

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024 (FY2023)

August 9, 2023

Naoki Muto

Chief Accounting and Financial Officer
Terumo Corporation



Forward-Looking Statements and Use of Document

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Highlights

■ Revenue

- | Strong global demand continued for highest-ever quarter
- | C&V and TBCT grew in double digits to drive the Group overall

■ Operating profit

- | -1% YoY growth excluding FX. Steady progress toward annual guidance
- | Effects of profitability improvement accrued (price policy and cost reduction)

■ Shareholder return

- | Will execute 20B JPY share repurchase this fiscal year

P&L

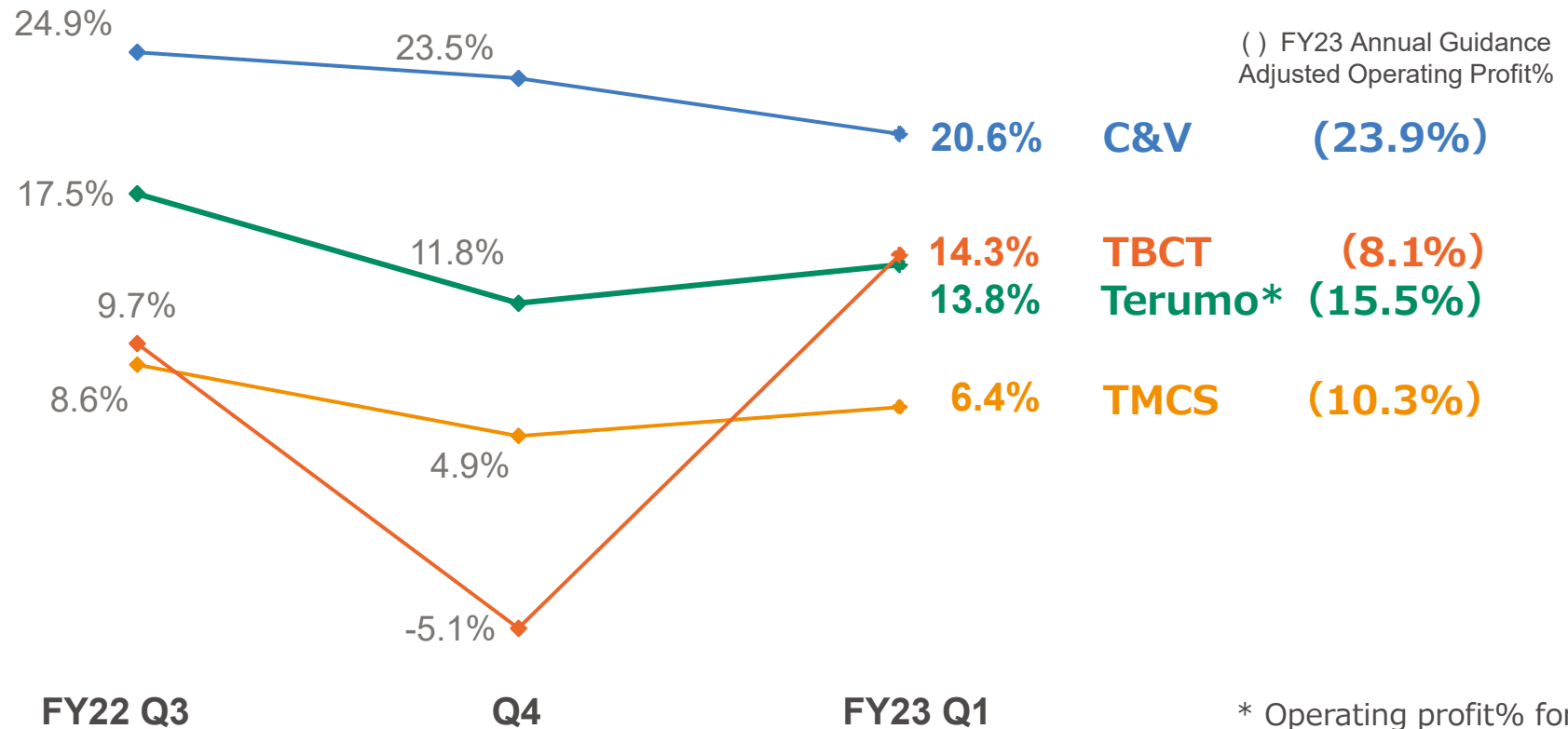
- Revenue: Strong global demand continued; Double-digit growth by TIS, Blood center business, Vascular graft to drive the Group overall
- Operating profit: Price policy revision and cost reduction effects accrued. Expanded OPEX for therapeutic devices

100M JPY	FY22 Q1	FY23 Q1	YoY%	YoY% (FXN)
Revenue	1,973	2,153	9%	5%
Gross profit (%)	1,016 (51.5%)	1,098 (51.0%)	8%	5%
SG&A Expenses (%)	566 (28.7%)	651 (30.2%)	15%	10%
R&D Expenses (%)	141 (7.1%)	154 (7.2%)	10%	6%
Other Income and Expenses	-6	3	-	-
Operating Profit (%)	304 (15.4%)	296 (13.8%)	-3%	-1%
Adjusted Operating Profit (%)	359 (18.2%)	345 (16.0%)	-4%	-4%
Profit before Tax (%)	297 (15.0%)	298 (13.8%)	0%	
Profit for the Year (%)	224 (11.4%)	225 (10.5%)	1%	
Average exchange rate (USD/EUR)	130JPY/138JPY	137JPY/150JPY		

Margin Ratio Recovery from FY22 Q4

C&V: Cardiac and Vascular, TMCS: Medical Care Solutions, TBCT: Blood and Cell Technologies

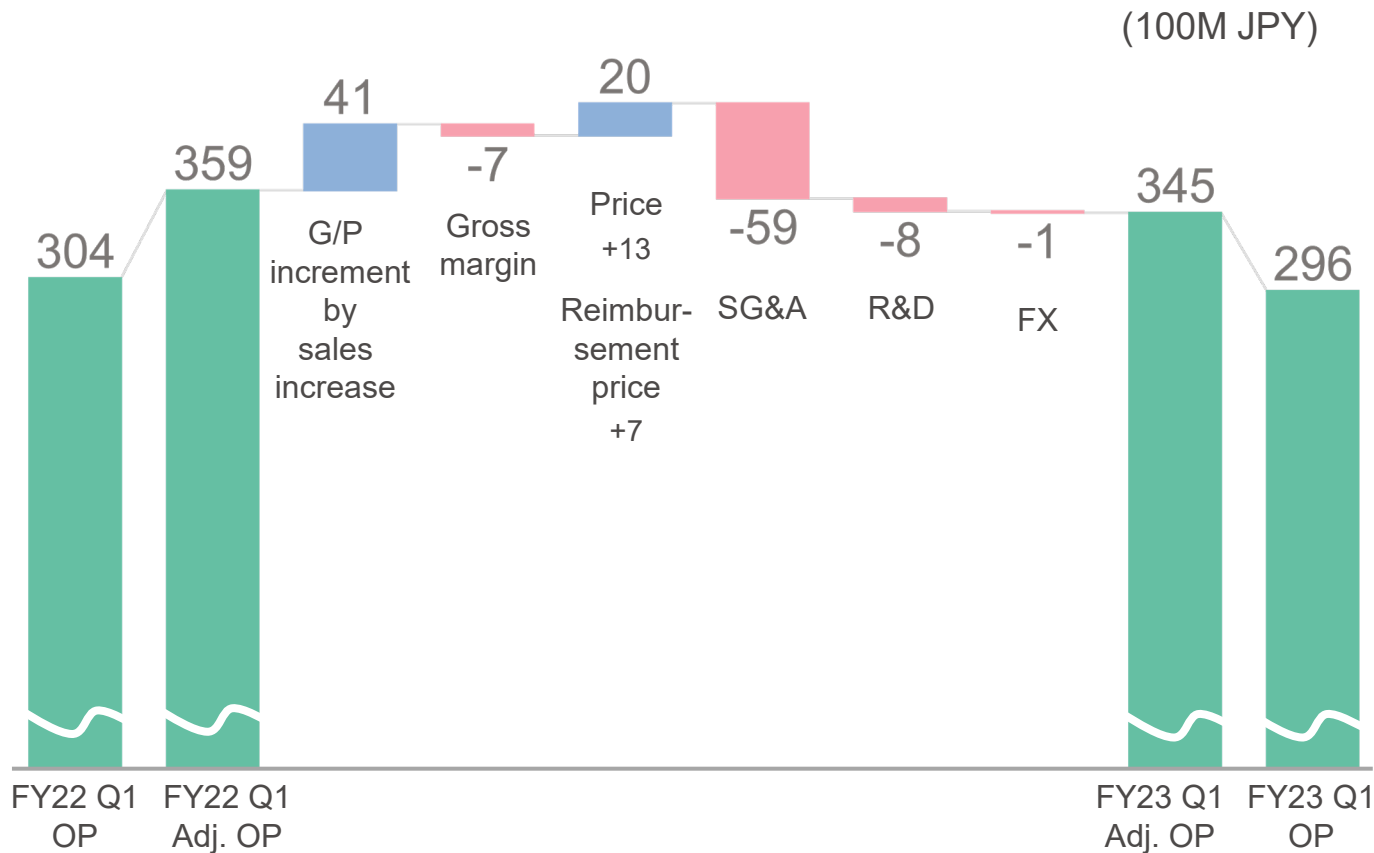
Quarterly Adjusted Operating Profit Trend



() FY23 Annual Guidance
Adjusted Operating Profit%

* Operating profit% for Terumo

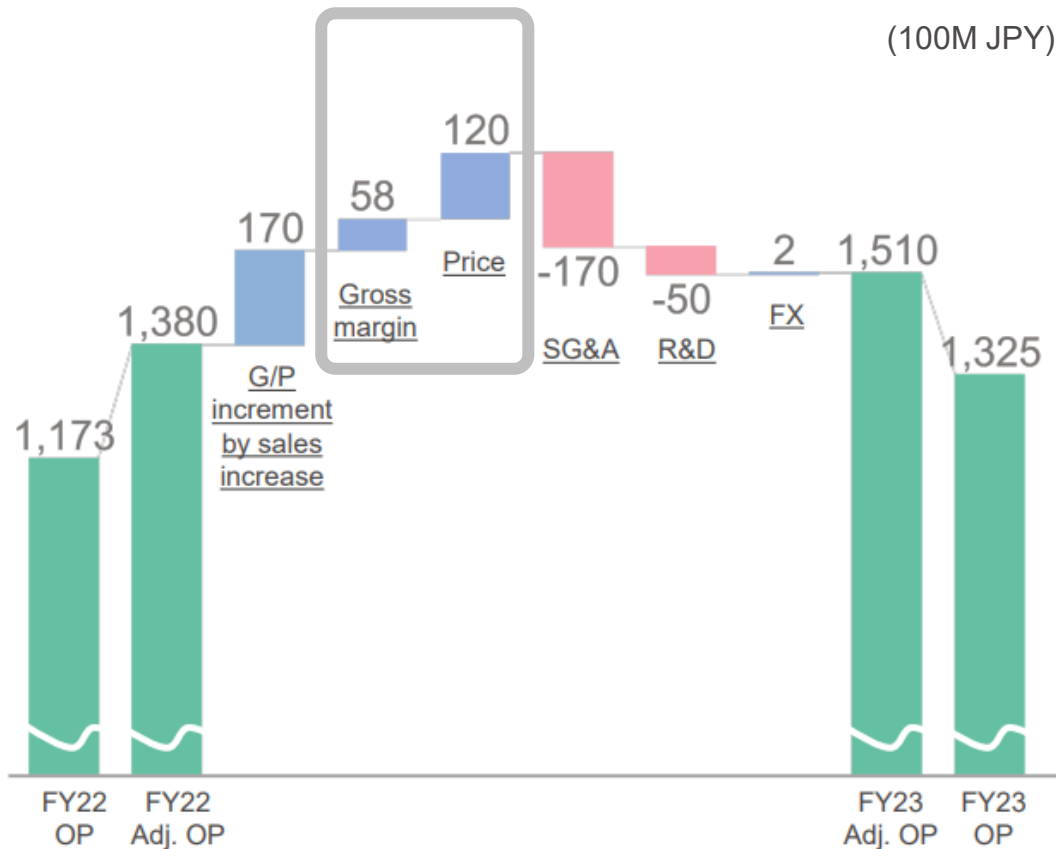
Operating Profit Variance Analysis



- G/P increment by sales increase
C&V and TBCT were drivers
- Gross margin
Absorbed some inflation increase from FY22 2H by cost reduction, product mix improvement
- Price
Global price policy revision progress
- SG&A
Strengthened investments for US therapeutic devices sales expansion
- FX impact
1.4B JPY flow impact and -1.5B JPY stock impact cancelled out one another

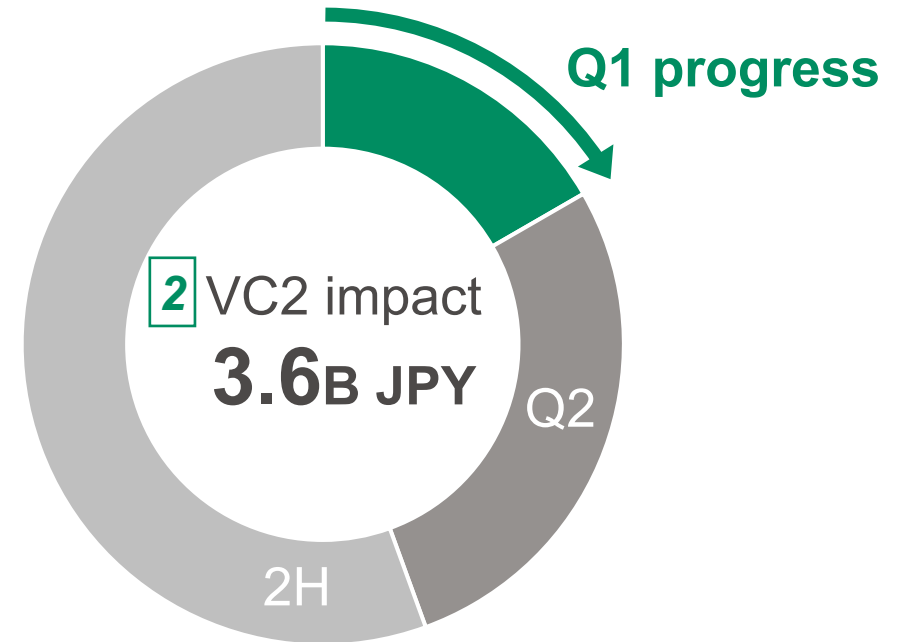
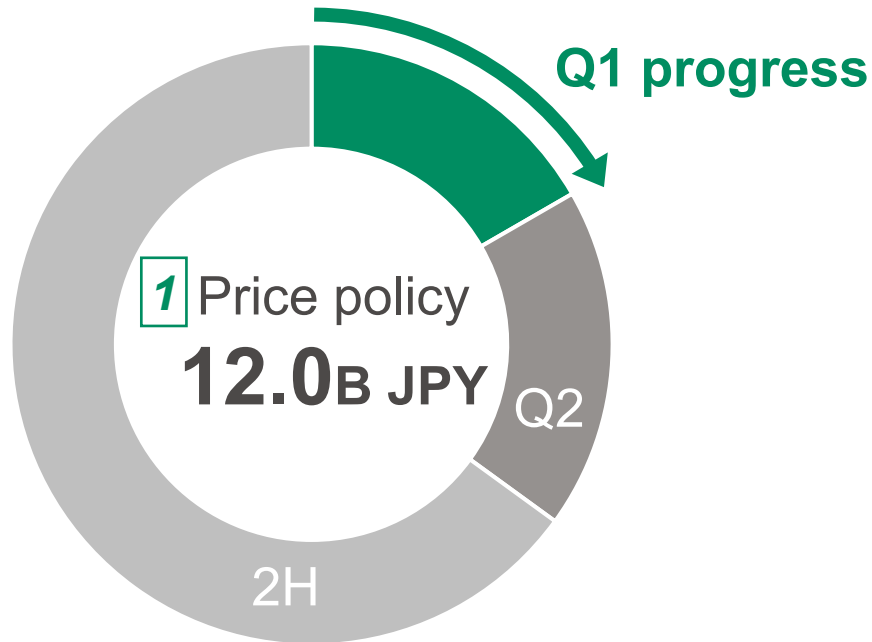
Profitability Improvements Included in FY23 Annual Guidance

Profit Variance Analysis (FY23 Guidance)



Price (= 1 Price policy)	+12.0B
Gross margin	+5.8B
Inflation	-2.5B
Product mix improvement	+1.7B
Temporary expense return to normal	+3.0B
2 VC2	+3.6B

Profitability Improvement Progress



Q1 results

Reimbursement price revision
positive impact, along with
global price policy revision

Costa Rica transfer
cost reduction impact

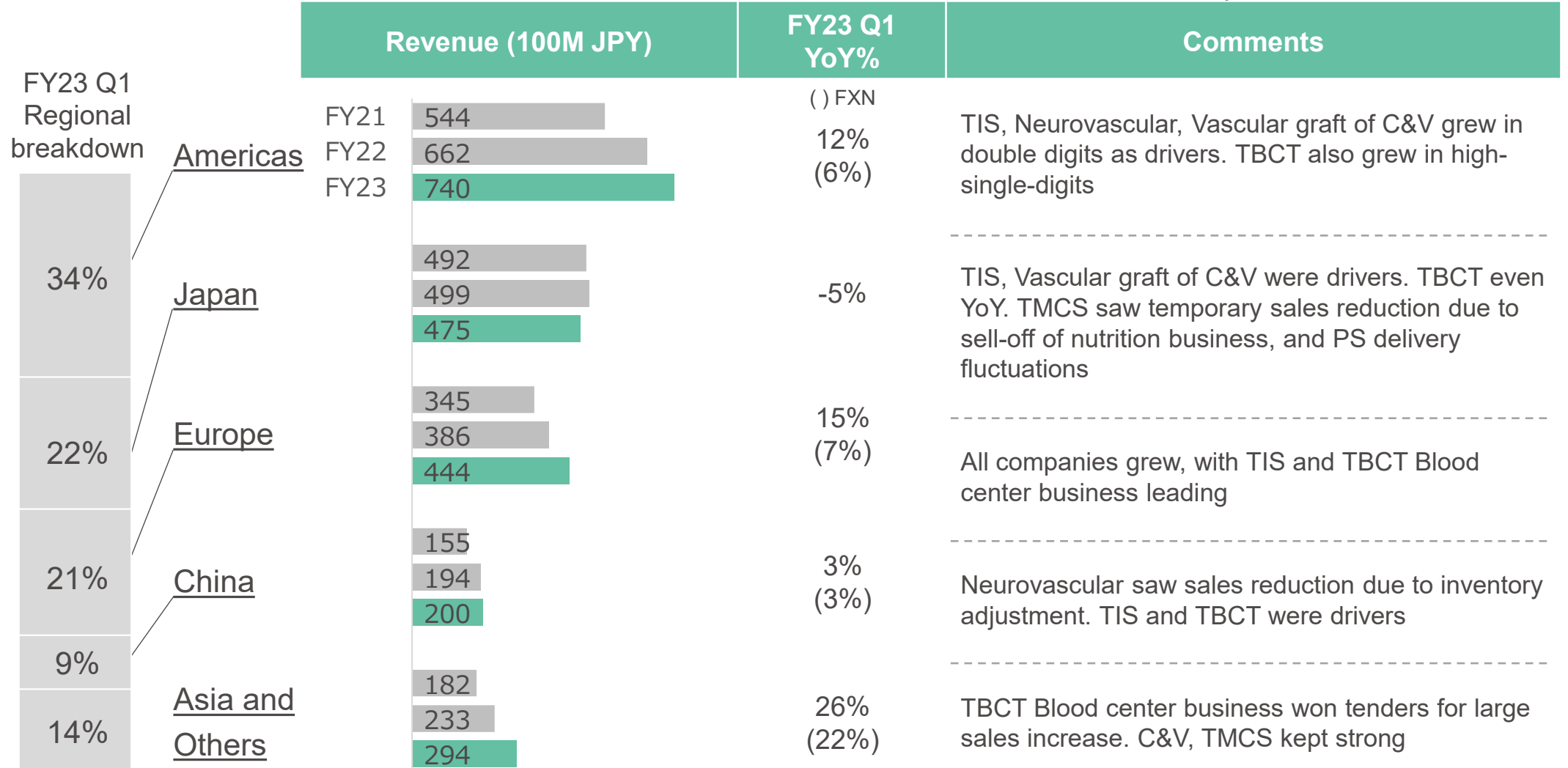
Revision

Expand to more products, regions
continuous impact expected

Further impact through **automation, optimization and operations improvement** in Japan factories

Revenue by Region

C&V: Cardiac and Vascular, TMCS: Medical Care Solutions, TBCT: Blood and Cell Technologies, TIS: Interventional Systems, PS: Pharmaceutical Solutions



C&V: EU, US drove strong sales; profit progress as planned

(C&V: Cardiac and Vascular, TIS: Interventional Systems)

(100M JPY)

	Q1			Comments	Q1 YoY
Revenue	() FXN				
	996	1,168	1,306	TIS: Number of procedures in Japan recovered gradually; overseas grew in double digits led by EU and US. Steady China COVID recovery	+94
			+12% (+7%)	Neuro-vascular: US kept strong double-digit growth. China impacted by distributor inventory adjustment	+7
				Cardio-Vascular: Global double-digit growth. In Japan hardware sales returned to normal, but stayed strong in EU and Asia	+16
				Vascular graft: New hybrid product sales stayed strong in US. Stent graft sales continued expansion	+20
Segment Profit	294	280	269	Profit: Revenue growth and profitability improvement offset inflation. Strengthened SG&A investments for US therapeutic devices sales expansion	
Profit %	FY21	FY22	FY23		
	29%	24%	21%		

TMCS:

Sell-off of nutrition business, PS delivery fluctuations impacts.

Reduced sales, profit; however, progress as planned toward annual guidance

(100M JPY)

(TMCS: Medical Care Solutions)

	Q1			Comments	Q1 YoY
	() FXN				
Revenue	438	460	437	<p>HCS: Hospital Care Solutions</p> <p>LCS: Life Care Solutions</p> <p>PS: Pharmaceutical Solutions</p>	-1
			-5% (-6%)	<p>Minus YoY due to sell-off of nutrition business. Double-digit growth by infusion sets and adhesion barrier in Japan. Asia, Latin America grew in double digits to drive the business overall</p> <p>Thermometer, blood pressure monitor demand returned to normal. Blood glucose self-measurement product sales decreased in Japan due to severe competition</p> <p>Decreased sales in Japan and overseas even YoY due to delivery fluctuations. Production investment toward mid-to long-term growth progressed steadily</p>	-5
Segment Profit	64	45	28		-17
			-37% (-43%)	<p>Profit:</p> <p>Impact of decreased sales and Japan electricity cost inflation from FY22 2H was partially absorbed by price policy positive impact</p>	
Profit %	FY21	FY22	FY23		
	15%	10%	6%		

TBCT: Large profit increase driven by solid sales to blood centers

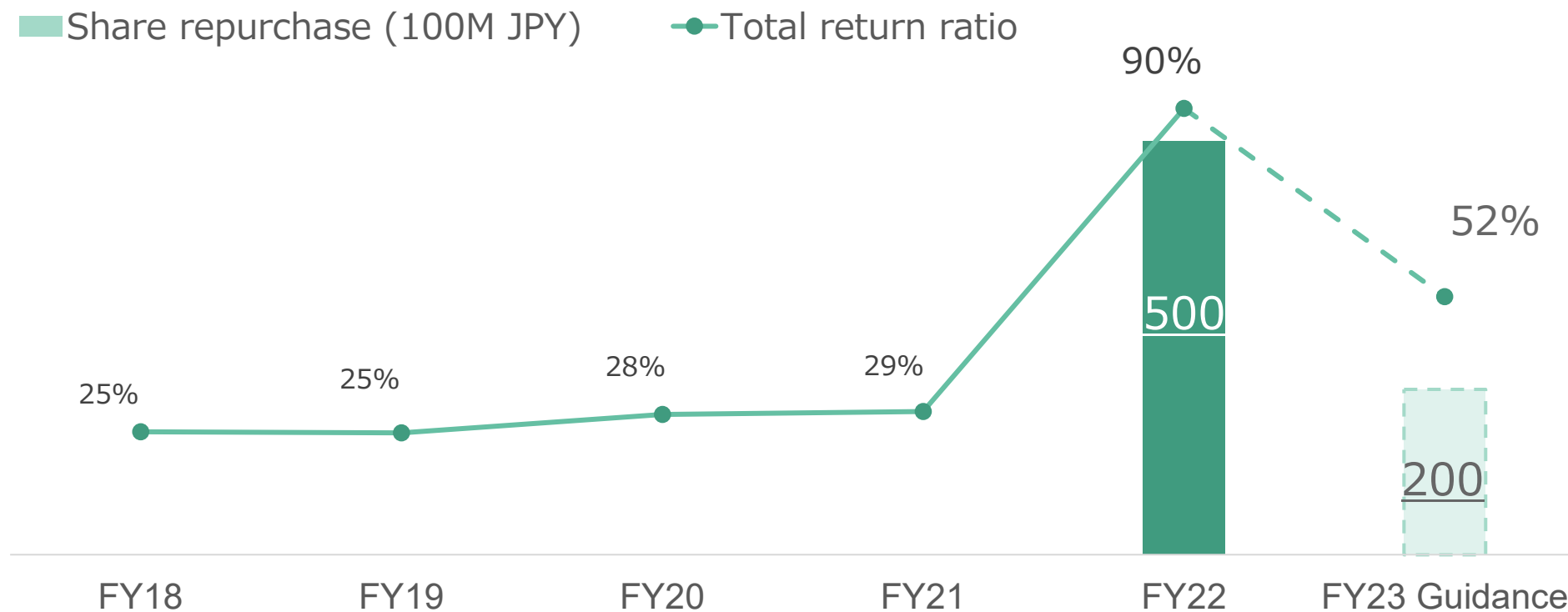
(TBCT: Blood and Cell Technologies)

(100M JPY)

	Q1			Comments	Q1 YoY
Revenue	() FXN				
	283	345	409	Blood Center Solutions: Strong global sales of component collection systems and whole blood products, led by Asia and US	+59
			+19% (+14%)	Therapeutic Solutions: Cell collection demand expanded, especially in US. Blood therapy products for hospitals strong in Asia	+14
				Cell Therapy Technologies: Minus YoY due to sell-off of part of business. Expanded investments into cell therapies maintained steady sales of cell processing systems	-8
Segment Profit	60	36	59		
			+62% (+76%)	Profit: Large profit increase due to increased sales. Positive impacts of price policy and Costa Rica transfer began	
Profit %	FY21	FY22	FY23		
	21%	10%	14%		

20B JPY Share Repurchase Decision by the Board, as of Aug 9th

- Shareholder return policy: Continue stable dividend increase, aim for total return ratio of 50% in GS26 period
- This decision brings projected FY23 total return ratio to 52%
- Plan to cancel the shares after repurchase



Reference

Revenue by Segment and Region

2023年度 第1四半期 セグメント別売上収益

Revenue by Segment for the First Quarter of FY2023

(百万円/ millions of yen)

		Q1 YTD FY2022							Q1 YTD FY2023												構成比 % to total		
		日本 JPN	海外 Overseas	欧州 Europe	米州 Americas	中国 China	アジア他 Asia and others	合計 WW	日本 JPN	%YoY	海外 Overseas	%YoY	欧州 Europe	%YoY	米州 Americas	%YoY	中国 China	%YoY	アジア他 Asia and others	%YoY		合計 WW	%YoY
心臓血管 カンパニー	TIS	8,064	70,641	17,656	31,551	12,108	9,324	78,705	8,373	3.8%	79,717	12.8%	20,450	15.8%	35,879	13.7%	13,048	7.8%	10,338	10.9%	88,090	11.9%	40.9%
	ニューロバスキュラー	1,342	16,055	4,925	7,120	2,667	1,342	17,397	1,385	3.2%	16,717	4.1%	5,382	9.3%	8,125	14.1%	2,015	-24.4%	1,194	-11.0%	18,103	4.1%	8.4%
	カーディオバスキュラー	2,622	10,158	1,552	6,474	600	1,532	12,781	2,314	-11.7%	12,109	19.2%	2,013	29.7%	7,197	11.2%	673	12.2%	2,225	45.3%	14,424	12.9%	6.7%
	血管	823	7,116	3,355	2,594	340	326	7,940	1,000	21.5%	8,965	26.0%	4,642	20.4%	3,434	32.4%	402	18.2%	485	48.9%	9,966	25.5%	4.6%
Cardiac and Vascular Company		12,853	103,972	27,989	47,740	15,716	12,525	116,825	13,073	1.7%	117,510	13.0%	32,488	16.1%	54,637	14.4%	16,139	2.7%	14,245	13.7%	130,584	11.8%	60.7%
メディカルケア ソリューションズ カンパニー	ホスピタルケアソリューション	23,310	7,868	701	2,806	544	3,816	31,179	22,947	-1.6%	8,122	3.2%	608	-13.2%	2,733	-2.6%	468	-13.9%	4,311	13.0%	31,070	-0.4%	14.4%
	ライフケアソリューション	5,110	815	203	-	307	304	5,925	4,591	-10.2%	853	4.7%	190	-6.0%	11	-	293	-4.5%	357	17.4%	5,444	-8.1%	2.5%
	ファーマシューティカルソリューション	6,091	2,796	1,693	696	80	324	8,887	4,348	-28.6%	2,818	0.8%	1,949	15.1%	216	-68.9%	120	49.9%	531	63.6%	7,167	-19.4%	3.3%
Medical Care Solutions Company		34,512	11,480	2,598	3,503	931	4,446	45,992	31,887	-7.6%	11,794	2.7%	2,748	5.8%	2,961	-15.5%	882	-3.3%	5,200	17.0%	43,681	-5.0%	20.3%
血液・細胞 テクノロジー カンパニー	血液センター	2,303	22,886	6,074	9,049	2,411	5,350	25,190	2,336	1.4%	28,709	25.4%	7,004	15.3%	10,623	17.4%	2,460	2.0%	8,621	61.1%	31,046	23.2%	14.4%
	アフェレンス治療他	118	6,572	1,680	3,794	300	796	6,690	84	-28.4%	7,987	21.5%	1,879	11.8%	4,383	15.5%	420	39.8%	1,304	63.6%	8,071	20.6%	3.7%
	細胞処理	20	2,558	230	2,157	7	162	2,579	9	-50.7%	1,795	-29.8%	247	7.3%	1,439	-33.8%	51	548.6%	56	-65.0%	1,805	-30.0%	0.8%
Blood and Cell Technologies Company		2,441	32,018	7,986	15,001	2,720	6,310	34,459	2,430	-0.4%	38,493	20.2%	9,131	14.3%	16,446	9.6%	2,933	7.8%	9,982	58.2%	40,924	18.3%	19.0%
その他	Others	62	-	-	-	-	-	62	62	1.2%	-	-	-	-	-	-	-	-	-	62	1.2%	0.0%	
合計	Total	49,869	147,470	38,574	66,244	19,369	23,282	197,340	47,454	-4.8%	167,798	13.8%	44,368	15.0%	74,045	11.8%	19,955	3.0%	29,428	26.4%	215,252	9.1%	100.0%
売上比率	% to Total	25.3%	74.7%	19.5%	33.6%	9.8%	11.8%	100.0%	22.0%		78.0%		20.6%	34.4%		9.3%		13.7%		100.0%			

(期中平均為替レート)

(Average Exchange Rates)

(USD1=¥129.73)
(EUR1=¥138.26)

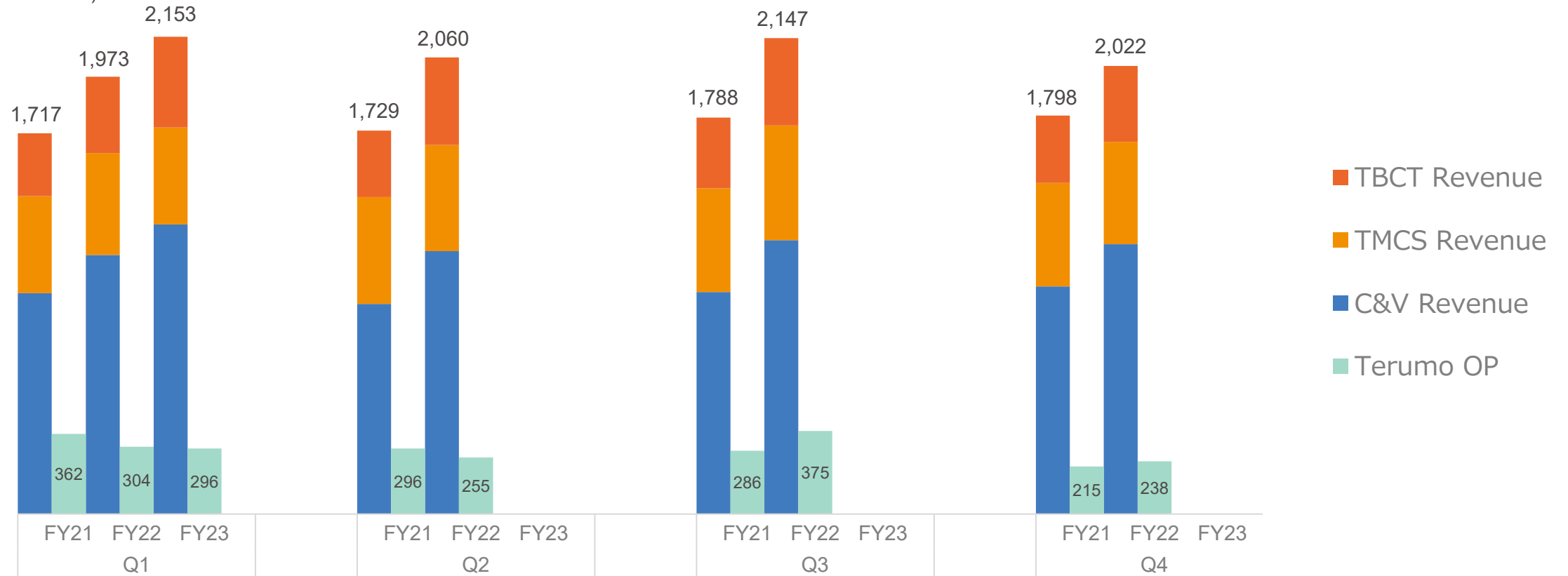
(USD1=¥137.49)
(EUR1=¥149.58)

Revenue and Operating Profit Quarterly Trend

Revenue: FY23 Q1 YoY +9%, QoQ +6%

OP : FY23 Q1 YoY -3%, QoQ +24%

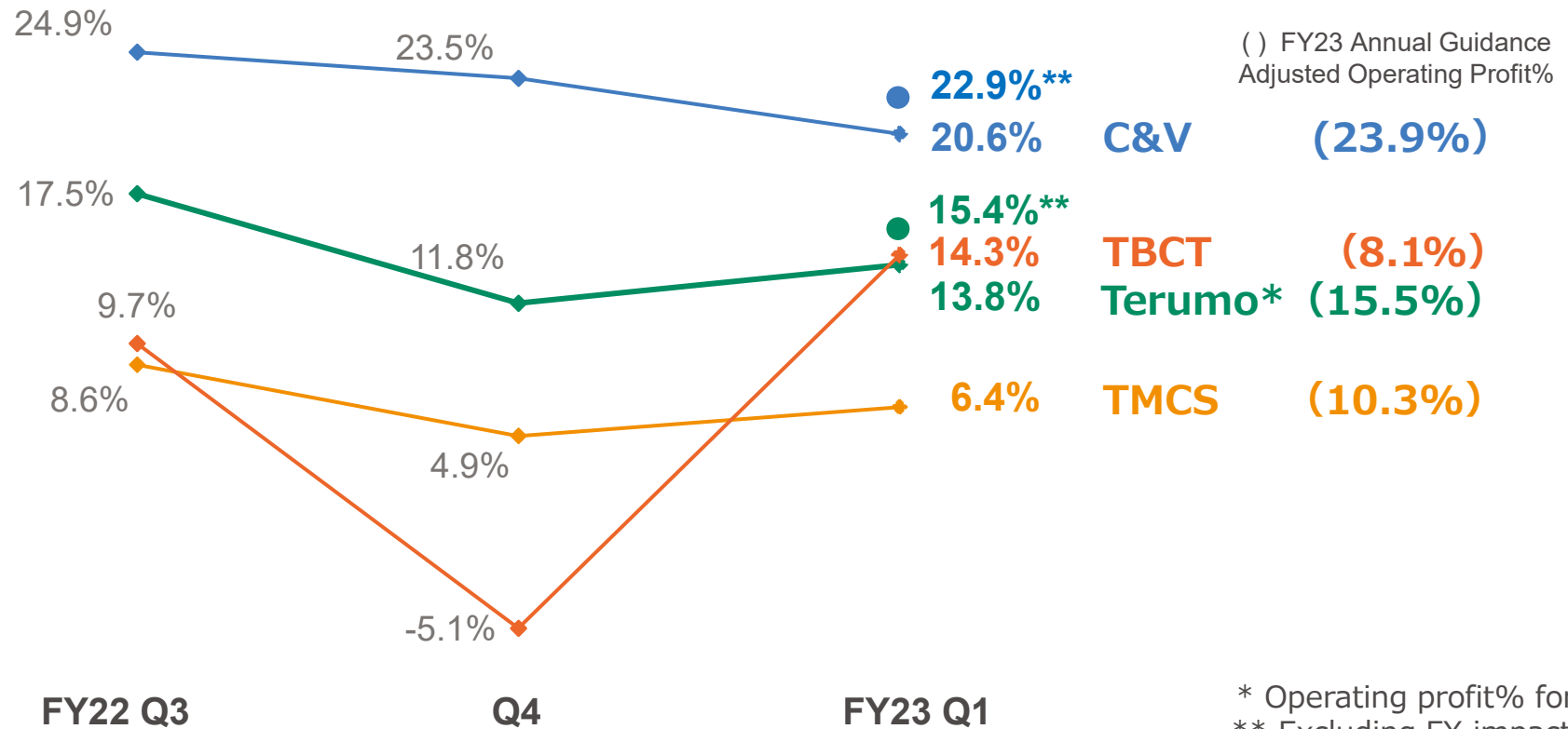
(100M JPY)



Margin Ratio Recovery from FY22 Q4

C&V: Cardiac and Vascular, TMCS: Medical Care Solutions, TBCT: Blood and Cell Technologies

Quarterly Adjusted Operating Profit Trend



* Operating profit% for Terumo
 ** Excluding FX impact to stock

P&L (QoQ)

(100M JPY)

	FY22 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY23 Q1 (Apr-Jun)
Revenue	1,973	2,060	2,147	2,022	2,153
Gross Profit	1,016 (51.5%)	1,054 (51.1%)	1,114 (51.9%)	990 (49.0%)	1,098 (51.0%)
SG&A Expenses	566 (28.7%)	605 (29.4%)	615 (28.6%)	597 (29.5%)	651 (30.2%)
R&D Expenses	141 (7.1%)	157 (7.6%)	159 (7.4%)	160 (7.9%)	154 (7.2%)
Other Income and Expenses	-6	-37	35	5	3
Operating Profit	304 (15.4%)	255 (12.4%)	375 (17.5%)	238 (11.8%)	296 (13.8%)
Adjusted Operating Profit	359 (18.2%)	345 (16.8%)	392 (18.2%)	284 (14.1%)	345 (16.0%)

Quarterly	USD	130JPY	138JPY	142JPY	132JPY	137JPY
Average Rate	EUR	138JPY	139JPY	144JPY	142JPY	150JPY

SG&A (QoQ)

(100M JPY)

		FY22 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY23 Q1 (Apr-Jun)
Labor		298	312	316	307	336
Promotion		46	44	52	45	49
Logistics		44	47	49	44	47
Depreciation		56	59	60	58	58
Others		123	142	138	143	161
SG&A total		566	605	615	597	651
(%)		(28.7%)	(29.4%)	(28.6%)	(29.5%)	(30.2%)
R&D		141	157	159	160	154
(%)		(7.1%)	(7.6%)	(7.4%)	(7.9%)	(7.2%)
Total		706	761	774	757	805
(%)		(35.8%)	(37.0%)	(36.0%)	(37.4%)	(37.4%)
Quarterly	USD	130JPY	138JPY	142JPY	132JPY	137JPY
Average Rate	EUR	138JPY	139JPY	144JPY	142JPY	150JPY

SG&A (YoY)

(100M JPY)

	FY22 Q1	FY23 Q1	YoY	YoY%	YoY% excluding FX impact
Salaries & Wages	298	336	38	13%	8%
Sales Promotion	46	49	3	6%	2%
Logistics Costs	44	47	4	8%	4%
Depreciation & Amortization	56	58	2	3%	0%
Others	123	161	39	31%	27%
SG&A Expenses Total	566	651	85	15%	10%
(%)	(28.7%)	(30.2%)			
R&D Expenses	141	154	14	10%	6%
(%)	(7.1%)	(7.2%)			
SG&A Expenses Total	706	805	99	14%	9%
(%)	(35.8%)	(37.4%)			

Adjusted Operating Profit: Adjustments

(100M JPY)

	FY22 Q1	FY23 Q1
Operating Profit	304	296
Adjustment 1. Amortization of acquired intangible assets	46	46
Adjustment 2. Non-recurring profit or loss	9	2
Adjusted Operating Profit	359	345

<General examples of adjustment items>

- Acquisition related cost
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other one-time profit & losses

Adjustment 2. Major Non-recurring profit or loss	FY23 Q1
Restructuring loss	2
Others	-

CAPEX, Depreciation and R&D Expenses

(100M JPY)

	FY20	FY21	FY22	FY23 Q1	FY23 Guidance
CAPEX	772	692	758	135	800
Depreciation	484	532	635	163	675
Amortization of acquired intangible assets	146	161	188	46	175
Others	338	371	447	117	500

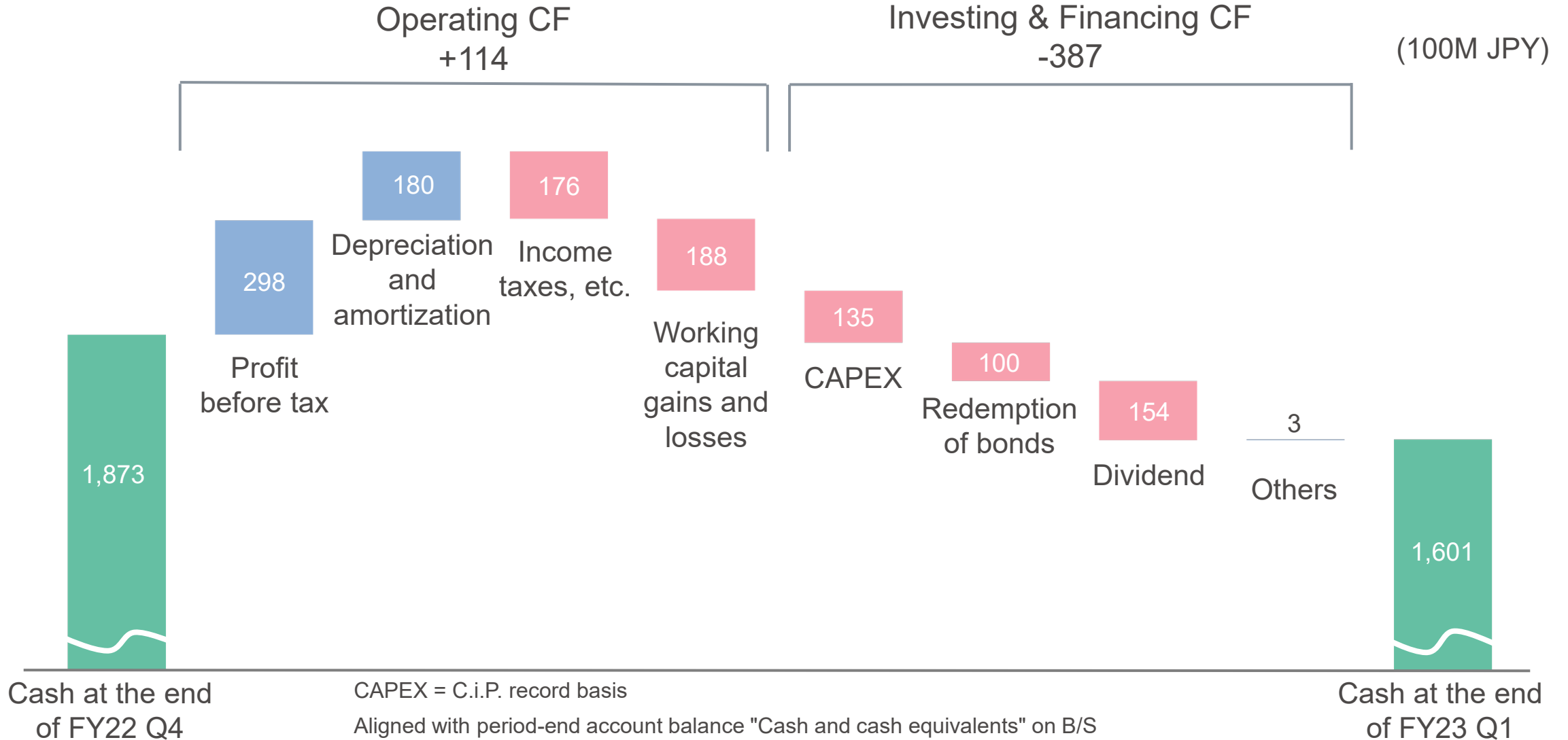
CAPEX = C.i.P. record basis excluding lease. Lease depreciation (IFRS16) is not included in Depreciation

FY23 Q1(13.5B JPY): Continued investment mainly for TIS, Neurovascular, PS, TBCT in production capacity, Plasma Innovations, R&D as well as IT infrastructure (SAP). Investment on construction of a new plant building in the premises of the Kofu Factory to strengthen production system for CDMO business etc.

FY23 Guidance ROE 8.5%, ROIC 7.0%

	FY20	FY21	FY22	FY23 Q1	FY23 Guidance
R&D Expenses	491	518	616	154	650

Cash Flows (Q1)



FY23 Q1 FX Impact Breakdown (Flow, Stock)

FX impact vs. FY22 Q1 -0.1B JPY

Flow **+1.4B JPY**: EUR, CNY appreciation positive impact

Rate (JPY)	FY22 Q1 Average rate	FY23 Q1 Average rate	Variation
EUR	138	150	11
CNY	19.6	19.6	-0

Stock **-1.5B JPY**: FX impact from elimination of unrealized profit on inventory assets

- Rapid JPY depreciation in June, variation between average rate and quarter-end rate resulted in negative impact

Rate (JPY)	FY22 End of March	FY23 End of June	Variation
USD	134	145	11
EUR	146	158	12

Foreign Exchange Sensitivity

Annual impact of 1 JPY depreciation (Flow)

(100M JPY)

	USD	EUR	CNY
Revenue	22	11	39
Adjusted Operating Profit	0	5	23

Impact of 1 JPY depreciation (Stock)

	USD	EUR	CNY
Adjusted Operating Profit	-2.5	-0.6	-2.0

Product Pipeline

Major Product Launch, Approval Status

Segment	General Name	Product Name	To FY22	FY23 Target
Therapeutic (TIS)	Drug-eluting coronary stent	Ultimaster Nagomi	JP launched	EU launch
Therapeutic (TIS)	Peripheral coil system	AZUR Family	Hydro Coil, Framing Coil CX, Soft3D(JP) Vascular Plug(US) launched*	Hydro Coil, CX China launch
Stent graft (Vascular graft)	Thoracic aorta stent graft	Relay Series	RelayPro US launched, JP indication extended	Sales expansion in US by indication extended
Infusion access (HCS)	I. V. catheter	Surflo ZERO	JP launched	Sales expansion in JP
Diabetes (LCS)	Continuous glucose monitor	G6	JP NHI coverage expanded	Sales expansion in JP
Cell therapy technologies	Cell expansion system	Quantum Flex	Globally launched	Global sales expansion

TIS: Interventional Systems, HCS: Hospital Care Solutions, LCS: Life Care Solutions
 *Hydro Coil, Framing Coil and CX globally launched excluding China

