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

Terumo Corporation
Chief Accounting and Financial Officer
Naoki Muto

February 6, 2020

I am the CAFO, Muto. I will now explain the third quarter results for the fiscal year ending March 2020.
First, the overall results. As you can see in the title, our year-to-date sales revenue and adjusted operating profit for the 3rd quarter were our best-ever results.

Continuing from the first half, sales revenue grew positively for all three companies. Among these, the TIS and Neurovascular businesses of the Cardiac and Vascular Company achieved double-digit growth, driving the Terumo Group as a whole to 6% growth.

Thanks to maintaining strong sales across the group, adjusted operating profit grew in double digits when excluding FX impact, and operating profit grew in double digits even when including FX impact. Our profit variance analysis is a comparison to the previous fiscal year, when we were seeing a strong recovery from the shipping delay. Therefore, although the profit growth was not as big as it was in the first half, we feel it is a strong result.

Profit before taxes grew 14% year-on-year, due to far less FX loss than the same period of the previous fiscal year.

Excluding FX impact, sales grew 9%, and operating profit grew 18%, to keep a positive trend going.
Next is the adjusted operating profit variance analysis, compared to the previous fiscal year.

Gross profit increment by sales increase is getting less affected by the shipping delay. Compared to our annual guidance of 33 billion yen, 25 billion yen actually represented progress as planned.

The 6 billion yen of gross margin came in above our annual guidance of 4.8 billion yen. There was no variation from the amount of the first half, but because it is a comparison with the abnormally high gross margin we saw coming out of the shipping delay, we consider this to be expected progress. In addition to improvement to the Cardiac and Vascular company business mix, our efforts to find better production costs was another factor that contributed to our results coming in above guidance.

In price erosion, the reimbursement price revision had about the impact we expected. Other price erosion was better than we expected, which had a positive impact on profit.

Our guidance included expenses for preparing for the EU MDR transition at 3.2 billion yen, so the result of 1 billion yen may seem to indicate slow spending on that expense, but work is going as planned. A lot of system audits will be concentrated in the 4th quarter, so we expect the spending will increase as the result. And, we also expect the annual spending level will increase in the next fiscal year.

SG&A increase was 7.3 billion yen, down from our annual guidance of 12.5 billion yen. In the first half, recovery cost from previous T15 shipping delay and cost for US WEB introduction were not spent. In the second half, we will not spend recovery cost from the shipping delay as planned, but we will have expenses for US WEB introduction and other SG&A as planned.

"R&D expense" was 3.8 billion yen, progressing according to plan against the annual guidance of 5.7 billion yen.

The 600 million yen called “others” is primarily the amount of difference resulting from the Blood Management Business receiving grants last fiscal year, but not this one.

"FX" was a much higher 6.4 billion yen, up from 2.3 in the first half. I will explain why in the next slide.
The 2.3 billion yen FX impact from the first half grew to 6.4 billion year-to-date in the 3rd quarter—an increase of 4.1 billion yen. I will explain what it includes.

First, a 2.3-billion-yen impact occurred in the 3rd quarter from flow — yen appreciation against the euro, yuan, and emerging-market currencies.

Next, from stock: Because the yen depreciated temporarily on the last day of December as FX rates moved, our inventory asset evaluation amount increased; this resulted in unrealized profit and negative impact on profit. Also, because fluctuation happened in the opposite, positive direction the same time the previous fiscal year, the year-on-year difference was even more pronounced, causing a 1.8-billion-yen impact in the 3rd quarter.

This flow and stock totaled to be a 4.1-billion-yen increase in FX impact.
Next is revenue by region.

In the Cardiac and Vascular business in Japan, the rebound following the shipping delay in the previous fiscal year has largely passed, and growth is stable. General Hospital and Blood Management both maintained steady growth according to plan.

Outside Japan, there was a very strong rebound and recovery following the shipping delay in the 3rd quarter of the previous fiscal year. That is why the year-to-date growth rate as of the 3rd quarter seems to show a milder increase, compared to the first half. However, we are still having high-single- or double-digit growth when excluding FX impact.

Next slide, please.
Next is revenue by company.

The TIS and Neurovascular businesses of Cardiac and Vascular maintained double-digit growth, driving that company as a whole. In addition, the CV business is building momentum going into the second half, with good sales of oxygenators.

General Hospital continued double-digit growth in the Alliance business, holding steady as a company, according to plan.

Blood Center component collection systems drove the Blood Management company as a whole.

I will give more detail by company in the next slides.
Here is Cardiac and Vascular Company.

Sales revenue was high in the 3rd quarter of the previous fiscal year due to the rebound after the shipping delay recovery, and yet sales still grew in the double-digits when excluding FX impact.

TIS continued to drive double-digit growth outside Japan.
The new WEB and other stroke-related products drove the Neurovascular business globally, continuing that business's double-digit growth.

CV enjoyed easier business with the return of heart-lung machines, and oxygenator sales were strong, increasing momentum overall.

The Vascular business is seeing steady results as its transition to direct sales in Japan and realignment continue to progress.

Growth of highly profitable TIS and Neurovascular products contributed to profit overall. Also, with good sales results and less spending on shipping delay recovery in TIS, and less spending on the WEB launch in the United States, profit grew a double-digit 18% year-on-year.

Next slide, please.
The General Hospital Company saw progress according to plan in both sales and profit.

In sales revenue, after FX impact and a temporary drop in demand outside Japan, the medical device business is now seeing signs of recovery, for which we have strong expectations.

In Pharmaceuticals, pain management and adhesion barrier products drove the overall business. Alliance business grew at double-digit growth as planned, despite some fluctuation in orders along the way.

Coupled with profit, this result meant the company progressed as planned.

Next slide, please.
Next is Blood Management Company.

In sales revenue, the Blood Center business is seeing a sales increase through its introduction of new software for the component collection system Trima, as well as by improving component collection efficiency, leading to both machines and disposables increasing in sales.

There was a slowdown in developed nations for therapeutic apheresis after the transition to a new model, but emerging markets grew in the double digits.

Profit was driven down greatly by FX impact, but when excluding FX impact, growth is steady and approximately according to plan.

Next slide, please.
Now I will explain our second-half outlook.

To begin, first-half sales revenue progressed approximately according to plan. However, there was a further rise in operating profit due to shipping delay recovery costs and US WEB launching costs that we expected to spend but didn’t, bringing the increase to 7 billion yen.

This first-half rise will trend out to 5 billion yen across the full year. I will now explain the gap between our initial plan and our outlook for the second half.

First, sales in the second half, despite the harsh situation of the reimbursement price revision, are expected to steadily progress. In addition, natural price erosion will be less than expected, which is having the effect of pushing up gross profit.

SG&A expenditure is expected to occur as planned in the second half.

R&D shows the same trend it did in the first half, so the expectation is that it will be spent as planned.

As for FX impact, there was a 500-million-yen negative impact in the first half, but we anticipate that the euro, yuan, and emerging-market currencies will trend further toward
depreciating against the yen, which will result in a greater negative impact than anticipated in the second half plan.

The result of these positive and negative impacts will be that the rise from the first-half 7 billion yen will end up at 5 billion yen for the year.

Now I will address the Terumo situation amid the novel coronavirus outbreak that is occurring. First, we began sales operations at the Hong Kong and Taiwan locations at the end of January. The start of sales operation in mainland China is scheduled for February 10, next Monday. In production, the Hangzhou Factory has already begun operations on February 3, and we will watch to see if its progress happens as planned. Regarding supply chain including transportation company and customs operation level, we expect that there will be some delays.

In other words, we expect some negative impacts, but they won't be impactful enough to prevent a 5 billion yen rise at the end of the fiscal year. In any case, we aren’t yet able to quantify the impact, so we have decided not to revise our guidance.
Next, the major topics from the quarter.

As a company, we received a Good Design Award for the 24th year in a row.

On the business side, we want to improve our business expansion speed to seize the many opportunities we see to grow current business drivers and launch new products or acquire new technologies that will drive us further.

Next slide, please.
Some products will be launched next fiscal year instead of this one, but overall we see product launches are happening according to plan.

This concludes my explanation. Thank you.
Reference
## FY19 Q3YTD Revenue and Growth by Region

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Japan</th>
<th>Overseas</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Subtotal</td>
<td>Europe</td>
</tr>
<tr>
<td>Cardiac and Vascular</td>
<td>38.2</td>
<td>225.3</td>
<td>64.1</td>
</tr>
<tr>
<td></td>
<td>(+8%)</td>
<td>(+15%)</td>
<td>(+10%)</td>
</tr>
<tr>
<td>Out of C&amp;V Interventional Systems*</td>
<td>28.5</td>
<td>185.4</td>
<td>52.2</td>
</tr>
<tr>
<td></td>
<td>(+7%)</td>
<td>(+16%)</td>
<td>(+11%)</td>
</tr>
<tr>
<td>General Hospital</td>
<td>100.5</td>
<td>27.3</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>(+3%)</td>
<td>(+0%)</td>
<td>(-0%)</td>
</tr>
<tr>
<td>Blood Management</td>
<td>9.0</td>
<td>69.7</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td>(-1%)</td>
<td>(+18%)</td>
<td>(-2%)</td>
</tr>
<tr>
<td>Grand Total</td>
<td>147.8</td>
<td>322.3</td>
<td>88.7</td>
</tr>
<tr>
<td></td>
<td>(+4%)</td>
<td>(+12%)</td>
<td>(+7%)</td>
</tr>
</tbody>
</table>

*Including Neurovascular business

(YoY%): +XX

TERUMO
# Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY18 Q3YTD</th>
<th>FY19 Q3YTD</th>
<th>YoY</th>
<th>YoY%</th>
<th>YoY% (FXN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>65.5</td>
<td>66.6</td>
<td>+1.1</td>
<td>+2%</td>
<td>+5%</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>13.3</td>
<td>14.6</td>
<td>+1.3</td>
<td>+10%</td>
<td>+13%</td>
</tr>
<tr>
<td>Logistical Costs</td>
<td>10.1</td>
<td>10.3</td>
<td>+0.3</td>
<td>+3%</td>
<td>+5%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>10.4</td>
<td>13.9*</td>
<td>+3.5</td>
<td>+34%</td>
<td>+37%</td>
</tr>
<tr>
<td>Others</td>
<td>32.7</td>
<td>31.4*</td>
<td>-1.3</td>
<td>-4%</td>
<td>-2%</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses Total</strong></td>
<td>132.0</td>
<td>136.8</td>
<td>+4.8</td>
<td>+4%</td>
<td>+7%</td>
</tr>
</tbody>
</table>

|                      | (29.8%)    | (29.1%)    |     |      |            |
| R&D Expenses         | 36.0       | 37.0       | +1.0| +3%  | +5%        |
|                      | (8.1%)     | (7.9%)     |     |      |            |
| **Operating Expenses Total** | 168.0     | 173.8      | +5.8| +3%  | +6%        |
|                      | (37.9%)    | (37.0%)    |     |      |            |

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

<table>
<thead>
<tr>
<th></th>
<th>FY18 Q3 (Oct-Dec)</th>
<th>Q4 (Jan-Mar)</th>
<th>FY19 Q1 (Apr-Jun)</th>
<th>Q2 (Jul-Sep)</th>
<th>Q3 (Oct-Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>158.6</td>
<td>155.9</td>
<td>152.5</td>
<td>154.8</td>
<td>162.9</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>87.6 (55.2%)</td>
<td>84.3 (54.1%)</td>
<td>85.2 (55.8%)</td>
<td>86.3 (55.8%)</td>
<td>87.2 (53.5%)</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
<td>45.0 (28.4%)</td>
<td>46.7 (29.9%)</td>
<td>44.5 (29.2%)</td>
<td>45.1 (29.1%)</td>
<td>47.2 (29.0%)</td>
</tr>
<tr>
<td><strong>R&amp;D Expenses</strong></td>
<td>12.3 (7.7%)</td>
<td>11.6 (7.5%)</td>
<td>11.8 (7.8%)</td>
<td>12.5 (8.1%)</td>
<td>12.7 (7.8%)</td>
</tr>
<tr>
<td><strong>Other Income and Expenses</strong></td>
<td>0.6</td>
<td>7.1</td>
<td>0.4</td>
<td>1.3</td>
<td>-0.7</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>30.9 (19.5%)</td>
<td>28.2 (18.1%)</td>
<td>29.2 (19.1%)</td>
<td>30.0 (19.4%)</td>
<td>27.1 (16.6%)</td>
</tr>
</tbody>
</table>
| **Adjusted Operating Profit** | 35.9 | 30.9 | 33.0 | 33.1 | 31.4 | (21.4%)

<table>
<thead>
<tr>
<th>Average Exchange Rates</th>
<th>USD</th>
<th>113 JPY</th>
<th>110 JPY</th>
<th>110 JPY</th>
<th>107 JPY</th>
<th>109 JPY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>129 JPY</td>
<td>125 JPY</td>
<td>123 JPY</td>
<td>119 JPY</td>
<td>120 JPY</td>
</tr>
</tbody>
</table>
### Adjusted Operating Profit: Adjustments

<table>
<thead>
<tr>
<th></th>
<th>FY18 Q3YTD</th>
<th>FY19 Q3YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>78.5</td>
<td>86.3</td>
</tr>
<tr>
<td>Adjustment 1. Amortization of acquired intangible assets</td>
<td>+11.0</td>
<td>+11.9</td>
</tr>
<tr>
<td>Adjustment 2. Non-recurring profit or loss</td>
<td>+1.7</td>
<td>+0.3*</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>91.2</td>
<td>98.4</td>
</tr>
</tbody>
</table>

*FY19 Q3YTD main items in Adjustment 2. Non-recurring profit or loss:

- Business reorganization cost: +1.1
- Disaster insurance income for Puerto Rico factory: -1.2
- Others: +0.4

<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
CAPEX and R&D Expenses

- Amortization of acquired intangible assets and goodwill:
  - CAPEX: 45.4%
  - Depreciation: 20.8%
  - CAPEX: 39.1%
  - Depreciation: 24.6%

- Amortization of acquired intangible assets:
  - FY16: 43.6%
  - FY17: 42.0%
  - FY18: 44.0%
  - FY19 Q3YTD: 63.1%

- CAPEX - C.I.P. record basis:
  - FY19 Guidance: 75.0%

- R&D Expenses:
  - FY16: 33.6%
  - FY17: 41.3%
  - FY18: 47.7%
  - FY19 Q3YTD: 37.0%

- (billion JPY):
  - FY19 Guidance: 51.0

- Note:
  - Expand investment in production capacity and space as well as IT in FY19
  - Under IFRS since FY1:
    - 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 Guidance: 2.4
  - FY19 Q3YTD: 3.4
  - FY19 guidance: 4.5
Cash Flows

Operating CF
+73.3

Depreciation and amortization
38.2

Income taxes
27.7

Investing & Financing CF
-83.3

Working capital increase
63.1

CAPEX
20.5

Others
0.3

Cash at the end of FY18
123.0

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 Q3
113.0

19/22
## Foreign Exchange Sensitivity

### Annual impact of 1 JPY depreciation (billion JPY)

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>EUR</th>
<th>CNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1.7</td>
<td>0.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Adjusted Operating Profit</td>
<td>0.0</td>
<td>0.5</td>
<td>1.3</td>
</tr>
</tbody>
</table>

### Impact when JPY is depreciated by 10%

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>EMEA</th>
<th>Asia</th>
<th>Others</th>
<th>CNY</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Operating Profit</td>
<td>-0.1</td>
<td>1.0</td>
<td>6.5</td>
<td>1.3</td>
<td>2.0</td>
<td>3.6</td>
<td></td>
</tr>
</tbody>
</table>
The Status of Convertible Bonds

**Detail of the bonds (issued in Dec. 2014)**

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Aggregate principal amount (billion JPY)</th>
<th>Coupon</th>
<th>Conversion price (JPY)</th>
<th>Contingent conversion trigger price (JPY)</th>
<th>Number of shares required to be issued for conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 2019</td>
<td>50.0</td>
<td>0.0%</td>
<td>1,919</td>
<td>1,495</td>
<td>approx. 26 M shares</td>
</tr>
<tr>
<td>Dec. 2021</td>
<td>50.0</td>
<td>0.0%</td>
<td>1,919</td>
<td>1,495</td>
<td>approx. 26 M shares</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td></td>
<td>1,919</td>
<td>1,495</td>
<td>approx. 52 M shares</td>
</tr>
</tbody>
</table>

*After two for one stock split implemented in Apr. 2019

**Status of conversion (as of Jan. 31, 2020)**

<table>
<thead>
<tr>
<th>Bonds</th>
<th>Amount of shares issued for conversion (% against the total amount of bond)</th>
<th>Number of shares issued for conversion (% against total number of issued shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible Bonds due Dec. 2019</td>
<td>50.0 B JPY (100.0%)</td>
<td>26 M shares (3.4%)</td>
</tr>
<tr>
<td>Convertible Bonds due Dec. 2021</td>
<td>42.5 B JPY (85.0%)</td>
<td>22 M shares (2.9%)</td>
</tr>
<tr>
<td>Total</td>
<td>92.5 B JPY (92.5%)</td>
<td>48 M shares (6.3%)</td>
</tr>
</tbody>
</table>

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

Terumo Corporation
Corporate Communication (IR) Dept.
E-mail: kouhou_terumo01@terumo.co.jp

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 on 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.