FY19 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY20 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Revenue	154.8	162.9	158.8	131.3	152.0
Gross Profit	86.3 (55.8%)	87.2 (53.5%)	85.3 (53.7%)	68.9 (52.5%)	81.6 (53.7%)
SG&A Expenses	45.1 (29.1%)	47.2 (29.0%)	47.7 (30.1%)	40.1 (30.5%)	45.8 (30.2%)
R&D Expenses	12.5 (8.1%)	12.7 (7.8%)	13.6 (8.6%)	11.2 (8.5%)	11.9 (7.8%)
Other Income and Expenses	1.3	-0.2	0.4	0.5	-0.1
Operating Profit	30.0 (19.4%)	27.1 (16.6%)	24.4 (15.3%)	18.1 (13.8%)	23.8 (15.6%)
Adjusted Operating Profit	33.1 (21.4%)	31.4 (19.3%)	26.6 (16.7%)	21.7 (16.5%)	29.6 (19.5%)
Average Exchange Rate USD	107 JPY	109 JPY	109 JPY	108 JPY	106 JPY
Average Exchange Rate EUR	119 JPY	120 JPY	120 JPY	119 JPY	124 JPY

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Adjusted Operating Profit: Adjustments

(billion JPY)

	1H FY19	1H FY20
Operating Profit	59.2	41.8
Adjustment 1. Amortization of acquired intangible assets	+7.8	+7.2
Adjustment 2. Non-recurring profit or loss	+0.0	+2.3*
Adjusted Operating Profit	67.0	51.3

<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 FY20 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganizing cost	+0.3
Others	+1.9

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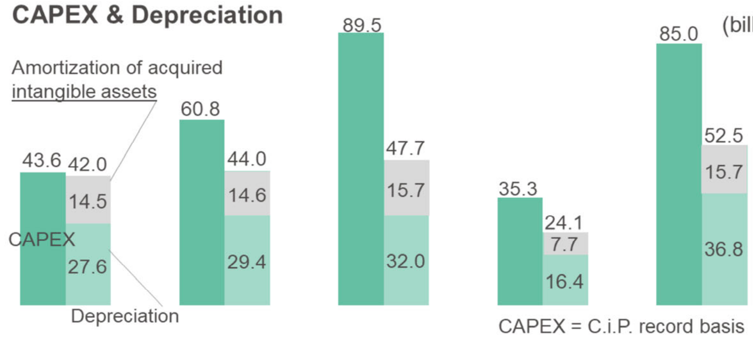
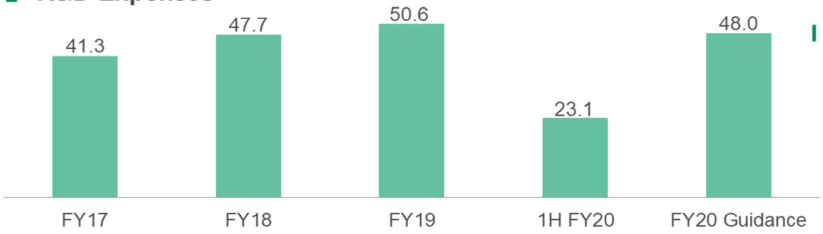
CAPEX, Depreciation and R&D Expenses

CAPEX & Depreciation

(billion JPY)



R&D Expenses



- Lease depreciation (IFRS16) is not included in FY19, 1H FY20 results and FY20 Guidance
- Expand investment in production capacity and space, R&D 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
1H FY20:	2.9
FY20 Guidance:	5.4

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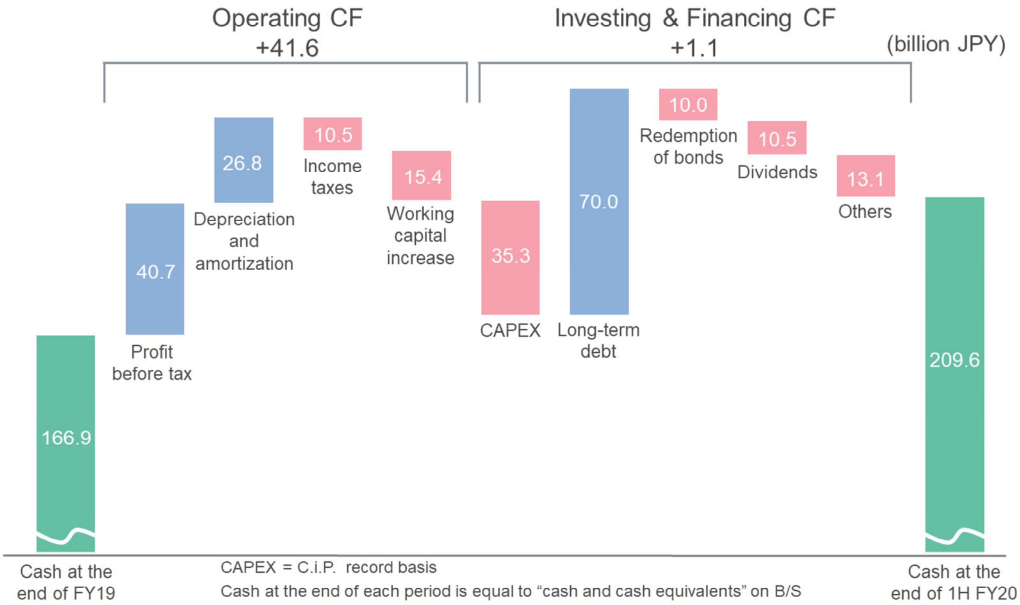
Cash Flows



CAPEX = C.i.P. record basis
Cash at the end of each period is equal to “cash and cash equivalents” on B/S

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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

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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 Oct. 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	48.7 B JPY (97.4%)	25 M shares (3.3%)
Total	98.7 B JPY (98.7%)	51 M shares (6.8%)

Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 4 M shares
  (at the end of Oct. 2020, treasury stock cost per share: 1,949 JPY, % against total number of issued shares: 0.7%)