

## Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2020: Reference

### Analysis of Business Performance

#### 1. Overview of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2020

##### (1) Overview of Consolidated Business Results

In the first three quarters of the current fiscal year (from April 1 to December 31, 2019), the ongoing trend in various countries in the global healthcare market was to cut back medical expenditures. Amid this environment, there continues to be growing demand, mainly in developed countries, for better healthcare economics to achieve a more focused and efficient allocation of fiscal resources.

Amid this backdrop, in line with the Mid- and Long-term Vision, the Terumo Group, as a “Global Corporation with Unique Excellence,” aims to become recognized by medical professionals worldwide as a top brand and a trusted manufacturer by winning a high level of trust globally for our total quality (which includes the total quality of its products, supply, and services).

Financial results for the first three quarters of the fiscal year ending March 31, 2020 are as follows:

(million yen)

	Q1-Q3 FYE3/2019	Q1-Q3 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Revenue	443,609	470,144	6.0	9.2
Gross profit	242,159	258,635	6.8	11.2
Adjusted operating profit	91,179	98,419	7.9	16.7
Operating profit	78,474	86,250	9.9	17.7
Profit before tax	75,008	85,487	14.0	—
Profit for the period	56,395	66,762	18.4	—
Profit for the period attributable to owners of the parent	56,495	66,893	18.4	—

(million yen)

Regional revenue	Q1-Q3 FYE3/2019	Q1-Q3 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Japan	142,245	147,842	3.9	3.9
Europe	88,169	88,738	0.6	7.4
Americas	129,677	141,561	9.2	12.5
Asia, etc.	83,517	92,002	10.2	15.0
Overseas total	301,364	322,302	6.9	11.7
Total	443,609	470,144	6.0	9.2

## **Revenue**

Revenue totaled 470.1 billion yen, a growth of 6.0% versus the same period in the previous fiscal year.

In Japan, overall revenue increased year on year. Revenue trended briskly in the pain management business of the General Hospital Company, in the alliance business with other pharmaceutical companies, and in the TIS business (intervention devices) and the neurovascular business of the Cardiac and Vascular Company.

Revenue overseas climbed in comparison with a year earlier. Performance was driven by brisk revenue in the TIS business (intervention devices) and the neurovascular business of the Cardiac and Vascular Company, and blood center products in the Blood Management Company.

## **Gross profit**

Gross profit amounted to 258.6 billion yen, an increase of 6.8% compared with the previous fiscal year, reflecting an increase in revenue.

## **Adjusted operating profit**

In the period under review, adjusted operating profit came to 98.4 billion yen, an increase of 7.9% year on year. This was attributed to an increase in gross profit.

Adjusted operating profit factors out amortization expense for intangible assets obtained during acquisitions and one-off income and expenses from operating profit. In addition, adjusted operating profit is consistent with segment profit. We are disclosing adjusted operating profit as we are using it as an earnings management indicator.

## **Operating profit**

Operating profit totaled 86.3 billion yen, an increase of 9.9% year on year, owing to the rise in adjusted operating profit.

## **Profit before tax**

Profit before tax was 85.5 billion yen, an increase of 14.0% versus the same period a year earlier. This reflects the forex translation loss declining from 3.2 billion yen in same period of the previous year to 0.8 billion yen.

## **Profit for the period attributable to owners of the parent**

Profit for the period attributable to owners of the parent totaled 66.9 billion yen, an increase of 18.4% year on year, driven by the increase in profit before tax.

Revenue results by company are as follows:

					(million yen)
Segment		Q1-Q3 FYE3/2019	Q1-Q3 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac and Vascular Company	Revenue	240,957	263,473	9.3	13.5
	(Japan)	35,373	38,178	7.9	7.9
	(Overseas)	205,584	225,294	9.6	14.5
General Hospital Company	Revenue	125,869	127,786	1.5	2.2
	(Japan)	97,753	100,474	2.8	2.8
	(Overseas)	28,116	27,311	(2.9)	0.3
Blood Management Company	Revenue	76,591	78,717	2.8	7.1
	(Japan)	8,950	9,022	0.8	0.8
	(Overseas)	67,640	69,695	3.0	8.0

### Cardiac and Vascular Company

In Japan, sales were driven by the TIS business (intervention devices), mainly in the imaging domain, and products for the treatment of acute ischemic stroke in the neurovascular business, while overseas, sales were propelled by WEB, a new type of cerebral aneurysm embolization device in the neurovascular business. In addition, sales in the TIS business (intervention devices) were brisk. Accordingly, revenue in the Cardiac and Vascular Company totaled 263.5 billion yen, a growth of 9.3% year on year.

### General Hospital Company

The hospital systems business saw brisk sales of AdSpray, a spray type adhesion barrier and Fentanyl injection, the narcotic analgesic. In addition, there was an expansion in B2B business with pharmaceutical companies in the alliance business. Consequently, in the General Hospital Company revenue amounted to 127.8 billion yen, an increase of 1.5% versus the period a year earlier.

### Blood Management Company

In Japan, revenue increased amid brisk sales of products aimed at blood centers. Overseas, sales were brisk, driven by the introduction of new software for blood component collection systems, but forex rates in Europe and emerging markets had a negative impact on earnings. Consequently, revenue in the Blood Management Company totaled 78.7 billion yen, an increase of 2.8% year on year.

## (2) Overview of Consolidated Statements of Financial Position

Total assets stood at 1,184.6 billion yen, an increase of 63.8 billion yen. This increase was mainly attributable to an increase in property, plant and equipment of 51.2 billion yen from the application of IFRS 16 Leases, capital expenditures to increase production, construction of a new building by Terumo Yamaguchi Corporation, along with an increase in trade receivables and inventories from an increase in sales revenues and raising product stock level, despite a decline in cash and cash equivalents of 10.0 billion yen due to the payment of dividends.

Liabilities totaled 433.1 billion yen, an increase of 10.4 billion yen. This was mainly attributable to an increase in other financial liabilities of 31.5 billion yen from the application of IFRS 16 Leases, despite a 17.9 billion yen decline in bonds and borrowings due to the conversion of convertible bonds.

Equity was 751.5 billion yen, an increase of 53.4 billion yen. This mainly reflects an increase from posting profit for the period of 66.8 billion yen and an increase from allocating treasury stock for the conversion of convertible bonds described above of 16.9 billion yen, compared to a decrease of 20.5 billion yen due to the payment of dividends from surplus.

**(3)Forecasts, including the Consolidated Financial Results for the Fiscal Year Ending March 31, 2020**

The forex rates for the euro, renminbi and emerging currencies have veered in the direction of a stronger yen compared to the initial outlook, but the performance of each business trended briskly. As a result, adjusted operating profit exceeds the initial forecast. However, we will leave our consolidated forecast announced on May 9, 2019 unchanged given the difficulty at the present time of quantifying the impacts on our operations from the novel coronavirus outbreak that occurred in China.