

**Q&A Session at the Financial Results Briefing**  
**for the First Half of the Fiscal Year Ending March 31, 2020**

Outlined below are the principal Q&As from the financial results briefing of November 7, 2019. Certain details have been expanded or modified to provide readers with deeper understanding of Terumo Corporation's performance and activities.

Q1: Regarding "Adjusted Operating Profit Variance Analysis", the financials are positive overall compared to the annual guidance. Why the company did not make upward revisions to it?

A1: At first, revenue is almost as planned.

As for profits, the effects below resulted in profit exceeding the first-half guidance.

- Product mix improvement due to higher sales in highly profitable Terumo International Systems (TIS) business and Neurovascular business, along with production cost reduction in these two businesses.
- Delay in spending pace of Medical Device Regulation (MDR) expense in Europe and of Selling, General and Administrative (SG&A) expenses.

As the risk factors in the second half, there are

- Negative recoil from rush demand before the consumption tax increase in Japan.
- Greater increase expected for MDR and SAP related expenses in the second half.
- Those SG&A expenses not accrued in the first half but are planned to be spent in the second half to avoid any concern in the next fiscal year.
- Furthermore, there is possibility that foreign exchange rates would have negative impact on earnings if the current rates at the end of September continue.

Q2: "Adjusted Operating Profit Variance Analysis" indicates positive effect of gross margin was 6.0 billion JPY, which is already much higher than the annual guidance of 4.8 billion JPY. Why is that?

A2: The positive recoil from shipping delays at Ashitaka factory occurred in the previous fiscal year account for 2.0 billion JPY. The remaining includes improvement of product mix and production cost reduction, etc. The progress was better than expected because of production cost reduction in TIS business and Neurovascular business, as well as improvement in product mix across the entire Cardiac and Vascular Company.

Q3: "Adjusted Operating Profit Variance Analysis" shows there was increase in Selling, General

and Administrative (SG&A) expenses of 4.1 billion JPY, which looks smaller compared to the annual guidance of 12.5 billion JPY. Why is that?

A3: At first, there was some promotion expense for market share recovery from shipping delays at Ashitaka factory. We have been able to recover without spending the expense initially expected. On the other hand, we plan to implement necessary measures while closely watching the market situation going forward in order to regain trust from the customers.

Secondly, there were expenses for expanding the stent graft sales force. Expense increases in overseas including this were originally planned for the second half, so the progress looks slow for now. Activities in Japan have been progressing almost as planned and gradually shifting to direct sales model.

Third, the demand for WEB, intrasaccular aneurysm treatment device in Neurovascular business is stronger than expected and promotion expense for the launch was not necessary as much as planned. In addition, there were investments postponed due to timing issues of studies in TIS business and Neurovascular business, etc. As it is important for future business expansion to secure highly expertized human resources and to enhance promotion activities, we will continue to reinforce the organization and activities towards the second half.

Finally, there was promotion expense for launching the stents of Essen Technology. Timing of its accrual has been delayed. We will also catch up this in the second half and we expect the amount to be same as the annual guidance.

Q4: “Adjusted Operating Profit Variance Analysis” indicates the expense increase for MDR in Europe was 0.6 billion JPY, which looks significantly slower compared to the annual guidance of 3.2 billion JPY. Why is that? Is the preparation status as planned? How much expense do you expect to be accrued in the second half?

A4: Although timing of some capital expenditures was shifted, the project has been progressing steadily. Compared to the plan, roughly 0.9 billion JPY was shifted from the first half to the second half. The accrual will increase in the second half because we also expect important milestones from the second half to the next fiscal year, such as the system auditing, etc. Therefore, MDR related expense is expected to be approximately in line with the annual guidance.

Q5: The revenue of TIS business in Cardiac and Vascular Company grew at double digit in all regions globally. What is the reason behind this strong momentum?

A5: While it was partially due to negative impact in the previous fiscal year from shipping delays at Ashitaka factory, revenue was solid even excluding this effect, especially for access devices

including closure devices, coupled with activities to enlighten their medical cost efficiency. The brisk sales of these platform products is the reason behind the strong momentum.

Q6: How much was the global sale of Drug Eluting Stent (DES) in the first half?

A6: The global sale of Ultimaster and Ultimaster Tansei was 8.8 billion JPY, 11% increase over the previous first half. Compared to the 1% increase in revenue in the first quarter, revenue growth was at double digit at the end of the first half. Therefore, the momentum has been recovered. Though this result also represented positive recoil from the indirect negative impact in the previous fiscal year caused by shipping delays at Ashitaka factory, revenue growth turned positive in both Japan and overseas. The sales result against the plan is still a challenge in Japan, but that in overseas was outpacing the plan.

Q7: The sales increase of Neurovascular business in Cardiac and Vascular Company seems to have been slowing down in the second quarter compared to the first quarter. Why is that?

A7: There was negative effect from timing issue in orders from distributors in China. We will coordinate with distributors to level off monthly order volume.

Q8: How much were the sales of WEB in the first half?

A8: Global sales were 3.0 billion JPY, which were approximately two times more than the previous fiscal year. This result was largely driven by the start of sale in the US from this fiscal year. Sales were brisk in both Europe and the US.

Q9: I heard that this fiscal year you will focus on education and training in the US for WEB. What is the progress of these activities?

A9: We are making steady progress. Following the launch, more than 500 clinical training sessions have been held and we believe that we have reached approximately half of our US accounts (facilities) through these sessions. Still only around 20% of all physicians have completed the training, so we can expect further revenue growth in the future.

Q10: The sale of Alliance business in General Hospital Company seems to have been slowing down compared to the first quarter and did not grow year on year in the second quarter. Why is that?

A10: This was due to timing issue in orders placed by pharmaceutical companies. While there are ups and downs in the performance, the overall result was almost as planned and we do not see this as a slowdown in business.

Q11: What do you mean by “winning a tender in an emerging country” in the Blood center business in Blood Management Company?

A11: This refers to a competitive tender in Libya, Africa and we could receive a large order. Sales from this order have been booked in September. As the scope of this tender also included disposable products, we expect revenue increase in the future but not as much as the amount in September.

Q12: How was the impact from the reimbursement price revision from October in Japan compared with your original assumption? How much will the impact be in the second half?

A12: Although there was minor variance in some product prices, overall the price revision was almost in line with the original assumption. The impact in the second half would be approximately 3.0 billion JPY, which is the same as the annual guidance.

Q13: In November, American Heart Association (AHA) will announce the results of ISCHEMIA, a clinical trial comparing the prognosis of Percutaneous Coronary Intervention (PCI) and Optimal Medical Therapy (OMT) for patients with stable ischemic heart disease. How do you assume the impact on the number of PCI cases and on TIS business?

A13: It will be the first time for this kind of study to be announced, so we would like to wait for the results to be reported by AHA. The target of ISCHEMIA trial is stable ischemic heart disease, and given that there are many exclusions, we believe there will be very few patients who are actually relevant to the results of this trial.

Q14: By enhancing “disease-oriented approaches” (in the presentation by Shinjiro Sato), is there possibility you will acquire not only technologies from venture companies, which you have done frequently for the last several years, but also businesses that can fill any gap or shortfall in a certain disease area?

A14: As a result, most of our M&A deals in the past involved the domain of Cardiac and Vascular Company, especially TIS business. However, our M&A targets going forward would not be limited as they used to be and also include ventures or companies with the capabilities to fill the gap or shortfall, because various capabilities will be required in the future.

Q15: By “disease-oriented approaches” (in the presentation by Shinjiro Sato), do you mean that you will identify markets that are either currently not penetrated or yet to be actualized, and then sell products there and generate profits? Or, do you mean that you create new business models from the paradigm shift in healthcare and generate earnings from them?

A15: We believe that this kind of approaches will be taken only after both you mentioned are achieved.

In the short term, we begin with opportunities actualized through disease-oriented perspectives.

Over the long term, first we will create a basis for disease-oriented approaches, and then provide solutions, including digitalization in response to personalized healthcare, one of the paradigm shifts that is going to happen in the future.