

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

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Terumo Corporation  
Chief Accounting and Financial Officer  
Naoki Muto

February 6, 2020

# Highest-ever Q3YTD Revenue and Adjusted Operating Profit

(billion JPY)

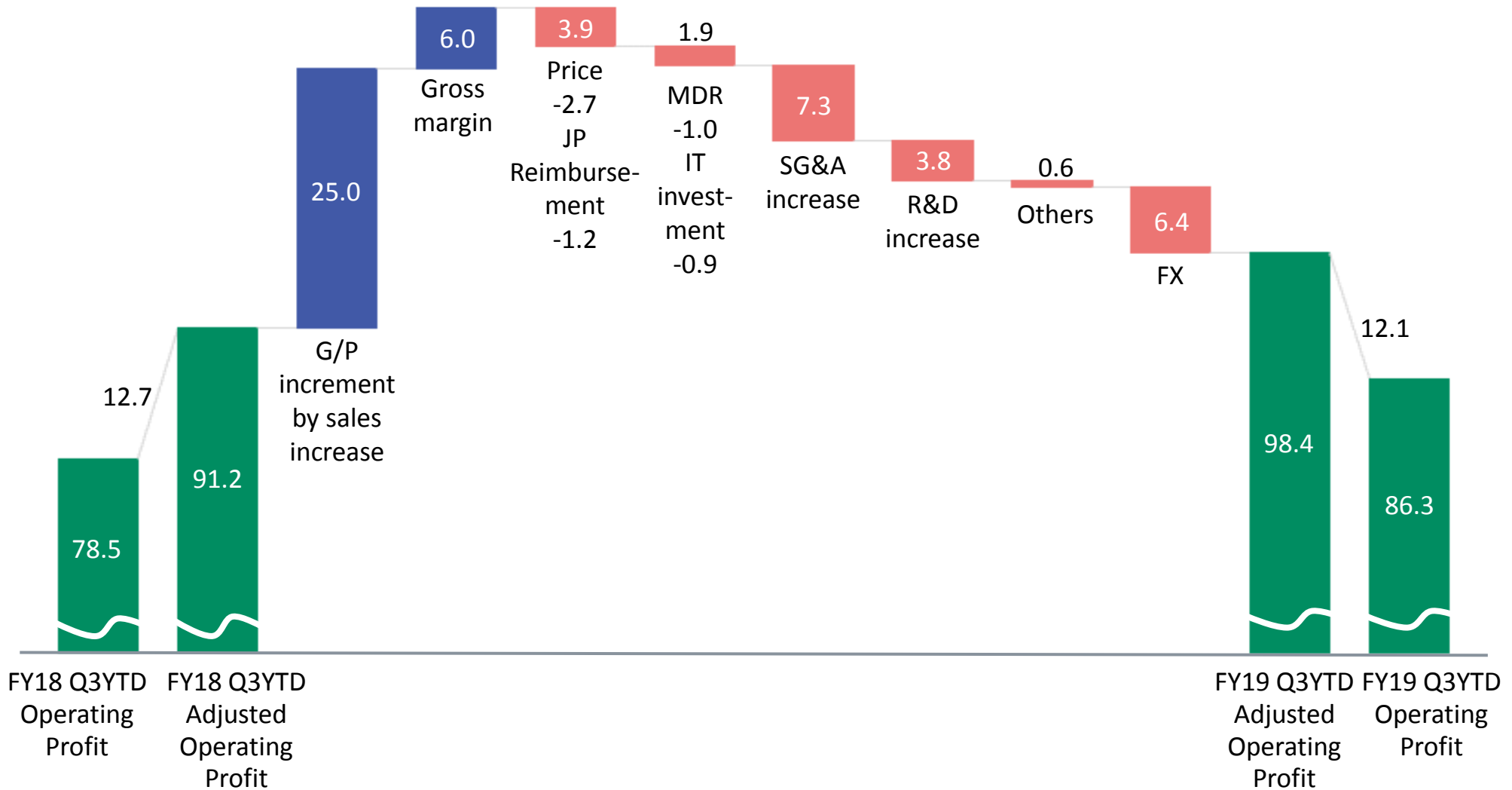
|                                  | FY18 Q3YTD    | FY19 Q3YTD    | YoY% | YoY%<br>(FXN) |
|----------------------------------|---------------|---------------|------|---------------|
| Revenue                          | 443.6         | 470.1         | +6%  | +9%           |
| Gross Profit                     | 242.2 (54.6%) | 258.6 (55.0%) | +7%  | +11%          |
| SG&A Expenses                    | 132.0 (29.8%) | 136.8 (29.1%) | +4%  | +7%           |
| R&D Expenses                     | 36.0 ( 8.1%)  | 37.0 ( 7.9%)  | +3%  | +5%           |
| Other Income and Expenses        | 4.4           | 1.5           | -    | -             |
| Operating Profit                 | 78.5 (17.7%)  | 86.3 (18.3%)  | +10% | +18%          |
| <b>Adjusted Operating Profit</b> | 91.2 (20.6%)  | 98.4 (20.9%)  | +8%  | +17%          |
| Profit before Tax                | 75.0 (16.9%)  | 85.5 (18.2%)  | +14% |               |
| Profit for the Year              | 56.5 (12.7%)  | 66.9 (14.2%)  | +18% |               |

|                        |     |         |         |
|------------------------|-----|---------|---------|
| Average Exchange Rates | USD | 111 JPY | 109 JPY |
|                        | EUR | 129 JPY | 121 JPY |

- Revenue: Continued positive growth in all companies. Driven by continuous double digit growth in TIS and Neurovascular business.
- Adjusted Operating Profit: Continued double digit growth on the basis of FX neutral
- Profit before Tax: FX loss decreased from 3.2 B JPY in FY18 Q3YTD to 0.8 B JPY in FY19 Q3YTD

# Adjusted Operating Profit Variance Analysis

(billion JPY)



# FX Impact on Adjusted Operating Profit Variance Analysis

Q3YTD FX impact -6.4 B JPY : -2.3 B JPY (1H) plus -4.1 B JPY (Q3)

<Details of -4.1 B JPY>

- 2.3 B JPY from flow : Impact of JPY appreciated against EUR and currencies in emerging countries compared with FY18 Q3

| Rate comparison |                 |                 | (JPY)    |
|-----------------|-----------------|-----------------|----------|
|                 | FY18 Q3 average | FY19 Q3 average | Variance |
| EUR             | 129             | 120             | -9       |
| CNY             | 16.6            | 15.6            | -1       |

- 1.8 B JPY from stock : FX impact on unrealized profit in inventories

- Negative impact due to rapid depreciation of JPY at the end of Dec, FY19
- Huge negative year-on-year variance due to positive impact in FY18 Q3

| Rate comparison |                 |                         |          | (JPY) | Rate comparison |                         |          |    | (JPY)    |
|-----------------|-----------------|-------------------------|----------|-------|-----------------|-------------------------|----------|----|----------|
|                 | FY18 Q3 average | At the end of Dec, FY18 | Variance |       | FY19 Q3 average | At the end of Dec, FY19 | Variance |    | Variance |
| USD             | 113             | 111                     | +2       | ➔     | USD             | 109                     | 110      | -1 |          |
| EUR             | 129             | 127                     | +2       |       | EUR             | 120                     | 123      | -3 |          |

# Revenue by Region

■ FY19 Q3YTD  
■ FY18 Q3YTD

## Revenue

100% = 470.1 B JPY

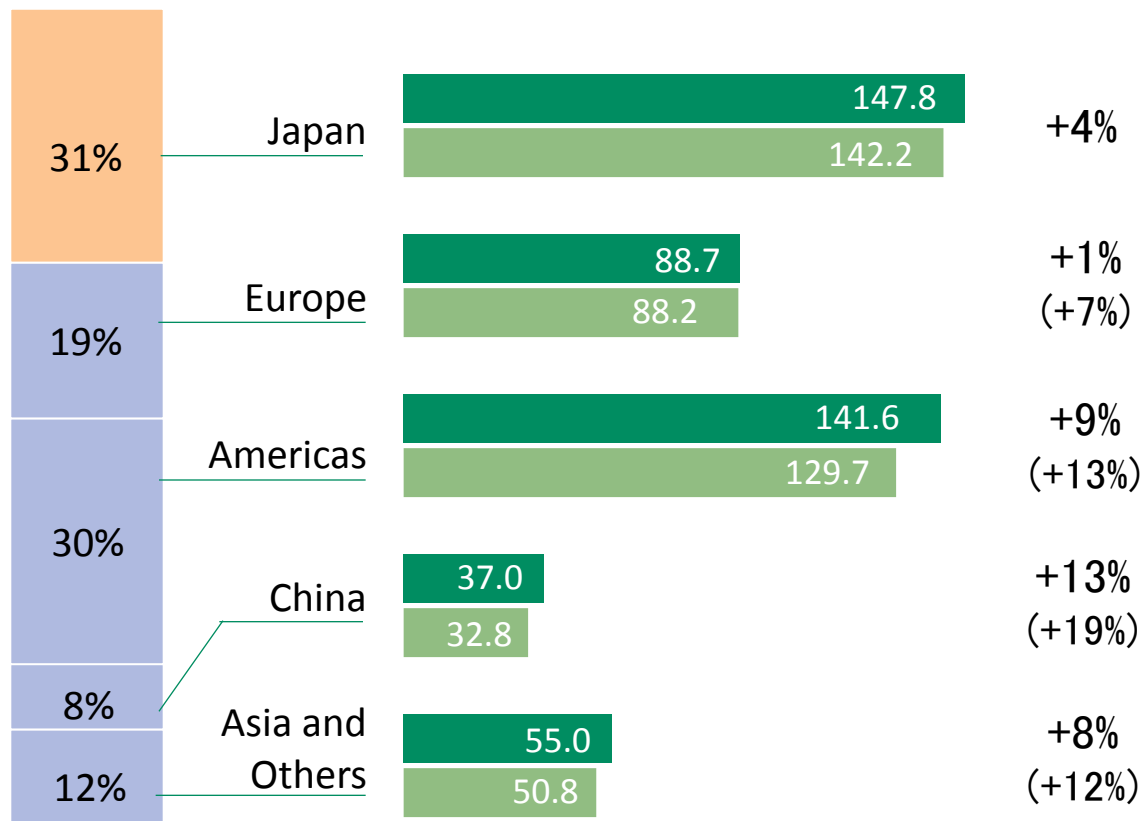
## Year-on-Year Revenue Comparison

billion JPY

YoY%

Comments

( ) FXN



Japan : Steady high single digit growth in Cardiac and Vascular. Solid momentum in line with the guidance for General Hospital, as well as Blood Management Company

Europe : Huge negative FX impact. Driven by double digit growth in Cardiac and Vascular Company, excluding the FX impact

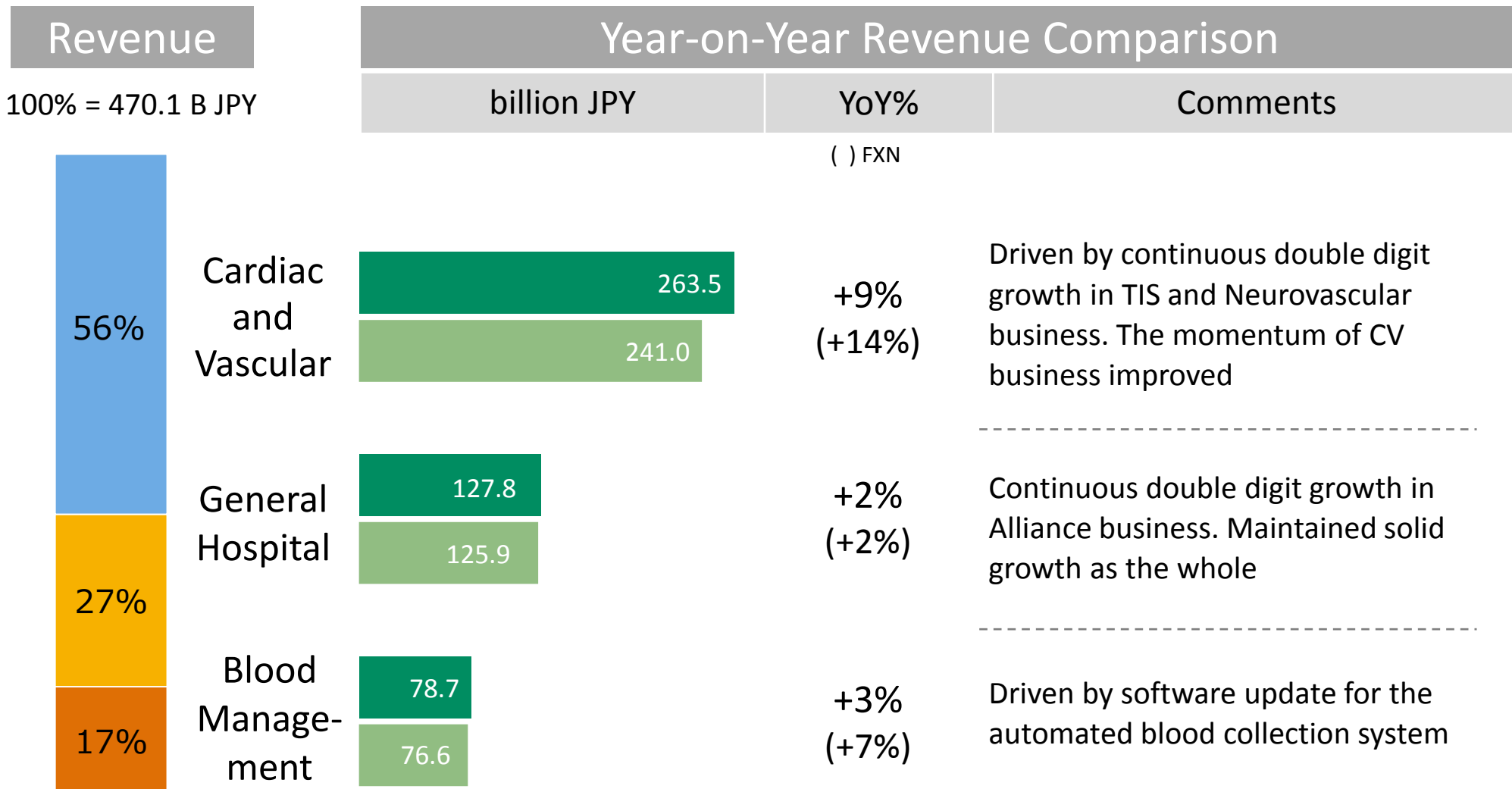
Americas : Driven by Cardiac and Vascular centered on TIS and Neurovascular business with double digit growth, covering negative growth in General Hospital Company

China : Double digit growth driven by continuous 20%+ growth in TIS business

Asia and Others : Double digit growth in Cardiac and Vascular, as well as Blood Management Company

# Revenue by Business Segment

FY19 Q3YTD  
FY18 Q3YTD



# Cardiac and Vascular : Positive Growth in All Businesses. Continued Double Digit Growth in Profit

(billion JPY)

|                               | FY18<br>Q3YTD | FY19<br>Q3YTD | YoY%           | Major Topics   | Impact                        |
|-------------------------------|---------------|---------------|----------------|--|-------------------------------|
| Revenue                       | 241.0         | 263.5         | +9%<br>(+14%)  | TIS : Continued double digit growth overseas<br>Neurovascular : Continuous double digit growth driven by globally strong momentum in “WEB” and stroke devices<br>CV : Improved momentum driven by oxygenators<br>Vascular Graft : Smooth progress in stent graft direct sales transition in JP and overseas reorganization | +15.6<br>+5.1<br>+1.2<br>+0.6 |
| Adjusted Operating Profit (%) | 58.0<br>(24%) | 68.8<br>(26%) | +18%<br>(+28%) | Driven by sales increase in TIS and Neurovascular business. Some expenses behind plan due to strong momentum in overall TIS products and “WEB” in Neurovascular  |                               |

( ) FXN

# General Hospital : Revenue and Profit in Line with the Guidance

(billion JPY)

|                               | FY18 Q3YTD    | FY19 Q3YTD    | YoY%          | Major Topics   | Impact                   |
|-------------------------------|---------------|---------------|---------------|--|--------------------------|
|                               |               |               | ( ) FXN       |  |                          |
| Revenue                       | 125.9         | 127.8         | +2%<br>(+2%)  | General hospital products : Impact of the financial challenge in Indonesian national health insurance, etc.<br>Pharmaceutical and nutrition : Continued double digit growth in pain management products and adhesion barrier<br>Alliance : In line with the guidance | -0.7<br><br>+1.1<br>+1.5 |
| Adjusted Operating Profit (%) | 22.3<br>(18%) | 19.8<br>(16%) | -11%<br>(-9%) | In line with the guidance  |                          |

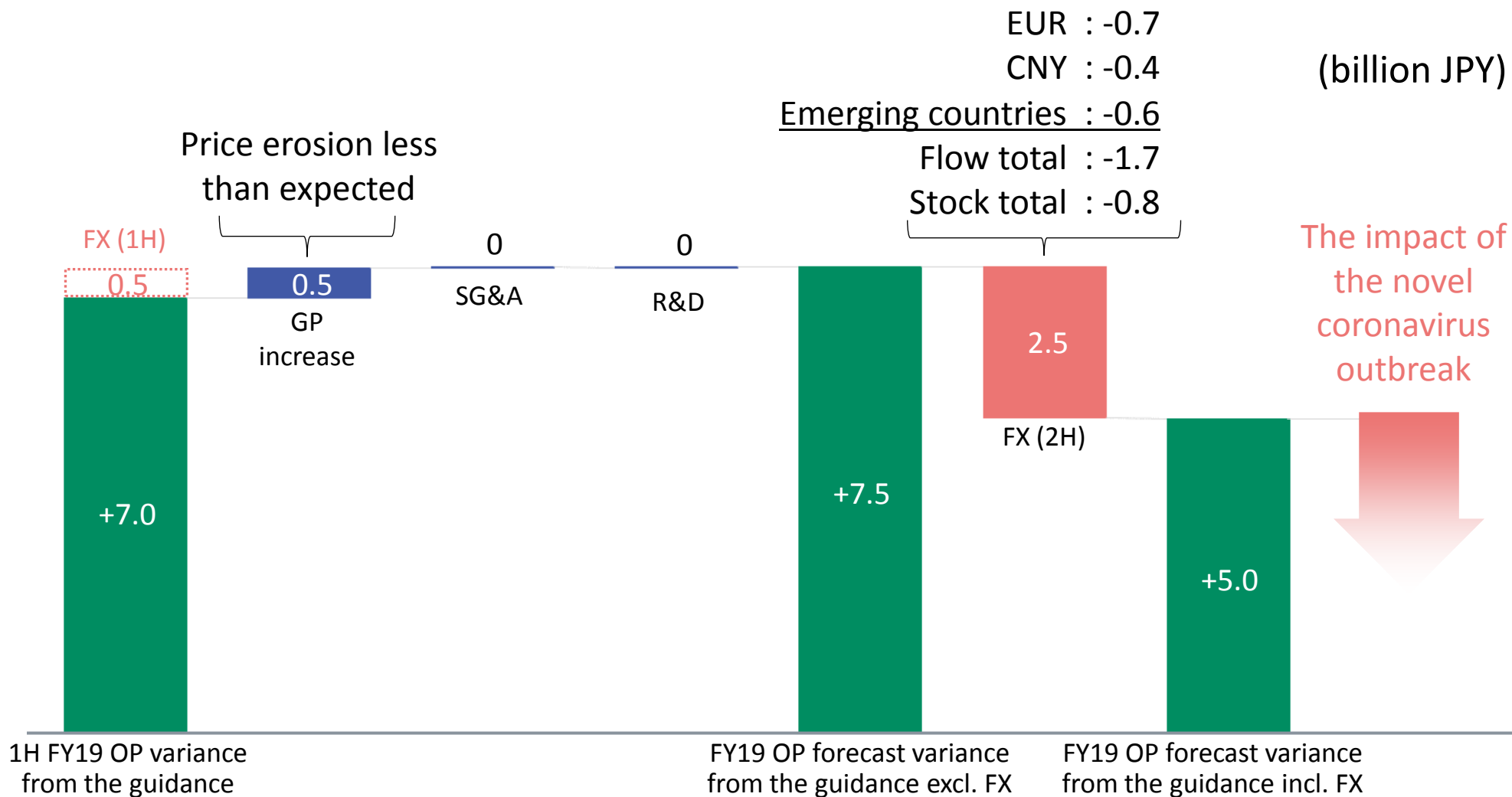


# Blood Management : Solid Momentum Excluding FX Impact

(billion JPY)

|                               | FY18<br>Q3YTD | FY19<br>Q3YTD | YoY%          | Major Topics  | Impact           |
|-------------------------------|---------------|---------------|---------------|---|------------------|
|                               |               |               | ( ) FXN       |   |                  |
| Revenue                       | 76.6          | 78.7          | +3%<br>(+7%)  | <p>Blood center products : Driven by software update for the automated blood collection system</p> <p>Therapeutic apheresis : Recoil of replacement with the latest version of consoles in developed countries. Double digit growth in Asia and Latin America</p> | +2.1<br><br>+0.2 |
| Adjusted Operating Profit (%) | 10.9<br>(14%) | 10.4<br>(13%) | -4%<br>(+11%) | <p>Huge negative impact of FX.</p> <p>In line with the guidance</p>   |                  |

# Reiterate the FY19 Guidance



Exchange Rates for Q4 : 1 USD=109 JPY, 1 EUR=120 JPY  
 for FY19 : 1 USD=109 JPY, 1 EUR=121 JPY

# Major Topics in FY19 Q3

## Corporate

- Has received “GOOD DESIGN AWARD” for twenty four consecutive years (Oct)
- Donated through Japanese Red Cross for the relief of Typhoon Hagibis in JP (Oct)
- Established “Terumo Group Human Rights Policy” (Dec)



Condensed liquid nutrition “Terumeal Uplead-mini”



Closed hazardous drug infusion system “ChemoSafe Lock”



Pulsed xenon UV germ-zapping robot “LIGHTSTRIKE”

## Business

- Launched a small size of adhesion barrier gel “AdSpray” (Oct)
- Launched fill and finish system for cell therapy processing “FINIA” (Oct)
- Acquired U.S.-based Aortica Corporation, owning automated case planning software technologies for personalized stent grafts (Nov)
- Asahi Kasei Pharma Corporation launched a new formulation to treat osteoporosis pre-filled in “PLAJEX” (Dec)
- Gained US-FDA premarket approval of the flow diverter “FRED” for treatment of brain aneurysms (Dec)
- Gained manufacturing and marketing approval of the intrasaccular aneurysm treatment device “WEB” in JP (Dec)



Fill and finish system “FINIA”



“Teribone 28.2 µg subcutaneous autoinjector”



Intrasaccular aneurysm treatment device “WEB”

# New Products Pipeline in FY19

| Category       | Products                                      | Region   | Launch   | Category                   | Products  | Region | Launch   |
|----------------|---|----------|----------|----------------------------|---|--------|----------|
| Access         | Closure device for distal radial approach     | JP       | FY20     | General hospital           | Next generation of syringe pump   | JP     | Q4       |
| 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   | Launched |                            | Blood glucose monitoring system   | JP     | Q4       |
|                | Mini balloon                                  | EU, US   | Launched |                            | Insulin patch pump  | JP     | Launched |
|                | Aspiration catheter                           | JP       | Launched |                            | Next version of blood pressure monitor                                    | JP     | Launched |
|                | Stentriever                                   | JP       | Launched |                            | Next version of thermometer   | JP     | Q4       |
| CV             | Next generation of oxygenator                 | JP       | FY20     | Blood Management           | Fill and finish system for cell therapy processing (FINIA)                | Global | Launched |
|                | Heart lung machine (re-launch)                | JP       | FY20     |                            |   |        |          |
| Vascular graft | Large-bore vascular graft (Triplex Advanced)  | JP       | Q4       |                            |   |        |          |

# Reference

# FY19 Q3YTD Revenue and Growth by Region

(billion JPY)

| Business Segment                   | Japan          | Overseas        |                |                 |                |                | Grand Total     |
|------------------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|
|                                    |                | Subtotal        | Europe         | Americas        | China          | Asia           |                 |
| Cardiac and Vascular               | 38.2<br>(+8%)  | 225.3<br>(+15%) | 64.1<br>(+10%) | 103.1<br>(+15%) | 30.9<br>(+22%) | 27.2<br>(+15%) | 263.5<br>(+14%) |
| Out of C&V Interventional Systems* | 28.5<br>(+7%)  | 185.4<br>(+16%) | 52.2<br>(+11%) | 81.8<br>(+18%)  | 28.9<br>(+23%) | 22.5<br>(+14%) | 213.9<br>(+15%) |
| General Hospital                   | 100.5<br>(+3%) | 27.3<br>(+0%)   | 6.6<br>(-0%)   | 6.1<br>(+2%)    | 1.9<br>(+6%)   | 12.8<br>(-1%)  | 127.8<br>(+2%)  |
| Blood Management                   | 9.0<br>(+1%)   | 69.7<br>(+8%)   | 18.1<br>(+2%)  | 32.4<br>(+7%)   | 4.2<br>(+7%)   | 15.0<br>(+20%) | 78.7<br>(+7%)   |
| Grand Total                        | 147.8<br>(+4%) | 322.3<br>(+12%) | 88.7<br>(+7%)  | 141.6<br>(+13%) | 37.0<br>(+19%) | 55.0<br>(+12%) | 470.1<br>(+9%)  |

\*Including Neurovascular business

(YoY%): FXN

# Operating Expenses

(billion JPY)

|                                 | FY18 Q3YTD              | FY19 Q3YTD              | YoY         | YoY%       | YoY%<br>(FXN) |
|---------------------------------|-------------------------|-------------------------|-------------|------------|---------------|
| Salaries & Wages                | 65.5                    | 66.6                    | +1.1        | +2%        | +5%           |
| Sales Promotion                 | 13.3                    | 14.6                    | +1.3        | +10%       | +13%          |
| Logistical Costs                | 10.1                    | 10.3                    | +0.3        | +3%        | +5%           |
| Depreciation & Amortization     | 10.4                    | 13.9*                   | +3.5        | +34%       | +37%          |
| Others                          | 32.7                    | 31.4*                   | -1.3        | -4%        | -2%           |
| <b>SG&amp;A Expenses Total</b>  | <b>132.0</b><br>(29.8%) | <b>136.8</b><br>(29.1%) | <b>+4.8</b> | <b>+4%</b> | <b>+7%</b>    |
| <b>R&amp;D Expenses</b>         | <b>36.0</b><br>(8.1%)   | <b>37.0</b><br>(7.9%)   | <b>+1.0</b> | <b>+3%</b> | <b>+5%</b>    |
| <b>Operating Expenses Total</b> | <b>168.0</b><br>(37.9%) | <b>173.8</b><br>(37.0%) | <b>+5.8</b> | <b>+3%</b> | <b>+6%</b>    |

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

# Quarterly Results

(billion JPY)

|                              | FY18 Q3<br>(Oct-Dec) | Q4<br>(Jan-Mar) | FY19 Q1<br>(Apr-Jun) | Q2<br>(Jul-Sep) | Q3<br>(Oct-Dec) |
|------------------------------|----------------------|-----------------|----------------------|-----------------|-----------------|
| Revenue                      | 158.6                | 155.9           | 152.5                | 154.8           | 162.9           |
| Gross Profit                 | 87.6<br>(55.2%)      | 84.3<br>(54.1%) | 85.2<br>(55.8%)      | 86.3<br>(55.8%) | 87.2<br>(53.5%) |
| SG&A Expenses                | 45.0<br>(28.4%)      | 46.7<br>(29.9%) | 44.5<br>(29.2%)      | 45.1<br>(29.1%) | 47.2<br>(29.0%) |
| R&D Expenses                 | 12.3<br>(7.7%)       | 11.6<br>(7.5%)  | 11.8<br>(7.8%)       | 12.5<br>(8.1%)  | 12.7<br>(7.8%)  |
| Other Income<br>and Expenses | 0.6                  | 2.1             | 0.4                  | 1.3             | -0.2            |
| Operating Profit             | 30.9<br>(19.5%)      | 28.2<br>(18.1%) | 29.2<br>(19.1%)      | 30.0<br>(19.4%) | 27.1<br>(16.6%) |
| Adjusted<br>Operating Profit | 35.9<br>(22.6%)      | 30.9<br>(19.9%) | 33.9<br>(22.3%)      | 33.1<br>(21.4%) | 31.4<br>(19.3%) |

|                              |     |         |         |         |         |         |
|------------------------------|-----|---------|---------|---------|---------|---------|
| Average<br>Exchange<br>Rates | USD | 113 JPY | 110 JPY | 110 JPY | 107 JPY | 109 JPY |
|                              | EUR | 129 JPY | 125 JPY | 123 JPY | 119 JPY | 120 JPY |



# Adjusted Operating Profit : Adjustments

(billion JPY)

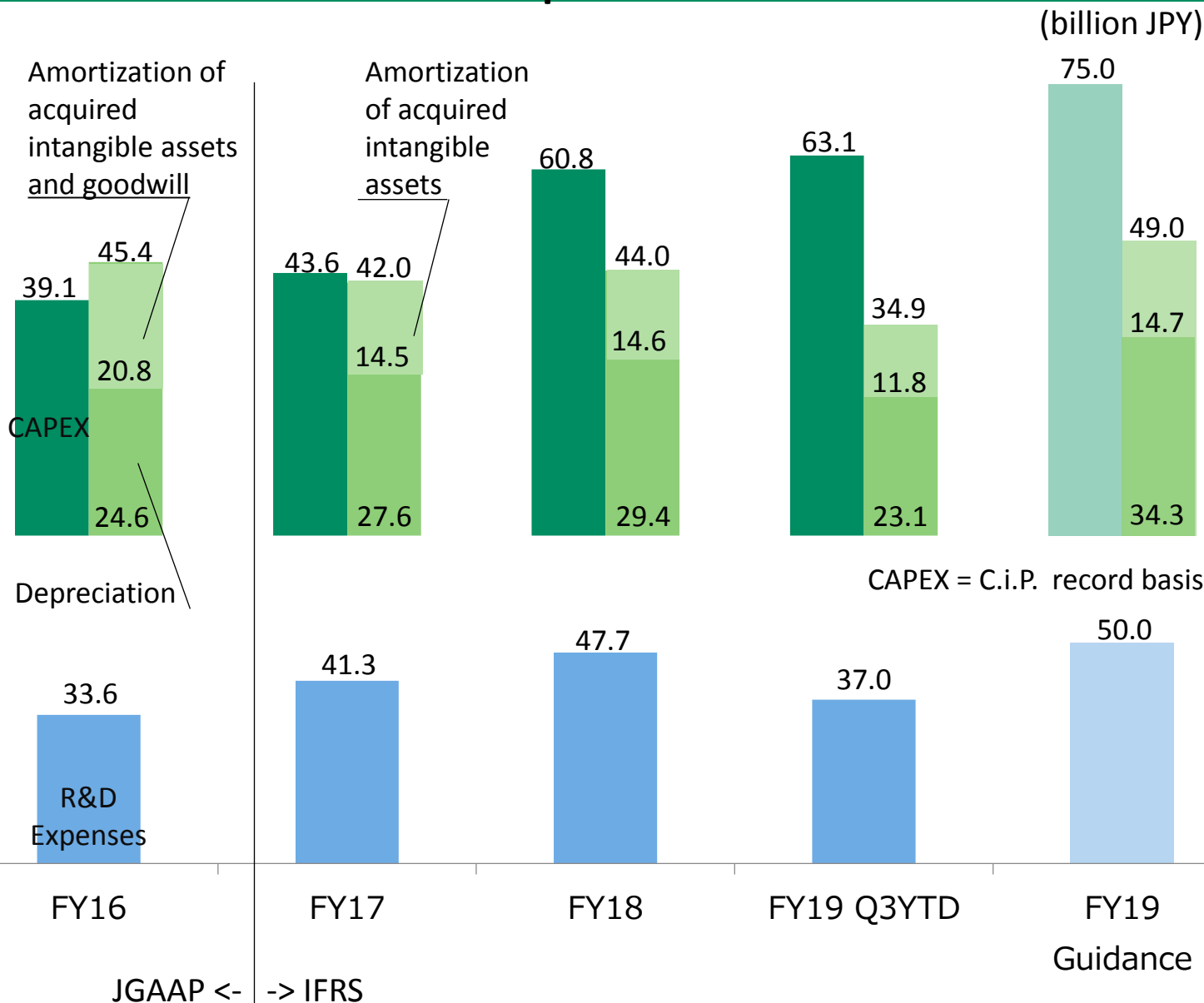
|  | FY18 Q3YTD | FY19 Q3YTD |
|--|------------|------------|
| Operating profit   | 78.5       | 86.3       |
| Adjustment 1. Amortization of acquired intangible assets | +11.0      | +11.9      |
| Adjustment 2. Non-recurring profit or loss               | +1.7       | +0.3*      |
| Adjusted operating profit                                | 91.2       | 98.4       |

## <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

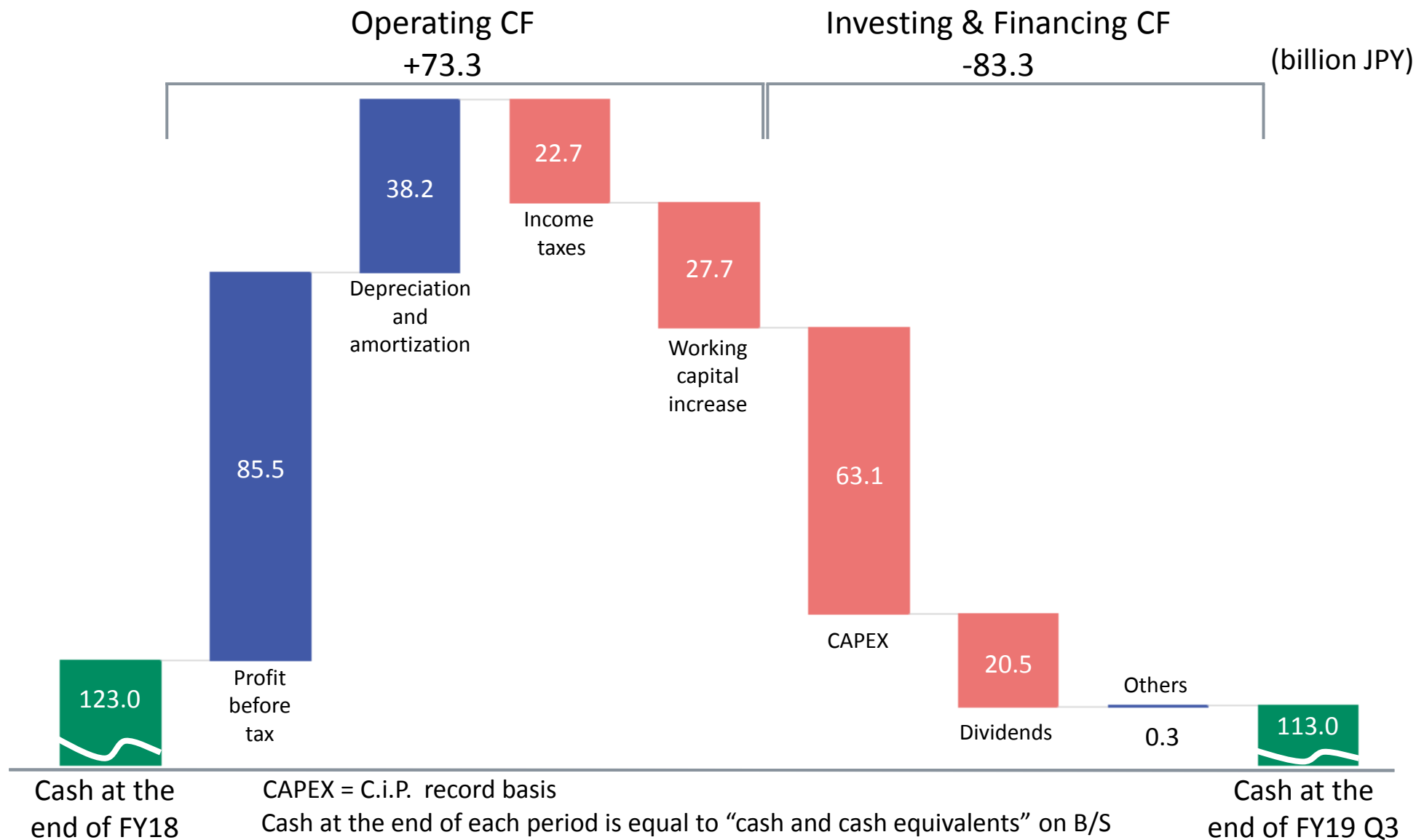
| * FY19 Q3YTD main items in Adjustment 2. Non-recurring profit or loss | Amount |
|---|--------|
| Business reorganization cost  | +1.1   |
| Disaster insurance income for Puerto Rico factory                     | -1.2   |
| Others  | +0.4   |

# 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
- Lease depreciation (IFRS16) is not included in FY19 result / guidance
- Further promote R&D activities mainly for TIS, Neurovascular and Blood Management Company
- Capitalized R&D expenses are included in CAPEX
  - FY18 : 2.4
  - FY19 Q3YTD : 3.4
  - FY19 guidance : 4.5

# Cash Flows



# Foreign Exchange Sensitivity

Annual impact of 1 JPY depreciation

(billion JPY)

|                           | USD | EUR | CNY |
|---------------------------|-----|-----|-----|
| Revenue                   | 1.7 | 0.8 | 2.4 |
| Adjusted Operating Profit | 0.0 | 0.5 | 1.3 |

<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    | 2.0  | 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 Jan. 31, 2020)

| 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 | 42.5 B JPY (85.0%)  | 22 M shares (2.9%)   |
| Total                           | 92.5 B JPY (92.5%)  | 48 M shares (6.3%)   |

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

- Status of treasury shares: 7 M shares  
(at the end of Jan. 2020, treasury stock cost per share : 1,949 JPY, % against total number of issued shares : 1.0%)

# *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.