

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020 (FY2019)

Terumo Corporation
Chief Accounting and Financial Officer
Naoki Muto

February 6, 2020

Highest-ever Q3YTD Revenue and Adjusted Operating Profit

(billion JPY)

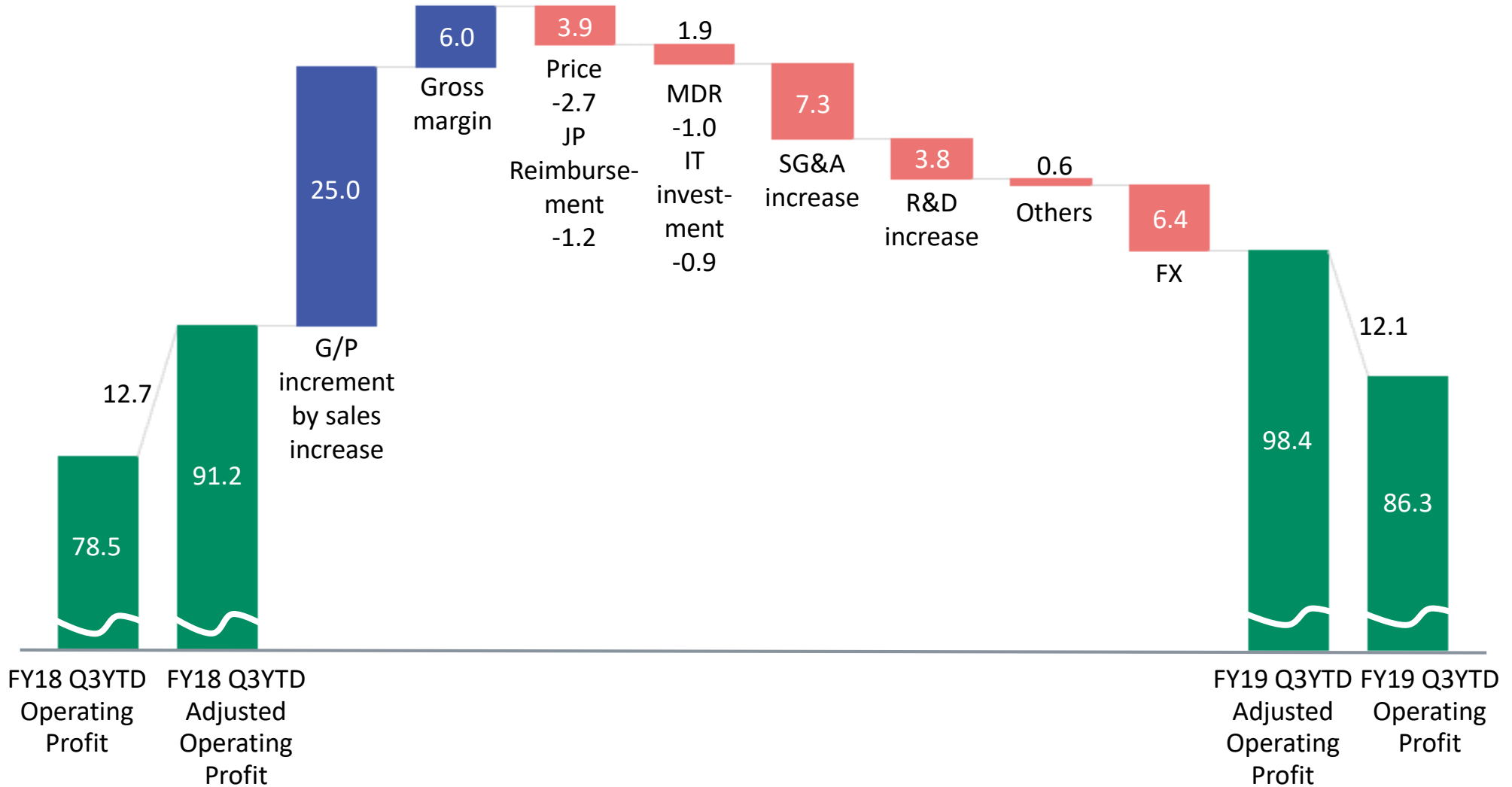
	FY18 Q3YTD	FY19 Q3YTD	YoY%	YoY% (FXN)
Revenue	443.6	470.1	+6%	+9%
Gross Profit	242.2 (54.6%)	258.6 (55.0%)	+7%	+11%
SG&A Expenses	132.0 (29.8%)	136.8 (29.1%)	+4%	+7%
R&D Expenses	36.0 (8.1%)	37.0 (7.9%)	+3%	+5%
Other Income and Expenses	4.4	1.5	-	-
Operating Profit	78.5 (17.7%)	86.3 (18.3%)	+10%	+18%
Adjusted Operating Profit	91.2 (20.6%)	98.4 (20.9%)	+8%	+17%
Profit before Tax	75.0 (16.9%)	85.5 (18.2%)	+14%	
Profit for the Year	56.5 (12.7%)	66.9 (14.2%)	+18%	

Average Exchange Rates	USD	111 JPY	109 JPY
	EUR	129 JPY	121 JPY

- Revenue: Continued positive growth in all companies. Driven by continuous double digit growth in TIS and Neurovascular business.
- Adjusted Operating Profit: Continued double digit growth on the basis of FX neutral
- Profit before Tax: FX loss decreased from 3.2 B JPY in FY18 Q3YTD to 0.8 B JPY in FY19 Q3YTD

Adjusted Operating Profit Variance Analysis

(billion JPY)



FX Impact on Adjusted Operating Profit Variance Analysis

Q3YTD FX impact -6.4 B JPY : -2.3 B JPY (1H) plus -4.1 B JPY (Q3)

<Details of -4.1 B JPY>

- 2.3 B JPY from flow : Impact of JPY appreciated against EUR and currencies in emerging countries compared with FY18 Q3

Rate comparison			(JPY)
	FY18 Q3 average	FY19 Q3 average	Variance
EUR	129	120	-9
CNY	16.6	15.6	-1

- 1.8 B JPY from stock : FX impact on unrealized profit in inventories

- Negative impact due to rapid depreciation of JPY at the end of Dec, FY19
- Huge negative year-on-year variance due to positive impact in FY18 Q3

Rate comparison				(JPY)	Rate comparison				(JPY)
	FY18 Q3 average	At the end of Dec, FY18	Variance		FY19 Q3 average	At the end of Dec, FY19	Variance		Variance
USD	113	111	+2	➔	USD	109	110	-1	
EUR	129	127	+2		EUR	120	123	-3	

Revenue by Region

■ FY19 Q3YTD
■ FY18 Q3YTD

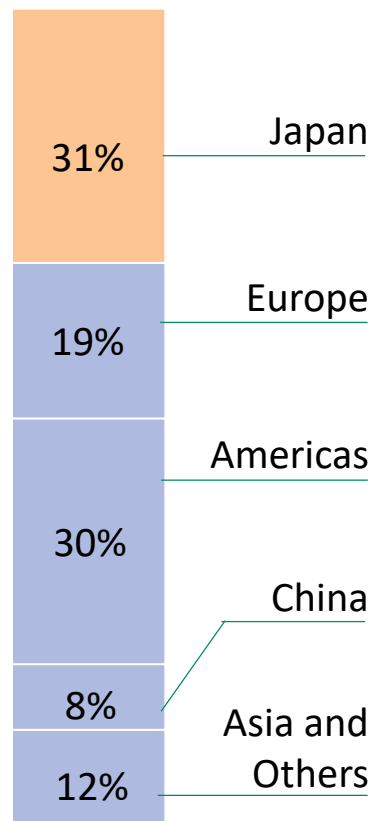
Revenue

100% = 470.1 B JPY

Year-on-Year Revenue Comparison

billion JPY	YoY%	Comments
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() FXN



+4%

Japan : Steady high single digit growth in Cardiac and Vascular. Solid momentum in line with the guidance for General Hospital, as well as Blood Management Company



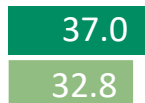
+1%
(+7%)

Europe : Huge negative FX impact. Driven by double digit growth in Cardiac and Vascular Company, excluding the FX impact



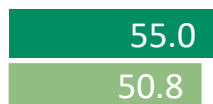
+9%
(+13%)

Americas : Driven by Cardiac and Vascular centered on TIS and Neurovascular business with double digit growth, covering negative growth in General Hospital Company



+13%
(+19%)

China : Double digit growth driven by continuous 20%+ growth in TIS business

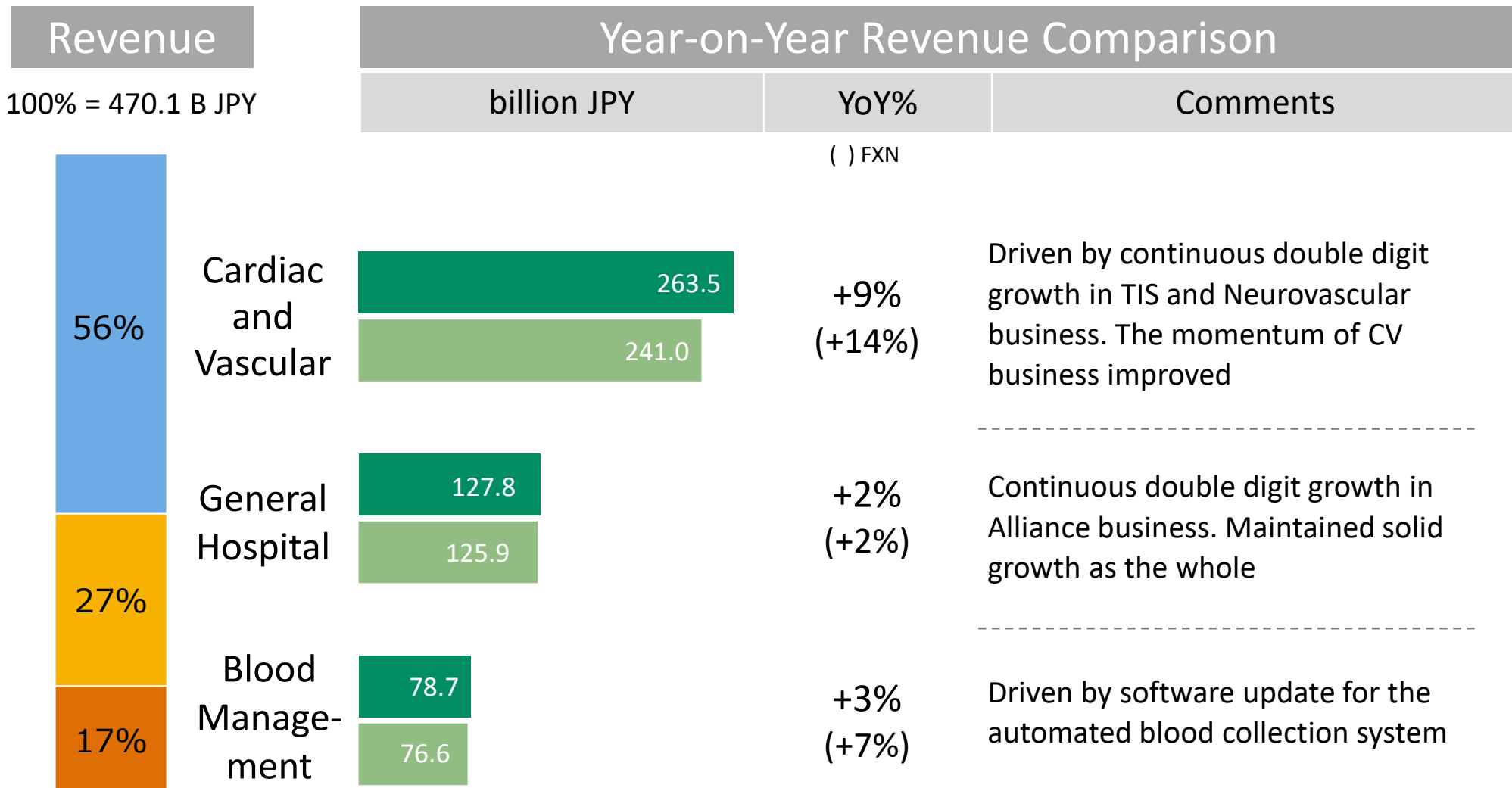


+8%
(+12%)

Asia and Others : Double digit growth in Cardiac and Vascular, as well as Blood Management Company

Revenue by Business Segment

FY19 Q3YTD
FY18 Q3YTD



() FXN

Cardiac and Vascular : Positive Growth in All Businesses. Continued Double Digit Growth in Profit

(billion JPY)

	FY18 Q3YTD	FY19 Q3YTD	YoY%	Major Topics	Impact
Revenue	241.0	263.5	+9% (+14%)	TIS : Continued double digit growth overseas Neurovascular : Continuous double digit growth driven by globally strong momentum in “WEB” and stroke devices CV : Improved momentum driven by oxygenators Vascular Graft : Smooth progress in stent graft direct sales transition in JP and overseas reorganization	+15.6 +5.1 +1.2 +0.6
Adjusted Operating Profit (%)	58.0 (24%)	68.8 (26%)	+18% (+28%)	Driven by sales increase in TIS and Neurovascular business. Some expenses behind plan due to strong momentum in overall TIS products and “WEB” in Neurovascular	

() FXN

General Hospital : Revenue and Profit in Line with the Guidance

(billion JPY)

	FY18 Q3YTD	FY19 Q3YTD	YoY%	Major Topics	Impact
			() FXN		
Revenue	125.9	127.8	+2% (+2%)	General hospital products : Impact of the financial challenge in Indonesian national health insurance, etc. Pharmaceutical and nutrition : Continued double digit growth in pain management products and adhesion barrier Alliance : In line with the guidance	-0.7 +1.1 +1.5
Adjusted Operating Profit (%)	22.3 (18%)	19.8 (16%)	-11% (-9%)	In line with the guidance	



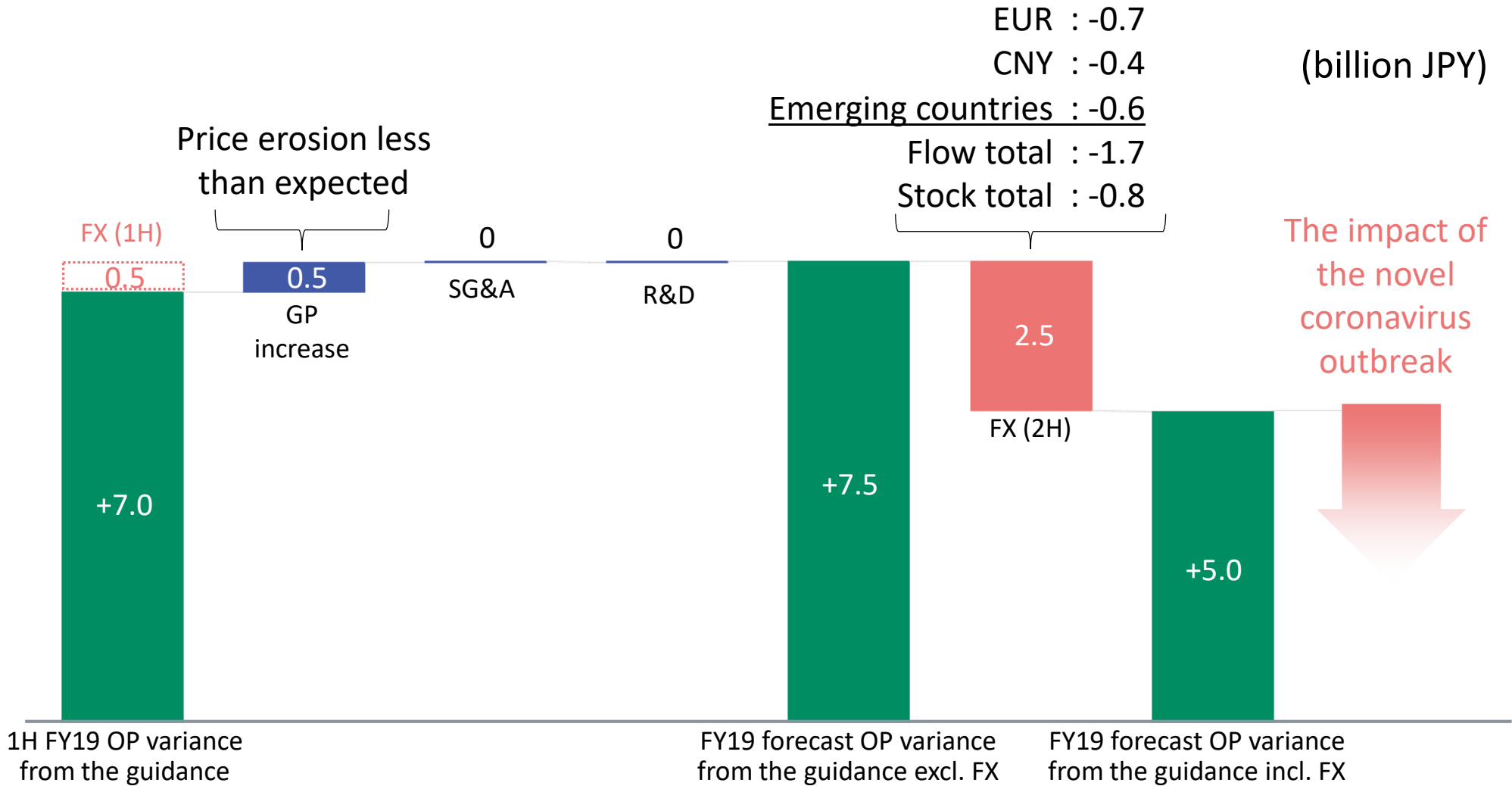
Blood Management : Solid Momentum Excluding FX Impact

(billion JPY)

	FY18 Q3YTD	FY19 Q3YTD	YoY%	Major Topics	Impact
Revenue	76.6	78.7	+3% (+7%)	<p>Blood center products : Driven by software update for the automated blood collection system</p> <p>Therapeutic apheresis : Recoil of replacement with the latest version of consoles in developed countries. Double digit growth in Asia and Latin America</p>	+2.1 +0.2
Adjusted Operating Profit (%)	10.9 (14%)	10.4 (13%)	-4% (+11%)	<p>Huge negative impact of FX.</p> <p>In line with the guidance</p>	

() FXN

Reiterate the FY19 Guidance



Exchange Rates for Q4 : 1 USD=109 JPY, 1 EUR=120 JPY
 for FY19 : 1 USD=109 JPY, 1 EUR=121 JPY

Major Topics in FY19 Q3

Corporate

- Has received “GOOD DESIGN AWARD” for twenty four consecutive years (Oct)
- Donated through Japanese Red Cross for the relief of Typhoon Hagibis in JP (Oct)
- Established “Terumo Group Human Rights Policy” (Dec)



Condensed liquid nutrition
“Terumeal Uplead-mini”



Closed hazardous drug
infusion system
“ChemoSafe Lock”



Pulsed xenon UV
germ-zapping robot
“LIGHTSTRIKE”

Business

- Launched a small size of adhesion barrier gel “AdSpray” (Oct)
- Launched fill and finish system for cell therapy processing “FINIA” (Oct)
- Acquired U.S.-based Aortica Corporation, owning automated case planning software technologies for personalized stent grafts (Nov)
- Asahi Kasei Pharma Corporation launched a new formulation to treat osteoporosis pre-filled in “PLAJEX” (Dec)
- Gained US-FDA premarket approval of the flow diverter “FRED” for treatment of brain aneurysms (Dec)
- Gained manufacturing and marketing approval of the intrasaccular aneurysm treatment device “WEB” in JP (Dec)



Fill and finish system
“FINIA”



“Teribone 28.2 µg subcutaneous autoinjector”



Intrasaccular aneurysm
treatment device
“WEB”

New Products Pipeline in FY19

Category	Products	Region	Launch	Category	Products	Region	Launch
Access	Closure device for distal radial approach	JP	FY20	General hospital	Next generation of syringe pump	JP	Q4
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	Launched		Blood glucose monitoring system	JP	Q4
	Mini balloon	EU, US	Launched		Insulin patch pump	JP	Launched
	Aspiration catheter	JP	Launched		Next version of blood pressure monitor	JP	Launched
	Stentriever	JP	Launched		Next version of thermometer	JP	Q4
CV	Next generation of oxygenator	JP	FY20	Blood Management	Fill and finish system for cell therapy processing (FINIA)	Global	Launched
	Heart lung machine (re-launch)	JP	FY20				
Vascular graft	Large-bore vascular graft (Triplex Advanced)	JP	Q4				

Reference

FY19 Q3YTD Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Grand Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	38.2 (+8%)	225.3 (+15%)	64.1 (+10%)	103.1 (+15%)	30.9 (+22%)	27.2 (+15%)	263.5 (+14%)
Out of C&V Interventional Systems*	28.5 (+7%)	185.4 (+16%)	52.2 (+11%)	81.8 (+18%)	28.9 (+23%)	22.5 (+14%)	213.9 (+15%)
General Hospital	100.5 (+3%)	27.3 (+0%)	6.6 (-0%)	6.1 (+2%)	1.9 (+6%)	12.8 (-1%)	127.8 (+2%)
Blood Management	9.0 (+1%)	69.7 (+8%)	18.1 (+2%)	32.4 (+7%)	4.2 (+7%)	15.0 (+20%)	78.7 (+7%)
Grand Total	147.8 (+4%)	322.3 (+12%)	88.7 (+7%)	141.6 (+13%)	37.0 (+19%)	55.0 (+12%)	470.1 (+9%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion JPY)

	FY18 Q3YTD	FY19 Q3YTD	YoY	YoY%	YoY% (FXN)
Salaries & Wages	65.5	66.6	+1.1	+2%	+5%
Sales Promotion	13.3	14.6	+1.3	+10%	+13%
Logistical Costs	10.1	10.3	+0.3	+3%	+5%
Depreciation & Amortization	10.4	13.9*	+3.5	+34%	+37%
Others	32.7	31.4*	-1.3	-4%	-2%
SG&A Expenses Total	132.0 (29.8%)	136.8 (29.1%)	+4.8	+4%	+7%
R&D Expenses	36.0 (8.1%)	37.0 (7.9%)	+1.0	+3%	+5%
Operating Expenses Total	168.0 (37.9%)	173.8 (37.0%)	+5.8	+3%	+6%

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

Quarterly Results

(billion JPY)

	FY18 Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY19 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Revenue	158.6	155.9	152.5	154.8	162.9
Gross Profit	87.6 (55.2%)	84.3 (54.1%)	85.2 (55.8%)	86.3 (55.8%)	87.2 (53.5%)
SG&A Expenses	45.0 (28.4%)	46.7 (29.9%)	44.5 (29.2%)	45.1 (29.1%)	47.2 (29.0%)
R&D Expenses	12.3 (7.7%)	11.6 (7.5%)	11.8 (7.8%)	12.5 (8.1%)	12.7 (7.8%)
Other Income and Expenses	0.6	2.1	0.4	1.3	-0.2
Operating Profit	30.9 (19.5%)	28.2 (18.1%)	29.2 (19.1%)	30.0 (19.4%)	27.1 (16.6%)
Adjusted Operating Profit	35.9 (22.6%)	30.9 (19.9%)	33.9 (22.3%)	33.1 (21.4%)	31.4 (19.3%)

Average Exchange Rates	USD	113 JPY	110 JPY	110 JPY	107 JPY	109 JPY
	EUR	129 JPY	125 JPY	123 JPY	119 JPY	120 JPY

Adjusted Operating Profit : Adjustments

(billion JPY)

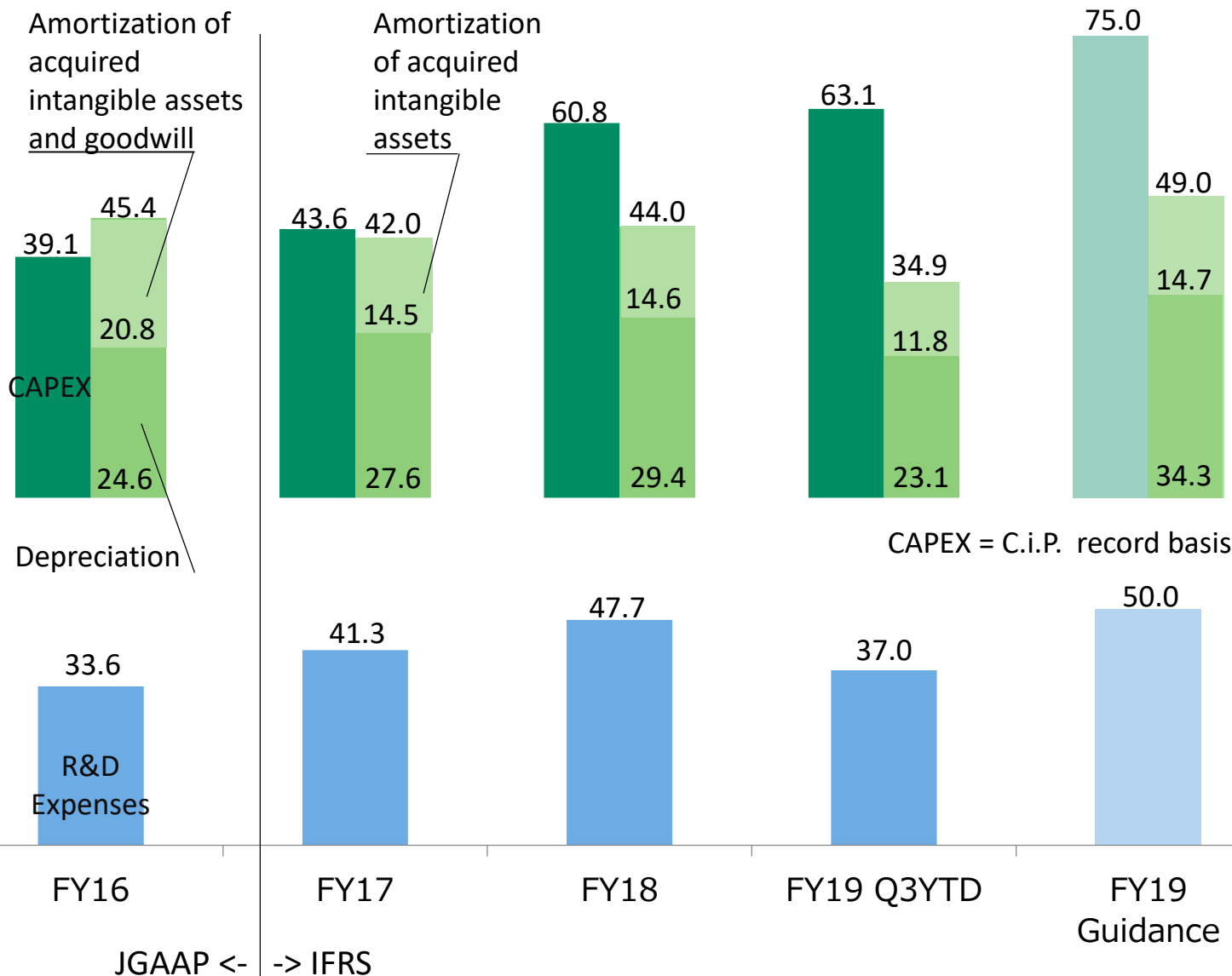
	FY18 Q3YTD	FY19 Q3YTD
Operating profit	78.5	86.3
Adjustment 1. Amortization of acquired intangible assets	+11.0	+11.9
Adjustment 2. Non-recurring profit or loss	+1.7	+0.3*
Adjusted operating profit	91.2	98.4

<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

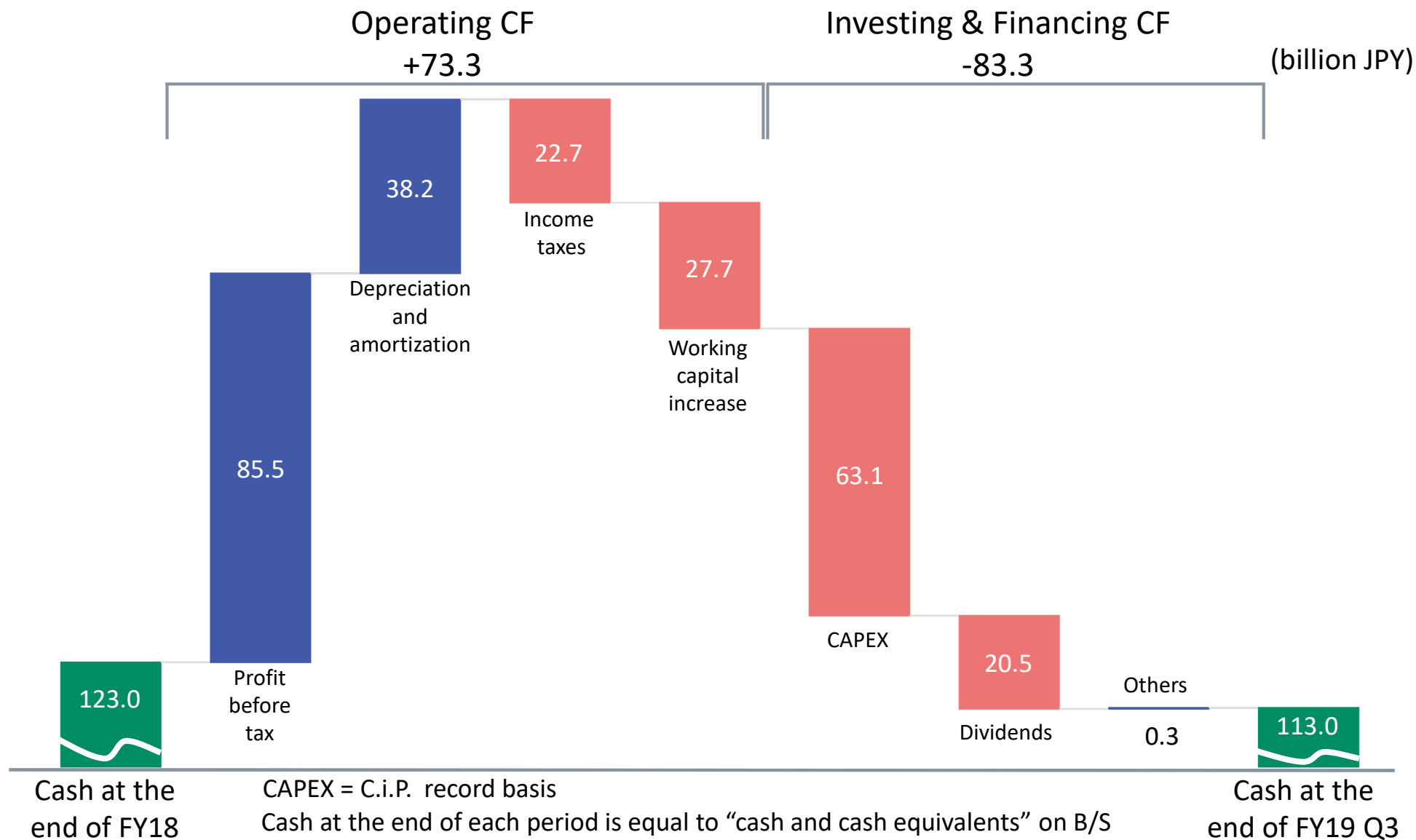
* FY19 Q3YTD main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganization cost	+1.1
Disaster insurance income for Puerto Rico factory	-1.2
Others	+0.4

CAPEX and R&D Expenses



- Expand investment in production capacity and space as well as IT in FY19
- Under IFRS since FY17
 - Depreciation includes amortization of non-acquired intangible assets & depreciation of capitalized R&D expenses
- Lease depreciation (IFRS16) is not included in FY19 result / guidance
- Further promote R&D activities mainly for TIS, Neurovascular and Blood Management Company
- Capitalized R&D expenses are included in CAPEX
 - FY18 : 2.4
 - FY19 Q3YTD : 3.4
 - FY19 guidance : 4.5

Cash Flows



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

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 Jan. 31, 2020)

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	42.5 B JPY (85.0%)	22 M shares (2.9%)
Total	92.5 B JPY (92.5%)	48 M shares (6.3%)

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 7 M shares
(at the end of Jan. 2020, treasury stock cost per share : 1,949 JPY, % against total number of issued shares : 1.0%)

IR Contact

Terumo Corporation

Corporate Communication (IR) Dept.

E-mail: kouhou_terumo01@terumo.co.jp

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.