

# Financial Results for the Fiscal Year Ended March 31, 2020 (FY2019)

May 18, 2020

**Naoki Muto**

Chief Accounting and Financial Officer  
Terumo Corporation



## Despite the COVID-19 Impact, Highest-ever Revenue and Operating Profit

(billion JPY)

	FY18	FY19	YoY%	YoY% (FXN)
Revenue	599.5	628.9	+5%	+8%
Gross Profit	326.5 (54.5%)	343.9 (54.7%)	+5%	+9%
SG&A Expenses	178.7 (29.8%)	184.5 (29.3%)	+3%	+6%
R&D Expenses	47.7 ( 8.0%)	50.6 ( 8.0%)	+6%	+8%
Other Income and Expenses	6.5	1.8	-	-
Operating Profit	106.6 (17.8%)	110.6 (17.6%)	+4%	+11%
<b>Adjusted Operating Profit</b>	122.1 (20.4%)	125.0 (19.9%)	+2%	+9%
Profit before Tax	102.7 (17.1%)	106.5 (16.9%)	+4%	
Profit for the Year	79.5 (13.3%)	85.2 (13.5%)	+7%	

Average Exchange Rate	USD	111 JPY	109 JPY
	EUR	128 JPY	121 JPY

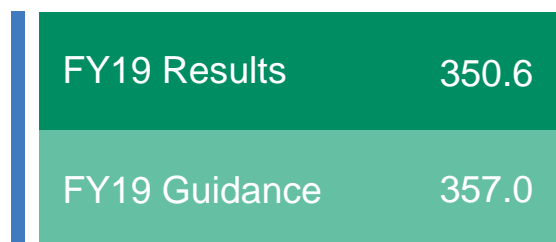
- Revenue: All companies made positive growth. Slight impact of COVID-19 in Q4 mainly in China was seen
- Adjusted Operating Profit: Grew due to increase in revenue of high margin products and partially unused expenses in Cardiac and Vascular Company
- Profit for the Year: FX loss decreased from 3.8 B JPY in FY18 to 3.5 B JPY in FY19

# FY19 Results in Comparison to the Original Guidance

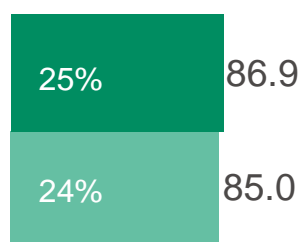
(billion JPY)

Revenue		Adjusted Operating Profit		Comments
Amount	variance	Amount	variance	

Cardiac and Vascular



-6.4



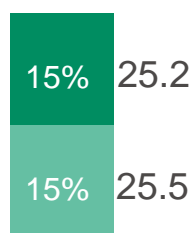
+1.9

Lower revenue due to the COVID-19 impact(China) and sluggish result of DES, etc. Higher profit due to partially unused expenses (e.g. promotion for recovery from shipping delays)

General Hospital



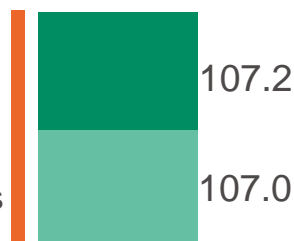
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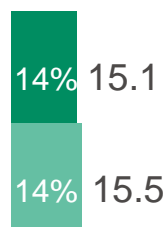
-0.3

Both revenue and adjusted operating profit were in line with the guidance

Blood and Cell Technologies



+0.2

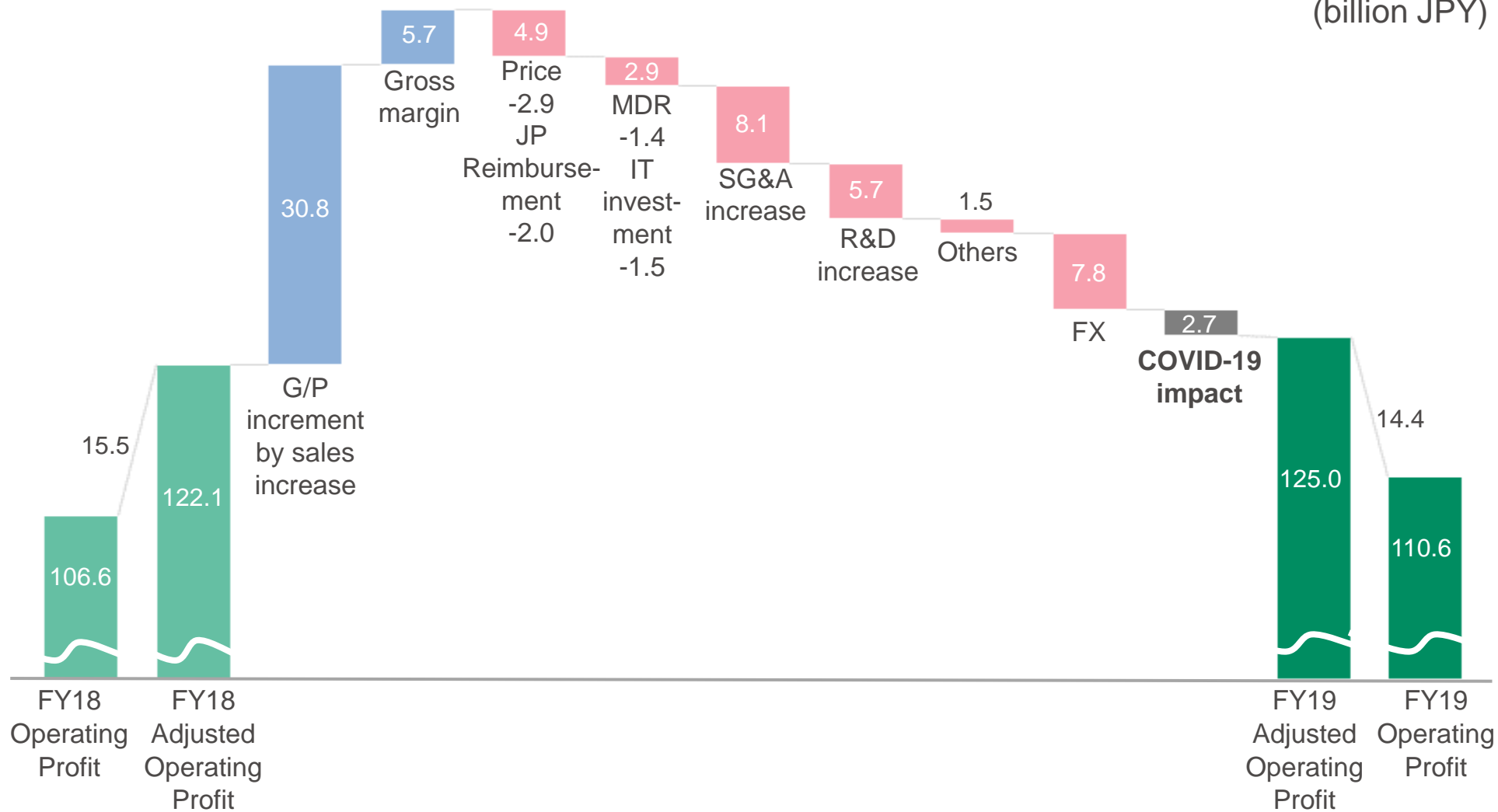


-0.4

Both revenue and profit were higher than the guidance excluding FX impact

# Adjusted Operating Profit Variance Analysis

(billion JPY)



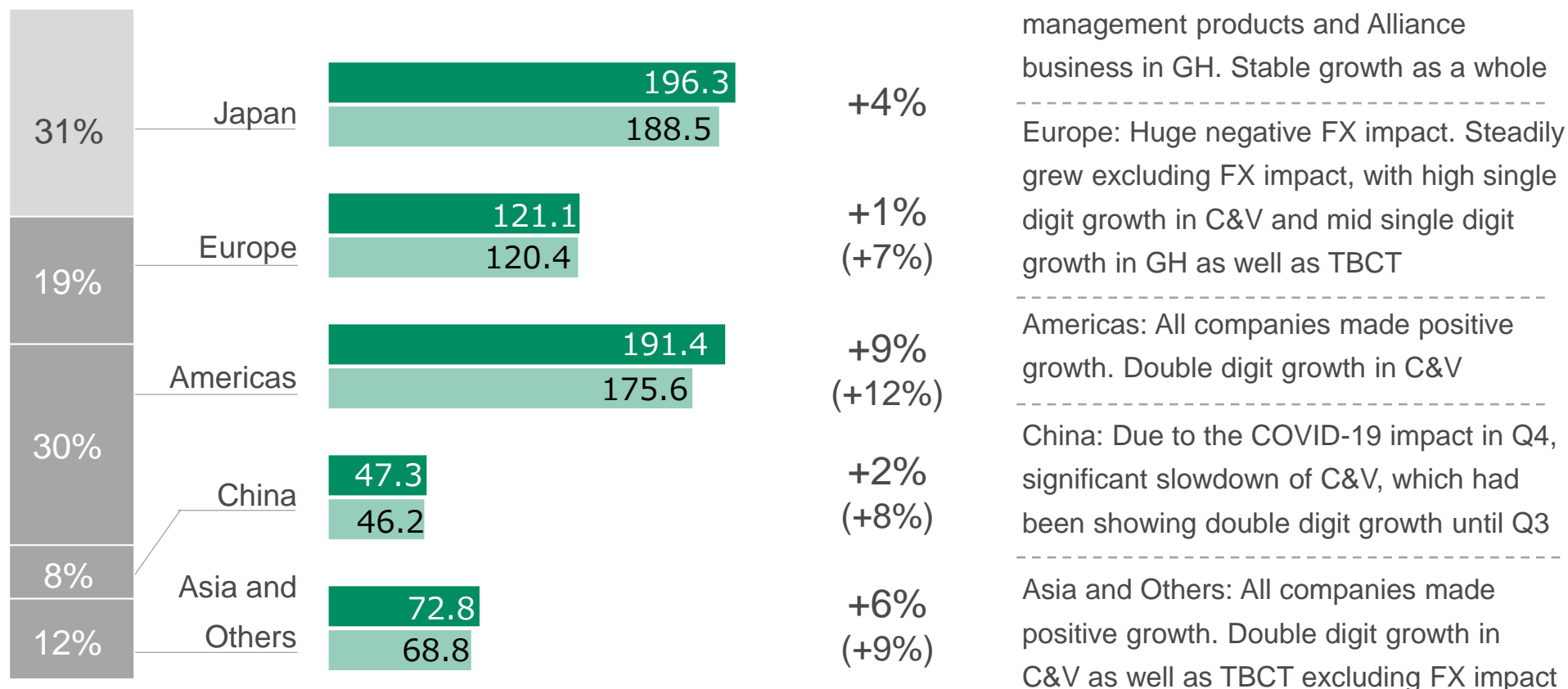
# Revenue by Region

FY19  
FY18

## Revenue

100% = 628.9 B JPY

## Year-on-Year Revenue Comparison

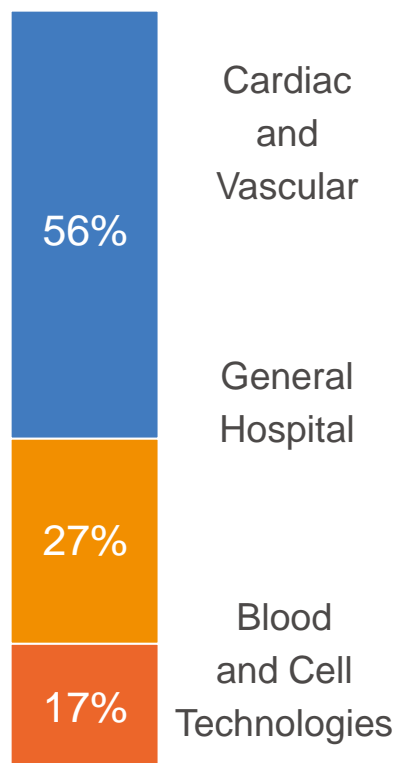


# Revenue by Business Segment

FY19  
FY18

## Revenue

100% = 628.9 B JPY



## Year-on-Year Revenue Comparison

Revenue	Year-on-Year Revenue Comparison	Comments
billion JPY	YoY%	
	( ) FXN	
Cardiac and Vascular	+7% (+10%)	Continuous growth close to 20% in Neurovascular business. Double digit growth excluding FX impact despite the COVID-19 impact mainly in China in Q4
General Hospital	+3% (+4%)	Driven by double digit growth in Alliance business, pain management products as well as adhesion barrier. Increased demand for thermometers and antiseptic hand gel for the preventive measures against COVID-19
Blood and Cell Technologies	+2% (+6%)	Driven by software update for the automated blood collection system

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

(billion JPY)

	FY18	FY19	YoY%	Major Topics	Impact
Revenue	328.5	350.6	+7% (+10%)	TIS: Despite the COVID-19 impact in Q4, showed double digit growth excluding FX impact	+13.0
				Neurovascular: Close to 20% growth driven by “WEB” and stroke devices	+7.5
				Cardiovascular: Driven by oxygenators	+1.5
				Vascular graft: Slight slowdown in Q4 due to the COVID-19 impact	+0.1
Adjusted Operating Profit (%)	80.9 (25%)	86.9 (25%)	+7% (+16%)	Increase in profit due to revenue expansion in TIS and Neurovascular business. Some budgeted expenses were unused due to strong momentum in overall TIS and “WEB” in Neurovascular	

( ) FXN

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

(billion JPY)

	FY18	FY19	YoY%	Major Topics	Impact
Revenue	165.8	171.0	+3% (+4%)	General hospital products: Impact of the financial challenge in Indonesian national health insurance, etc.	-0.3
				Pharmaceutical: Driven by pain management products and adhesion barrier	+1.8
				DM Healthcare: Special demand for thermometers due to the COVID-19 impact	+0.5
				Alliance: Double digit growth in line with the guidance	+3.2
Adjusted Operating Profit (%)	26.8 (16%)	25.2 (15%)	-6% (-7%)	In line with the guidance reflecting the depreciation increase due to capacity expansion of Yamaguchi factory	

( ) FXN



# Blood and Cell Technologies: Exceeded the Guidance Excluding FX Impact

(billion JPY)

	FY18	FY19	YoY%	Major Topics	Impact
			( ) FXN		
Revenue	105.0	107.2	+2% (+6%)	<p>Blood center solutions: Driven by automated blood collection system, software update and increased demand of plasma collection from convalescent COVID-19 patients</p> <p>Therapeutic solutions: Recoil of replacement with the latest version of consoles in developed countries</p>	+2.4  -0.1
Adjusted Operating Profit (%)	15.7 (15%)	15.1 (14%)	-4% (+10%)	<p>Huge negative FX impact more than expected.</p> <p>Controlled expenses and exceeded the guidance excluding FX impact</p>	

# FY19 Year-end Dividend Proposal: 14.0 JPY

FY19 annual dividend proposal: 28.0 JPY

No change from the original guidance, considering the COVID-19 impact

	FY19 Results
Profit for the year (B JPY)	85.2
EPS (JPY)	114

Dividend proposal/share (JPY)	<b>28.0</b> Interim 14.0 Year-end 14.0
Dividend payout ratio	24.6%

# Major Topics in FY19 Q4

## Corporate

- | Selected as “the Health and Productivity Stock Selection” for six consecutive years (Mar)
- | Committed to supporting relief and recovery efforts from the Australian bushfire disaster (Mar)
- | Greenhouse Gas Reduction Target Approved by the SBTi (Mar)

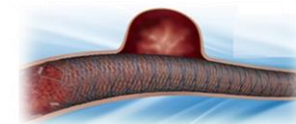


## Business

- | Announced manufacturing and marketing approval in Japan for “WEB” intrasaccular aneurysm treatment device (Jan)
- | Announced US FDA premarket approval for “FRED” flow diverter (Jan)
- | The reimbursement price for “FRED” flow diverter listed in Japan (Jan)
- | Launched “Fentanyl Citrate Tape for 1 Day Use” strong opioid analgesic in Japan (Feb)



Intrasaccular aneurysm treatment device “WEB”

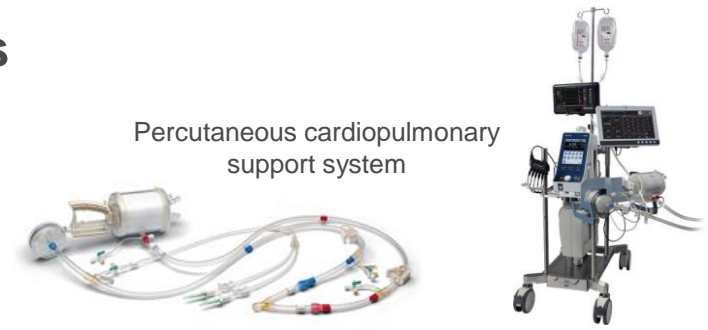


Flow diverter for Aneurysm treatment “FRED”

# All Companies Contribute to COVID-19 Prevention and Treatment

## Cardiac and Vascular: ECMO for severe patients

- Having started to improve capacity since Jan. 2020
- Support teams of physicians, technicians and nurses



## General Hospital: Infection prevention from home to hospital

- Thermometer designed in consideration of infection control
- Various hand sanitizer lineup for hospital infection prevention



Thermometer



Hand sanitizer

## Blood and Cell Technologies: Support latest treatments

- Convalescent plasma collection using component collection system
- Pathogen reduction shown efficacy against virus causing COVID-19
- Apheresis system approved in US for emergency use in cytokine reduction



Component collection system



Pathogen reduction system



Apheresis system

# FY19 New Product Pipeline

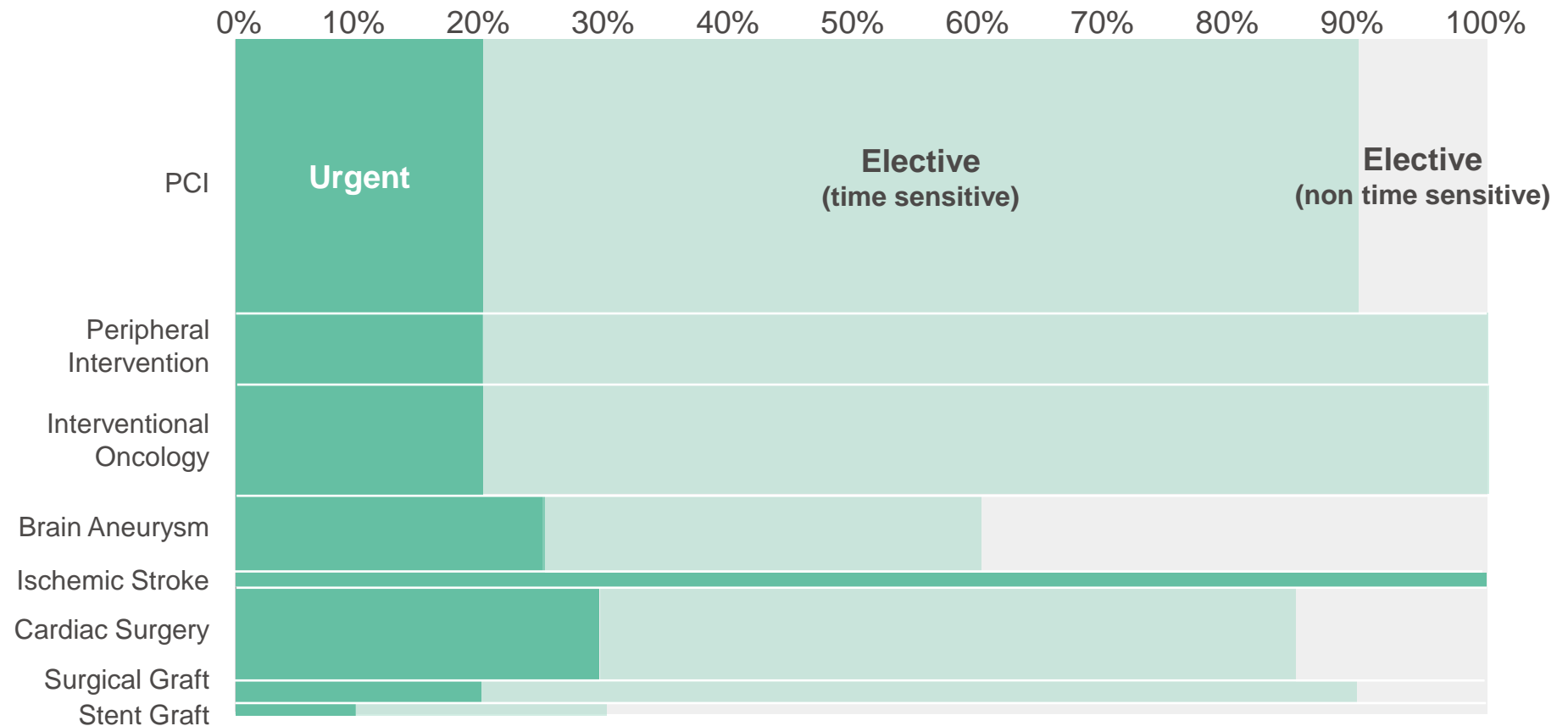
Category	Products	Region	Launch	Category	Products	Region	Launch	
Access	Closure device for distal radial approach	JP	FY21	General hospital	Next generation of syringe pump	JP	FY20	
Coronary	PTCA balloon	EU, Asia	Launched	Pharmaceutical	Narcotic analgesic for postoperative pain management (Fentanyl injection)	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	FY20	
	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	FY20	
Cardio-vascular	Next generation of oxygenator	JP	FY20		Cell therapy technologies	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	Launched					

# FY20 Annual Guidance

- Not determined yet since it is difficult to rationally estimate the COVID-19 impact on the guidance at the moment
- To be promptly disclosed when it becomes available
- Qualitative estimation of the COVID-19 impact
  - Relatively large on Cardiac and Vascular, and its extent may vary by segment and region. Necessary to consider its timelike and phaselike changes
  - Limited impact on General Hospital as well as Blood and Cell Technologies

# The COVID-19 Framework of Cardiac and Vascular Procedures

- Impact varies by procedural type (urgent/elective)
- Not only procedural types but also various factors have influence on sales revenue e.g. financial situation of hospitals, hospital-based/office-based, locality, guidelines from medical societies, sales channels (direct/distributors) and patients' sentiment



# Limited COVID-19 Impact on GH and TBCT

## General Hospital

- | General hospital products and Pharmaceutical: The products are majorly related to medical infrastructure and hospitalization
- | DM Healthcare: Diabetes is a chronic disease and DM products are for homecare. In Healthcare, carefully monitor recoil from the special demand for thermometers
- | Alliance: Majority of the business is contract manufacturing of drug and device for chronic diseases

## Blood and Cell Technologies

- | Blood center solutions: Despite slight decline in demand due to postponement of surgical cases, increase in demand for automated blood collection system for higher efficiency in blood collection has been seen
- | Therapeutic solutions: Limited impact on the demand as the majority of blood therapies are for chronic diseases
- | Cell therapy technologies: Carefully monitor slowdown in cell therapy studies by pharmaceutical companies and research institutes



# FY20 New Product Pipeline

■ Having integrated certain impact by COVID-19, still need to carefully monitor further delay in R&D, etc.

Category	Products	Region
Coronary	Steerable sheath	JP
	PTCA balloon (manufactured by Essen Technology)	China
Imaging	IVUS catheter	JP
Oncology	Biodegradable drug eluting microspheres	EU
	Peripheral embolization plug	US
Neuro	Flow diverter	JP, US
	Balloon guide catheter	EU
	Carotid stent	JP
	Intrasaccular aneurysm treatment device (WEB)	JP
Cardio-vascular	Oxygenator	JP
	Heart lung machine (re-launch)	JP
	Surgical stabilizer	Global

Category	Products	Region
Vascular graft	Abdominal aortic stent graft	US
General hospital	Syringe pump	JP
	Safety IV catheter	JP
	Syringe pump for open TCI	EU, Asia
Pharmaceutical	Strong opioid analgesic (Fentanyl citrate tape for 1 day use)	JP
DM and consumer healthcare	Continuous glucose monitoring system	JP
	Blood glucose monitoring system	JP
	Thermometer	JP

# FY20 Liquidity and Cash Allocation

## Managing Liquidity

- 40 B JPY fund-raised in FY19  
(FY19 year-end cash on hand: worth approx. 3.2 months of revenue)
- For further preservation purpose, having concluded commitmentline contracts for 60 B JPY

## FY20 Cash Allocation

- Continue investments for further growth post COVID-19  
\* Pursue M&A opportunities for “**Sustainable and Profitable Growth**”
- Put non-urgent expenses and investment projects on hold
- Keep annual dividend at 28.0 JPY unchanged for the time being  
(Following our current policy, plan to restart dividend increase after the full recovery from the COVID-19 impact)

# Reference

# FY19 Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	50.9 (+6%)	299.6 (+11%)	86.2 (+8%)	138.4 (+14%)	39.5 (+9%)	35.6 (+13%)	350.6 (+10%)
Out of C&V Interventional Systems*	38.0 (+6%)	246.0 (+13%)	70.1 (+9%)	109.5 (+16%)	37.0 (+9%)	29.3 (+12%)	284.0 (+12%)
General Hospital	132.9 (+4%)	38.1 (+4%)	9.3 (+3%)	9.1 (+10%)	2.5 (-2%)	17.2 (+2%)	171.0 (+4%)
Blood and Cell Technologies	12.3 (-2%)	94.8 (+7%)	25.6 (+5%)	44.0 (+8%)	5.3 (+5%)	20.0 (+10%)	107.2 (+6%)
<b>Total</b>	<b>196.3 (+4%)</b>	<b>432.6 (+10%)</b>	<b>121.1 (+7%)</b>	<b>191.4 (+12%)</b>	<b>47.3 (+8%)</b>	<b>72.8 (+9%)</b>	<b>628.9 (+8%)</b>

\*Including Neurovascular business

(YoY%): FXN

# Operating Expenses

(billion JPY)

	FY18	FY19	YoY	YoY%	YoY% (FXN)
Salaries & Wages	87.4	89.8	+2.4	+3%	+6%
Sales Promotion	18.2	19.7	+1.4	+8%	+10%
Logistical Costs	13.6	13.9	+0.3	+2%	+5%
Depreciation & Amortization	14.3	18.9 *	+4.6	+32%	+35%
Others	45.1	42.3 *	-2.9	-6%	-4%
<b>SG&amp;A Expenses Total</b>	<b>178.7 (29.8%)</b>	<b>184.5 (29.3%)</b>	<b>+5.9</b>	<b>+3%</b>	<b>+6%</b>
<b>R&amp;D Expenses</b>	<b>47.7 (8.0%)</b>	<b>50.6 (8.0%)</b>	<b>+2.9</b>	<b>+6%</b>	<b>+8%</b>
<b>Operating Expenses Total</b>	<b>226.3 (37.8%)</b>	<b>235.1 (37.4%)</b>	<b>+8.8</b>	<b>+4%</b>	<b>+6%</b>

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

# Quarterly Results

(billion JPY)

	FY18Q4 (Jan-Mar)	FY19Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
Revenue	155.9	152.5	154.8	162.9	158.8
Gross Profit	84.3 (54.1%)	85.2 (55.8%)	86.3 (55.8%)	87.2 (53.5%)	85.3 (53.7%)
SG&A Expenses	46.7 (29.9%)	44.5 (29.2%)	45.1 (29.1%)	47.2 (29.0%)	47.7 (30.1%)
R&D Expenses	11.6 (7.5%)	11.8 (7.8%)	12.5 (8.1%)	12.7 (7.8%)	13.6 (8.6%)
Other Income and Expenses	2.1	0.4	1.3	-0.2	0.4
Operating Profit	28.2 (18.1%)	29.2 (19.1%)	30.0 (19.4%)	27.1 (16.6%)	24.4 (15.3%)
Adjusted Operating Profit	30.9 (19.9%)	33.9 (22.3%)	33.1 (21.4%)	31.4 (19.3%)	26.6 (16.7%)

Average Exchange Rate	USD	110 JPY	110 JPY	107 JPY	109 JPY	109 JPY
	EUR	125 JPY	123 JPY	119 JPY	120 JPY	120 JPY

# Adjusted Operating Profit: Adjustments

(billion JPY)

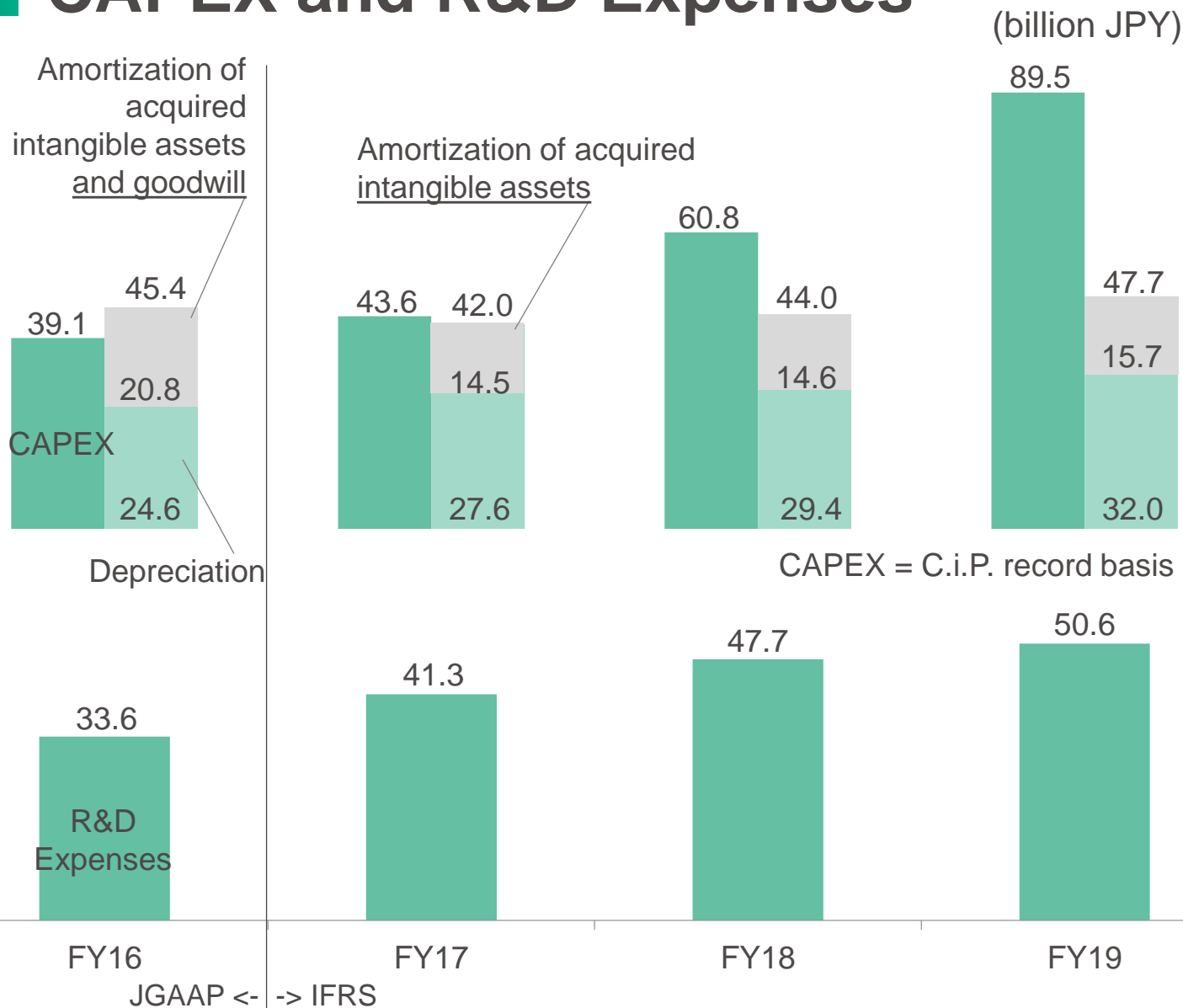
	FY18	FY19
Operating Profit	106.6	110.6
Adjustment 1. Amortization of acquired intangible assets	+14.6	+15.7
Adjustment 2. Non-recurring profit or loss	+0.9	-1.3*
Adjusted Operating Profit	122.1	125.0

## <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

* FY19 main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganizing cost	+1.5
Disaster insurance income for Puerto Rico factory	-1.2
Others	-1.5

# 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

Further promote R&D activities mainly for TIS, Neurovascular and TBCT

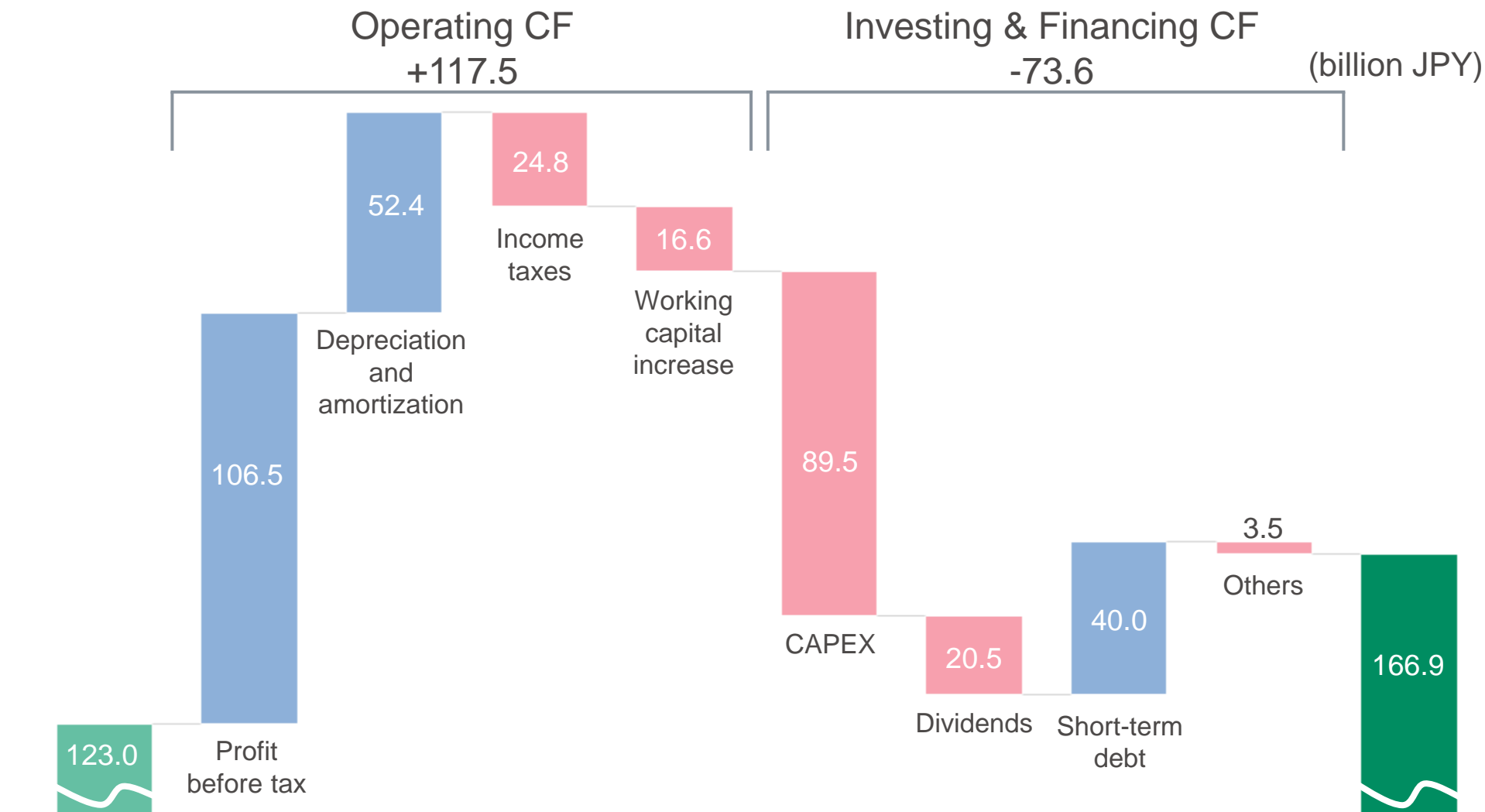
Capitalized R&D expenses are included in CAPEX

FY18: 2.4

FY19: 4.8



# Cash Flows



Cash at the end of FY18

CAPEX = C.i.P. record basis

Cash at the end of each period is equal to "cash and cash equivalents" on B/S

Cash at the end of FY19

# 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 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

The status of conversion (as of Apr. 30, 2020)

Bonds	Amount of shares issued for conversion (% against the total amount of bonds)	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	45.2 B JPY (90.5%)	23 M shares (3.1%)
Total	95.2 B JPY (95.2%)	49 M shares (6.5%)

Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 5 M shares  
(at the end of Apr. 2020, treasury stock cost per share: 1,949JPY, % against total number of issued shares: 0.8%)

# 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.