Stride Ahead 100th

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021 (FY2020)

February 4, 2021

Naoki Muto
Chief Accounting and Financial Officer
Terumo Corporation

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I am the CAFO, Muto. I will now explain the 3rd-quarter results for the fiscal year ending March 2021.

Safe Harbor for Forward-Looking Statements and Use of Document

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.

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Highest-ever Quarterly Revenue and Adjusted Operating Profit

(billion JPY)

	FY19 Q3YTD	FY20 Q3YTD	YoY%	YoY% (FXN)
Revenue	470.1	448.6	-5%	-3%
Gross Profit	258.6 (55.0%)	241.3 (53.8%)	-7%	-5%
SG&A Expenses	136.8 (29.1%)	130.7 (29.1%)	-4%	-3%
R&D Expenses	37.0 (7.9%)	35.9 (8.0%)	-3%	-2%
Other Income and Expenses	1.5	0.6	-	-
Operating Profit	86.3 (18.3%)	75.3 (16.8%)	-13%	-10%
Adjusted Operating Profit	98.4 (20.9%)	88.5 (19.7%)	-10%	-8%
Profit before Tax	85.5 (18.2%)	74.9 (16.7%)	-12%	
Profit for the Year	66.9 (14.2%)	58.6 (13.1%)	-12%	

Average Exchange Rate		FY19 Q3YTD	FY20 Q3YTD
	USD	109 JPY	106 JPY
	EUR	121 JPY	122 JPY

- Revenue: Steady recovery in demand for Cardiac and Vascular. The COVID-19 negative impact on General Hospital as well as Blood and Cell Technologies has been continuously minor
- Adjusted Operating Profit: Year-on-year negative growth due to the revenue decrease. Continuously controlled expenses based on priorities

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First, a summary of the overall results.

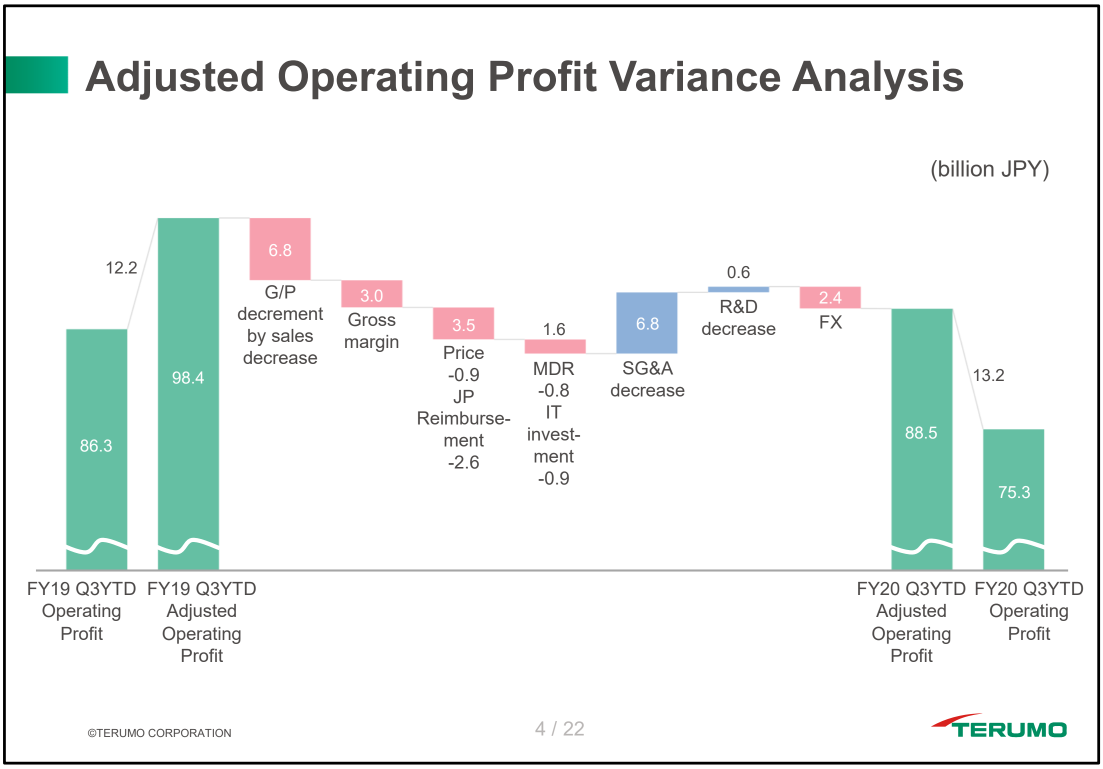
Sales revenue of the Cardiac and Vascular Company was greatly affected by COVID-19 in the 1st quarter, but saw a steady recovery in the 2nd quarter and then 3rd quarter. Impact on the General Hospital and Blood and Cell Technologies companies remained minor due to continued high demand for some products serving COVID-19-related needs, resulting in a 5% year-on-year decrease for the Group as a whole, and when excluding FX impact, a 3% decrease to get closer to the level of the previous fiscal year.

Adjusted operating profit continued to see negative impact from sales decline in the Cardiac and Vascular Company, while expenses naturally fell due to limitations on activities, and our ongoing careful evaluation of each outlay to control expenditures. This resulted in 8% negative growth when excluding FX impact, and 10% negative operating profit growth, to show a notable recovery upon entering the 3rd quarter.

Profit for the year was minus 12% year-on-year, another indicator of recovery acceleration in the 3rd quarter.

In the 3rd quarter, all companies saw improved product mix year-on-year, increasing gross profit and further leading to an acceleration of profit recovery.

This resulted in Q3 being our best-ever standalone quarter for sales, adjusted operating profit, and operating profit. Next slide, please.



This is the variance analysis of adjusted operating profit, compared to the previous year.

“Gross profit decrement by sales decrease” was reduced by the group-wide positive growth of the 3rd quarter to 6.8-billion-yen, meaning that downward impact was reduced from where it was at the end of the 1st half.

“Gross margin” accounted for a 3-billion-yen negative impact, due to improvement in cross-company mix as Cardiac and Vascular recovered, and as each company improved its product mix, to reduce downward impact from where it was at the end of the 1st half.

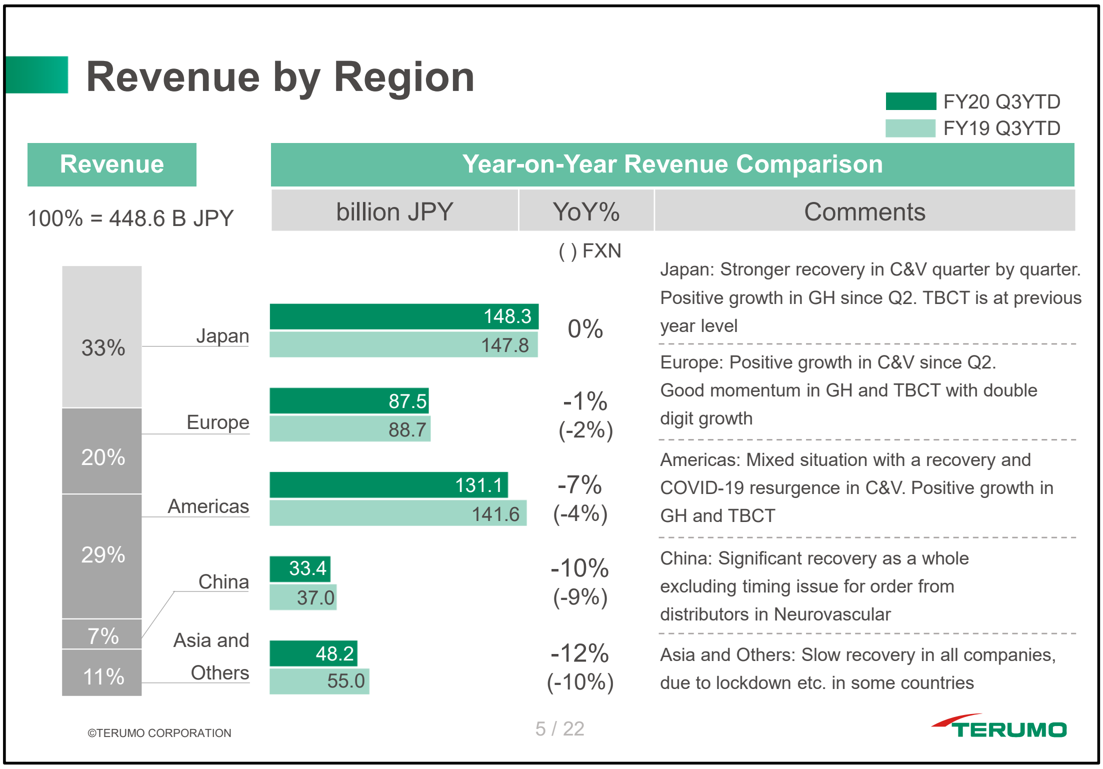
“Price” was a 900-million-yen negative impact, slightly accelerated from the 1st half by the recovery progress of Cardiac and Vascular company. In Q3, “Japan reimbursement” completed the cycle of negative impact by the revision that occurred at the previous year’s October consumption tax increase, resulting in only a small increase from the 1st half, to minus 2.6 billion yen.

European MDR and IT Investment progressed as planned, resulting in 800 million and 900 million yen negative impacts, respectively, with increased spending year-on-year.

“SG&A decrease” was a 6.8-billion-yen positive impact, as limitations on access to hospitals and reduced promotional and travel costs continued, in addition to our careful control of each expenditure.

“R&D decrease” had a 600-million-yen positive impact, as we reconfirmed the level of priority for each project while largely maintaining R&D investment in projects that will contribute mid- to long-term.

“FX” impact was the result of yen depreciation against the euro and other currencies, shrinking the impact from where it was at the end of the 1st half to minus 2.4-billion-yen year-on-year. Next slide, please.



Next is revenue by region.

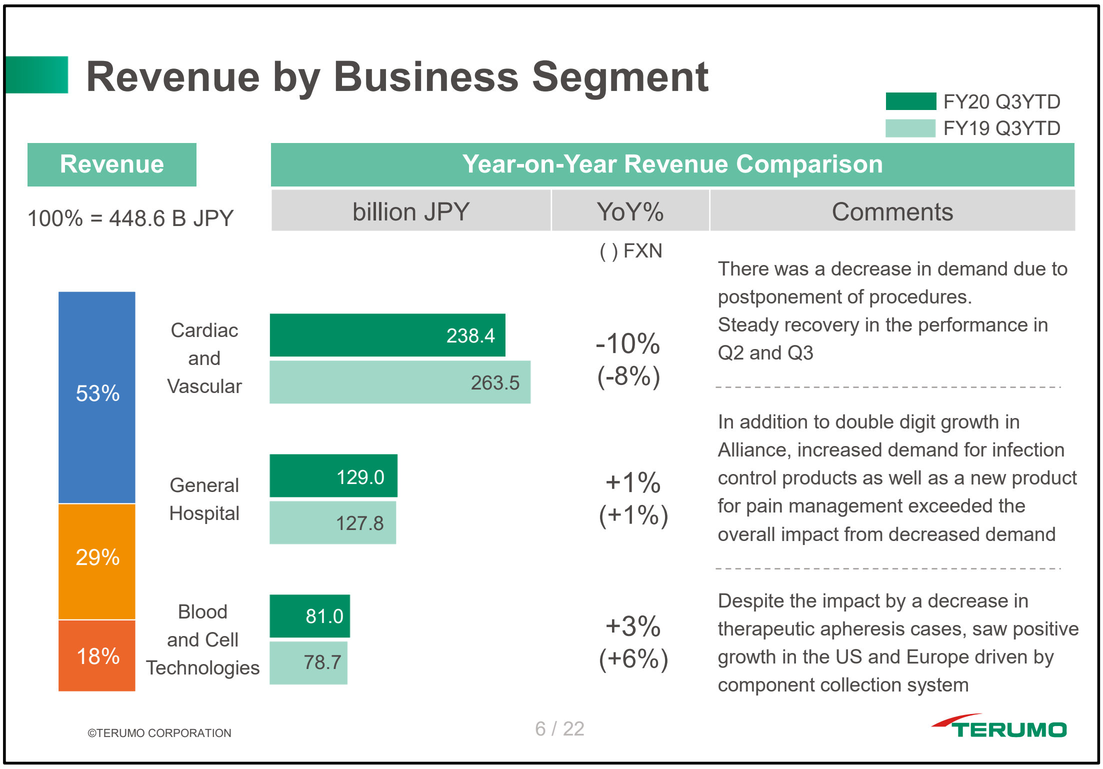
In Japan, the Cardiac and Vascular Company is recovering steadily each quarter. The General Hospital Company made strong efforts to supply COVID-19-related products including infection control, resulting in continuation of its positive growth from the 2nd quarter and joining the Blood and Cell Technologies Company in recovering to the same levels as the previous year. The region as a whole also returned to previous-year levels.

In Europe, Cardiac and Vascular Company continued its positive growth from the 2nd quarter as the other two companies grew in double digits, to bring the group as a whole closer to the previous year's level.

In the Americas, the Cardiac and Vascular Company showed a steady recovery, but some impact from the COVID-19 resurgence there showed in the latter part of the 3rd quarter.

In China, the impact of distributor order timing in the Neurovascular business is gradually decreasing. Looking at the 3rd quarter on a standalone basis, it experienced mid-single-digit positive growth and overall showed a notable recovery.

In Asia and others, there was some negative impact due to lockdowns in some countries, and each company is seeing a slow recovery. Next slide, please.



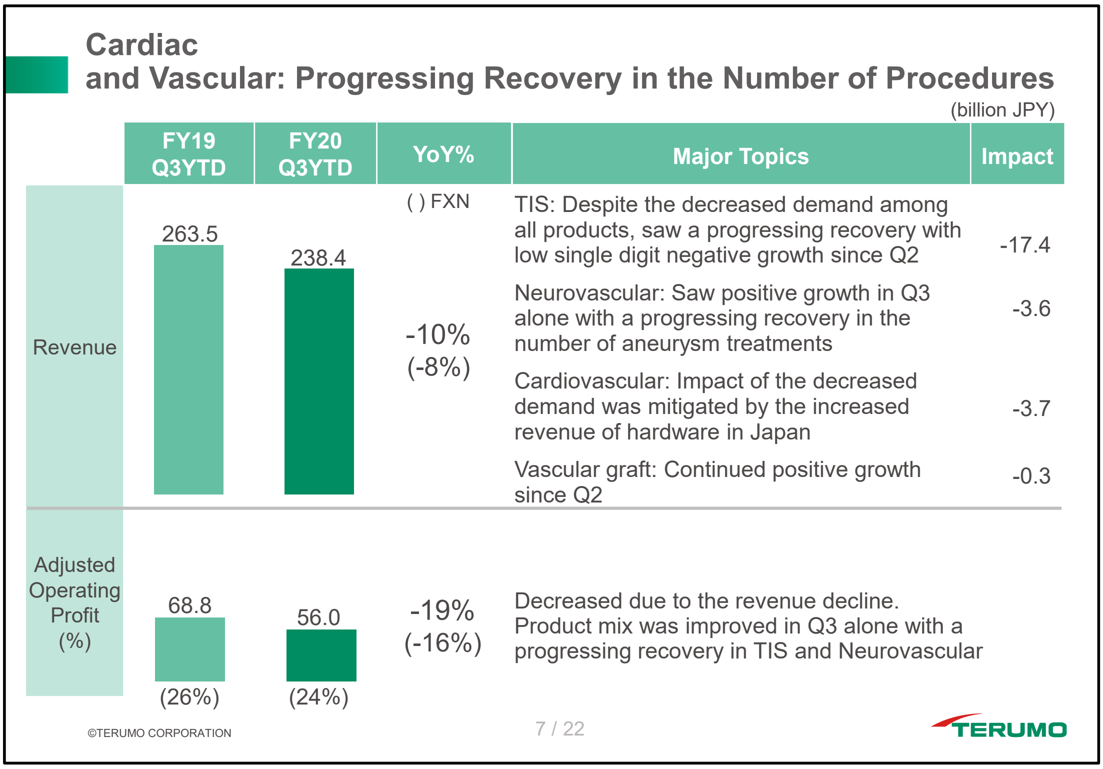
Next is revenue by company.

Year to date, elective procedure delays continue to impact the Cardiac and Vascular Company, but recovery is occurring steadily each quarter. Looking only at the three months of the 3rd quarter, the company was at minus 2% year-on-year, so nearly back to previous-year levels.

The General Hospital Company still had impact from overall decreased demand, but the Alliance business's double-digit growth, combined with a new product in Pain Management and increased infection control product demand, exceeded negative impact, resulting in a return to positive growth.

The Blood and Cell Technologies Company experienced increased demand for convalescent plasma and maintained positive growth, continuously driven by the component collection system.

I will give more detail by company in the next slides.



Here is Cardiac and Vascular Company.

Sales revenue was minus 10% year-on-year, representing a steady recovery.

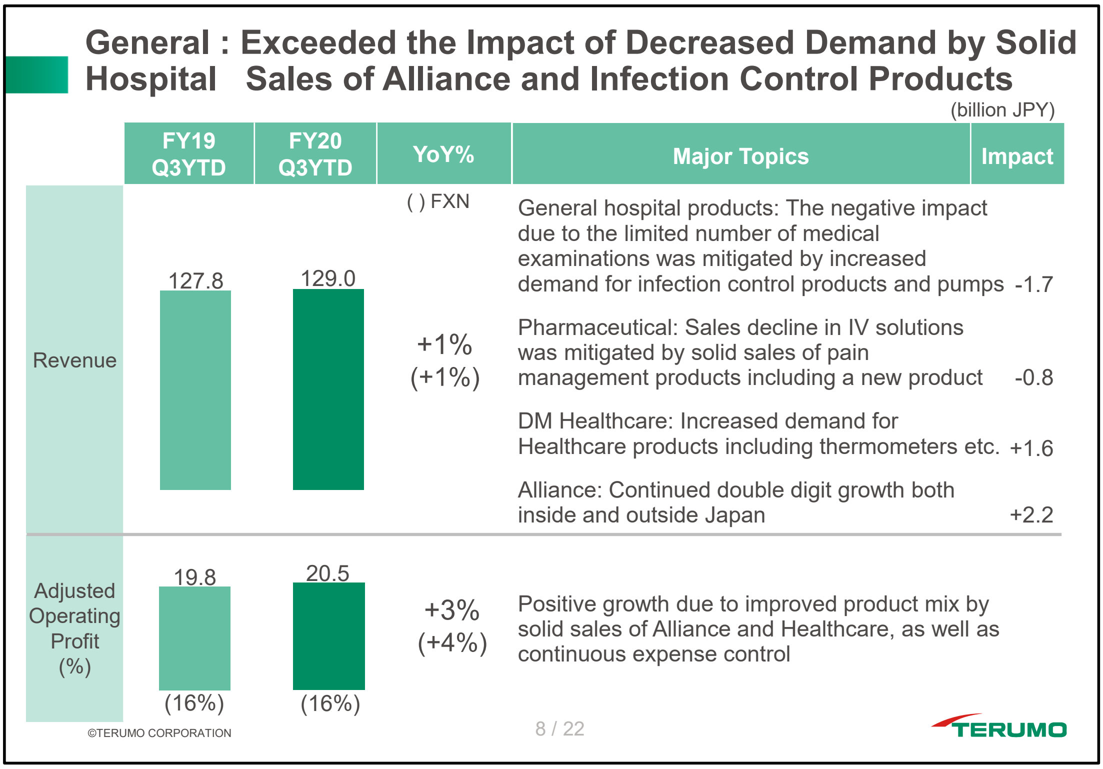
The TIS business experienced some impact from the resurgence of COVID-19 in the latter part of the 3rd quarter, but is showing a steady recovery as the number of procedures increases.

The Neurovascular business turned to positive growth in the 3rd quarter, a sign of the business returning to its usual strong growth trend.

CV still saw impact from delayed elective procedures, but that was somewhat mitigated by increased sales of ECMO products in Japan.

The vascular graft business continued its positive growth from the 2nd quarter year-on-year, remaining steady.

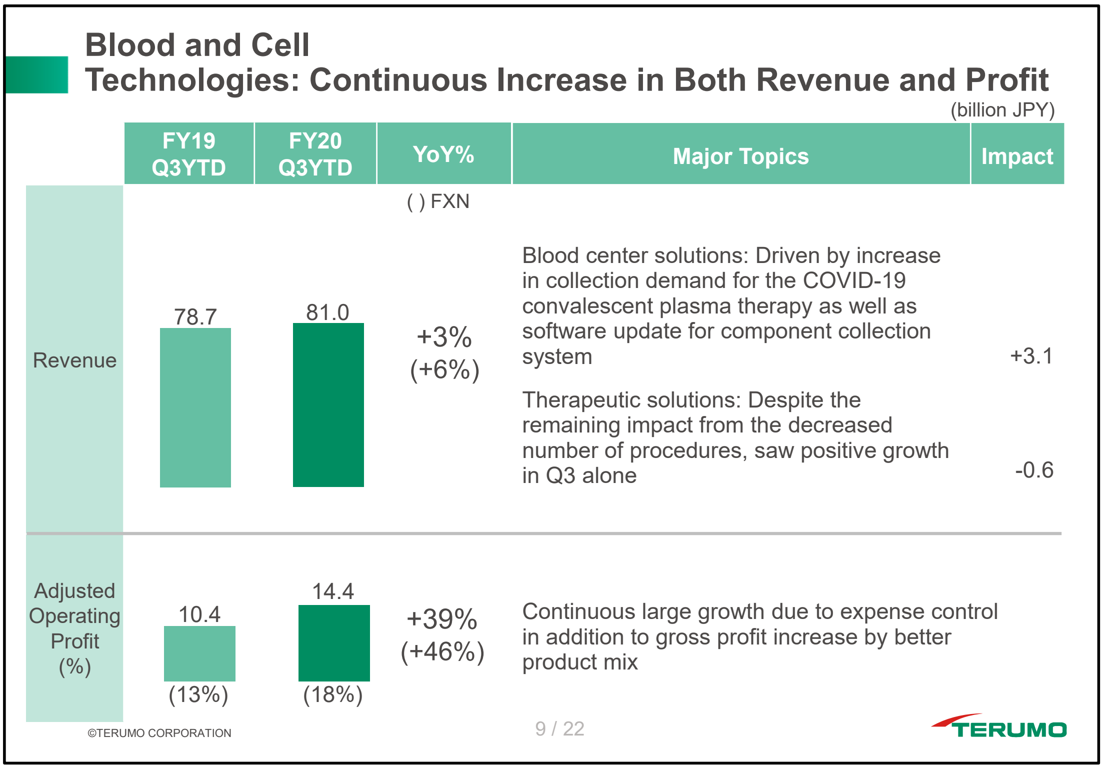
In profit, there had been downward impact from reduced sales revenue, but the progress of recovery in the high-profitability TIS and Neurovascular businesses improved product mix so that the three months of the 3rd quarter saw a drastic increase in profitability. Next slide, please.



Next, the General Hospital Company.

Sales revenue continued to be impacted by limitations on patient hospital visits, but, along with double-digit growth in pain management products and the Alliance business, increased demand for infection control products like thermometers and disinfectant overcame the negative impact to push the company to positive growth.

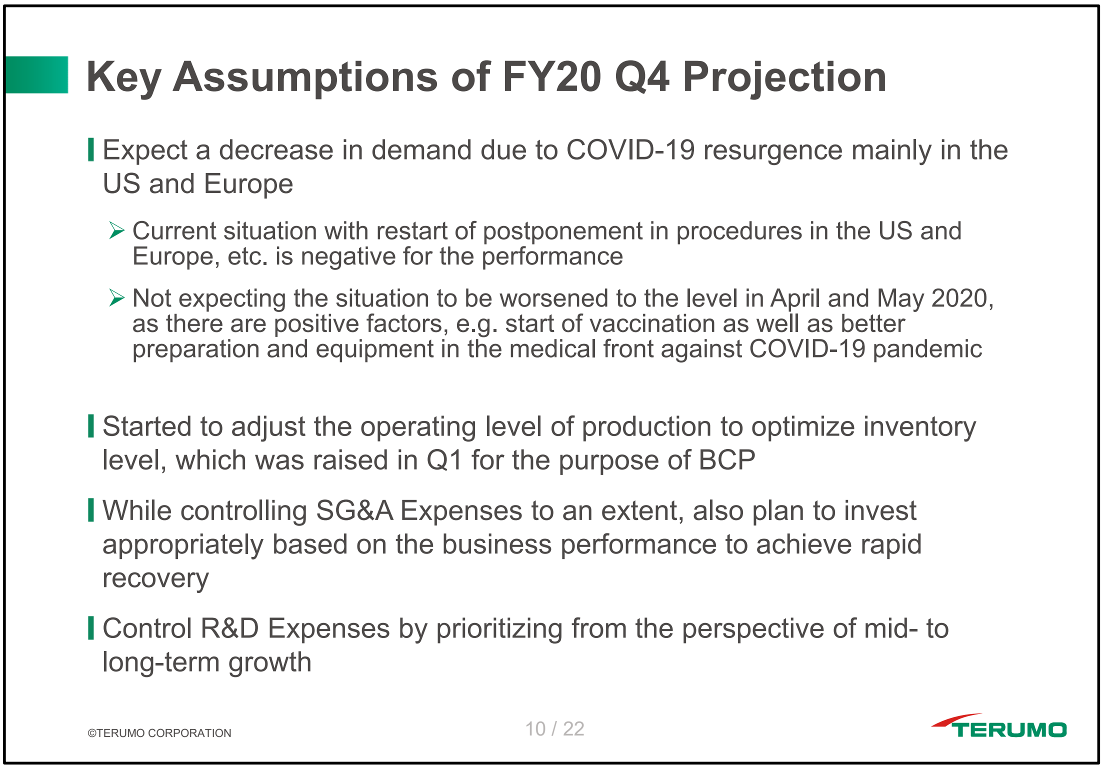
In profit, growth of high-profitability Healthcare products and the Alliance business improved product mix, which added to ongoing expense controls toward increasing profit and improving profitability. Next slide, please.



Next is Blood and Cell Technologies Company.

In sales revenue, the Blood center solution business remains challenged due to a global decrease in blood donors. However, along with high COVID-19-related demand for convalescent plasma in Europe and the United States, a software update to raise collection efficiency contributed to increased sales of component collection systems, driving the company as a whole.

In profit, continued expense controls focused on SG&A combined with progress in improving product mix with a higher proportion of component collection systems to improve profitability, and raise profit drastically in this company as well. Next slide, please.



I will now explain our thinking regarding the 4th quarter.

As I mentioned in the explanation of results, some businesses of the Cardiac and Vascular Company did begin to see some impact from the COVID-19 resurgence in the US and Europe in the latter part of the 3rd quarter, around December. We are told that restrictions are being strengthened in European countries, and that in the US as well, over 100 hospitals are postponing elective procedures.

Looking at the most recent sales results from January, they appear likely to be down 10% or so from the average of the 3rd-quarter months.
However, COVID-19 vaccinations have begun and medical settings are raising with certainty their ability to handle the pandemic. Therefore, we do not anticipate the same decrease in demand and negative sales impact that we saw in April and May of 2020.

Regarding profit, we will begin adjusting our production level to gradually correct for inventory that we built up from a BCP perspective when the first COVID-19 wave hit; we believe this will be a burden on our gross profit.

We will continue to control our SG&A and R&D spending as we have in recent quarters.

Overall, we anticipate a slightly weaker 4th quarter than the 3rd quarter, which saw a combination of positive factors including good product mix, but we are hopeful to bring 4th quarter results to a level near the sales and profit of the 2nd quarter. Next slide, please.

Revision of FY20 Guidance

(billion JPY)

	Original Guidance	Revised Guidance	Change in amount
Revenue	600.0	600.0	-
Operating Profit	90.0 (15.0%)	97.5 (16.3%)	+7.5
Adjusted Operating Profit	108.0 (18.0%)	115.0 (19.2%)	+7.0
Profit for the Year	68.0	75.0	+7.0

Average Exchange Rate (Predicted)			
	USD	Annual: 106 JPY	Q4: 104 JPY, Annual: 106 JPY
	EUR	Annual: 121 JPY	Q4: 126 JPY, Annual: 123 JPY

- Factored in the better Q3 performance than expected
- No revision for the FY20 annual dividend proposal disclosed at the financial announcement in May 2020

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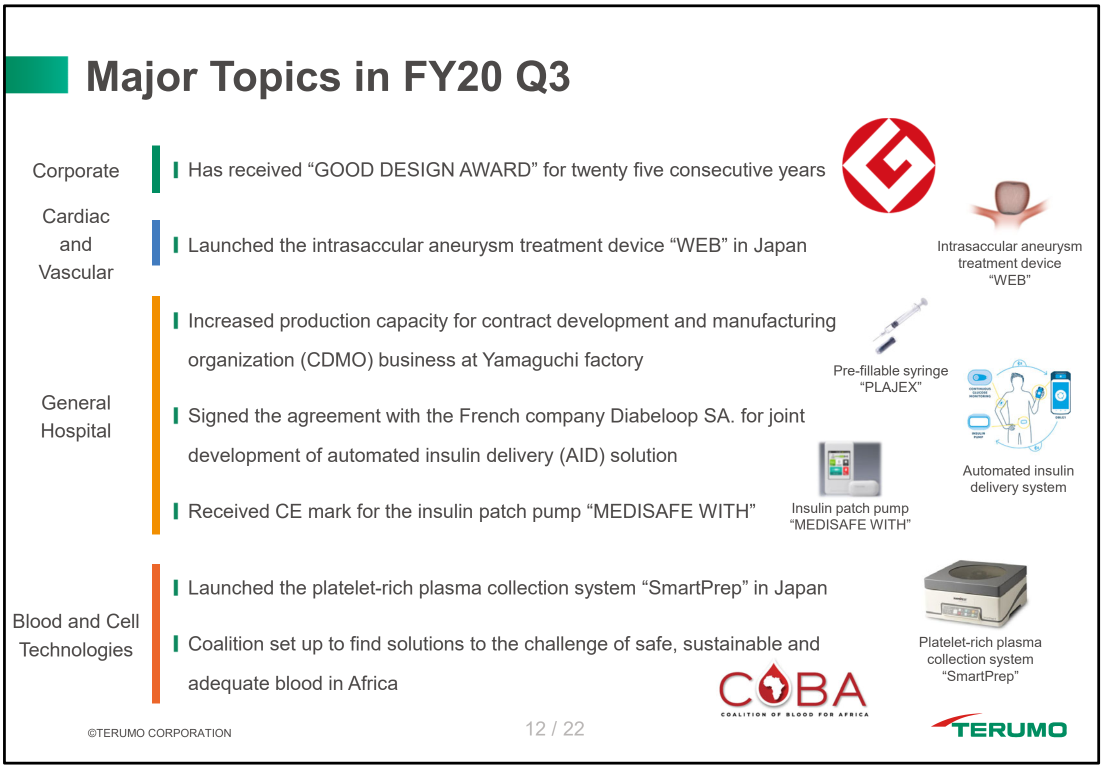
In line with our 3rd-quarter results and thinking regarding the 4th quarter, we will revise our guidance upward.

In sales revenue, taking into consideration the impact of some locations' COVID-19 resurgence and uncertainty in the market, we will maintain our guidance.

In profit, as I explained on the previous slide, the 4th quarter does not appear to be as promising as the 3rd; but we nevertheless saw a significant upswing in the 3rd quarter. With that included in the overall picture, we will upwardly revise our guidance for adjusted operating profit by 7.0 billion yen, operating profit by 7.5 billion yen, and profit for the year by 7 billion yen.

Although the fiscal year-end is only two months from now, we do expect that with vaccinations progressing, overseas sales and other activity will rise. We anticipate that this, along with clinical trial and sales promotion tool-related expenses, will result in an increase of some percentage in SG&A compared to the 3rd quarter. However, depending on how the COVID-19 resurgence goes, expenditures could remain at the same level as those of the 3rd quarter.

Regarding dividends: Taking into account the continuing COVID-19 resurgence, uncertainty, and risks, we will maintain the guidance we issued in May. Next slide, please.



Here are the major topics for the 3rd quarter.

We received Good Design Awards for multiple products throughout the Terumo Group, receiving the award for the 25th consecutive year.

Looking at company topics, we can see that the Neurovascular product WEB and DM-related products made strategic progress. In the Alliance business, as our CEO Sato mentioned in the 1st-half earnings announcement, we are steadily expanding our CDMO production capacity at Terumo Yamaguchi to prepare for the growing development pipeline of that business. Next slide, please.

FY20 New Product Pipeline

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

Category	Products	Region	Launch
Vascular graft	Stent graft for abdominal aortic aneurysm	US	Launched
General hospital products	Syringe pump	JP	Launched
	Safety IV catheter	JP	
	Syringe pump for open TCI	EU, Asia	Launched
Pharma-ceutical	Strong opioid analgesic (Fentanyl citrate tape for 1 day use)	JP	Launched
DM and consumer healthcare	Continuous glucose monitoring system	JP	To be launched in FY21
	Blood glucose monitoring system	JP	Launched
	Thermometer	JP	Launched

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This is the final slide, and shows our pipeline status for the fiscal year. I will omit the details, but new product launches are generally on schedule.

With the COVID-19 resurgence and other factors, we must remain vigilant. We will continue making our best management efforts to achieve our fiscal year guidance and return toward sustainable growth.

Thank you.

Reference

FY20 Q3YTD Revenue and Growth by Region

(billion JPY)

Business Segment	Japan	Overseas					Total
		Subtotal	Europe	Americas	China	Asia	
Cardiac and Vascular	36.6 (-4%)	201.8 (-9%)	59.9 (-7%)	91.6 (-8%)	26.8 (-12%)	23.5 (-12%)	238.4 (-8%)
Out of C&V, TIS and Neurovascular	26.3 (-8%)	166.5 (-9%)	48.8 (-7%)	73.6 (-7%)	24.7 (-14%)	19.4 (-12%)	192.9 (-9%)
General Hospital	102.6 (+2%)	26.4 (-1%)	7.3 (+10%)	6.4 (+13%)	1.7 (-7%)	11.0 (-12%)	129.0 (+1%)
Blood and Cell Technologies	9.0 (-1%)	72.1 (+6%)	20.4 (+12%)	33.1 (+7%)	4.9 (+17%)	13.6 (-5%)	81.0 (+6%)
Total	148.3 (+0%)	300.3 (-5%)	87.5 (-2%)	131.1 (-4%)	33.4 (-9%)	48.2 (-10%)	448.6 (-3%)

(YoY%): FXN

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Operating Expenses

(billion JPY)

	FY19 Q3YTD	FY20 Q3YTD	YoY	YoY%	YoY% (FXN)
Salaries & Wages	66.6	68.7	+2.1	+3%	+5%
Sales Promotion	14.6	8.6	-6.0	-41%	-41%
Logistical Costs	10.3	10.6	+0.3	+3%	+4%
Depreciation & Amortization	13.9	14.2	+0.3	+2%	+4%
Others	31.4	28.5	-2.9	-9%	-8%
SG&A Expenses Total	136.8 (29.1%)	130.7 (29.1%)	-6.2	-4%	-3%
R&D Expenses	37.0 (7.9%)	35.9 (8.0%)	-1.1	-3%	-2%
Operating Expenses Total	173.8 (37.0%)	166.5 (37.1%)	-7.3	-4%	-3%

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Quarterly Results

(billion JPY)

	FY19 Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY20 Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)
Revenue	162.9	158.8	131.3	152.0	165.3
Gross Profit	87.2 (53.5%)	85.3 (53.7%)	68.9 (52.5%)	81.6 (53.7%)	90.8 (54.9%)
SG&A Expenses	47.2 (29.0%)	47.7 (30.1%)	40.1 (30.5%)	45.8 (30.2%)	44.7 (27.1%)
R&D Expenses	12.7 (7.8%)	13.6 (8.6%)	11.2 (8.5%)	11.9 (7.8%)	12.8 (7.7%)
Other Income and Expenses	-0.2	0.4	0.5	-0.1	0.2
Operating Profit	27.1 (16.6%)	24.4 (15.3%)	18.1 (13.8%)	23.8 (15.6%)	33.4 (20.2%)
Adjusted Operating Profit	31.4 (19.3%)	26.6 (16.7%)	21.7 (16.5%)	29.6 (19.5%)	37.2 (22.5%)

Average Exchange Rate						
	USD	109 JPY	109 JPY	108 JPY	106 JPY	105 JPY
	EUR	120 JPY	120 JPY	119 JPY	124 JPY	125 JPY

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Adjusted Operating Profit: Adjustments

(billion JPY)

	FY19 Q3YTD	FY20 Q3YTD
Operating Profit	86.3	75.3
Adjustment 1. Amortization of acquired intangible assets	+11.9	+10.8
Adjustment 2. Non-recurring profit or loss	+0.3	+2.4 *
Adjusted Operating Profit	98.4	88.5

<General examples of adjustment items>

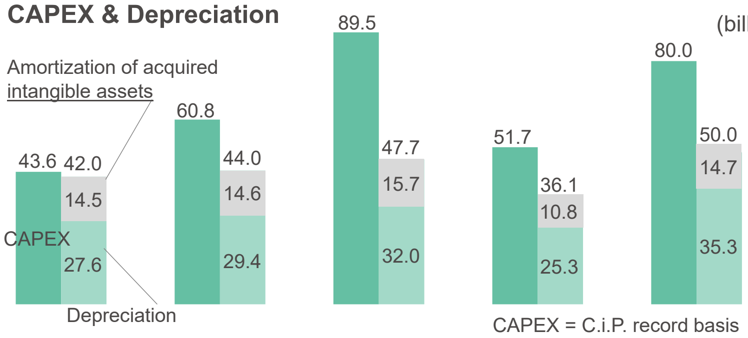
- Acquisition related cost
- Lawsuit settlement
- Impairment loss
- Restructuring loss
- Nonlife insurance income
- Loss on disaster
- Other one-time profits & losses

* FY20 Q3YTD main items in Adjustment 2. Non-recurring profit or loss	Amount
Business reorganizing cost	+0.4
Others	+2.0

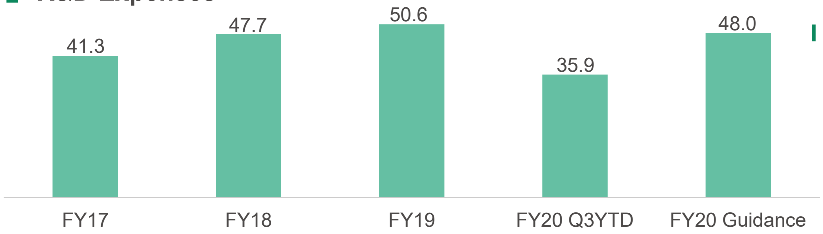
CAPEX, Depreciation and R&D Expenses

CAPEX & Depreciation

(billion JPY)



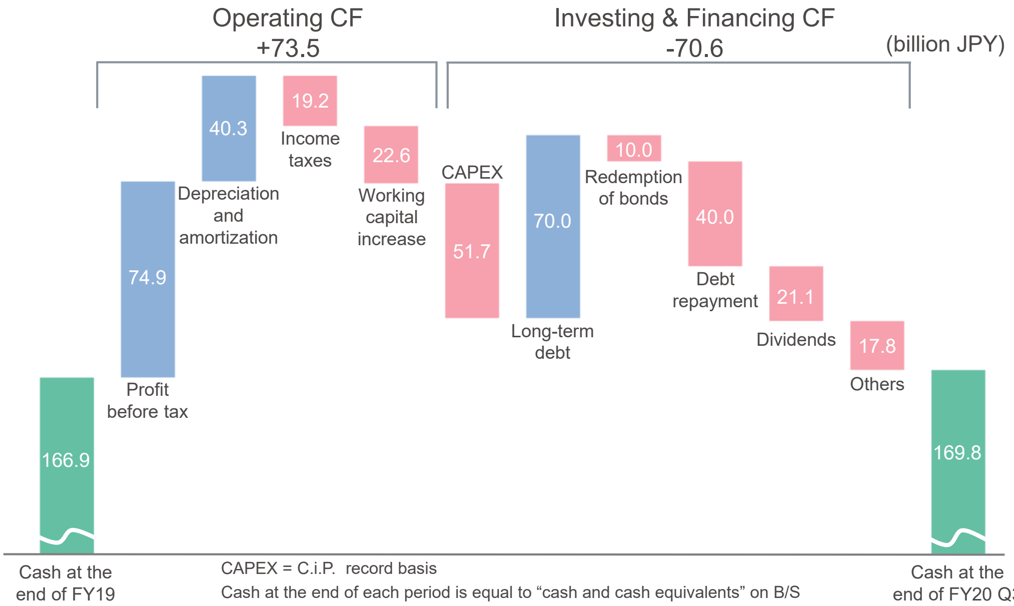
R&D Expenses



- Lease depreciation (IFRS16) is not included in FY19, FY20 Q3YTD results and FY20 Guidance
- Continue investment in production capacity and space, R&D as well as IT in FY20
- 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
FY20 Q3YTD:	4.3
FY20 Guidance:	5.4

Cash Flows



CAPEX = C.i.P. record basis
Cash at the end of each period is equal to “cash and cash equivalents” on B/S

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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

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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%	1,912	2,486	Approx. 26 M shares
Dec. 2021	50.0	0.0%	1,912	2,486	Approx. 26 M shares
Total	100.0				Approx. 52 M shares

The status of conversion (as of Jan. 31, 2021)

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	49.0 B JPY (98.0%)	25 M shares (3.4%)
Total	99.0 B JPY (99.0%)	51 M shares (6.8%)

Allocated treasury shares to the shares issued for conversion

- Status of treasury shares: 4 M shares
  (at the end of Jan. 2021, treasury stock cost per share: 1,949 JPY, % against total number of issued shares: 0.5%)

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