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

Analysis of Business Performance

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

(1) Overview of Consolidated Business Results

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

(million yen)

	1H FYE3/2019	1H FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Revenue	284,997	307,278	7.8	10.8
Gross profit	154,588	171,463	10.9	14.2
Adjusted operating profit	55,296	67,044	21.2	27.1
Operating profit	47,582	59,150	24.3	28.9
Profit before tax	44,527	58,065	30.4	—
Profit for the period	34,389	45,621	32.7	—
Profit for the period attributable to owners of the parent	34,454	45,711	32.7	—

(million yen)

Regional revenue	1H FYE3/2019	1H FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Japan	91,076	95,921	5.3	5.3
Europe	56,237	58,271	3.6	10.2
Americas	84,300	92,623	9.9	12.5
Asia etc.	53,382	60,461	13.3	18.4
Overseas total	193,921	211,356	9.0	13.4
Total	284,997	307,278	7.8	10.8

Revenue

Revenue totaled 307.3 billion yen, a growth of 7.8% versus the same period in the previous fiscal year.

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

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 the alliance business in the General Hospital Company.

Gross profit
Gross profit amounted to 171.5 billion yen, an increase of 10.9% compared with the previous fiscal year, reflecting an increase in revenue as well as an increase in sales of high-margin products and improved cost structure, among other factors.

Adjusted operating profit
In the period under review, adjusted operating profit came to 67 billion yen, an increase of 21.2% year on year. This was attributed to an increase in gross profit along with slower progress in some selling, general and administrative expenses.

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 59.2 billion yen, an increase of 24.3% year on year, owing to the rise in adjusted operating profit.

Profit before tax
Profit before tax was 58.1 billion yen, an increase of 30.4% versus the same period a year earlier. This reflects the forex translation loss declining from 2.8 billion yen in same period of the previous year to 1.1 billion yen.

Profit for the period attributable to owners of the parent
Profit for the period attributable to owners of the parent totaled 45.7 billion yen, an increase of 32.7% year on year, driven by the increase in profit before tax.

Revenue results by company are as follows:

(million yen)

Segment		1H FYE3/2019	1H FYE3/2020	Growth (%)	Growth excluding impact of forex translations (%)
Cardiac and Vascular Company	Revenue	153,464	172,597	12.5	16.4
	(Japan)	22,326	24,752	10.9	10.9
	(Overseas)	131,137	147,844	12.7	17.3
General Hospital Company	Revenue	81,228	82,815	2.0	2.7
	(Japan)	62,834	64,981	3.4	3.4
	(Overseas)	18,394	17,833	(3.0)	0.1
Blood Management Company	Revenue	50,173	51,756	3.2	7.3
	(Japan)	5,806	6,077	4.7	4.7
	(Overseas)	44,366	45,678	3.0	7.6

Cardiac and Vascular Company

In Japan, sales were driven by stent graft, which we began selling on our own in the vascular graft 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 globally. Accordingly, revenue in the Cardiac and Vascular Company totaled 172.6 billion yen, a growth of 12.5% year on year.

General Hospital Company

The hospital systems business saw brisk sales of infusion and syringe pumps, AdSpray, a spray type adhesion barrier, and Acelio, an antipyretic 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 82.8 billion yen, an increase of 2.0% versus the period a year earlier.

Blood Management Company

In Japan, revenue increased amid brisk sales of products aimed at blood centers. Overseas, sales of products for blood centers were solid, and in emerging markets we won a competitive bid which resulted in strong sales. Consequently, revenue in the Blood Management Company totaled 51.8 billion yen, an increase of 3.2% year on year.

(2) Overview of Consolidated Balance Sheets

Total assets stood at 1,148.4 billion yen, an increase of 27.6 billion yen. This increase was mainly attributable to an increase in property, plant and equipment of 40.2 billion yen from the application of IFRS 16 Leases, capital expenditures to increase production, and construction of a new building by Terumo Yamaguchi Corporation, despite a decline in cash and cash equivalents of 5.6 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 429.6 billion yen, an increase of 7 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 12.8 billion yen decline in bonds and borrowings due to the conversion of convertible bonds.

Equity was 718.8 billion yen, an increase of 20.7 billion yen. This was mainly attributable to a decline in other component of equity of 25 billion yen, which reflects a decline in exchange differences on translation of foreign operations, owing to an appreciation in the yen’s value, while retained earnings increased 35.1 billion yen and total equity increased 10.4 billion yen because treasury stock was allocated for the conversion of convertible bonds described above.

(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.