

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



Hello. I am the CAFO, Muto. I will give an overview of our earnings results for the 1st quarter of the fiscal year ending March 31, 2024.

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

Here are the highlights of this earnings report.

Q1 sales revenue was our highest-ever for a quarter. Strong global demand continued as sales grew 5% when excluding FX.

Operating profit was minus 1% when excluding FX; however, during the quarter, the positive impact of our profitability improvement measures exceeded the negative impact of inflation for the first time, and progress is as planned toward achieving our annual guidance. Further, profit for the year grew year-on-year, resulting in both increased sales and profit.

In addition, it was decided at today's Board of Directors meeting that we will acquire up to 20 billion yen in treasury stock during this fiscal year.

Next slide, please.

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 (%)	51.5%	51.0%	8%	5%
SG&A Expenses (%)	28.7%	30.2%	15%	10%
R&D Expenses (%)	7.1%	7.2%	10%	6%
Other Income and Expenses	-6	3	-	-
Operating Profit (%)	15.4%	13.8%	-3%	-1%
Adjusted Operating Profit (%)	18.2%	16.0%	-4%	-4%
Profit before Tax (%)	15.0%	13.8%	0%	
Profit for the Year (%)	11.4%	10.5%	1%	
Average exchange rate (USD/EUR)	130JPY/138JPY	137JPY/150JPY		

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Here are the P&L results.

Sales revenue was driven by the TIS and Vascular graft businesses of the Cardiac and Vascular Company, and by the Blood center business of the Blood and Cell Technologies Company, all of which grew in the double digits. Operating profit dropped slightly, but positive impacts from the price policy revision and cost reduction measures are happening as expected. We will reap even greater results from these profitability improvements in the 2nd half.

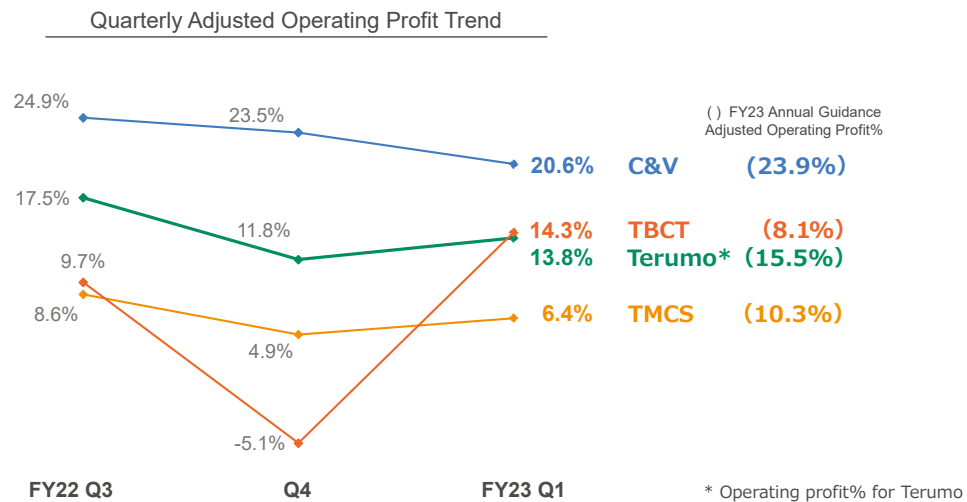
At the same time, we are strengthening SG&A investment in the expansion of therapeutic devices in growth markets like the United States.

In profit for the year, finance cost such as FX loss decreased, to help us secure increased profit.

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Margin Ratio Recovery from FY22 Q4

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



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The graph shows the operating profitability quarterly trend of the Group and adjusted operating profitability by company. The previous Q4 saw a high amount of one-time expenses, including inventory adjustment and increased fixed expenses, causing margin decreases for Medical Care Solutions and Blood and Cell Technologies; however, in Q1 this year both companies have seen their margins recover.

The Medical Care Solutions margin reached a higher level than in Q4, but remains low against the annual guidance. This is due to the QonQ decrease in sales and the fact that impact of profitability improvement measures is anticipated to make its biggest contribution in the 2nd half. Blood and Cell Technologies saw double-digit growth QonQ in sales, and improved its profitability. Next slide, please.

Operating Profit Variance Analysis



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Next is the profit variance analysis comparing against the same period of the previous year.

All items are progressing as planned toward our annual guidance.

“Gross margin” was negative year-on-year as negative impact from inflation that worsened from the 2nd half of the previous year exceeded the positive impact of cost reductions and business mix improvement.

In “Price,” the positive impact of the reimbursement price revision was combined with the effects of the price policies that were revised globally starting last fiscal year.

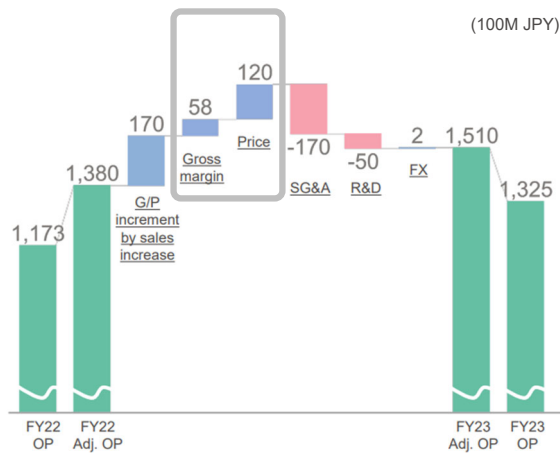
Increased expenses were due to the investment in growth markets by Cardiac and Vascular Company that I mentioned earlier.

In “FX,” the impacts of flow and stock cancelled one another out. The FX breakdown is: 1.4 billion yen positive in flow, and

1.5 billion yen negative in stock.
Next slide, please.

Profitability Improvements Included in FY23 Annual Guidance

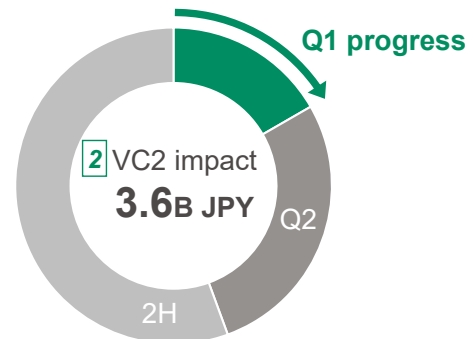
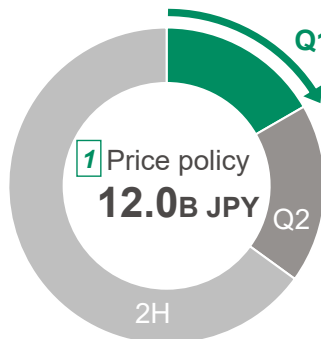
Profit Variance Analysis (FY23 Guidance)



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

Regarding the annual guidance, this outlines the two profitability improvement measures that I mentioned earlier. First, the increased profit included in the annual guidance: “Price” includes 12 billion yen; and “Gross margin” includes an anticipated 3.6 billion yen from the Group-wide profitability improvement project VC2. Next slide, please.

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

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I will now explain regarding the progress of profitability improvement measures.

The price policies and VC2 are both anticipated to make larger profit-increasing contributions in the 2nd half.

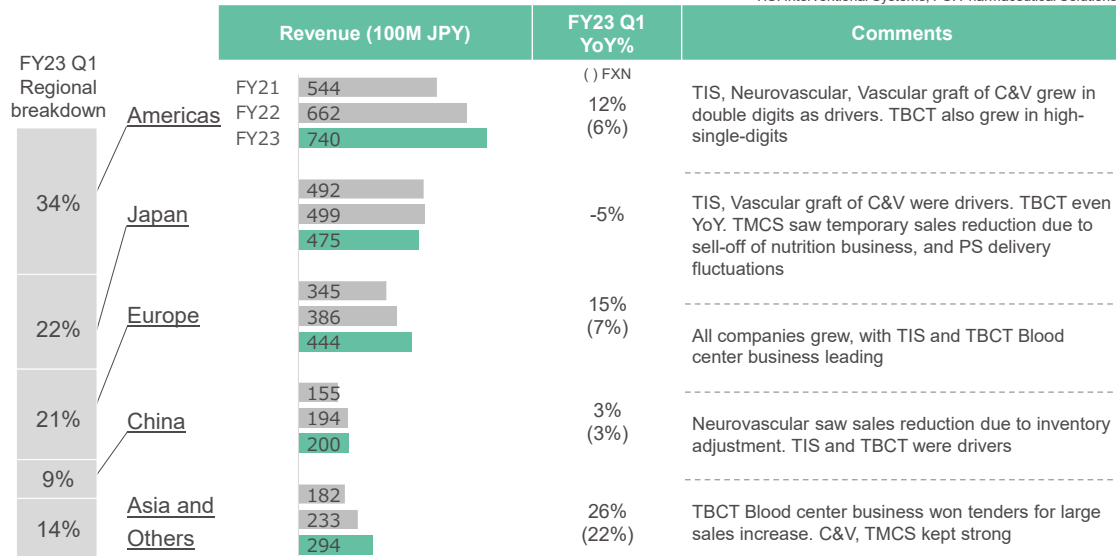
In price in Q1, in addition to the reimbursement price revision, the global price policy revisions we began last fiscal year had positive impact. In the 2nd half, this will expand to more products and regions to bring about larger positive impact.

Next, regarding VC2: The centerpiece of our global production optimization, the Costa Rica transfer, began to have effect in Q1. In addition to that, we anticipate that positive impact will begin in the 2nd half from the automation and efficiency improvement project underway at Japan factories, centered on Ashitaka.

Next slide, please.

Revenue by Region

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



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Here is sales revenue by region. Markets outside Japan, starting with the United States, drove growth.

Cardiac and Vascular is seeing continued strong global demand, especially in the TIS, Neuro, and Vascular graft businesses.

Neuro in China and Pharmaceutical Solutions in Japan each saw temporary decreases in sales, but both businesses continue to drive growth and there is no impact on the annual guidance.

At the same time, Blood and Cell Technologies saw a large increase in sales due to tenders won in Asia.

Next slide, please.

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
	() FXN				
Revenue	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		
			-4% (-3%)	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%		

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I will now explain the results by company. First, Cardiac and Vascular.

Sales grew 7% when excluding FX. In businesses, TIS and Vascular graft, and in regions, the EU and US were each strong, leading steady results globally.

In China, distributors delayed orders due to the view that Neuro products would become subject to group purchasing.

In profit, increased sales, price policy, and the effect of the Costa Rica production transfer more than made up for inflation impact. On the other hand, the Cardiac and Vascular Company was the one whose margin was most impacted by the FX to stock. In addition, investment was strengthened toward expanding sales of therapeutic devices in North America.

Next slide, please.

TMCS:

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

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

(TMCS: Medical Care Solutions)

(100M JPY)

	Q1			Comments	Q1 YoY
	() FXN				
Revenue	438	460	437	<p>HCS: Hospital Care Solutions</p> <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>LCS: Life Care Solutions</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>PS: Pharmaceutical Solutions</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>	-1
Segment Profit	64	45	28		-17
Profit %	FY21 15%	FY22 10%	FY23 6%	<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>	

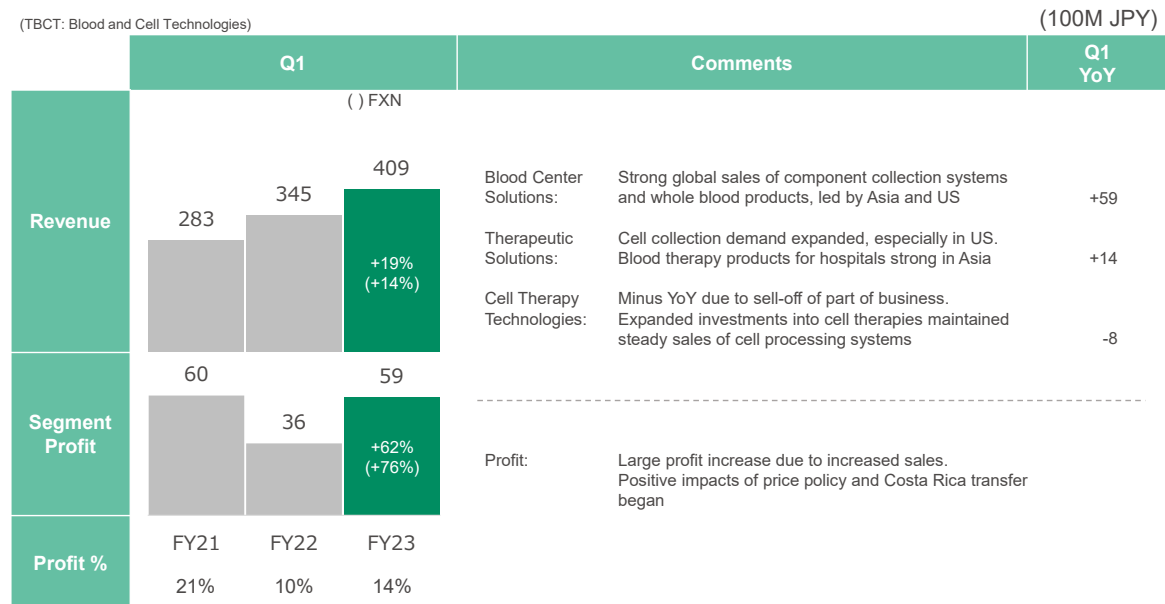
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“TMCS” is the Terumo Medical Care Solutions Company. In sales, the year-on-year comparison effect of the Hospital Care Solutions sale of the nutrition business; the return to normal of device demand in the Life Care Solutions business; And the delivery fluctuations of Pharmaceutical Solutions products resulted in a sales decrease. In addition to the sales decrease, there was also impact from inflation in Japan electricity price increases, which worsened beginning in the 2nd half last fiscal year; although there was some positive effect from price policies, profit decreased overall. We anticipate that our profitability improvement measures will take full effect in the 2nd half. Next slide, please.

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



Next is TBCT (Blood and Cell Technologies) Company. Sales revenue had a strong start, especially with the Blood Center business in Asia and North America.

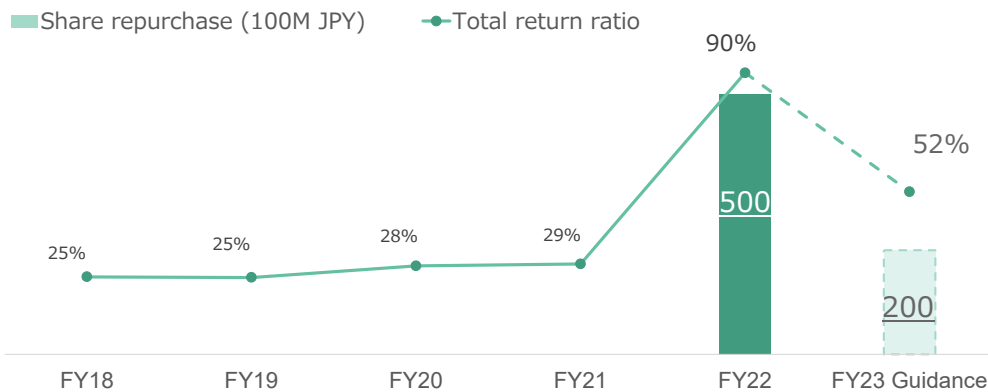
At the same time, there was a temporary increase in sales due to successful tenders, that is not expected to continue in Q2 and beyond.

Profit increased greatly due to factors including increased sales and inventory re-evaluation at the beginning of the period. However, we are beginning to see the effects of price policies and the Costa Rica production transfer, and expect these to continue in Q2 and beyond.

Next slide, please.

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



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This is the last slide.

As a new shareholder return policies begun last fiscal year, we announced the continuation of stable dividend increases and our goal of a 50% total return ratio during GS26. Based on those policies, it was decided today by the Board of Directors that we will acquire up to 20 billion yen in treasury stock this year as well.

This concludes my explanation of our earnings.

Thank you.

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 FY2023							Q1 YTD FY2023							増減比 % (vs.2022)							
		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	%20F	海外 Overseas	%20F	欧州 Europe	%20F	米州 Americas		%20F	中国 China	%20F	アジア他 Asia and others	%20F	合計 WW	%20F
心臓血管カンパニー	TIS	8,064	70,641	17,636	31,331	12,108	8,324	78,706	8,373	8.0%	70,717	12.8%	20,450	13.8%	33,879	13.7%	13,048	7.8%	10,338	10.0%	88,090	11.0%	49.8%
	ニューロバスキュラー	1,342	14,055	4,923	7,120	2,667	1,342	17,497	1,385	3.2%	16,717	4.1%	3,382	8.8%	8,125	14.1%	2,013	-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	1,332	6,474	600	1,332	11,781	2,314	-11.7%	12,100	19.2%	2,011	20.7%	7,197	11.2%	673	-12.2%	2,233	45.3%	14,424	12.0%	6.7%
	血管	823	7,116	3,833	2,294	440	326	7,849	3,000	21.3%	8,965	20.0%	4,642	20.4%	3,434	32.4%	402	13.2%	483	48.0%	9,966	23.3%	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%	69.7%
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	791	2,806	344	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%	31,970	-0.4%	14.4%
	ライフケアソリューション	5,110	815	201	-	107	304	5,925	4,591	-10.2%	853	4.7%	190	-6.0%	11	-	293	-4.3%	517	17.4%	5,444	-3.1%	2.3%
	ファーマシューティカルソリューション	6,091	2,796	1,093	696	80	324	8,887	4,348	-23.0%	2,818	0.8%	1,949	11.1%	216	-63.9%	120	49.9%	331	63.0%	7,167	-19.4%	3.3%
Medical Care Solutions Company		34,512	11,480	2,598	2,503	931	4,446	45,992	31,887	-7.6%	11,794	2.7%	2,748	3.8%	2,961	-13.1%	882	-3.3%	5,200	17.0%	43,681	-5.0%	29.3%
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	8,049	2,411	3,830	25,190	2,336	1.4%	28,709	25.4%	7,004	13.3%	10,632	17.4%	2,400	2.0%	8,621	62.1%	31,046	22.2%	14.4%
	アフェレンス治療機	118	6,572	1,680	1,794	300	798	6,690	84	-28.4%	7,987	21.3%	1,879	11.8%	4,383	15.3%	420	39.8%	1,304	63.6%	8,071	20.6%	3.7%
	細胞処理	20	2,558	230	2,127	-	162	2,879	9	-50.7%	1,795	-29.8%	247	7.3%	1,459	-53.6%	31	548.6%	36	-65.0%	1,805	-50.0%	0.0%
Blood and Cell Technologies Company		2,441	32,018	7,986	15,001	2,710	6,210	34,459	2,430	-0.4%	38,493	29.2%	9,131	14.3%	16,446	8.6%	2,933	7.8%	9,982	18.2%	40,924	18.2%	19.9%
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	19,269	23,282	197,340	47,454	-4.3%	167,798	13.8%	44,268	11.0%	74,045	11.8%	19,955	1.0%	29,428	26.4%	215,252	8.1%	100.0%
売上比率 % to Total		26.3%	74.7%	19.3%	33.8%	9.8%	11.8%	100.0%	22.0%		78.0%		20.4%		34.4%		9.3%			13.7%		100.0%	

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(Average Exchange Rates)

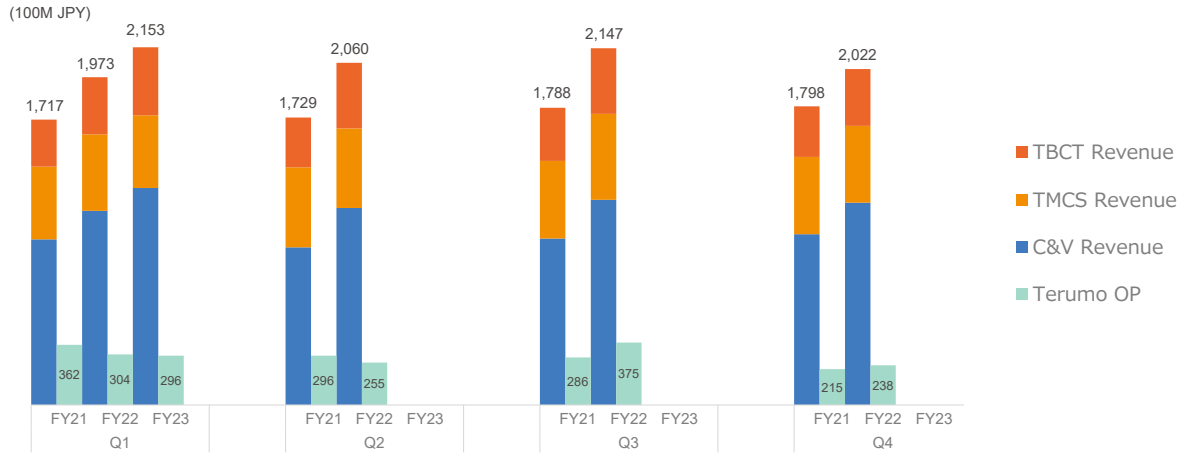
(USD)=¥129.73
(EUR)=¥136.26

(USD)=¥137.49
(EUR)=¥149.58

Revenue and Operating Profit Quarterly Trend

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

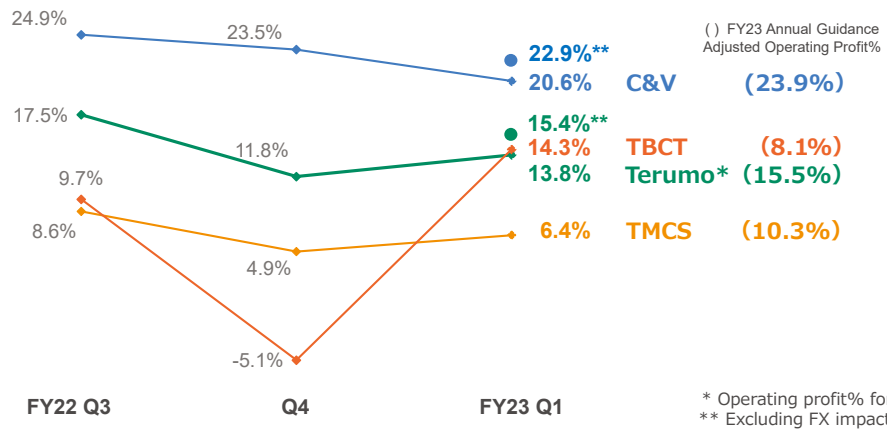
OP : FY23 Q1 YoY -3%, QoQ +24%



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



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

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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

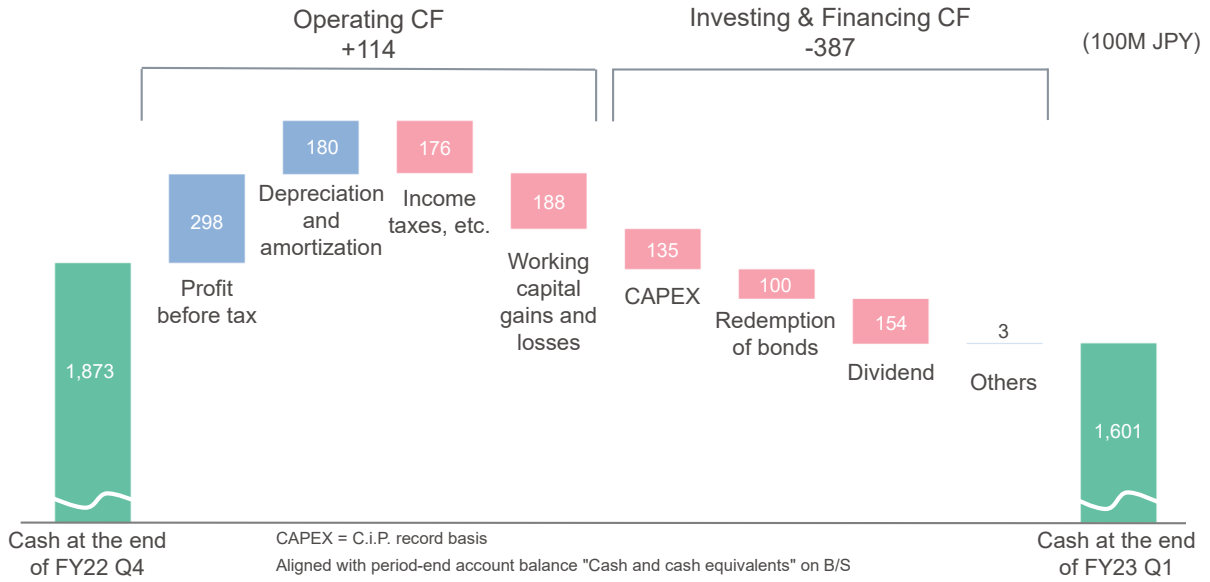
CAPEX = C.i.P. record basis excluding lease. Lease depreciation (IFRS16) is not included in Depreciation

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

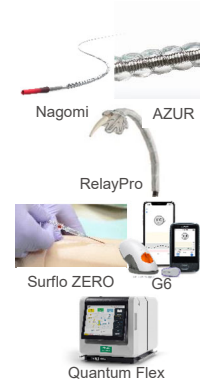
Impact of 1 JPY depreciation (Stock)

	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

