Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020: Reference

Analysis of Business Performance

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

(1) Overview of Consolidated Business Results

In the first quarter of the current fiscal year (from April 1 to June 30, 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 quarter of the fiscal year ending March 31, 2020 are as follows:

(million yen)

	Q1 FYE3/2019	Q1 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Revenue	143,020	152,526	6.6	8.5
Gross profit	79,857	85,169	6.7	8.8
Adjusted operating profit	30,544	33,949	11.1	17.8
Operating profit	25,875	29,168	12.7	16.8
Profit before tax	23,406	28,844	23.2	—
Profit for the period	18,059	22,751	26.0	—
Profit for the period attributable to the owners of the parent	18,091	22,791	26.0	—

(million yen)

Regional revenue	Q1 FYE3/2019	Q1 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Japan	44,010	45,954	4.4	4.4
Europe	29,605	30,037	1.5	6.3
Americas	42,763	46,025	7.6	7.9
Asia etc.	26,640	30,509	14.5	18.8
Overseas total	99,009	106,572	7.6	10.4
Total	143,020	152,526	6.6	8.5

Revenue

Revenue totaled 152.5 billion yen, a growth of 6.6% versus the same period in the previous fiscal year.

In Japan, overall revenue increased year on year. Revenue trended briskly in the General Hospital Company owing in part to demand in the surgical product domain, in the alliance business with other pharmaceutical companies, and in the TIS business (catheters) and the vascular business of the Cardiac and Vascular Company.

Revenue overseas climbed in comparison with a year earlier. Performance was driven by brisk revenue in the alliance business in the General Hospital Company, the TIS business (catheters) and the neurovascular business of the Cardiac and Vascular Company.

Gross profit

Gross profit amounted to 85.2 billion yen, an increase of 6.7% compared with the previous fiscal year, reflecting an increase in revenue.

Adjusted operating profit

In the quarter under review, adjusted operating profit came to 33.9 billion yen, an increase of 11.1% year on year. The rise in selling, general and administrative expenses, including R&D expenses, was offset by the 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 29.2 billion yen, an increase of 12.7% year on year, owing to the rise in adjusted operating profit.

Profit before tax

Profit before tax was 28.8 billion yen, an increase of 23.2% versus the same quarter a year earlier. This reflects the forex translation loss declining from 2.3 billion yen in same period of the previous year to 0.3 billion yen in the first quarter.

Profit for the period attributable to owners of the parent

Profit for the period attributable to owners of the parent totaled 22.8 billion yen, an increase of 26.0% year on year, driven by the increase in profit before tax.

Revenue results by company are as follows:

(million yen)

Segment		Q1 FYE3/2019	Q1 FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac and Vascular Company	Revenue	79,535	88,502	11.3	13.6
	(Japan)	11,296	12,148	7.5	7.5
	(Overseas)	68,239	76,354	11.9	14.6
General Hospital Company	Revenue	38,812	39,756	2.4	3.0
	(Japan)	30,165	31,207	3.5	3.5
	(Overseas)	8,646	8,548	(1.1)	1.2
Blood Management Company	Revenue	24,595	24,212	(1.6)	1.0
	(Japan)	2,494	2,543	1.9	1.9
	(Overseas)	22,100	21,669	(2.0)	0.9

Cardiac and Vascular Company

In Japan, sales were driven by stent graft, which we began selling on our own in the vascular 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 (catheters) were brisk globally. Accordingly, revenue in the Cardiac and Vascular Company totaled 88.5 billion yen, a growth of 11.3% year on year.

General Hospital Company

The hospital systems business saw brisk sales of Acelio, an antipyretic analgesic, and for AdSpray, a spray type adhesion barrier. 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 39.8 billion yen, an increase of 2.4% versus the period a year earlier.

Blood Management Company

In Japan, revenue increased amid brisk sales of products aimed at blood centers. Overseas, despite strong sales of cell processing products, we experienced adverse effects from foreign exchange rates in Europe and emerging markets and a drop in sales of products for blood centers compared to the strong results from the previous year end. Consequently, revenue in the Blood Management Company totaled 24.2 billion yen, down 1.6% year on year.

(2) Overview of Consolidated Balance Sheets

Total assets stood at 1,127 billion yen, an increase of 6.2 billion yen. This increase was mainly attributable to an increase in property, plant and equipment of 26.5 billion yen from the application of IFRS 16 Leases, despite a decline in cash and cash equivalents of 13.1 billion yen due to the payment of dividends and decline in goodwill and intangible assets of 10.9 billion yen, in part reflecting the impact from an appreciation in the yen’s value versus the US dollar compared with March 31, 2019.

Liabilities totaled 435.7 billion yen, an increase of 13 billion yen. This was mainly attributable to an increase in other financial liabilities of 31.2 billion yen from the application of IFRS 16 Leases, despite a decline of 5.1 billion yen in other current liabilities due to the payment of bonuses and a decline of 3.5 billion yen in current tax liabilities from the payment of income tax.

Equity was 691.3 billion yen, a decrease of 6.8 billion yen. This was mainly attributable to a decline in other component of equity of 20.1 billion yen, which reflects a decline in exchange differences on translation of foreign operations, owing to an appreciation in the yen’s value versus the US dollar compared with March 31, 2019, offsetting an overall increase in retained earnings of 12.7 billion yen reflecting the posting of profit for the period attributable to owners of the parent while dividend payments detracted from retained earnings.

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

There are no changes to our consolidated forecast announced on May 9, 2019. We anticipate an ongoing murky business environment including changes in the environment surrounding the medical device and pharmaceuticals industries, and forex rate trends. However, to achieve our group goals, we plan to pour energies into the development of high added-value products that will boost the quality and efficiency of healthcare, sales expansion, continuous improvement to manufacturing costs, and effective use of selling, general and administrative cost.