

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

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Terumo Corporation  
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August 8, 2018

# In Line with the Guidance on the Whole

(billion yen)

	FY17 Q1	FY18 Q1	YoY%	YoY% (FXN)
Revenue	139.3	143.0	+3%	+2%
Gross Profit	75.9 (54.5%)	79.9 (55.8%)	+5%	+4%
SG&A Expenses	40.2 (28.9%)	43.5 (30.4%)	+8%	+8%
R&D Expenses	8.5 ( 6.1%)	11.3 ( 7.9%)	+33%	+34%
Other Income and Expenses	1.2	0.8	-	-
Operating Profit	28.4 (20.4%)	25.9 (18.1%)	-9%	-11%
<b>Adjusted Operating Profit</b>	32.1 (23.0%)	30.5 (21.4%)	-5%	-6%
Profit before Tax	28.2 (20.2%)	23.4 (16.4%)	-17%	
Profit for the Year	20.3 (14.6%)	18.1 (12.6%)	-11%	

Average Exchange Rate	USD	111 yen	109 yen
	EUR	122 yen	130 yen

- Revenue: General Hospital Company and Blood Management Company drove overall growth instead of Cardiac and Vascular Company suffering an impact of JPN reimbursement price cut and shipping delay
- Adjusted operating profit: In line with the guidance in FY18 Q1, while delayed realization of SG&A impacted adjusted operation profit less in FY17 Q1
- Profit before tax: Posted FX loss of 2.3 BJPY in FY18 Q1, while posted gain of 0.2 BJPY in FY17 Q1
- Profit for the year: In line with the guidance w/ FX loss excluded

# Adjusted Operating Profit: Adjustments

Operating profit in IFRS basis w/ following items adjusted

1. Amortization of acquired intangible assets
2. Acquisition-related costs and temporary gain or loss falling into non-operating, and extraordinary income and expenses in JGAAP basis

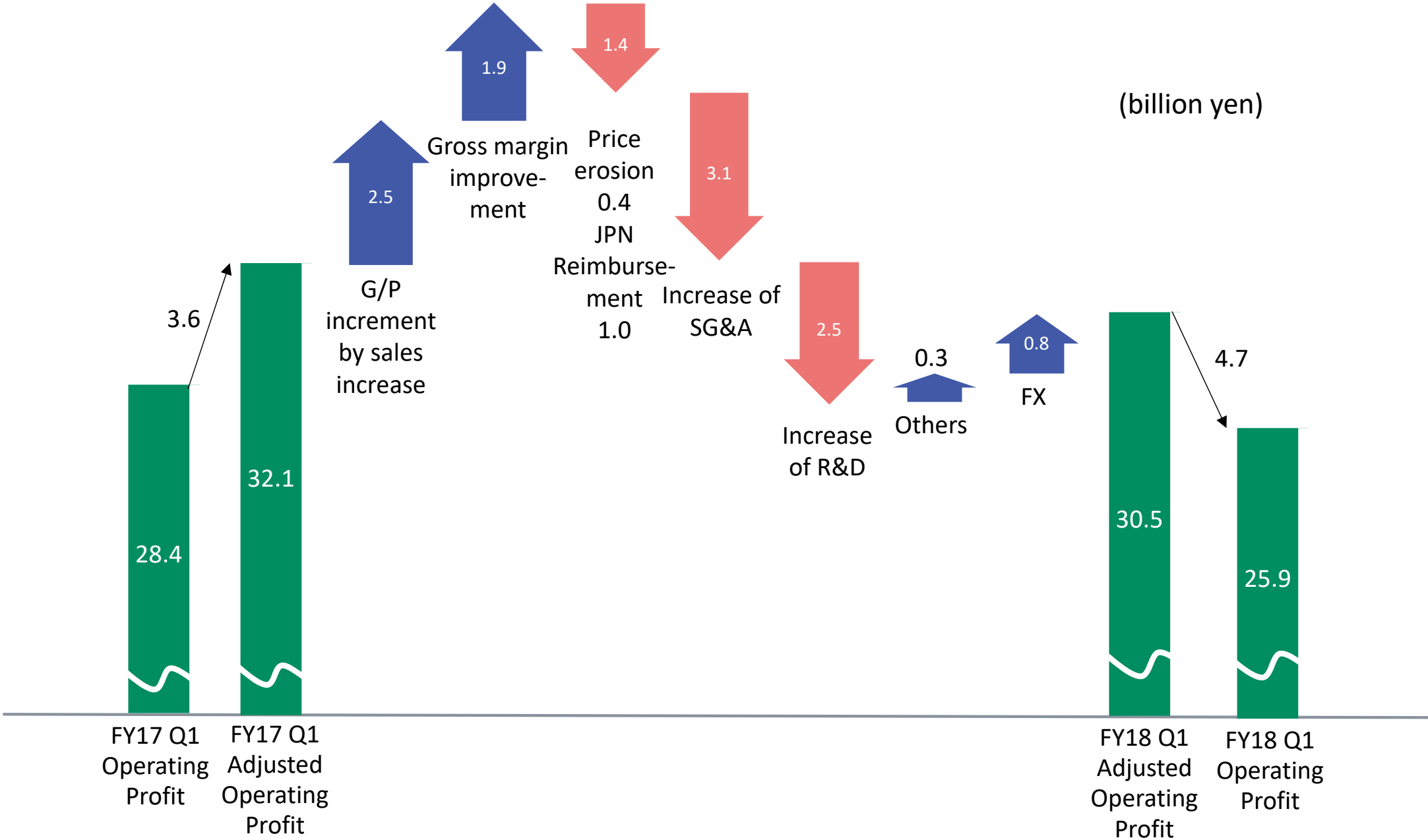
(billion yen)

	FY17 Q1	FY18 Q1
1.Amortization of acquired intangible assets	3.8	3.8
2.Temporary gain and loss*	-0.2	0.9
Adjustment	3.6	4.7

## \*Adjusted items

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

# Adjusted Operating Profit Variance Analysis (IFRS)



# Revenue by Region

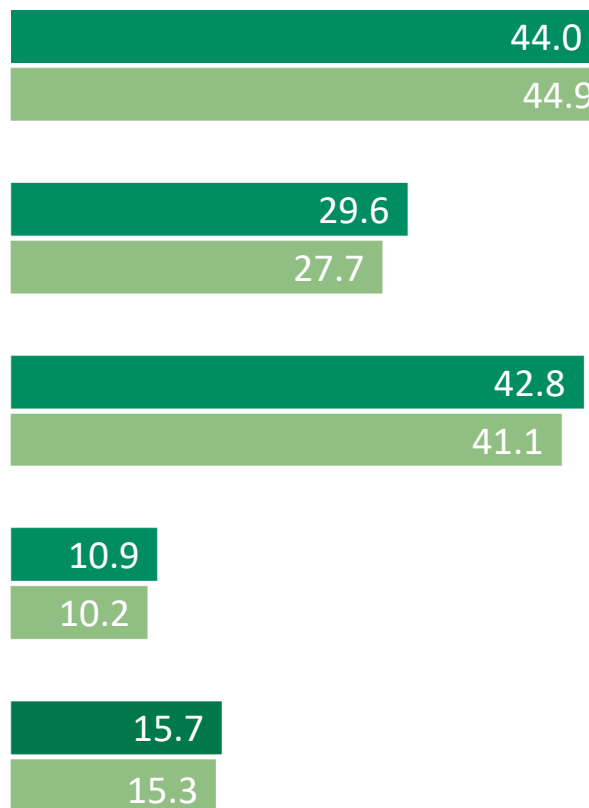
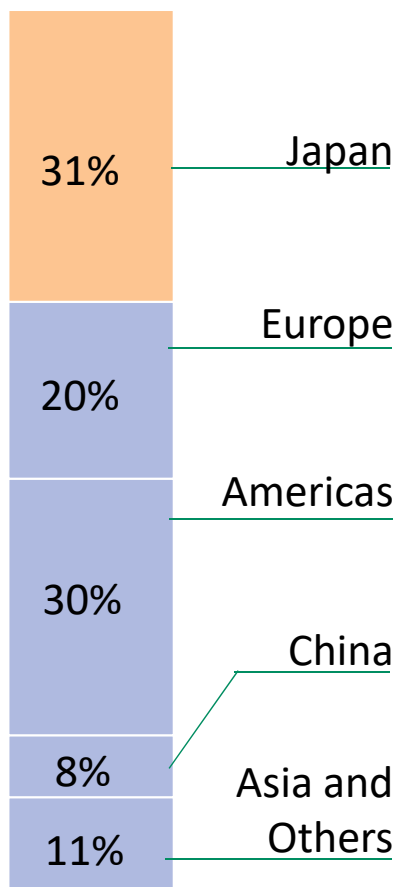
FY18 Q1  
FY17 Q1

## Revenue

100% = 143.0BJPY

## Year-on-Year Revenue Comparison

billion yen	YoY%	Comments
	( ) FXN	
Japan	-2%	Ended up having slightly negative growth in overall revenue although growth in General Hospital Company and Blood Management Company covered the negative one in Cardiac and Vascular Company suffering JPN reimbursement price cut and shipping delay
Europe	+7% (+2%)	Vascular graft and neurovascular businesses in Cardiac and Vascular Company as well as alliance business in General Hospital Company drove overall growth
Americas	+4% (+6%)	All companies achieved steady growth
China	+7% (+3%)	Neurovascular business in Cardiac and Vascular Company drove overall growth
Asia and Others	+3% (+3%)	General Hospital Company and Blood Management Company covered the negative growth in Cardiac and Vascular Company



# Revenue by Business Segment

FY18 Q1  
FY17 Q1

## Revenue

100% = 143.0BJPY



Cardiac and Vascular

General Hospital

Blood Management

## Year-on-Year Revenue Comparison

billion yen	YoY%	Comments		
	( ) FXN			
<table border="1"> <tr> <td>79.5</td> </tr> <tr> <td>79.1</td> </tr> </table>	79.5	79.1	+1% (0%)	Overseas growth covered the negative one in JPN, which suffers JPN reimbursement price cut and shipping delay, achieving slightly positive overall growth
79.5				
79.1				
<table border="1"> <tr> <td>38.8</td> </tr> <tr> <td>36.9</td> </tr> </table>	38.8	36.9	+5% (+5%)	Achieved steady growth in JPN by and large. Alliance business mainly in EU drove overseas growth
38.8				
36.9				
<table border="1"> <tr> <td>24.6</td> </tr> <tr> <td>23.3</td> </tr> </table>	24.6	23.3	+5% (+5%)	Blood center products made double digit growth in emerging countries such as ones in Latin America and Asia
24.6				
23.3				

# Cardiac and Vascular : Decrease in Profit in Line with FY18 1H Guidance

(billion yen)

	FY17Q1	FY18Q1	YoY%	Major Topics	Impact
Revenue	79.1	79.5	+1% (0%)	TIS: Impact of JPN reimbursement price cut and shipping delay. Sales for therapeutic devices in Cardiology declined Neurovascular: Achieved double digit growth CV: Made a steady growth in relaunched heart lung machine in US Vascular graft: Annualized the impact by acquisition of Bolton Medical	-1.0
					+1.2
Adjusted Operating Profit (%)	21.2 (27%)	19.9 (25%)	-6% (-7%)	In TIS and neurovascular, SG&A and R&D expenses were realized as planned in FY18 Q1, while aforementioned expenses in FY17 Q1 fell behind the plan then	+0.1
					+0.2

( ) FXN

# General Hospital : Achieved Stable Growth in Profit while Maintaining Profitability

(billion yen)

	FY17Q1	FY18Q1	YoY%	Major Topics	Impact
Revenue	36.9	38.8	+5% (+5%)	General hospital products: Infusion system drove growth in JPN. Outside JPN, infusion pump showed steady growth in Asia	+0.5
				Pharmaceutical and nutrition: Adhesion barrier and pain management grew, coupled w/ good sales of I.V. solutions	+0.5
				DM Healthcare: Steady momentum mainly in DM	+0.1
				Alliance: Made a large growth in- and outside JPN. Achieved over 20% growth	+0.8
Adjusted Operating Profit (%)	5.9 (16%)	6.2 (16%)	+6% (+10%)	Maintained high profitability thanks to factors such as lowered manufacturing cost. Increased profit owing to steady sales expansion	

( ) FXN



# Blood Management : Revenue Grew Steadily despite Decreased Profit Due to Increased R&D Expenses

(billion yen)

	FY17Q1	FY18Q1	YoY%	Major Topics	Impact
Revenue	23.3	24.6	+5% (+5%)	Blood center products: US made stable growth. Achieved double digit growth in emerging countries such as ones in Latin America and Asia Therapeutic apheresis: Replacement w/ latest version of console	+1.1  +0.3
Adjusted Operating Profit (%)	3.6 (15%)	3.4 (14%)	-5% (-15%)	Decreased profit owing to increase of R&D expenses (about 0.6 BJPY)	

( ) FXN

# Major Topics in FY18 Q1

## Corporate

- Terumo joined “IkuBoss Alliance”, promoting diversified workstyle (Jun)



- Launched “VeinViewer” portable vascular access imaging device (Apr)

- Launched “RelayPro” TAA stent graft in EU (Apr)



- Acquired CE marking for “Ultumaster Tansei”  
the drug eluting stent followed by its launch in EU (Apr)



- Made an agreement w/ U.S.-based DexCom, Inc. and gained the exclusive right to distribute its Continuous Glucose Monitoring (CGM) devices exclusively in Japan (May)

- Won The Award of the Society of Polymer Science, Japan for development of spray type adhesion barrier first time in JPN (May)



- Acquired CE marking for “Kanshas” drug coated balloon (DCB) catheter used in the treatment of lower extremity for the first time amongst Japanese companies (Jun)



# 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: Launched JP, Asia: FY18 2H
Peripheral	Stent (TRI)	★ JP, US
	PTA balloon (TRI)	★ JP, US
	PTA guiding sheath (TRI)	★ JP, US
	Drug coated balloon	◎ ★ Acquired CE marking
Neuro	Distal access catheter (Sofia EX)	EU, US
	Coil assisted balloon	EU, US

Category	Products	Region
CV	Next generation of oxygenator	◎ JP, US
	Next generation of blood parameter monitoring system	EU, US, Asia
Vascular graft	TAA stent graft (low profile)	★ Launched
	AAA stent graft (Anaconda w/ smaller diameter)	EU
General hospital product	Portable vascular access imaging device	Launched
DM	Insulin patch pump	JP
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

# Status of Shipping Delays from Ashitaka Factory

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## Background

- Discovered that there were challenges in the procedure that optimizes the sterilization process  
=> Shipments of certain products from this factory were placed on hold in late May
- Gradually resumed shipment from June onwards, yet found it more time-consuming to confirm each sterilization chamber and each type of sterilization method
- Return to the former level within Aug. 2018

## Further actions to take

- Quick expansion of sterilization capacity by utilizing other manufacturing sites incl. external facilities
- For some products, consider production transfer from Ashitaka Factory to other ones

## Impact on the guidance

- JPN: The impact was seen from June, and is expected to last until August
- Overseas: Until June, limited impact thanks to no shipping delays from overseas factories, coupled w/ a fair amount of inventories. However, Q2 is expected to see impacts to some extent

# Revision of FY18 Guidance

## Key points of revision

- 1H: Revised due to the impact of shipping delays from Ashitaka factory
- 2H: In line with the current guidance in FY18 2H (No change)
- Average exchange rate from Q2 onwards USD=105 yen, EUR=130 yen (billion yen)

<FY18 1H>	Revenue	Adjusted Operating Profit	Operating Profit	Profit for the Year
Current Guidance	293.0	61.5	54.5	39.5
New Guidance	282.0	55.0	48.0	34.5
Change	-11.0	-6.5	-6.5	-5.0

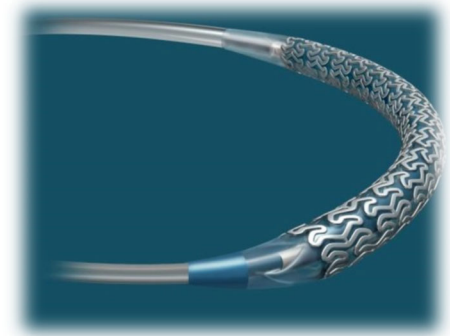
<FY18>	Revenue	Adjusted Operating Profit	Operating Profit	Profit for the Year
Current Guidance	608.0	128.5	114.5	83.5
New Guidance	597.0	122.0	108.0	78.5
Change	-11.0	-6.5	-6.5	-5.0

# Pursue Regional Strategy in China

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## Acquisition of Essen Technology Co., Ltd. (announced in July 24)

- “Tivoli” drug eluting stent for Chinese market
- Upfront payment of 14.0 BJPY + milestone payment, to be funded from cash on hand
- Enter Chinese DES market, which will become the world largest, w/ Chinese domestic products, and create synergy w/ Terumo’s existing distribution channel and other products
- Expect closing within calendar year 2018



## The local joint company acquired regulatory approval of peritoneal dialysis solution (announced in Aug 6)

- Joint company between Terumo and Wego group, “Wego Terumo”
- Terumo’s technology and knowhow of familiarizing new treatment + Wego’s distribution network
- Wego will commence sales within calendar year 2018

# Reference

# FY18 Q1 Revenue and Growth by Region

(billion yen)

Business Segment	Japan	Outside of Japan					G. Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	11.3 (-16%)	68.2 (+3%)	21.3 (+2%)	30.4 (+7%)	9.0 (+3%)	7.5 (-5%)	79.5 (0%)
Out of C&V Interventional Systems*	8.4 (-18%)	55.3 (+3%)	17.1 (+2%)	23.5 (+6%)	8.4 (+3%)	6.3 (-5%)	63.7 (0%)
General Hospital	30.2 (+4%)	8.6 (+8%)	2.1 (+10%)	1.7 (+5%)	0.6 (+14%)	4.2 (+7%)	38.8 (+5%)
Blood Management	2.5 (+3%)	22.1 (+5%)	6.2 (+2%)	10.6 (+5%)	1.3 (-1%)	4.0 (+13%)	24.6 (+5%)
G. Total	44.0 (-2%)	99.0 (+4%)	29.6 (+2%)	42.8 (+6%)	10.9 (+3%)	15.7 (+3%)	143.0 (+2%)

\*Including Neurovascular business

(YoY%): FXN



# Operating Expenses

(billion yen)

	FY17 Q1	FY18 Q1	YoY	YoY%	YoY% (FXN)
Salaries & Wages	20.0	21.7	+1.7	+8%	+8%
Sales Promotion	4.1	4.5	+0.4	+9%	+8%
Logistical Costs	3.0	3.2	+0.2	+9%	+9%
Depreciation & Amortization	3.4	3.4	+0.0	+0%	+1%
Others	9.7	10.7	+1.0	+11%	+10%
<b>SG&amp;A Expenses Total</b>	<b>40.2</b> (28.9%)	<b>43.5</b> (30.4%)	<b>+3.3</b>	<b>+8%</b>	<b>+8%</b>
<b>R&amp;D Expenses</b>	<b>8.5</b> (6.1%)	<b>11.3</b> (7.9%)	<b>+2.8</b>	<b>+33%</b>	<b>+34%</b>
<b>Operating Expenses Total</b>	<b>48.7</b> (35.0%)	<b>54.8</b> (38.3%)	<b>+6.1</b>	<b>+13%</b>	<b>+13%</b>

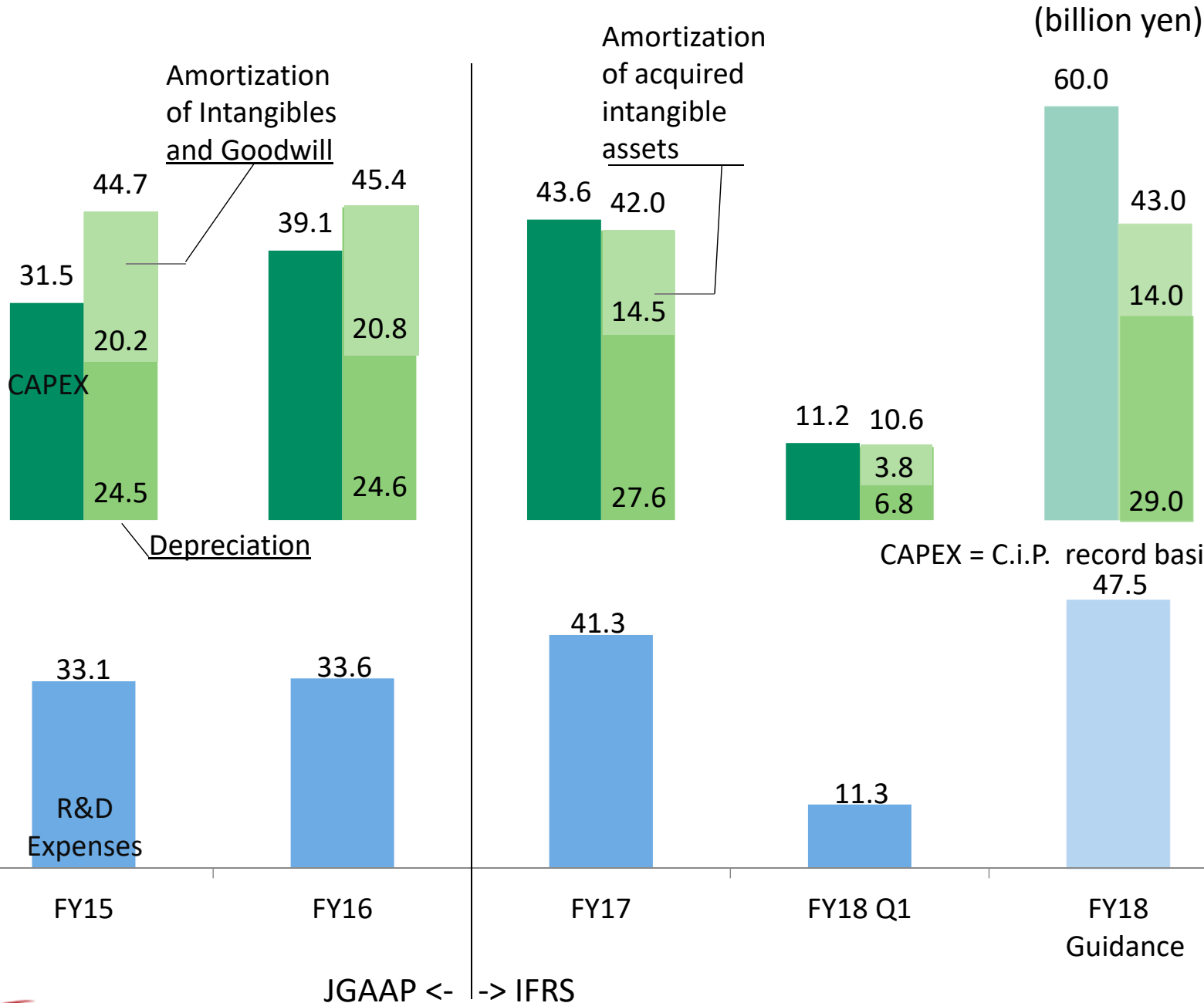
# Quarterly Results

(billion yen)

	FY17 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY18 Q1 (Apr-Jun)
Revenue	139.3	145.3	152.3	150.8	143.0
Gross Profit	75.9 (54.5%)	79.5 (54.7%)	83.2 (54.6%)	80.7 (53.5%)	79.9 (55.8%)
SG&A Expenses	40.2 (28.9%)	41.2 (28.4%)	43.8 (28.7%)	45.9 (30.4%)	43.5 (30.4%)
R&D Expenses	8.5 (6.1%)	9.8 (6.7%)	10.7 (7.0%)	12.4 (8.2%)	11.3 (7.9%)
Other income and Expenses	1.2	0.2	0.6	- 0.4	0.8
Operating Profit	28.4 (20.4%)	28.7 (19.8%)	29.4 (19.3%)	22.0 (14.6%)	25.9 (18.1%)
Adjusted Operating Profit	32.1 (23.0%)	32.8 (22.6%)	32.7 (21.5%)	27.4 (18.1%)	30.5 (21.4%)

Average Exchange Rate	USD	111 yen	111 yen	113 yen	108 yen	109 yen
	EUR	122 yen	130 yen	133 yen	133 yen	130 yen

# CAPEX and R&D Expenses

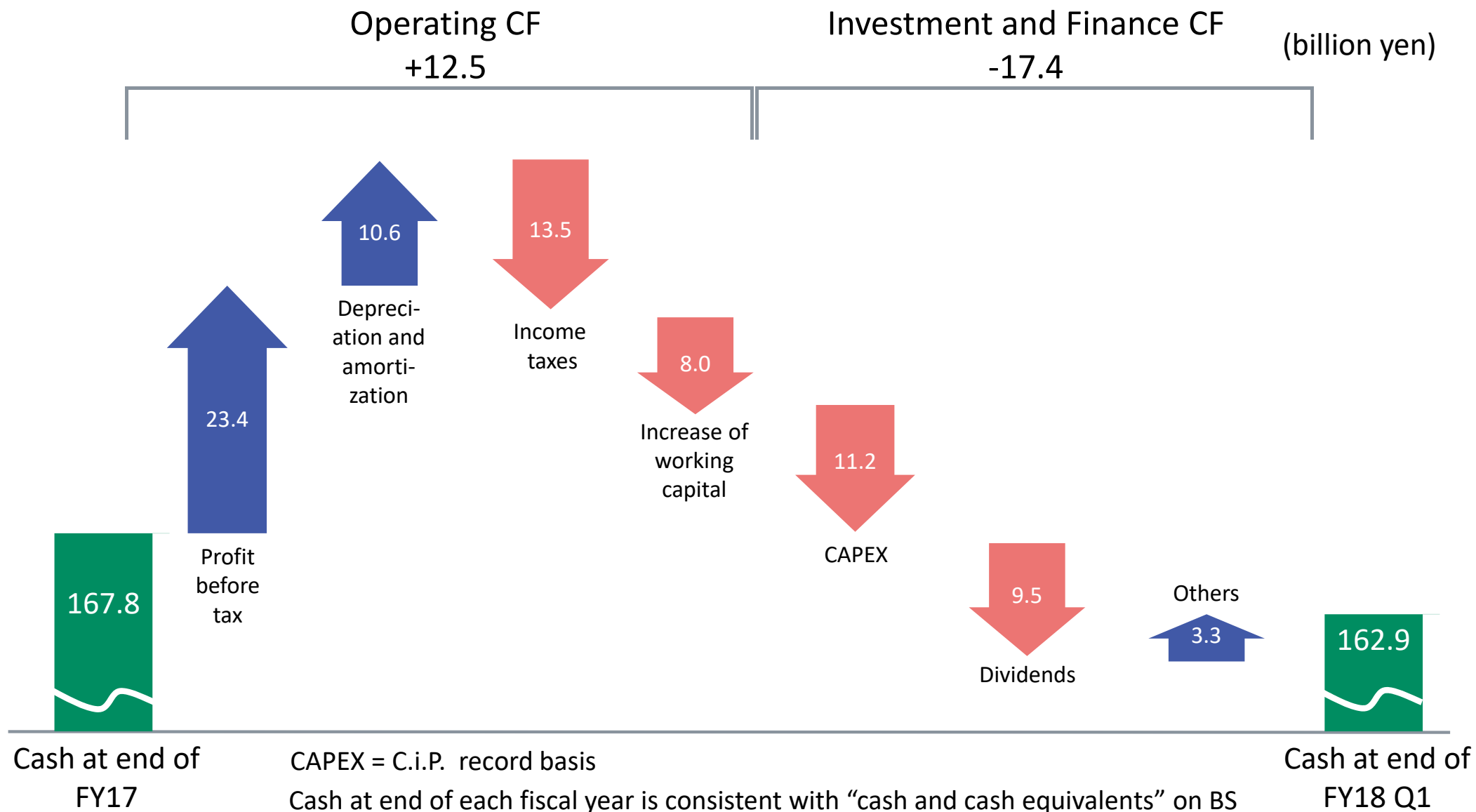


- Expand investment in production capacity and space as well as IT infrastructure in FY18
- IFRS basis from FY17
  - Include intangible assets except for acquired ones and capitalized development expenses

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

FY17 :0.8BJPY  
 FY18 Q1 :0.4BJPY  
 FY18 guidance :2.1BJPY

# Cash Flow



# Foreign Exchange Sensitivity

(billion yen)

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

<Reference> Impact of +/-10% fluctuation

	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

# 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	12.9M shares
Dec, 2021	50.0	0.0%	3,853	5,009	12.9M shares
Total	100.0				25.9M shares

## ■ Status of conversion (as of Jul 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	28.03 BJPY (56.1%)	7.2M shares (1.91%)
Convertible Bonds due Dec, 2021	3.53 BJPY (7.06%)	0.9M shares (0.24%)
Total	31.56 BJPY (31.6%)	8.2M shares (2.16%)

## ➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 19.7M shares  
(as of the end of Jul. 2018, treasury stock cost per share: 3,896JPY, % against total number of issued shares: 5.1%)

# IR Contact

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## Terumo Corporation

Corporate Communication (IR) Dept.

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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.