

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

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Terumo Corporation

Chief Accounting and Financial Officer

Naoki Muto

August 8, 2019

# Profit Above the Guidance with Double Digit Growth

(billion JPY)

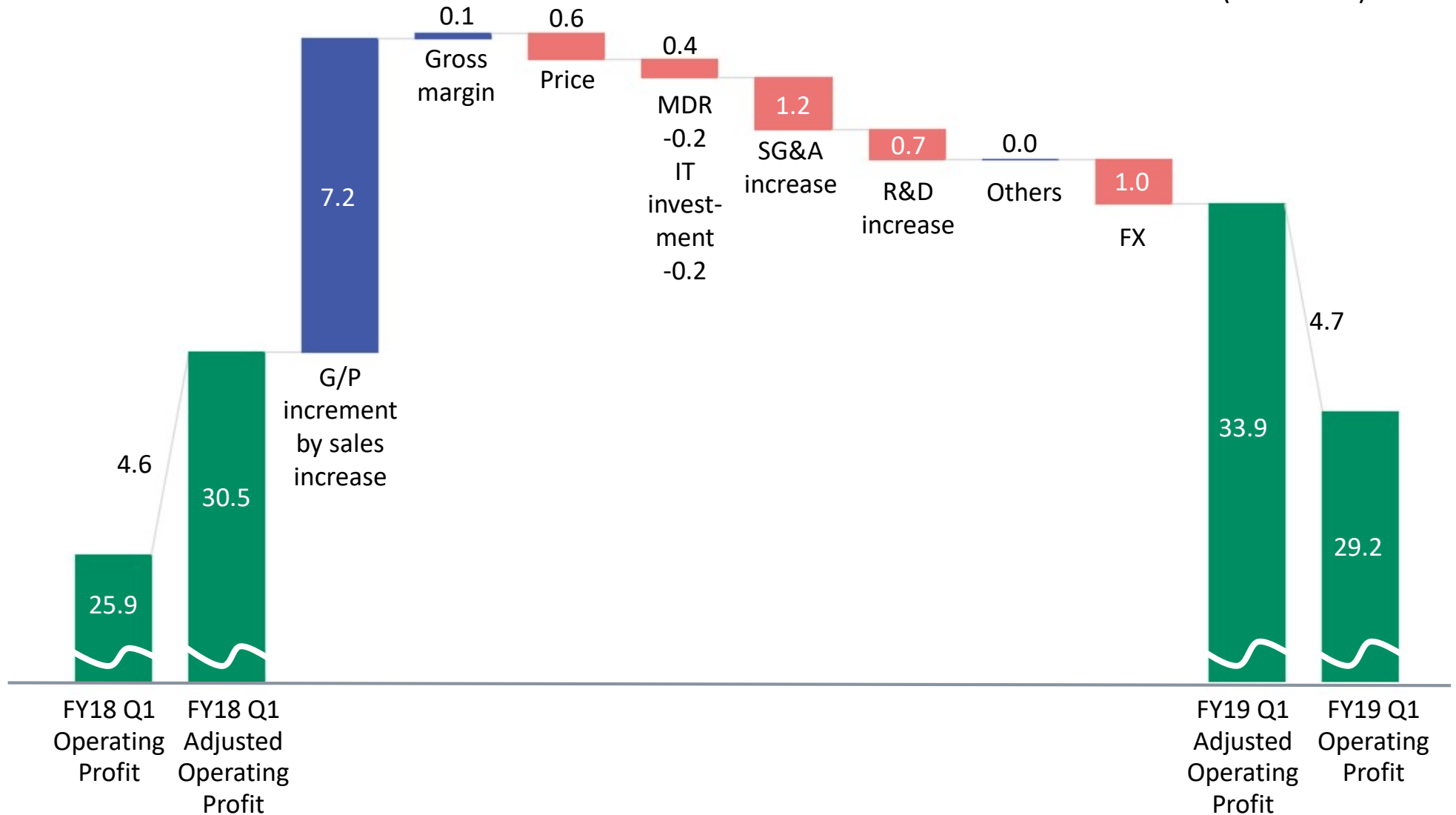
	FY18 Q1	FY19 Q1	YoY%	YoY% (FXN)
Revenue	143.0	152.5	+7%	+9%
Gross Profit	79.9 (55.8%)	85.2 (55.8%)	+7%	+9%
SG&A Expenses	43.5 (30.4%)	44.5 (29.2%)	+2%	+4%
R&D Expenses	11.3 ( 7.9%)	11.8 ( 7.8%)	+5%	+4%
Other Income and Expenses	0.8	0.4	-	-
Operating Profit	25.9 (18.1%)	29.2 (19.1%)	+13%	+17%
<b>Adjusted Operating Profit</b>	30.5 (21.4%)	33.9 (22.3%)	+11%	+18%
Profit before Tax	23.4 (16.4%)	28.8 (18.9%)	+23%	
Profit for the Year	18.1 (12.6%)	22.8 (14.9%)	+26%	

Average Exchange Rates	USD	109 JPY	110 JPY
	EUR	130 JPY	123 JPY

- Revenue : Cardiac and Vascular Company returned to double digit growth driving overall growth
- Adjusted operating profit : Slightly behind the plan in expenses especially in SG&A
- Profit before tax : FX loss decreased from 2.3 B JPY in FY18 Q1 to 0.3 B JPY in FY19 Q1

# Adjusted Operating Profit Variance Analysis

(billion JPY)



# Revenue by Region

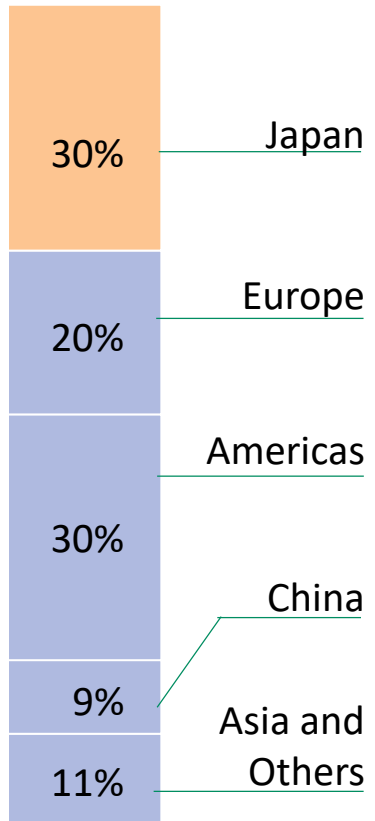
FY19 Q1  
FY18 Q1

## Revenue

100% = 152.5 B JPY

## Year-on-Year Revenue Comparison

billion JPY	YoY%	Comments
( ) FXN		
Japan 46.0 (FY19 Q1) 44.0 (FY18 Q1)	+4%	Japan : TIS business in Cardiac and Vascular Company returned to double digit growth. All companies achieved positive growth
Europe 30.0 (FY19 Q1) 29.6 (FY18 Q1)	+1% (+6%)	Europe : Cardiac and Vascular Company covered the negative growth in Blood Management Company
Americas 46.0 (FY19 Q1) 42.8 (FY18 Q1)	+8% (+8%)	Americas : Driven by double digit growth in both Cardiac and Vascular Company and General Hospital Company. Neurovascular business grew >30% with the effect of new product launch
China 13.6 (FY19 Q1) 10.9 (FY18 Q1)	+25% (+31%)	China : Driven by >30% growth in Cardiac and Vascular Company including Essen DES
Asia and Others 16.9 (FY19 Q1) 15.7 (FY18 Q1)	+7% (+11%)	Asia and Others : Double digit growth in Cardiac and Vascular Company covered the negative growth in General Hospital Company



# Revenue by Business Segment

FY19 Q1  
FY18 Q1

## Revenue

100% = 152.5 B JPY



Cardiac and Vascular

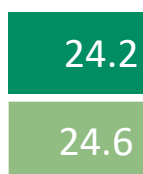
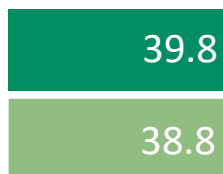
General Hospital

Blood Management

## Year-on-Year Revenue Comparison

billion JPY	YoY%	Comments
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( ) FXN



+11%  
(+14%)

+2%  
(+3%)

-2%  
(+1%)

Driven by TIS business returning to double digit growth as well as Neurovascular business with 30% growth

Driven by Alliance business continuing >30% growth worldwide

Negative FX impact and recoil from the brisk sales in FY18 Q4

# Cardiac and Vascular : Double Digit Growth in Revenue and Profit

(billion JPY)

	FY18 Q1	FY19 Q1	YoY%	Major Topics	Impact
Revenue	79.5	88.5	+11% (+14%)	TIS : Returned to double digit growth in/outside JP Neurovascular : 30% growth with solid start of WEB in US CV : Affected by recalculation of JP reimbursement prices in Jan. 2019 Vascular graft : Smooth transition to direct sales of stent grafts in JP	+6.0
					+2.8
Adjusted Operating Profit (%)	19.9	24.5	+23% (+29%)	Sales growth with improved product mix in TIS and Neurovascular. SG&A expenses slightly behind the plan	0.0
	(25%)	(28%)			+0.2

( ) FXN

# General Hospital : A Start Largely in Line with the Guidance

(billion JPY)

	FY18 Q1	FY19 Q1	YoY%	Major Topics	Impact
			( ) FXN		
Revenue	38.8	39.8	+2% (+3%)	General hospital products : Impact of the financial challenge in Indonesian national health insurance Pharmaceutical and nutrition : Solid growth in Pain management products & adhesion barrier covered negative growth in I.V. solutions DM Healthcare : Temporary sales drop before launching a new blood pressure monitor Alliance : Good momentum in/outside JP. Continuing >30% growth	-0.3    0.0  -0.1  +1.3
Adjusted Operating Profit (%)	6.2 (16%)	5.2 (13%)	-16% (-15%)	YoY% affected by depreciation cost of Terumo Yamaguchi D&D due to production started in FY18. Increased expenses as planned in FY19 Q1	

# Blood Management : Revenue Slightly Behind the Plan, Profit as Planned

(billion JPY)

	FY18 Q1	FY19 Q1	YoY%	Major Topics	Impact
			( ) FXN		
Revenue	24.6	24.2	-2% (+1%)	Blood center products : Recoil from the brisk sales in FY18 Q4 mainly in overseas Therapeutic apheresis : Recoil of replacement with the latest version of consoles in FY18 Q1 Cell processing : double digit growth in EU & Asia	-0.4  -0.1 +0.2
Adjusted Operating Profit (%)	3.4 (14%)	2.6 (11%)	-24% (-12%)	Huge negative impact of FX. Slightly ahead of the plan in R&D expenses, still a start as planned in general	



# Major Topics in FY19 Q1

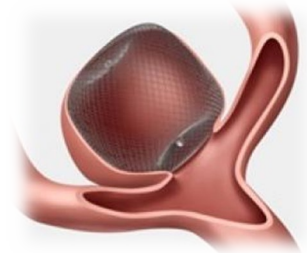
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## Corporate

- Pursued work style reform through introducing a staggered working hours and improving telework system (Apr)
  - Established new group identity: newly instituted "Core Values" (Apr)
  - Introduced restricted stock remuneration plan (Jun)
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## Business

- Launched a full-scale sales of intrasaccular aneurysm treatment device "WEB" in US (Apr)
- Launched stentriever "Tron FX" in Japan (Apr)
- Secured exclusive global rights to Orchestra BioMed's Virtue® Sirolimus-Eluting Balloon (Jun)



# 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		Pharmaceutical	Narcotic analgesic for postoperative pain management (Fentanyl injection)	JP	
Peripheral	Stent (TRI)	JP, US			Adhesion barrier (AdSpray mini)	JP	
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	
	Aspiration catheter	JP			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					

# Enhances Coronary Interventional Product Portfolio

Secured exclusive global rights to Orchestra BioMed's Virtue<sup>®</sup> Sirolimus-Eluting Balloon (released on June 13<sup>th</sup>)



- The first and only non-coated drug-eluting angioplasty balloon that delivers a proprietary bioabsorbable, sustained-release formulation of sirolimus, the gold standard drug for preventing restenosis following a percutaneous interventional procedure
- US FDA granted Virtue SEB Breakthrough Device Designation for treatment of coronary in-stent restenosis in Apr 2019
- A one-time, up-front payment of 30 million USD and an equity commitment of 5 million USD + milestone payments and royalties payment on sales
- Initiate a US registration trial within year 2020, and seek to make Virtue SEB the first drug-eluting balloon approved for coronary use in the US in the next few years. Globally expand the business later on

# Reference

# FY19 Q1 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Grand Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	12.1 (+8%)	76.4 (+15%)	22.1 (+9%)	33.7 (+11%)	11.7 (+36%)	8.8 (+21%)	88.5 (+14%)
Out of C&V Interventional Systems*	9.2 (+9%)	63.2 (+17%)	18.0 (+10%)	26.7 (+14%)	11.1 (+37%)	7.4 (+21%)	72.4 (+16%)
General Hospital	31.2 (+3%)	8.5 (+1%)	2.2 (+8%)	1.9 (+12%)	0.6 (-1%)	3.9 (-6%)	39.8 (+3%)
Blood Management	2.5 (+2%)	21.7 (+1%)	5.8 (-2%)	10.4 (-1%)	1.3 (+9%)	4.2 (+9%)	24.2 (+1%)
Grand Total	46.0 (+4%)	106.6 (+10%)	30.0 (+6%)	46.0 (+8%)	13.6 (+31%)	16.9 (+11%)	152.5 (+9%)

\*Including Neurovascular business

(YoY%): FXN

# Operating Expenses

(billion JPY)

	FY18 Q1	FY19 Q1	YoY	YoY%	YoY% (FXN)
Salaries & Wages	21.7	21.9	+0.2	+1%	+3%
Sales Promotion	4.5	4.9	+0.4	+9%	+11%
Logistical Costs	3.2	3.5	+0.2	+7%	+9%
Depreciation & Amortization	3.4	4.5*	+1.1	+32%	+33%
Others	10.7	9.7*	-1.0	-9%	-8%
<b>SG&amp;A Expenses Total</b>	<b>43.5</b> (30.4%)	<b>44.5</b> (29.2%)	<b>+1.0</b>	<b>+2%</b>	<b>+4%</b>
<b>R&amp;D Expenses</b>	<b>11.3</b> (7.9%)	<b>11.8</b> (7.8%)	<b>+0.5</b>	<b>+5%</b>	<b>+4%</b>
<b>Operating Expenses Total</b>	<b>54.8</b> (38.3%)	<b>56.4</b> (37.0%)	<b>+1.6</b>	<b>+3%</b>	<b>+4%</b>

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

# Quarterly Results

(billion JPY)

	FY18 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY19 Q1 (Apr-Jun)
Revenue	143.0	142.0	158.6	155.9	152.5
Gross Profit	79.9 (55.8%)	74.7 (52.6%)	87.6 (55.2%)	84.3 (54.1%)	85.2 (55.8%)
SG&A Expenses	43.5 (30.4%)	43.5 (30.5%)	45.0 (28.4%)	46.7 (29.9%)	44.5 (29.2%)
R&D Expenses	11.3 (7.9%)	12.4 (8.8%)	12.3 (7.7%)	11.6 (7.5%)	11.8 (7.8%)
Other Income and Expenses	0.8	2.9	0.6	2.1	0.4
Operating Profit	25.9 (18.1%)	21.7 (15.3%)	30.9 (19.5%)	28.2 (18.1%)	29.2 (19.1%)
Adjusted Operating Profit	30.5 (21.4%)	24.8 (17.4%)	35.9 (22.6%)	30.9 (19.9%)	33.9 (22.3%)

Average Exchange Rates	USD	109 JPY	111 JPY	113 JPY	110 JPY	110 JPY
	EUR	130 JPY	130 JPY	129 JPY	125 JPY	123 JPY

# Adjusted Operating Profit : Adjustments

(billion JPY)

	FY18 Q1	FY19 Q1
Operating profit	25.9	29.2
Adjustment 1. Amortization of acquired intangible assets	+3.8	+4.0
Adjustment 2. Non-recurring profit or loss	+0.9	+0.8*
Adjusted operating profit	30.5	33.9

## <General examples of adjustment items>

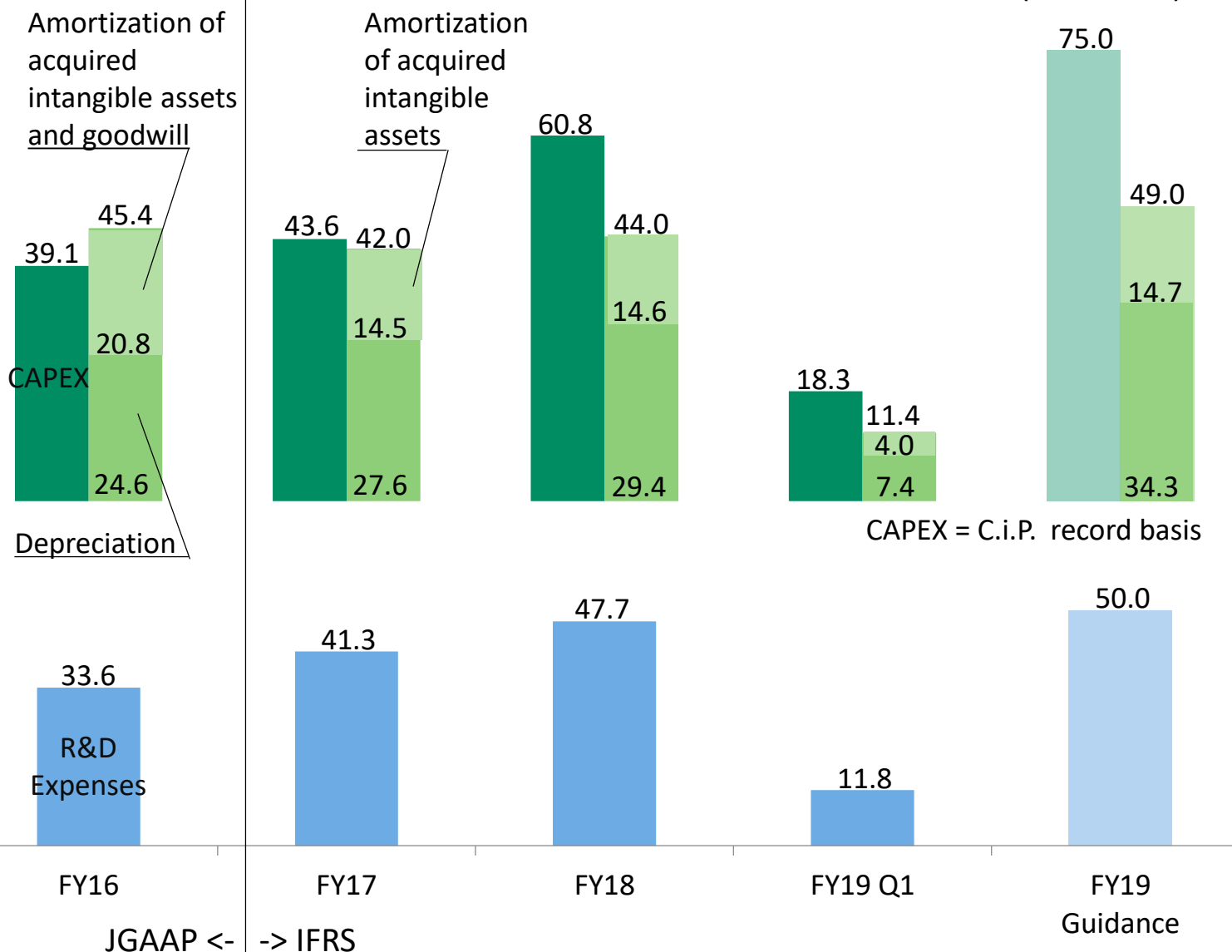
- Acquisition related cost
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other one-time profits & losses

* FY19 Q1 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganization cost	+0.3



# CAPEX and R&D Expenses

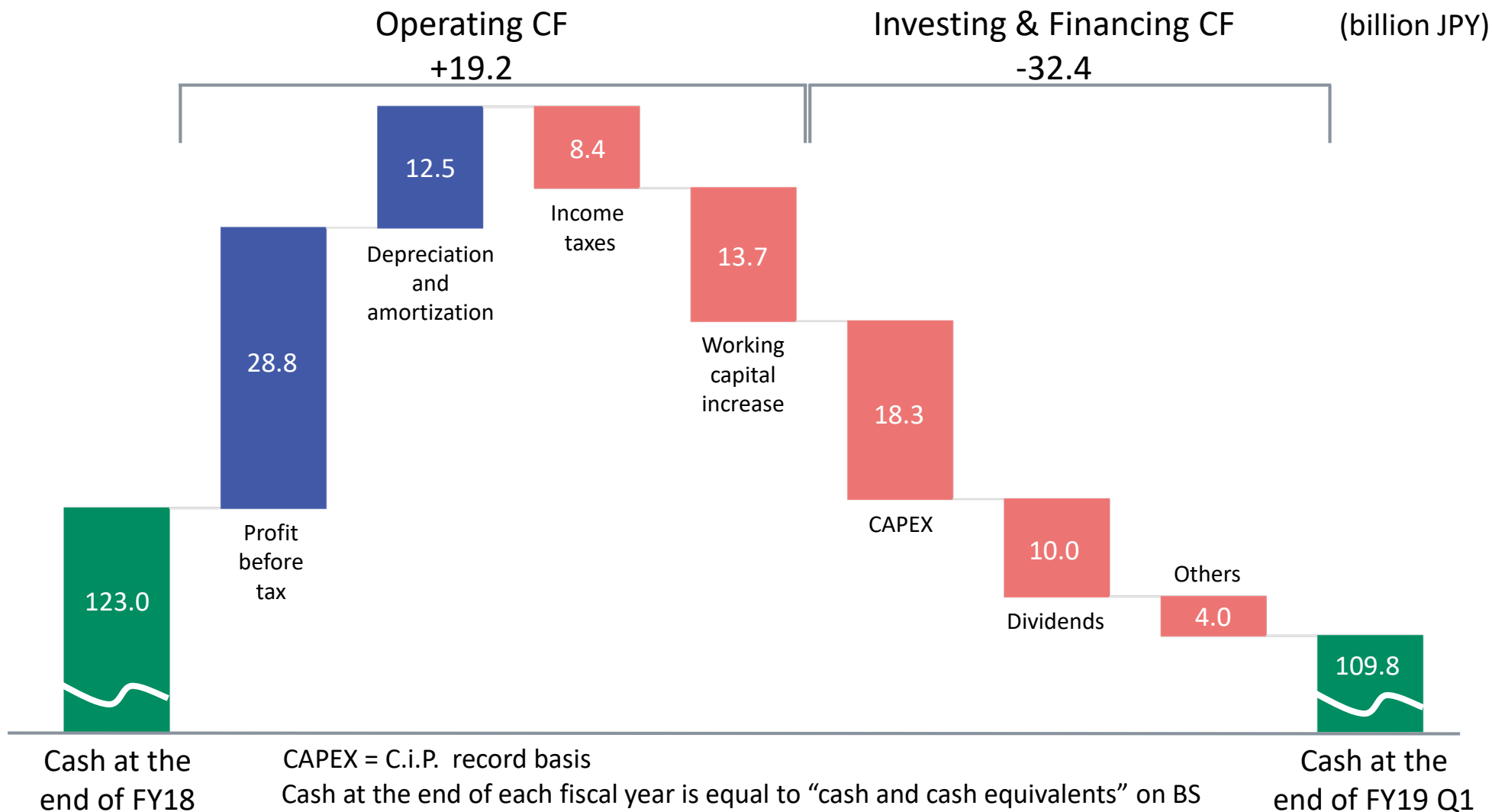
(billion JPY)



- 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 & Blood Management Company
- Capitalized R&D expenses are included in CAPEX
  - FY18 : 2.4
  - FY19 Q1 : 1.2
  - FY19 guidance : 3.2

# 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 Jul. 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	50.00 B JPY (100.0%)	25.9 M shares (3.4%)
Convertible Bonds due Dec. 2021	25.24 B JPY (50.5%)	13.1 M shares (1.7%)
Total	75.24 B JPY (75.2%)	39.0 M shares (5.1%)

## ➤ Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 16.3 M shares  
(at the end of Jul. 2019, treasury stock cost per share : 1,949 JPY, % against total number of issued shares : 2.2%)

# IR Contact

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## Terumo Corporation

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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.