

# Challenges Identified in FY13 and Roadmap to FY16

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05.08.2014

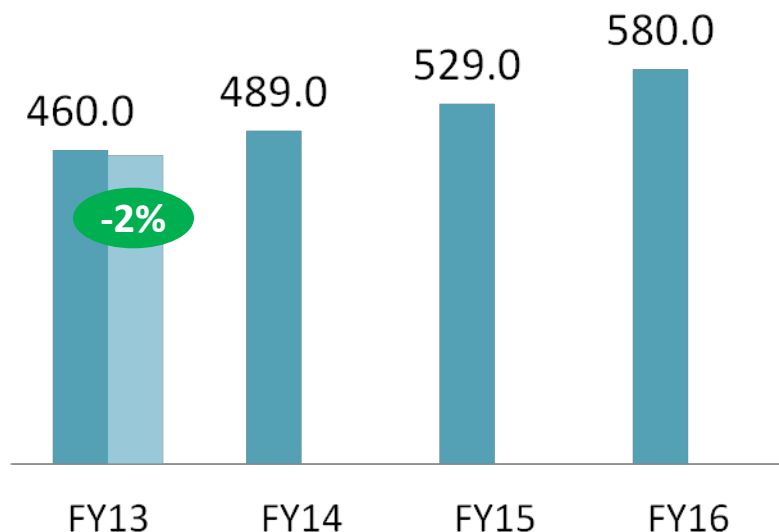
# FY13 Performance

- Achieved increase in sales and profit thanks to weaker yen
- Gap with the Mid-Term Plan (Profit in particular)

## Sales

USD/EUR = 95/123, BJPY

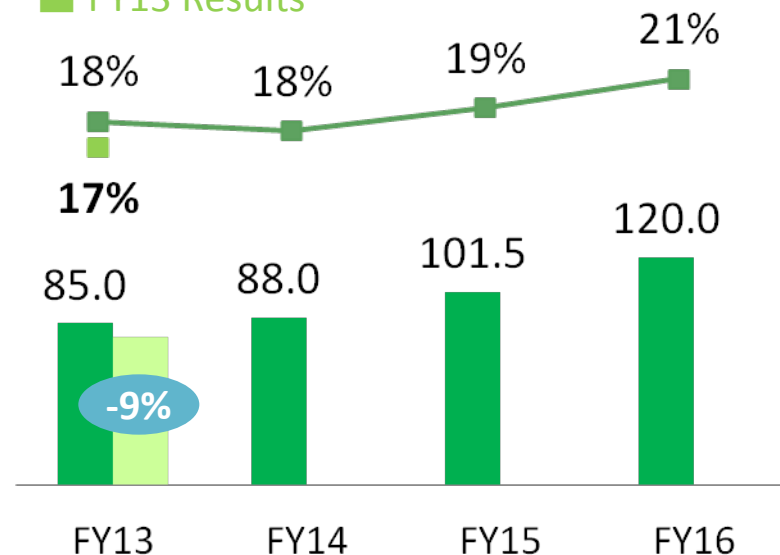
■ Mid-Term Plan  
■ FY13 Results



## \*Operating Profit

USD/EUR = 95/123, BJPY

■ Mid-Term Plan  
■ FY13 Results



\*Excl. amortization of goodwill and intangibles with related to the acquisition of CaridianBCT

# Actions for Closing the Gap

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- 1 Change Operations with “Company-led Management”**
- 2 Complete TCVS Quality System Improvement**
- 3 Reinforce Initiatives for Profitability Improvement**
- 4 Accelerate Shift to Higher-Margin Products**
- 5 Write off Assets of Certain Businesses**

# 1 Change Operations with “Company-led Management”

## Company-led Management (As of April 1<sup>st</sup> 2014)

Shift from Matrix Management to Company-led Management in order to globally integrate and align businesses, functions and regions



## Operation Changes

### Business

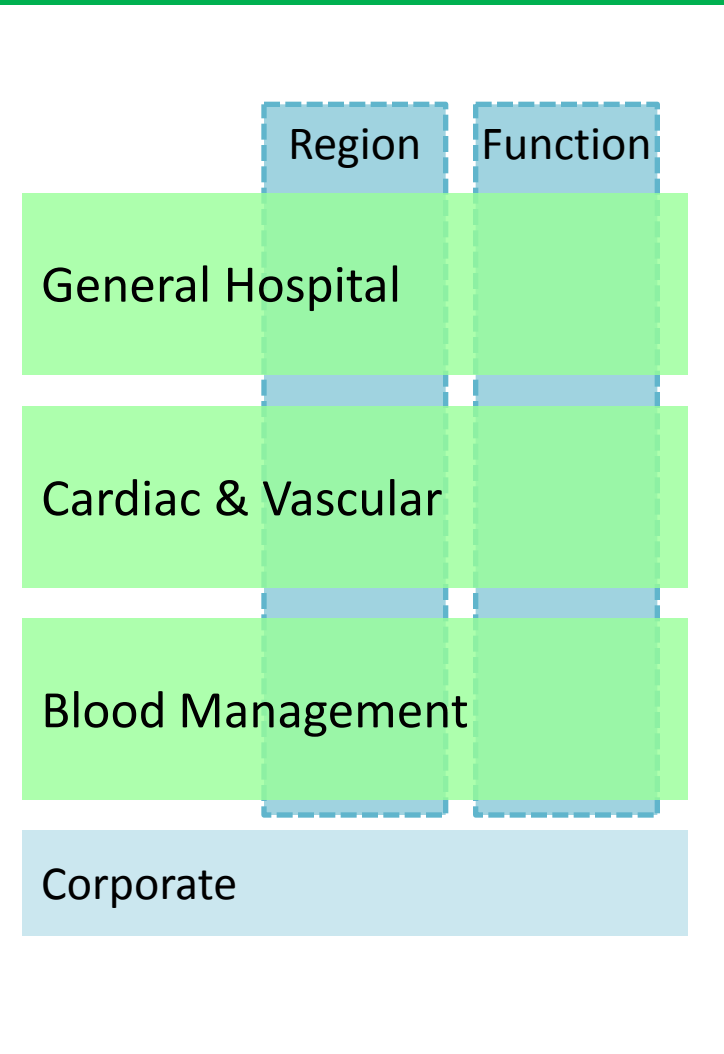
- Redefine accountability for business performance
- Delegate authority to speed up decision-making

### Corporate

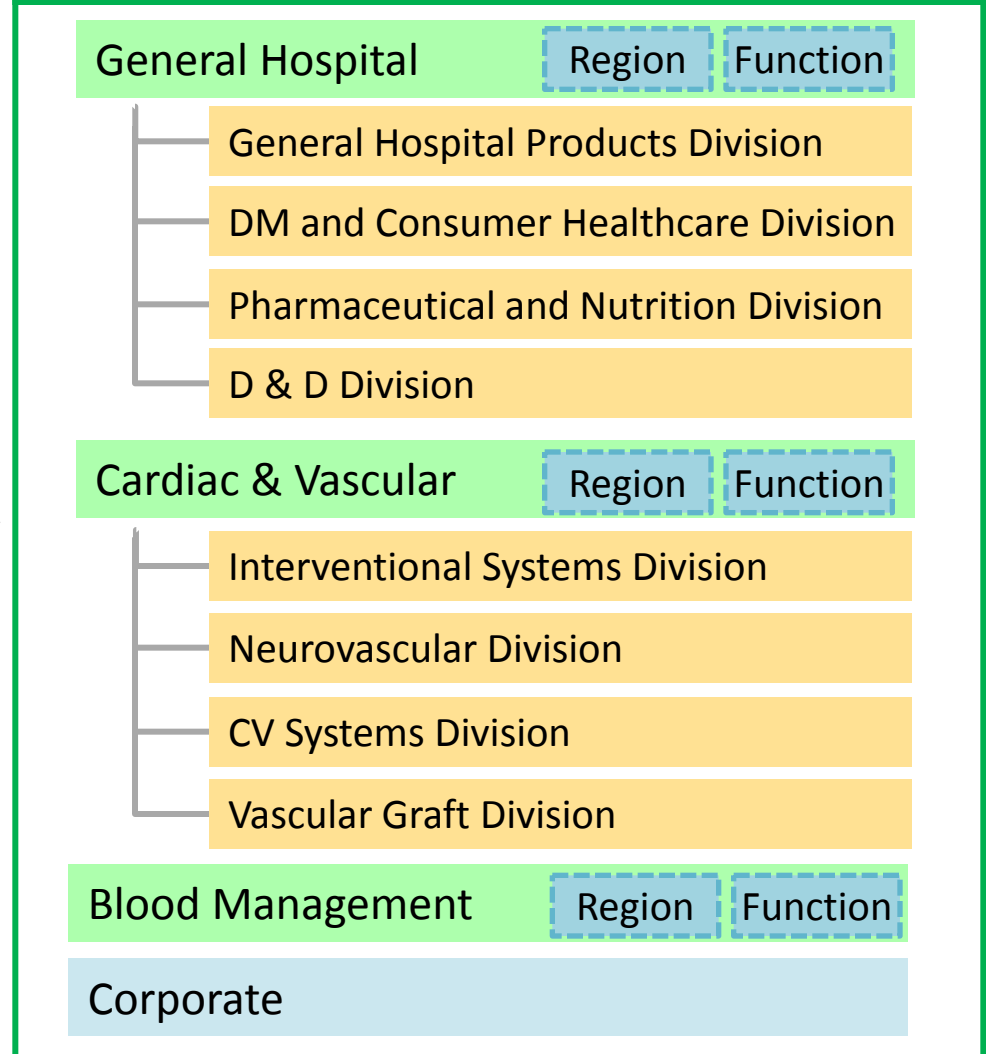
- Implement corporate strategies
- Establish global management infrastructure

# 3-Company, 9-Division Structure

## Matrix Management



## Company-led Management



## 2 Complete TCVS Quality System Improvement

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### Towards Early Completion

- Requested corrections to operations and verification of the new system
- Already submitted a work plan to FDA
- Estimated additional cost of approximately ¥3.0 Billion for re-inspection in FY14

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### Other Manufacturing Facilities

- Passed FDA inspections without major issues in the past 3 years

# 3 Reinforce Initiatives for Profitability Improvement

## Challenges

### General Hospital

Must improve profitability with the core businesses

### Cardiac & Vascular

Retain profitable growth

### Blood Management

Slow down of blood transfusion market in developed countries

### Corporate

Must enhance corporate functions and improve efficiency

## Actions

- ✓ Established a team dedicated for profitability improvement
- ✓ Recover from margin related issues
- ✓ Set profitability target
- ✓ Improve margin by moving production abroad (mainly Vietnam)
- ✓ Expand presence in developing countries with higher-margin products
- ✓ Improve margin by enhancing production in Asia (India and Vietnam)
- ✓ Redefine roles of corporate functions
- ✓ Reform supply-chain management
- ✓ Established a team dedicated to lowering procurement cost

## 4 Accelerate Shift to Higher-Margin Products

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### General Hospital

- Focus on higher-margin products
- Revise regional strategy for basic commodities
- Grow portion of highly profitable DM and D&D

### Cardiac & Vascular

- Coronary: expand presence with the new DES, Ultimaster
- Peripheral: develop full product lines and launch globally
- Neurovascular: continue to launch new non-coil products

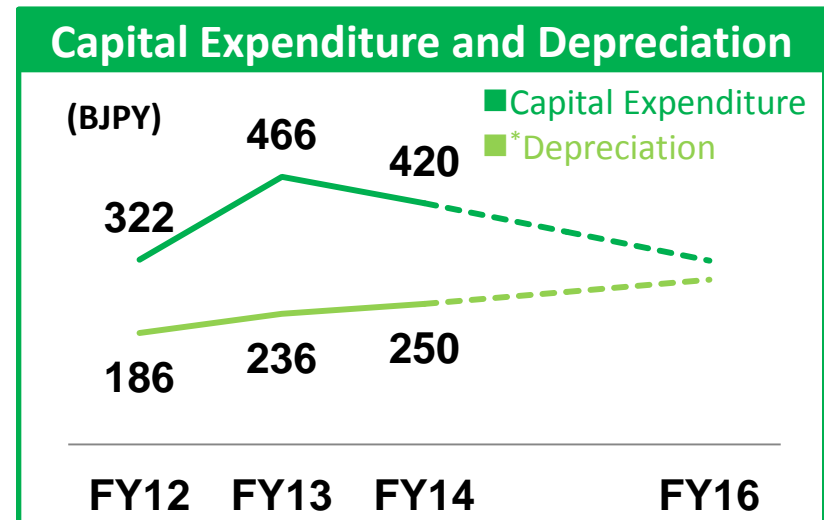
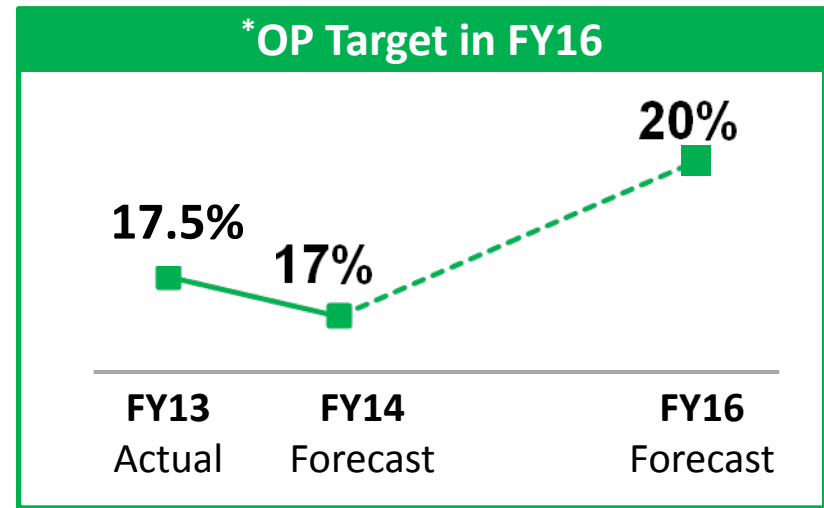
### Blood Management

- Focus on therapeutic apheresis, Spectra Optia
- Expand automated blood component processing system



# Roadmap to FY16

- **Secure a foothold in FY13-14**
  - ✓ Write off Assets of Certain Businesses
- **Target OP20% by FY16**
- **Capital expenditure will peak out**
  - ✓ Balance investment and depreciation
- **Facilitate R&D for the next growth driver (ART Company)**
- **Continue to look out for M&A opportunities**



\*Excl. amortization of goodwill and intangibles with related to the acquisition of CaridianBCT

# ***IR Contact***

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The market share information in this presentation is partly derived from our own independent research.