

Financial Results for the First Half of Fiscal Year Ending March 31, 2020 (FY2019)

Terumo Corporation
Chief Accounting and Financial Officer
Naoki Muto

November 7, 2019

Highest-ever 1H Revenue and Profit

(billion JPY)

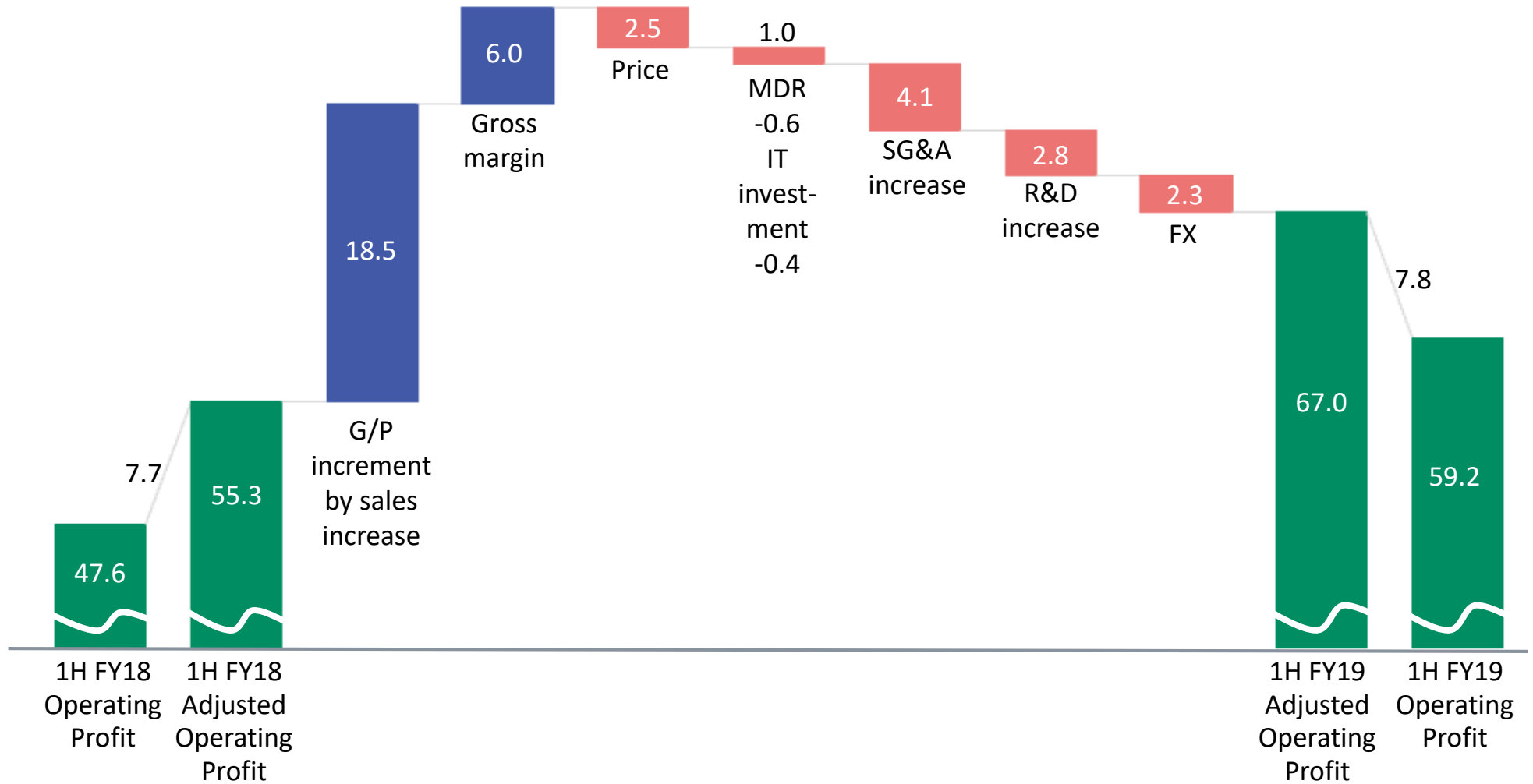
	1H FY18	1H FY19	YoY%	YoY% (FXN)
Revenue	285.0	307.3	+8%	+11%
Gross Profit	154.6 (54.2%)	171.5 (55.8%)	+11%	+14%
SG&A Expenses	87.0 (30.5%)	89.6 (29.2%)	+3%	+6%
R&D Expenses	23.8 (8.3%)	24.3 (7.9%)	+2%	+5%
Other Income and Expenses	3.7	1.6	-	-
Operating Profit	47.6 (16.7%)	59.2 (19.2%)	+24%	+29%
Adjusted Operating Profit	55.3 (19.4%)	67.0 (21.8%)	+21%	+27%
Profit before Tax	44.5 (15.6%)	58.1 (18.9%)	+30%	
Profit for the Year	34.5 (12.1%)	45.7 (14.9%)	+33%	

Average Exchange Rates	USD	110 JPY	109 JPY
	EUR	130 JPY	121 JPY

- Revenue : Positive growth in all companies. Overall growth driven by double digit growth of TIS business in all regions
- Adjusted Operating Profit : High growth due to increase in high margin products sales and expenses behind the plan in Cardiac and Vascular Company
- Profit before Tax : FX loss decreased from 2.8 B JPY in 1H FY18 to 1.1 B JPY in 1H FY19

Adjusted Operating Profit Variance Analysis

(billion JPY)

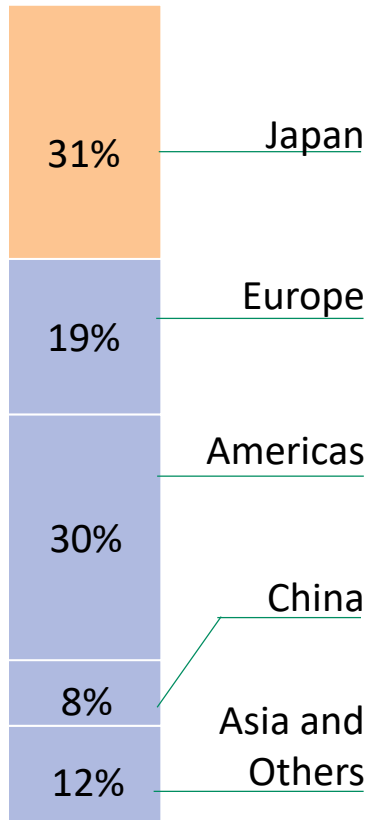


Revenue by Region

1H FY19
1H FY18

Revenue

100% = 307.3 B JPY



Year-on-Year Revenue Comparison

billion JPY	YoY%	Comments
	() FXN	
Japan	+5%	Japan : Steady growth in General Hospital Company. Double digit growth in Cardiac and Vascular Company
Europe	+4% (+10%)	Europe : Cardiac and Vascular Company, especially double digit growth in TIS business covered negative growth in General Hospital and Blood Management
Americas	+10% (+12%)	Americas : Double digit growth driven by Cardiac and Vascular Company centered on TIS and Neurovascular business
China	+17% (+24%)	China : +20% growth in Cardiac and Vascular Company
Asia and Others	+11% (+15%)	Asia and Others : Double digit growth in Cardiac and Vascular, as well as Blood Management Company

Revenue by Business Segment

1H FY19
1H FY18

Revenue

100% = 307.3 B JPY



Cardiac and Vascular

General Hospital

Blood Management

Year-on-Year Revenue Comparison

billion JPY	YoY%	Comments		
	() FXN			
<table border="1"> <tr> <td>172.6</td> <td>153.5</td> </tr> </table>	172.6	153.5	+12% (+16%)	Driven by double digit growth of TIS business in all regions, as well as Neurovascular business. Positive growth in all businesses
172.6	153.5			
<table border="1"> <tr> <td>82.8</td> <td>81.2</td> </tr> </table>	82.8	81.2	+2% (+3%)	Driven by Alliance business continuing double digit growth
82.8	81.2			
<table border="1"> <tr> <td>51.8</td> <td>50.2</td> </tr> </table>	51.8	50.2	+3% (+7%)	Steady sales to blood centers in US, EU and JP. Also contributed by winning a tender in an emerging country
51.8	50.2			

Cardiac and Vascular : Positive Growth in All Businesses. Significant Increase in Revenue and Profit

(billion JPY)

	1H FY18	1H FY19	YoY%	Major Topics	Impact
Revenue	153.5	172.6	+12% (+16%)	TIS : Double digit growth in all regions Neurovascular : Continuous high growth centered in US CV : Steady sales in oxygenators Vascular Graft : Smooth transition to direct sales of stent grafts in JP. Under reorganization in overseas	+15.3 +3.5 +0.1 +0.2
			() FXN		
Adjusted Operating Profit (%)	34.5 (22%)	47.2 (27%)	+37% (+42%)	Growth in profit due to TIS sales increase and substantial improvement of product mix in overall Cardiac and Vascular Company. Some expenses behind plan due to positive momentum in revenue	

General Hospital : Revenue and Profit in Line with the Guidance

(billion JPY)

	1H FY18	1H FY19	YoY%	Major Topics	Impact
			() FXN		
Revenue	81.2	82.8	+2% (+3%)	General hospital products : Steady momentum excluding the FX impact Pharmaceutical and nutrition : Double digit growth in pain management products and adhesion barrier DM Healthcare : Steady momentum in DM products Alliance : As planned in spite of negative impact due to order timing issues	0.0 +0.4 +0.1 +1.2
Adjusted Operating Profit (%)	13.8 (17%)	12.6 (15%)	-8% (-7%)	Profitability back on guidance from Q1 in which expenses were preceded	

Blood Management : Returned to Positive Growth in Revenue. Profitability Recovered as Planned

(billion JPY)

	1H FY18	1H FY19	YoY%	Major Topics	Impact
			() FXN		
Revenue	50.2	51.8	+3% (+7%)	<p>Blood center products : Recovered the delay occurred in Q1. Also contributed by winning a tender in an emerging country</p> <p>Therapeutic apheresis : Recoil of replacement with the latest version of consoles</p> <p>Cell processing : Driven by steady sales in US & Asia</p>	+1.4 0.0 +0.2
Adjusted Operating Profit (%)	7.0 (14%)	6.7 (13%)	-4% (+6%)	Huge negative impact of FX. Profitability recovered as planned	

Factors for Higher Profit Than 1H Guidance and Risks in 2H

■ Major factors for higher profit than 1H Guidance

- Product mix improvement due to higher sales in TIS and Neurovascular, production cost down in those two businesses
- Delay in spending pace of MDR cost
- Delay in spending pace of SG&A expenses
 - ✓ Promotion cost : Cardiac and Vascular Company (Post Marketing Surveillance, promotion for sales expansion etc.)
 - ✓ Saved expenses due to solid sales : Expenses for launching “WEB” in Neurovascular and for market share recovery of TIS products

■ Risk factors in 2H

- Revenue : FX impact, recoil from rush demand before the consumption tax increase in JP
- Profit : MDR cost etc.

■ No revision for the FY19 guidance for now. Aim to exceed the annual guidance by maintaining the strong momentum of 1H

Major Topics in FY19 Q2

- Japan's first domestic disposable syringe made by Terumo was selected for "Essential historical materials for science and technology" (Sep)



Corporate

- Joined two U.S.-based venture capital funds (Aug)
- Participated in "TELEWORKDAYS 2019" as a special cooperative organization. Led by the corporate office (Jul)

- Launched "Misago (TRI)", a peripheral stent for iliac arteries supporting therapies from the radial artery in US (Sep)

- Decided to increase production capacity for pre-filled syringes at Terumo Yamaguchi D&D Corporation (Sep)



Business

- A new formulation to treat osteoporosis developed by a pharmaceutical company and pre-filled in "PLAJEX" received approval for manufacturing and sales within Japan (Sep)



- Launched "Fentanyl injection", a prescription-only analgesic in Japan (Sep)
- Decided to invest 26 M EUR in new production lines for Alliance and TIS in Belgian factory (Jul)

New Products Pipeline in FY19

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

Reference

1H FY19 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Grand Total
		Subtotal	Europe	Americas	China	Asia etc.	
Cardiac and Vascular	24.8 (+11%)	147.9 (+17%)	42.2 (+14%)	67.2 (+15%)	20.5 (+27%)	18.0 (+23%)	172.6 (+16%)
Out of C&V Interventional Systems*	18.7 (+11%)	122.3 (+21%)	34.4 (+17%)	53.7 (+20%)	19.1 (+28%)	15.0 (+26%)	140.9 (+20%)
General Hospital	65.0 (+3%)	17.8 (+0%)	4.3 (+1%)	4.1 (+5%)	1.2 (+6%)	8.2 (-4%)	82.8 (+3%)
Blood Management	6.1 (+5%)	45.7 (+8%)	11.8 (+2%)	21.3 (+6%)	2.7 (+8%)	9.9 (+20%)	51.8 (+7%)
Grand Total	95.9 (+5%)	211.4 (+13%)	58.3 (+10%)	92.6 (+12%)	24.4 (+24%)	36.1 (+15%)	307.3 (+11%)

*Including Neurovascular business

(YoY%): FXN

Operating Expenses

(billion JPY)

	1H FY18	1H FY19	YoY	YoY%	YoY% (FXN)
Salaries & Wages	43.3	44.0	+0.7	+2%	+5%
Sales Promotion	8.7	9.5	+0.8	+9%	+12%
Logistical Costs	6.6	6.8	+0.3	+4%	+7%
Depreciation & Amortization	6.9	9.1*	+2.2	+32%	+34%
Others	21.6	20.3*	-1.3	-6%	-4%
SG&A Expenses Total	87.0 (30.5%)	89.6 (29.2%)	+2.6	+3%	+6%
R&D Expenses	23.8 (8.3%)	24.3 (7.9%)	+0.6	+2%	+5%
Operating Expenses Total	110.7 (38.8%)	113.9 (37.1%)	+3.2	+3%	+6%

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

Quarterly Results

(billion JPY)

	FY18 Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY19 Q1 (Apr-Jun)	Q2 (Jul-Sep)
Revenue	142.0	158.6	155.9	152.5	154.8
Gross Profit	74.7 (52.6%)	87.6 (55.2%)	84.3 (54.1%)	85.2 (55.8%)	86.3 (55.8%)
SG&A Expenses	43.5 (30.5%)	45.0 (28.4%)	46.7 (29.9%)	44.5 (29.2%)	45.1 (29.1%)
R&D Expenses	12.4 (8.8%)	12.3 (7.7%)	11.6 (7.5%)	11.8 (7.8%)	12.5 (8.1%)
Other Income and Expenses	2.9	0.6	2.1	0.4	1.3
Operating Profit	21.7 (15.3%)	30.9 (19.5%)	28.2 (18.1%)	29.2 (19.1%)	30.0 (19.4%)
Adjusted Operating Profit	24.8 (17.4%)	35.9 (22.6%)	30.9 (19.9%)	33.9 (22.3%)	33.1 (21.4%)

Average Exchange Rates	USD	111 JPY	113 JPY	110 JPY	110 JPY	107 JPY
	EUR	130 JPY	129 JPY	125 JPY	123 JPY	119 JPY

Adjusted Operating Profit : Adjustments

(billion JPY)

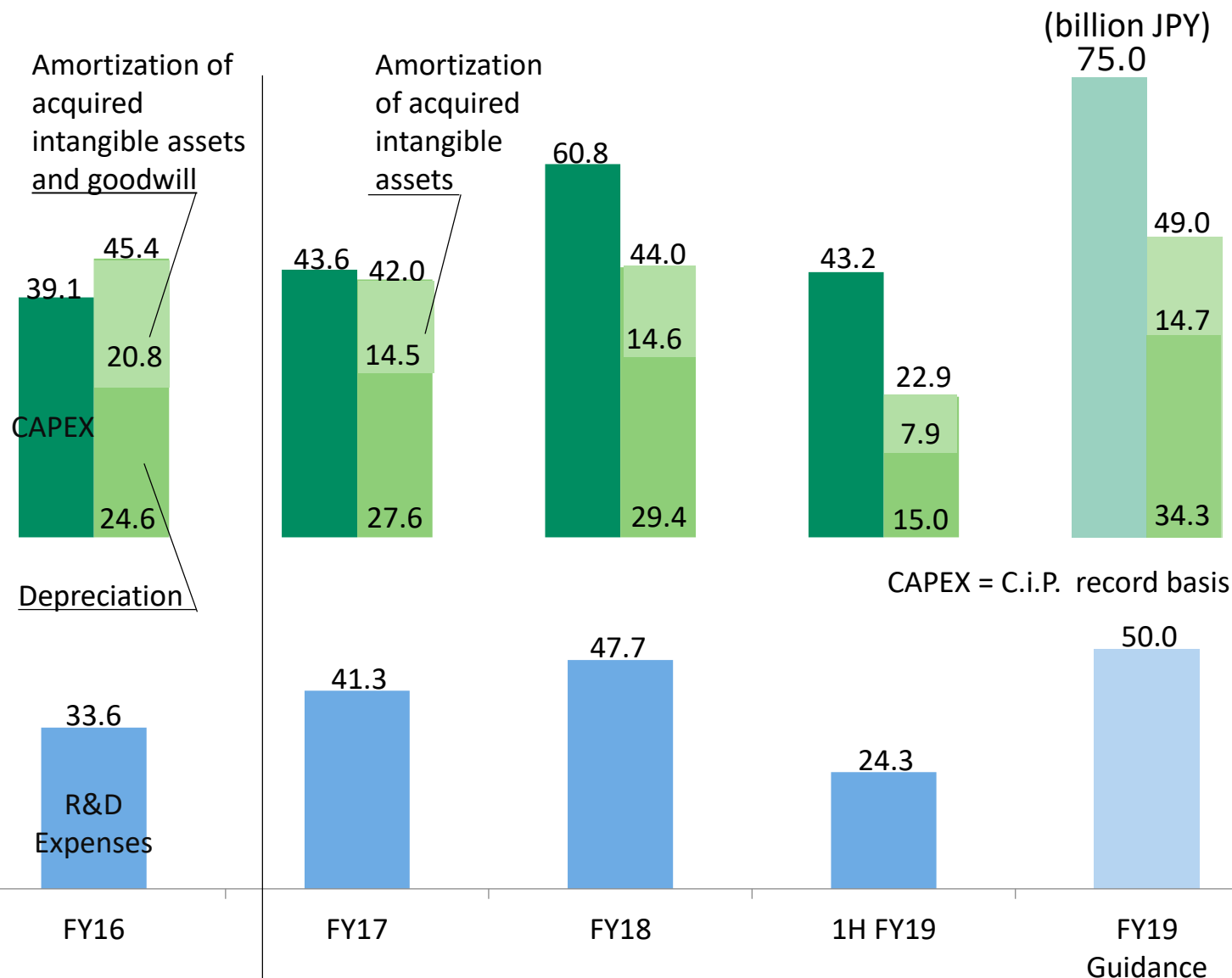
	1H FY18	1H FY19
Operating profit	47.6	59.2
Adjustment 1. Amortization of acquired intangible assets	+7.5	+7.8
Adjustment 2. Non-recurring profit or loss	+0.2	+0.0*
Adjusted operating profit	55.3	67.0

<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

* 1H FY19 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganization cost	+0.9
Disaster insurance income for Puerto Rico factory	-1.2

CAPEX and R&D Expenses

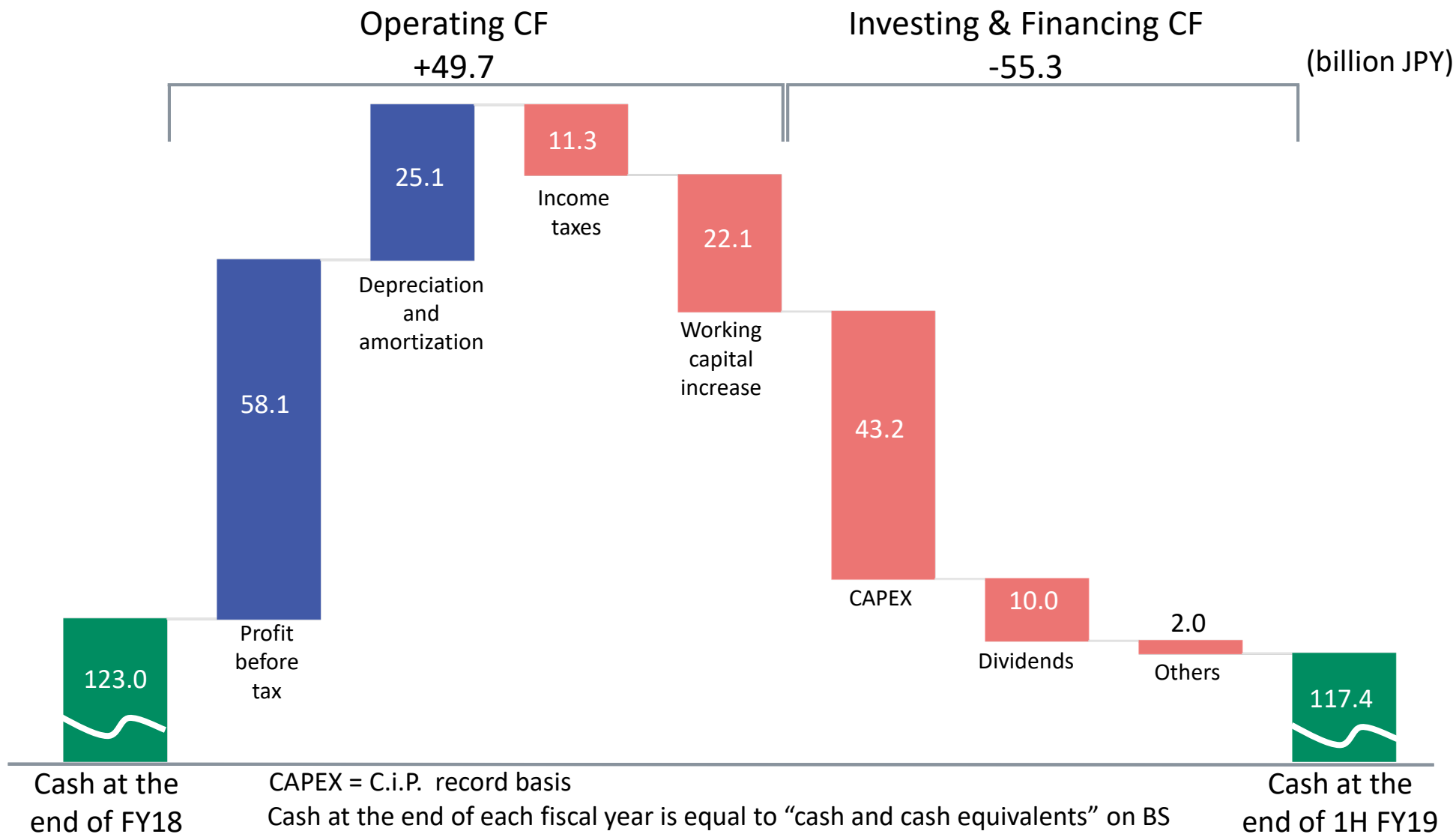


- Expand investment in production capacity and space as well as IT in FY19
- Under IFRS since FY17
 - Depreciation includes amortization of non-acquired intangible assets & depreciation of capitalized R&D expenses

- Further promote R&D activities mainly for TIS, Neurovascular and Blood Management Company
- Capitalized R&D expenses are included in CAPEX
 - FY18 : 2.4
 - 1H FY19 : 2.3
 - FY19 guidance : 3.2

JGAAP <- -> IFRS

Cash Flows



Foreign Exchange Sensitivity

Annual impact of 1 JPY depreciation

(billion JPY)

	USD	EUR	CNY
Revenue	1.7	0.8	2.2
Adjusted Operating Profit	0.0	0.5	1.2

<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	1.9	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 Oct. 31, 2019)

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	35.4 B JPY (70.9%)	18 M shares (2.4%)
Total	85.4 B JPY (85.4%)	44 M shares (5.8%)

➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 11 M shares
(at the end of Oct. 2019, treasury stock cost per share : 1,949 JPY, % against total number of issued shares : 1.5%)

IR Contact

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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.