

Financial Results for the First Half of Fiscal Year Ending March 31, 2019 (FY2018)

Terumo Corporation

Managing Executive Officer,

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In Line with the Revised Guidance

(billion yen)

	1H FY17	1H FY18	YoY%	YoY% (FXN)
Revenue	284.6	285.0	+0%	+0%
Gross Profit	155.4 (54.6%)	154.6 (54.2%)	-1%	-0%
SG&A Expenses	81.4 (28.6%)	87.0 (30.5%)	+7%	+7%
R&D Expenses	18.3 (6.4%)	23.8 (8.3%)	+30%	+30%
Other Income and Expenses	1.5	3.7	-	-
Operating Profit	57.2 (20.1%)	47.6 (16.7%)	-17%	-16%
Adjusted Operating Profit	64.8 (22.8%)	55.3 (19.4%)	-15%	-15%
Profit before Tax	56.8 (19.9%)	44.5 (15.6%)	-22%	
Profit for the Year	41.2 (14.5%)	34.5 (12.1%)	-16%	

Average Exchange Rate	USD	111 yen	110 yen
	EUR	126 yen	130 yen

- Revenue: General Hospital Company and Blood Management Company covered Cardiac and Vascular Company affected by JP reimbursement price revision and shipping delay
- Adjusted operating profit: In line with the guidance in 1H FY18, while delayed realization of expenses in 1H FY17
- Profit before tax: Posted FX loss of 2.8 BJPY in 1H FY18, while posted gain of 0.4 BJPY in 1H FY17
- Profit for the year: In line with the revised guidance

Results with FXN Outperformed 1H FY18 Guidance

(billion yen)

	1H FY18 Guidance	1H FY18 Results	Gap	1H FY18 Results w/ FXN*	Gap
Revenue	282.0	285.0	+3.0	283.2	+1.2
Operating Profit	48.0	47.6	-0.4	48.3	+0.3
Adjusted Operating Profit	55.0	55.3	+0.3	55.8	+0.8
Profit for the Year	34.5	34.5	0.0	-	-

*Assumed FX for Q2 onward which was presented when the guidance was revised (USD: 105yen, EUR: 130yen)

Adjusted Operating Profit: Adjustments

(billion yen)

	1H FY17	1H FY18
1.Amortization of acquired intangible assets	7.1	7.5
2.Temporary gain and loss*	0.5	0.2
Adjustment	7.6	7.7

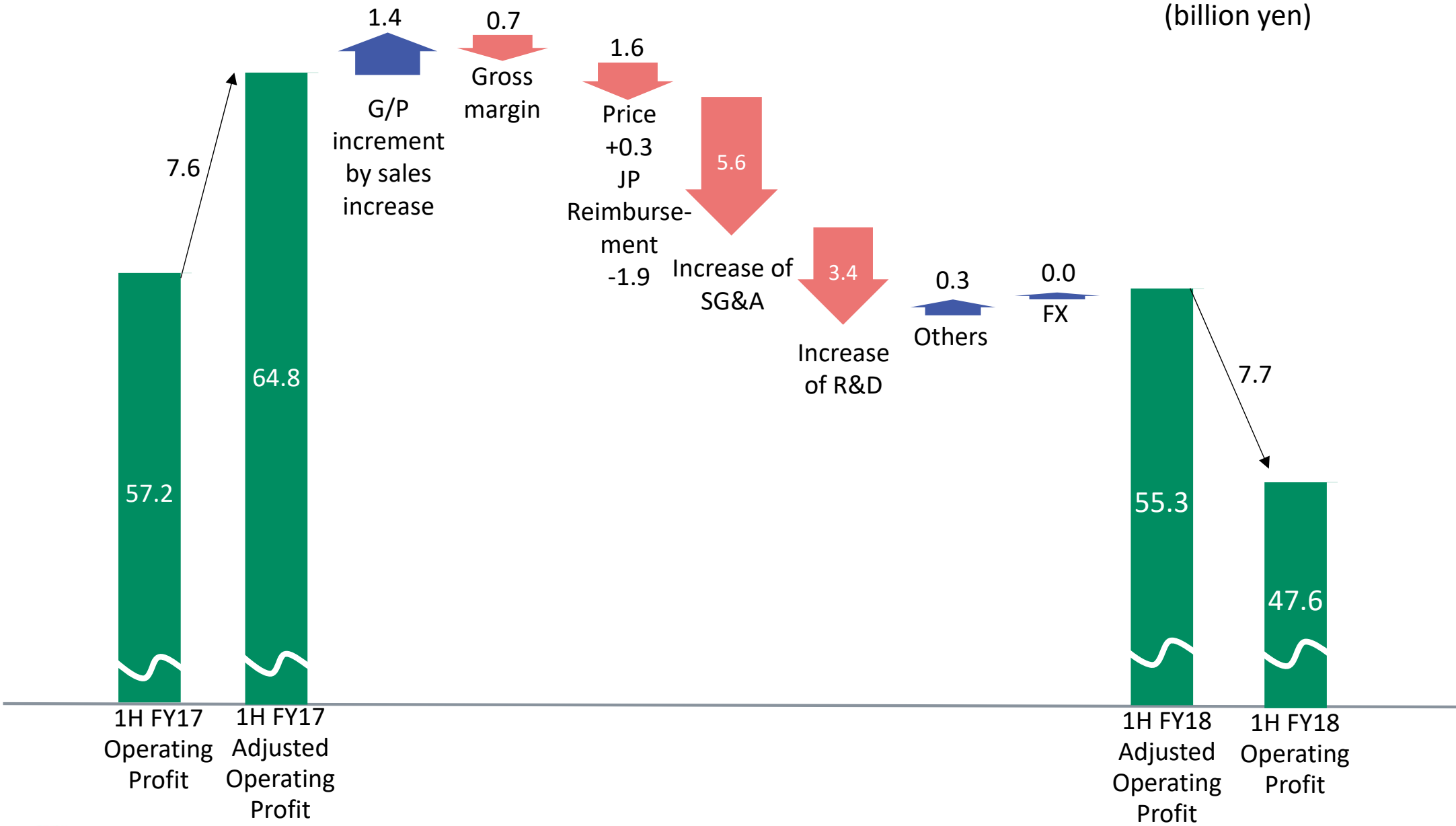
*Adjusted items

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

Adjusted item	Adjustment
Milestone payment for WEB in Neurovascular (-1.7)	+1.7
Settlement (+2.3)	-2.3
Insurance revenue for hurricane impact on factory in Puerto Rico (+1.1)	-1.1
Write-off of investment for venture R&Ds (-1.0)	+1.0

Adjusted Operating Profit Variance Analysis (IFRS)

(billion yen)

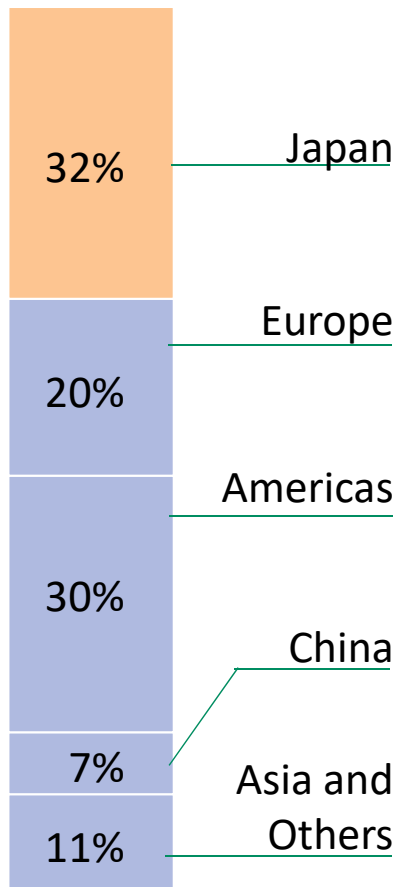


Revenue by Region

1H FY18
1H FY17

Revenue

100% = 285.0BJPY



Year-on-Year Revenue Comparison

billion yen	YoY%	Comments
() FXN		
Japan	-2%	Cardiac and Vascular Company made a negative growth due to JP reimbursement revision and shipping delay. General Hospital Company and Blood Management Company maintained good momentum
Europe	+2% (+0%)	Neurovascular in Cardiac and Vascular Company as well as alliance in General Hospital Company continuously achieved double digit growth
Americas	+1% (+2%)	Cardiac and Vascular Company achieved a positive growth despite being affected by shipping delay. General Hospital Company continued enjoying good momentum
China	+2% (+1%)	All companies achieved a positive growth
Asia and Others	-1% (+0%)	Steady growth of both General Hospital Company and Blood Management Company was not significant enough to offset the negative growth of Cardiac and Vascular Company caused by shipping delay

Revenue by Business Segment

1H FY18
1H FY17

Revenue

100% = 285.0BJPY



Cardiac and Vascular

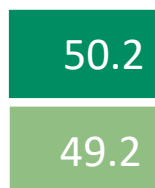
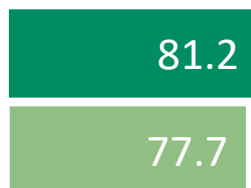
General Hospital

Blood Management

Year-on-Year Revenue Comparison

billion yen	YoY%	Comments
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() FXN



-3%
(-3%)

+5%
(+5%)

+2%
(+3%)

Made a negative growth due to shipping delay along with JP reimbursement price revision

Maintained steady momentum on the whole. Alliance business globally showed 20% growth

Achieved a steady growth in blood center products

Cardiac and Vascular : In Line with the Revised Guidance by and Large

(billion yen)

	1H FY17	1H FY18	YoY%	Major Topics	Impact
Revenue	157.6	153.5	-3% (-3%)	TIS: Saw the decrease in the revenue of therapeutic devices in cardiology along w/ the impact of JP reimbursement price revision and shipping delay	-6.1
				Neurovascular: Continuously achieved double digit growth both in and outside JP	+1.7
				CV: Made steady growth mainly in US	+0.2
				Vascular graft: Annualized the impact from acquisition of Bolton Medical	+0.1
Adjusted Operating Profit (%)	42.3 (27%)	34.5 (22%)	-18% (-18%)	Realized R&D expenses as originally planned, while controlling the SG&A expenses in a course of decreasing revenue	

() FXN

General : Continuously Achieved a Steady Growth in Both Hospital Revenue and Profit

(billion yen)

	1H FY17	1H FY18	YoY%	Major Topics	Impact
Revenue	77.7	81.2	+5% (+5%)	General hospital products: Infusion lines as well as needlefree closed system transfer device in JP drove an overall growth	+1.0
				Pharmaceutical and nutrition: Pain management products and adhesion barrier coupled w/ I.V. solutions grew continuously	+0.8
				DM Healthcare: In line with the plan although DM market in JP slightly shrunk	-0.1
				Alliance: Enjoyed strong momentum globally. Continued growing by over 20%	+2.0
Adjusted Operating Profit (%)	13.7 (18%)	13.8 (17%)	+0% (-0%)	Secured an increase in profit due to a strong momentum in revenue despite the fact that R&D expenses increased	

() FXN

Blood Management : Continued Achieving Steady Revenue Growth Mainly in Blood Center Products

(billion yen)

	1H FY17	1H FY18	YoY%	Major Topics	Impact
Revenue	49.2	50.2	+2% (+3%)	Blood center products: Automated blood processing system drove growth in JP and Americas	+1.3
				Therapeutic apheresis: Made negative growth due to the special demand seen in the last fiscal year	-0.4
Adjusted Operating Profit (%)	7.8 (16%)	7.0 (14%)	-10% (-11%)	Decreased in profit due to an increase of SG&A and R&D expenses	

() FXN

Major Topics in 1H FY18

Corporate

- (CSR) Held “Terumo Junior Medical Challenge” at Terumo Medical Pranex for the first time, targeting the local junior high school students (Aug)
 - Established a satellite office in Fuchu, Tokyo in a course of promoting work-style reform, and to enhance the BCP as well (Sep)
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Business

- Acquired an exclusive distribution right for “Janssen” fentanyl injection anesthesia product (Jul)
- Increased the capacity of PFS production lines in alliance business: invested 7.0 BJPY for Terumo Yamaguchi D&D (Jul)
- Terumo Yamaguchi D&D gained GMP certificate from EMA for PFS production site (Jul)
- The Chinese local joint company acquired regulatory approval for peritoneal dialysis solution (Aug)
- Gained regulatory approval for “Capiox NX” next generation oxygenator in US and JP (US: Aug, JP: Sep)

New Products Pipeline in FY18

Category	Products	Region
Access	Closure device for distal radial approach	JP
Coronary	PTCA balloon	US
	PTCA balloon	JP, EU, Asia
	DES (Ultimaster Tansei)	◎ EU, JP, Asia: Launched
Peripheral	Stent (TRI)	★ JP, US
	PTA balloon (TRI)	★ US: Launched JP: 2H
	PTA guiding sheath (TRI)	★ US: Launched JP: 2H
	Drug coated balloon	◎ ★ Acquired CE marking
Neuro	Distal access catheter (Sofia EX)	EU, US
	Mini balloon	EU, US

Category	Products	Region
CV	Next generation of oxygenator	◎ JP, US
	Next generation of blood parameter monitoring system	EU, US, Asia: Q3
Vascular graft	TAA stent graft (low profile)	★ EU: Launched
	AAA stent graft (Anaconda w/ smaller diameter)	EU
General hospital product	Portable vascular access imaging device	JP: Launched
DM	Insulin patch pump	JP: Q4
Blood Management	New software for automated blood collection system	EU, US, Asia
	New disposable kits for automated blood component processing system	EU, US, Asia

◎ Item with large contribution to sales and profit

★ Item with highly innovative technology

The Status of Convertible Bonds

■ Detail of the bonds (Issued in Dec, 2014)

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%	3,853	5,009	13.0M shares
Dec, 2021	50.0	0.0%	3,853	5,009	13.0M shares
Total	100.0				25.9M shares

■ Status of conversion (as of Oct 31, 2018)

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	48.30 BJPY (96.60%)	12.5M shares (3.30%)
Convertible Bonds due Dec, 2021	23.62 BJPY (47.24%)	6.1M shares (1.61%)
Total	71.92 BJPY (71.92%)	18.7M shares (4.91%)

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 9.2M shares
(as of the end of Oct. 2018, treasury stock cost per share: 3,896 JPY, % against total number of issued shares: 2.4%)

Reference

1H FY18 Revenue and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	22.3 (-15%)	131.1 (+0%)	39.4 (-2%)	59.5 (+2%)	17.0 (+1%)	15.3 (-4%)	153.5 (-3%)
Out of C&V Interventional Systems*	16.8 (-17%)	105.3 (-1%)	31.3 (-1%)	45.6 (+0%)	15.8 (+1%)	12.5 (-7%)	122.1 (-3%)
General Hospital	62.8 (+4%)	18.4 (+8%)	4.5 (+12%)	4.0 (+11%)	1.2 (+15%)	8.7 (+5%)	81.2 (+5%)
Blood Management	5.8 (+8%)	44.4 (+2%)	12.3 (+4%)	20.8 (+0%)	2.6 (-1%)	8.5 (+4%)	50.2 (+3%)
G. Total	91.1 (-2%)	193.9 (+1%)	56.2 (+0%)	84.3 (+2%)	20.9 (+1%)	32.5 (+0%)	285.0 (+0%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion yen)

	1H FY17	1H FY18	YoY	YoY%	YoY% (FXN)
Salaries & Wages	41.1	43.3	+2.2	+5%	+5%
Sales Promotion	8.0	8.7	+0.7	+8%	+8%
Logistical Costs	6.1	6.6	+0.5	+8%	+8%
Depreciation & Amortization	6.9	6.9	-0.0	-0%	+0%
Others	19.4	21.6	+2.2	+11%	+11%
SG&A Expenses Total	81.4 (28.6%)	87.0 (30.5%)	+5.6	+7%	+7%
R&D Expenses	18.3 (6.4%)	23.8 (8.3%)	+5.5	+30%	+30%
Operating Expenses Total	99.7 (35.0%)	110.7 (38.8%)	+11.0	+11%	+11%

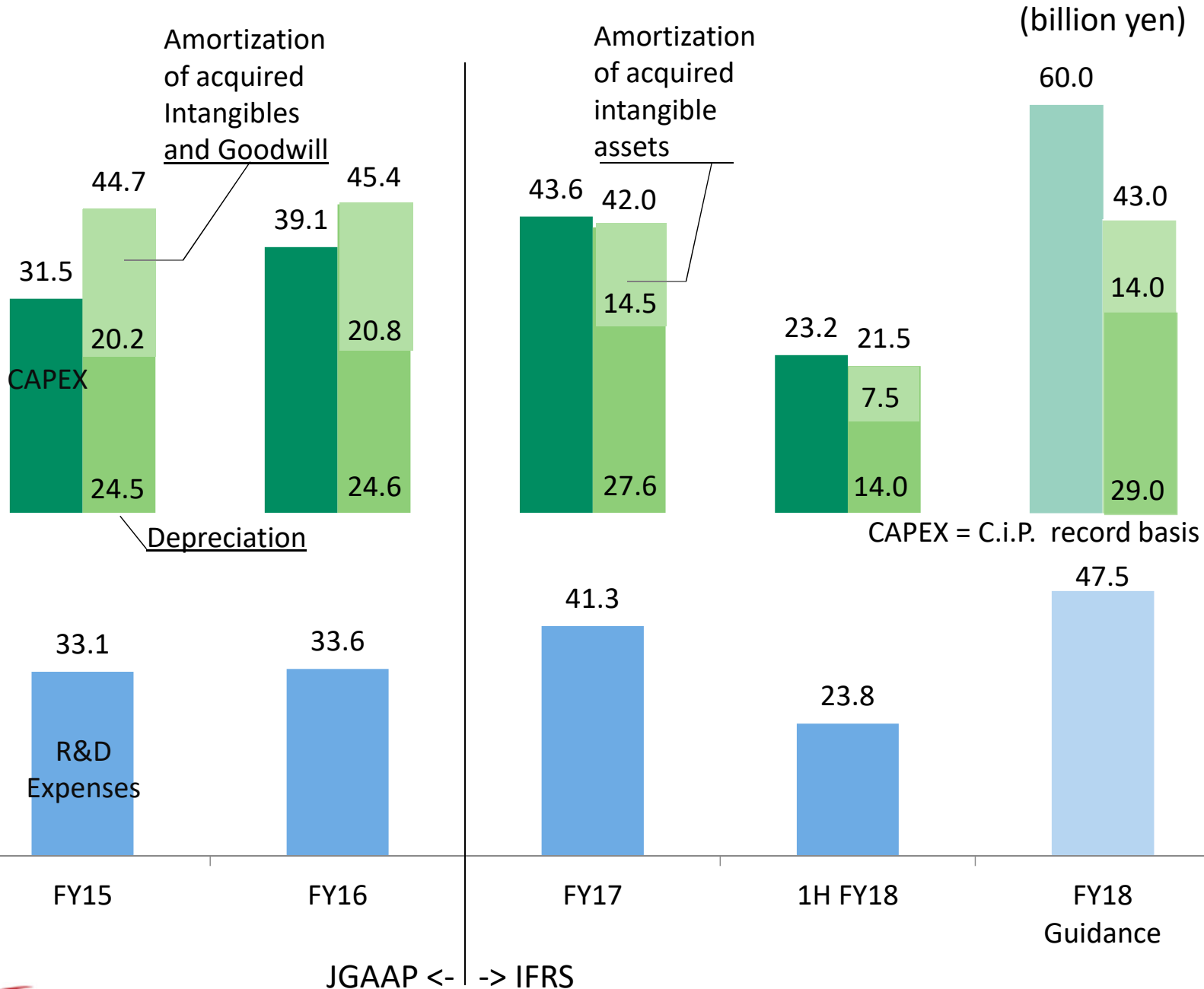
Quarterly Results

(billion yen)

	FY17 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY18 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Revenue	145.3	152.3	150.8	143.0	142.0
Gross Profit	79.5 (54.7%)	83.2 (54.6%)	80.7 (53.5%)	79.9 (55.8%)	74.7 (52.6%)
SG&A Expenses	41.2 (28.4%)	43.8 (28.7%)	45.9 (30.4%)	43.5 (30.4%)	43.5 (30.5%)
R&D Expenses	9.8 (6.7%)	10.7 (7.0%)	12.4 (8.2%)	11.3 (7.9%)	12.4 (8.8%)
Other income and Expenses	0.2	0.6	-0.4	0.8	2.9
Operating Profit	28.7 (19.8%)	29.4 (19.3%)	22.0 (14.6%)	25.9 (18.1%)	21.7 (15.3%)
Adjusted Operating Profit	32.8 (22.6%)	32.7 (21.5%)	27.4 (18.1%)	30.5 (21.4%)	24.8 (17.4%)

Average Exchange Rate	USD	111 yen	113 yen	108 yen	109 yen	111 yen
	EUR	130 yen	133 yen	133 yen	130 yen	130 yen

CAPEX and R&D Expenses



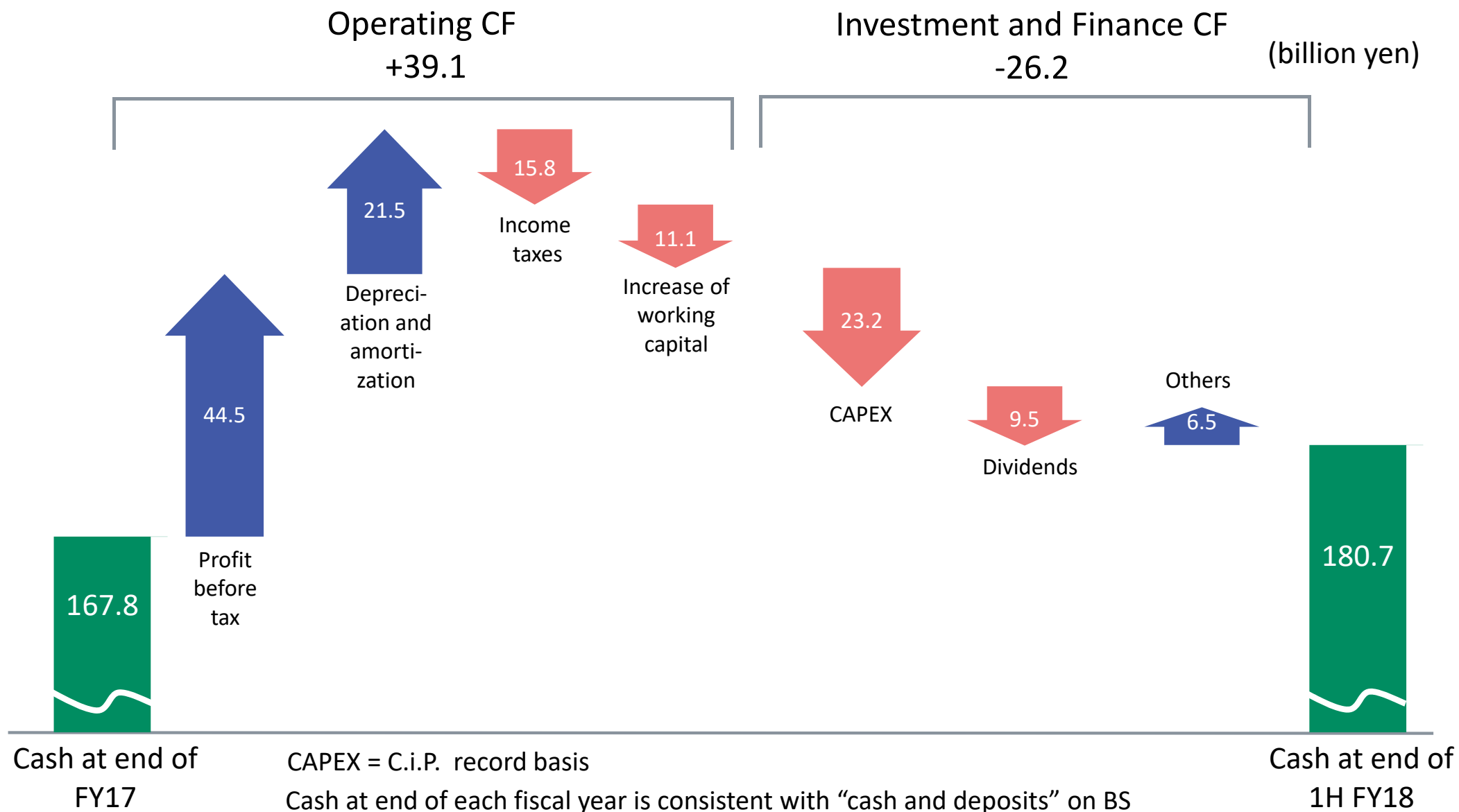
- Expand investment in production capacity and space as well as IT infrastructure in FY18
- IFRS basis from FY17
 - Include intangible assets except for acquired ones, and capitalized development expenses

- Further promote R&D activities mainly for TIS, neurovascular and Blood Management Company
- Capitalized development expenses are included in CAPEX

FY17 :0.8 BJPY
 1H FY18 :0.9 BJPY
 FY18 guidance :2.1 BJPY

JGAAP <- -> IFRS

Cash Flow



CAPEX = C.i.P. record basis

Cash at end of each fiscal year is consistent with "cash and deposits" on BS

Foreign Exchange Sensitivity

Annual impact of one-yen depreciation

(billion yen)

	USD	EUR	CNY
Revenue	1.6	0.8	2.0
Adjusted Operating Profit	0.0	0.5	1.0

<Reference> Impact when yen is depreciated by 10%

	North America	Latin America	EMEA		Asia	
			EUR	Others	CNY	Others
Adjusted Operating Profit	-0.1	0.9	6.0	1.3	1.7	3.3

IR Contact

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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 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.

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