

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.



Q&A Session at the Financial Results Briefing for the FY23

Outlined below are the Q&As from the financial results briefing on May 14, 2024.

Hidemaru Yamaguchi: Yes. I'm Yamaguchi from Citi. Thank you very much.

My first question is about the performance and result assumptions. About the blood, you are expecting to grow the revenue as well as the profit. RIKA is one of the reasons you are increasing those profit and the revenues and we believe that the calculation is going well. But for RIKA, how many centers are going to be replaced this fiscal year? And also, how much is the possibility you're expecting to acquire other customers than the current centers? This is my first question.

Takashi Miyoshi, IR Terumo: Thank you very much. For RIKA, I'm Miyoshi, I'm going to answer the questions related to RIKA. For RIKA, as Hagimoto explained for that performance and results, for this fiscal year, we already included that for the results. For the number of the centers, as of February, about 30 centers have already been replaced with RIKA devices and currently, it's increased to 60 centers. We are making a very good replacement pace.

For this fiscal year, especially for H2, we are going to expand it. And then as we mentioned in February, for the rollout from February, it will take 12 or 15 months to run for this replacement and rollout. And beyond 2026, CSL, once we are going to make sure to have the full rollout, then we will look at other customers. That is our plan beyond 2026.

Yamaguchi: Thank you very much. My second question is related to the president's presentation.

More than ever, M&A is the one that you are highly conscious about. And what do you have to—I understand there will be the partner if you're going to do it, but with the basic ideas at this moment, so trying to utilize the technology that are outside of the Company, that will help you to grow your business. You have such an opportunity at this moment. Is that what you're thinking? Because M&A is quite at the in-depth comments. That's what I would try to have more elaboration on this.

Samejima, Chief Executive Officer Terumo: May I?

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Yamaguchi: Yes.

Samejima: As for the M&A, there are three axes I'm thinking about. Needless to say, our mission is for the evolution and improvement of the medical care as well as the patient QOL. And the second point is that our strength and also whether we can differentiate utilizing those technology. And the last point is to improve our corporate value, contributing to the growth as well as the revenue. Those are what I would like to look at and where those will be crossed.

And for the specific areas, the arena, we try to thoroughly review. But as you mentioned, concerning the current Terumo's business scale and tuck-in type of the business, so maybe try to include our business is one way and/or try to look at the bolt-on type of things, which is the related areas of our business we can also consider to expand.

Yamaguchi: Thank you very much. That's all from me.

Motoya Kohtani: Thank you very much. My name is Kohtani from Mizuho Securities. Thank you very much for your explanations.

The first part of my question is on slide 12, so in 2024, regarding the price, I would like you to elaborate on this plus JPY7.5 billion. That is a huge amount. I would say that there are pluses and minuses, so JPY7.5 billion. Then in October, so in the latter half, so H2. So whether the China's VBP has been conservatively factored in. That's also if you can explain to us in detail. That is the first part of my question.

Miyoshi: Thank you very much, Mr. Kohtani. On slide 12, regarding the profit variance and the figures/numbers, Hagimoto-san would like to respond.

Jin Hagimoto, Chief Financial Officer Terumo: Thank you very much for your question. As you have asked the question, so domestic. In H2, the price policy has been formulated. That is a continuation, so an increase in sales contributing to a betterment of the profit in H1. Of course, China's VBP has also been factored into this, so that might be negatively impacting slightly.

When it comes to the pricing policy, not only limited to domestic, this will be applicable to the global arena as well, to set forth an appropriate pricing policy. For 2024 as well, this appropriate pricing policy is here to stay. And as a result of that, it's reflective of the figures shown here.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Kohtani: Thank you very much. When it comes to VBP in China, I am inclined to hear more about this. About JPY2 billion to JPY3 billion or so, is it going to be a larger number factored in?

Hagimoto: Well, for the specific amount, we would not be able to disclose that to such depth, but slightly above the number that you have just mentioned. That is our assumption.

Kohtani: If that's the case, then that may be a cost pass-through to other factors factored into this?

Hagimoto: Yes.

Kohtani: Is it safe to say so?

Hagimoto: That is correct.

Kohtani: And the second part of my question is directed for Mr. Samejima.

This continuous growth, that terminology stuck out. Of course, President Samejima, Vascutek on slide five, what you have showed us, such catheter types, I know that you have had the opportunity to look at this. When it comes to MicroVention, for this stroke ones, the bolt-on type was my impression. Just to ask you to add some flavor to this. So not so much with the product, but are you shifting toward a solution more so than the product? So not only getting to the product development, you are extending to software comprehensive solution-type company? Are you shifting your gear? I would like you to elaborate in more detail about the directionality for Terumo.

Samejima: When it comes to M&A, it does not necessarily mean that such company will be in scope. That will be at our table to be considered, so not to be in the extensive line. We will not be inclined and very much limited to the medical devices. There may be a combination of the medical devices and diagnosis or the pharma as well, medicine as well, or tapping into the digital to make it much more efficient and also to contribute to the improvement of the patient's QOL. We would like to capture that comprehensively. We are more so looking beyond those horizons.

Kohtani: Thank you very much for clarification.

Ritsuo Watanabe: Thank you very much for the presentation. I'm Watanabe. I have one question related to numbers and one question related to M&A.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

First of all, for the numbers in your plan, for the SG&A that is expected to increase JPY14 billion this fiscal year. Recently, well, actually, it is related to a new product and also concerning the environment, JPY14 billion, would it be enough? I think it's much less than it should be, because it could be even more. Is it really enough for you? And I think VC2's impact is also reflected here and the increase is JPY14 billion for the net. I would try to know the breakdown of that.

Miyoshi: For this one, Hagimoto is going to respond to that question.

Hagimoto: Yes, for FY2024, SG&A will increase, as you commented, labor cost is increasing, and that is also a part of it. Compared with FY2023, when we had the tentative costs such as lawsuit case and also some tentative expenses were also included. That's why compared with that, the growth for 2024 is smaller compared with the growth in 2023.

Of others, headquarters corporate expenses, as I mentioned earlier, as a corporate or headquarters, how it should be optimizing the expenses or costs will be reviewed so that we can control the increase at the minimum level. That is a part of VC2 activities. That is the base to come up with this increase for the SG&A.

Watanabe: Thank you very much. If it's possible for the VC2, it should be separated or not, but in terms of the numbers, so when you started and when you close it are ending.

Hagimoto: For the corporate expenses, it's very difficult just to focus on only the corporate expenses or cost. But for the last year, it was around JPY4 billion. And overall, not only the SG&A, but production and the manufacturing efficiency was also included for this reduction for the SG&A for FY2023 through VC2.

Watanabe: I understand it. The next question is related to the organization and M&A.

Director in charge of innovation was a new position you created this time. But on the Bolton, after 2018, there was not much real deal, I believe. What are the changes from the past? Could you elaborate on this area? Maybe you are missing something before, but once you assign the new director who is responsible for innovation, what will be added? And what is the role for that new position? I understand that the results won't happen overnight, but what is the timeline when we can see the changes or you expect to deliver the result by that new position?

Samejima: For the Company and corporate, we already have the person, the director in charge of it. The director in charge of each company and corporate. What they were

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

specifically in charge of, it was not clearly defined. But this time, the director is in charge of innovation, then actually not only R&D but DX promotion office and IP and clinical development, also the venture investment functions. All those functions are under that one specific person. Even in the past, actually, there's not much collaboration horizontally, so that's one of the reasons we were not able to deliver the result that we expected. But now the one person is comprehensively in charge of everything so that we can promote innovation faster.

As for the R&D, it takes a long time until we see the result. Therefore, the quick win is something we have to see how we can create. But basically, beyond GS26 are the areas we would like to flourish. That's what I'm thinking.

Watanabe: Thank you very much.

Takahiro Mori: Thank you very much. My name is Mori from Nomura Securities.

The first question pertains to M&A policy. As I listened to Mr. Samejima, solution type is more so directed for domestic business, for MCS type of business. And for overseas, looking at the med tech industry, the fundamentals of M&A pertains to its technology and the profit contribution that has to be spearheaded by technology, such as Shockwave or ResMed. You need to deliver a very good product. The way of the M&A for global and Japan seems to vary, meaning MCS and BCT. Terumo Japan, I'm thinking that it may be split into two directions. M&A, so Japan and international are very different.

Samejima: Thank you very much for your question. Well, it's not necessarily true that when it comes to Japan and the clarity, delineation between international. We do not perceive it that way. Regarding M&A, as you have pointed out, against the existing business are so-called tuck-in or bolt-on, that kind of perception resides. It may need to do with the time post and the horizon. In the short term, there's an inclination to that kind of perception. But in a long-term horizon, maybe traditional type, but the conventional type of the medical devices is not so much so, such acquisition may be coming into our scope in all likelihood.

Mori: Thank you very much. Second part of my question pertains to the numbers. The MCS number in the slide, so pharmaceuticals, as you're looking at this. MCS overall, increasing profitability. Does it have to do with the price pass-through or pharmaceutical product expectation? Which one is higher in terms of expectations.

Miyoshi: Hagimoto-san would like to respond.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Hagimoto: Well, coming back to this, for pharmaceuticals, double-digit growth is expected. Therefore, in comparison, that is higher. We have a good visibility for higher growth, so the amount inaudible.

Mori: Thank you very much. That is all from myself.

Tomoko Yoshihara: I'm Yoshihara from UBS Securities firm. Thank you very much. I have one question to the President.

As you explained earlier about the portfolio optimization, you were in Terumo TMCS right before taking this position. How you are going to utilize/leverage this will be the key for your future business. And also in the presentation today, beyond GS26, specialties is very important. You served as a president of the company and now you are taking the current position. What is the idea about this?

Samejima: Yes, for the medical care solutions, TMCS, for the mid-term and the cost improvement was what they are working on at this moment. Last fiscal year, we started to see the fruit. And this year, the profitability is even more improved.

I think that MCS is fairly important in the positioning based on Terumo's comparison portfolio because there is a core competence such as drug delivery technology and also ME, medical equipment, and development and manufacturing technologies. Particularly in Japan, we have the overwhelming footprint. And the strong access to the hospital and outside of the hospital, it has a very big ripple effect for the entire company. This could be limited to the domestic market, but we have the very high share with multiple products.

Therefore, as it may be related to Mr. Mori's question earlier, but in Japan, the home ground could be utilized with this company so that not just focusing on or tied up with the conventional medical devices, but we have even expansive business opportunities. That's what we are also going to think about.

Yoshihara: Thank you very much. And additional question for now. 15% is the number you are showing at this moment. But considering there are some unexpected things, that's the inflation, but you are still reflecting that as well?

Samejima: Yes, in GS26, MCS profitability, 15% is what we would like to make sure to achieve. And not only 15%, but as a next step, we try to make it even bigger, better results.

Yoshihara: Thank you very much.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Ryotaro Hayashi: My name is Hayashi, Morgan Stanley.

First part of my question pertains to the plasma collection and the numbers, relevant questions. Your competitor, Haemonetics, by listening to their most recent remarks, so for CSL, their profit sales, USD70 million decreasing. That is their plan. That means that, that will be contributing for the betterment of the sales for Terumo is what I'm thinking. Your BCT and about JPY10 billion or so for TBCT is just my hypothesis. Can you tell me if my understanding is correct? That is factored into the sales increase in revenue? And that would be a contributing factor to TBCT, so such organic business and increased revenue profit and plus JPY10 billion CSL profit, few billion contribution. To me, I was able to hypothesize. I would like to confirm with you whether my hypothesis is not way far off.

Miyoshi: I would like to explain and respond to your question, Mr. Hayashi. As you have pointed out, so they have recently disclosed a part of their business contributing to us. In terms of transition, which I have briefly touched upon, the CSL business in the transition that is going to be contributing on our end as Hagimoto said. Then, Mr. Hayashi, your gut feeling, you are very much aligned, very much approximated to our figures. And also, that has been thoroughly incorporated into our guidance as well.

In terms of our profit, so we have the advanced development. Of course, we had the prior investment as well. That is the transition and cost pass-through, and we will be able to minimize the underperforming areas.

Hayashi: And in terms of shareholder return, I know that Mr. Samejima, Chief Executive Officer, has said from his voice, tone of his voice, this is my gut feeling. That investing for the growth in the core business is more so important than the dividend payout. To me, I had the impression from your tone of voice. So 50% of the comprehensive dividend payout ratio is set forth. But if you are going to have M&A and you may be doing the share buybacks going forward to try to drive the M&A activity, so if you can touch upon those areas, that would be helpful.

Hagimoto: Thank you very much for your question. Well, as Mr. Samejima said, cash allocation is positioned as a high priority for the growth investment. And of course, 50% of the comprehensive payout ratio, we have set forth that as—and in consideration of all of the cash generated from all of the businesses, we would like to achieve the assumption. Investing in the growth strategy, that is certainly going to be at the top of the priority as our company's policy. Thank you.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Hayashi: This is a scenario-based question. This large-scale M&A is coming in the near future, in a couple of years. That was my impression. Large-scale M&A, even if you do so, the dividend payout ratio, comprehensively 50% is going to be here to stay?

Hagimoto: Well, the size or the overall size of the overarching M&A and how magnitude, the size cannot be explained today. But based on the size, whether 50% can be attainable based on our cash position as well, whether—if you are too inclined towards 50%, we should not be having apprehension towards M&A activity. That is our stance.

Hayashi: Thank you very much.

Shinnosuke Tokumoto: Yes, I'm Tokumoto from Nikko Securities firm. Thank you very much.

My first question is about the optimum pricing initiative that's mentioned earlier. As the direction, I think that was right. But for this year, you were expecting the—should we expect it to be the additional increment? And I think the overseas market is also included in the price initiatives. What are the areas and how much the impact you are expecting maybe compared with once you increase the price for the last year's H1, could you explain that?

Miyoshi: Yes, that will be explained by Hagimoto.

Hagimoto: Yes. For your questions about the pricing initiatives, we have some business transactions related to this. We cannot say where we are going to increase how much. But we will continue to work on this. And then it doesn't mean we are not going to increase the price if we did it last year. But every—and all the arenas where we are providing the product, we are reviewing the possibilities and opportunity to increase the price regardless of Japan or overseas. This is a company-wide challenge we are facing at this moment.

Tokumoto: Thank you very much. I understand. My second question is the Leap forward which was a keyword in the presentation, and you are going to optimize the portfolio, and you also mentioned it is under review at this moment. But roughly, with the present, it's 100%. What is the score you can give? I guess, 100 points. And you transfer or you sell out some of the business last year. And you also mentioned you are going to add some more. You are reviewing the portfolio at this moment. Do you think you have any plan to sell out any of the business inaudible? That is my second question.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Samejima: Yes. And I cannot give the score at this moment based on the 100%. But there are three axes, as you mentioned about the M&A. And based on these three axes, what are the areas that we have more opportunities will be what we review. And also from those three axes and perspectives, and whether Terumo is best owner or maybe we really have to have the full leverage. Those are the two perspectives we are reviewing the current portfolio at this moment. And based on the results of that review and if it's needed, we are going to have the drastic business transformation, including the organizational reform.

Tokumoto: Thank you very much.

Shinichiro Hyogo: I'm Fund Manager of Mitsubishi UFJ Trust. I'm Hyogo.

The first question is related to M&A. For the financial discipline, I would like you to explain about the financial discipline. Already, there are some goodwill and fixed assets and it's quite a large value. What is the extent you are going to accept for the—and some maybe looking at the intangible fixed cost at value or maybe with the rating, they try to control. What are you focusing on? And what you are going to consider M&A?

Miyoshi: Thank you very much for this one. Hagimoto is going to answer.

Hagimoto: Yes, for this one, for not only the acquisition, but for any investment, we set the WACC internally, with the β and risk-free rate assumed. And based on that, we are going to make judgment for the investment at this moment.

Hyogo: Yes, maybe the way I ask was not right. Overall, the balance sheet, looking at the entire balance sheet, there are several M&As. Then that means that the balance sheet could be probably expanded. How are you going to control? And if everything is accepted, you will have the bigger debt and the intangible fixed asset is also quite large, so it may be difficult to have the total payout or return for the shareholders. How you are controlling is what I wanted to ask you.

Hagimoto: Yes, I understand. The balance sheet scale expansion would not be easily done. That is a great assumption. However, though, including goodwill, further, we have to make sure that we are going to have the net loss, and it's very important to look at the future. When we are making the judgment for the investment, we have to look at the risk for the net loss, how much it would be. And that will be taken into consideration for the judgment.

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. Information about products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

Hyogo: Okay, so that's what we'll try to discuss in the future. My second question is on the president's slide. I think you skipped slides eight and nine. The profitability is low, and the gross leverage is low. Why you are in such a situation? I would try to hear Mr. Samejima's ideas. Especially for the OP and SG&A has been the challenge in Terumo for a long time, that's the impression I have. Why this situation is continuing? And I'd like to know your ideas. It could be the personal opinion, and I also track how you try to address it.

Samejima: This is related to the review of the portfolio, three companies and eight businesses in our portfolio and profitability and the sales growth, is it the best or not is what we have to look at. The second point is that we are working on VC2 at this moment. For the gross, we had several cross-border mergers, we have many subsidiaries. And for the indirect functions, the expenses are inefficient and that is actually accumulating.

Through the business group, we will try to steer it so that we can achieve GS26, and we'll try to achieve beyond GS26.

Hyogo: Understood. Thank you.

[END]