Q&A Session at the Financial Results Briefing
for the First Quarter of the Fiscal Year Ending March 31, 2019

Outlined below are the principal Q&As from the financial results briefing of August 8, 2018. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation’s performance and activities.

Q1: What triggered the shipping delay from the Ashitaka factory? What is the current status of aforementioned delay?

A1: While we were pursuing enhancements of its manufacturing capabilities at the Ashitaka Factory, we discovered that there were challenges in the procedure that optimizes the sterilization process. Shipments of certain products from this factory were placed on hold in late May, based on its internal rules. The sterilization process for medical devices can be largely divided into two elements: (1) compatibility of the method for assessing the optimality of the sterilization process, and (2) confirmation of sterility. This time around, it was deemed necessary to confirm the (1) valuation method as we identified an area that likely required further refinements. In accordance with our internal quality system, we placed the shipments on hold until we could complete the confirmation process.

We are resuming shipments as we have completed confirmation of the valuation method. As of August 8, the overall sterilization capacity at the Ashitaka factory has recovered to the level it was at prior to the halt of shipments.

Q2: At medical front, what measures are being taken to deal with the shipping delay from the Ashitaka plant? Also, to what extent do you expect to lose customers due to this delay?

A2: We implemented various measures to minimize the impact at the medical front. In some cases, we are asking other manufacturers for their cooperation to supply alternative products when there is a product shortage.

In Japan, we anticipate limited customer loss in the medium term. As we have an extensive sales force, our MRs are carrying out detailed measures, including transferring inventory between hospitals. Meanwhile, in overseas markets, it is difficult to accurately forecast performance due to varying conditions in different regions and sales channels (direct sales or via distributors). We, however, are expecting a certain level of customer loss. In our TIS business, quality and training are our strengths. These two factors have not been impacted by shipment delays. Going forward we aim to minimize impact by fully utilizing these strengths.
Q3: I understand that overseas sales in June were not substantially impacted by shipping delay from the Ashitaka factory. In Q1, revenue of interventional systems grew 2% in Europe and 6% in the Americas. These growth figures seem slightly under par. If this does not reflect shipment delays at the Ashitaka factory, then what factors curbed this growth?

A3: Regarding the degree of impact from the shipping delay from the Ashitaka factory, aside from direct factors, there were likely indirect factors, including refrained sales. However, confirming or calculating this impact is very difficult. In contrast with Q1 FY2017, when acquisition benefits were strong, the growth rate for overseas interventional system revenue likely appears substandard but we have started off FY2018 nearly in line with plans.

Q4: What were global sales for drug-eluting stents (DES) in Q1 FY2018?

A4: Global sales were around 4.0 billion yen, which was a decline of 18% year on year. This was primarily attributable to impact from NHI reimbursement price revisions and the launch of new products by our competitors in Japan. In April, we launched “Ultimaster Tansei” in Europe. We plan to launch it in Japan in 2H FY2018 as well, and thereby hope to recoup our domestic market share.

Q5: In Japan, was there impact from the consideration of Appropriate Use Criteria (AUC) by the cardiovascular society for the application of PCI (percutaneous coronary intervention)?

A5: It is our impression that demand has not changed overall. We estimate that the number of patients receiving PCI treatment has declined at some medical institutions. There is an increase in the number of cases in which coronary disease in general was confirmed owing to the aging society. We estimate the number of PCI treatments in Japan overall is flat, as the two aforementioned factors offset one another. We also confirmed demand trends for guiding catheters and IVUS catheters, which we use as an indicator for the number PCI patients, and we have not observed a decline, either.

Q6: You downwardly revised your projection for revenue by 11.0 billion yen and for operating profit by 6.5 billion yen. How is this being allocated between Q1 and Q2?

A6: It is okay to view the impact are mostly falling on Q2.