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

Outlined below are the principal Q&As from the financial results briefing of August 8, 2019. Certain details have been expanded or modified to provide readers with deeper understanding of Terumo Corporation’s performance and activities.

Q1: How was the gross margin in the first quarter compared with the company forecast?

A1: The gross margin was 55.8%, which was almost the same with the forecast.

Q2: The company’s full-year guidance for “Depreciation & Amortization” is 49 billion JPY, but that in the first quarter was 12.5 billion JPY. Do you expect it would exceed the full-year guidance?

A2: Starting from the first quarter of this fiscal year, we reclassified approximately 1 billion JPY leasing cost from “Others” to “Depreciation & Amortization” following IFRS 16 (Lease accounting). The full-year guidance of 49 billion JPY in “Depreciation & Amortization” does not include this impact. Therefore, the actual cost excluding it is within the range of the full-year guidance.

Q3: The “Adjusted Operating Profit Variance Analysis” (page 3 of the presentation) indicates that the positive effect of gross margin was 0.1 billion JPY. What is the breakdown for each individual company?

A3: Revenue of Cardiac and Vascular Company were brisk and the positive effect from the business mix was over billion JPY, which was offset by the depreciation cost of Terumo Yamaguchi D&D due to production start, and by some other factors. This result is as planned.

Q4: The “Adjusted Operating Profit Variance Analysis” (page 3 of the presentation) indicates the effect of complying Medical Device Regulation in EU was negative 0.2 billion JPY. Is this progress according to the plan? At which point will these expenses increase?

A4: This progress is according to the plan. The planned expenses are higher in the second half because of system audits and the start of item applications at some factories. These expenses will rise from the second quarter to the fourth quarter, and at the current stage, we expect to utilize 3.2 billion JPY as planned.

Q5: The “Adjusted Operating Profit Variance Analysis” (page 3 of the presentation) indicates there
was increase in Selling, General and Administrative (SG&A) expenses by 1.2 billion JPY. What is the actual situation for the plan to increase headcount for WEB, intrasaccular aneurysm treatment device in Neurovascular business and stent grafts in Vascular Graft business?

A5: For WEB, there are some delays in hiring, but in terms of the revenue, the start was stronger than expected. Going forward, we aim to move closer to the hiring plan and further acceleration in the revenue. In Vascular Graft business, to prepare for the full-scale rollout of Relay Pro, our next generation stent graft in US, we plan to expand our sales force through new hiring this fiscal year, in addition to that of Bolton Medical. We expect these expenses to be accrued more on the second half.

Q6: There is delay in the progress of increase in SG&A expenses (Salaries & Wages and Sales Promotion, etc.) compared to the full-year guidance. What is your outlook for the future? Also, will there be any impact on the launch or revenue of new products due to the carrying forward of expenses?

A6: In the second quarter and thereafter, we expect those expenses to be accrued. We will gradually catch up and the year-on-year increase in SG&A will be close to 12.5 billion JPY mentioned in the full-year guidance. There will not be any impact on new products caused by the delay in expenses.

Q7: Among the effects of foreign exchange rates (FX) in the “Adjusted Operating Profit Variance Analysis” (page 3 of the presentation), how much was the elimination of unrealized profit in inventory?

A7: The elimination of unrealized profit in inventory had positive impact of around 1 billion JPY, given the appreciation of JPY.

Q8: TIS (Terumo Intervention Systems) business revenue in Japan increased by 10% over the previous year. How was it compared to the plan?

A8: The revenue in Japan was generally brisk, but Ultimaster Tansei, the new Drug Eluting Stent (DES) underperformed. The revenue of other products have recovered to the level before the shipment delays at the Ashitaka factory in the previous fiscal year.

Q9: What was the global revenue of the Drug Eluting Stent (DES) in this quarter?

A9: The global revenue of Ultimaster and Ultimaster Tansei was 4.3 billion JPY, increased by 1% over the previous first quarter. The revenue underperformed mainly because in Japan, we fell short of the plan and the revenue dropped. The main reason behind this was the completion of
the promotion campaign at the end of the previous fiscal year and there was a gap before the next campaign starts. Going forward, we aim to increase the revenue through newly building a cooperative system with Group Purchasing Organizations (GPO).

Q10: When is the launch of Ryurei, the new Percutaneous Transluminal Coronary Angioplasty (PTCA) balloon catheter in Europe?
A10: At present, we have launched Ryurei in Europe on a limited basis. We plan the full-scale launch in the second half; therefore, we expect to generate synergies with Ultimaster Tansei through launching Ryurei, similar to in Japan. This should expand revenue in Europe.

Q11: What is the status of WEB intrasaccular aneurysm treatment device in US and Europe?
A11: The revenue remains solid in Europe, it increased 30% over the previous first quarter to 0.7 billion JPY. Especially, this April we finalized the health insurance reimbursement in France, the largest market in Europe and expecting to further accelerate the revenue. In US, we had a very strong start from the full-scale launch in April. There are many inquiries from customers and the first quarter revenue in US reached over 0.7 billion JPY, outperforming the plan.

Q12: What was the revenue of SOFIA, the aspiration catheter for treatment of acute ischemic stroke?
A12: The global revenue remains solid, 5 billion JPY in fiscal 2018 and 1.9 billion JPY in the first quarter of fiscal 2019, increased 44% over the previous first quarter. After obtaining an indication in US, our global share is steadily rising, and currently it is between 20 to 30%. Competitors have also entered the market and we expect fiercer competition in the future. However, we believe SOFIA still have its competitive strengths. We will now aim for the market share of over 30%.

Q13: How is the operating profit ratio of Neurovascular business compared with entire Cardiac and Vascular Company?
A13: The gross profit ratio is very high, but since this field requires fast product development, we have been investing in R&D, and the operating profit ratio remains almost on par with Cardiac and Vascular Company.

Q14: What is the status of Dexcom G4 Platinum System, the continuous glucose monitoring system?
A14: We have just started selling and we cannot say for certain at this moment. There are many
inquiries from medical professionals and we are getting positive feedbacks from physicians. We expect further revenue increase in the future.

Q15: How do you expect the revenue performance of Medisafe With, the insulin patch pump to be launched in this fiscal year?

A15: At present, we plan to launch it in Japan, where the market for insulin pumps is small, so we do not believe it will contribute to revenue and profits right away. Nevertheless, we believe this product is very meaningful from the standpoint of highlighting our commitment to entering diabetes treatment field.

Q16: The revenue of Blood Management Company was weak in Europe and Americas. Does this indicate the demand has decreased due to the winding down of new construction of and facility installation at blood centers?

A16: The revenue in April of this year fell back after outpacing the plan at the end of the previous fiscal year mainly in Europe and Americas. We have not seen any significant drops in demand at this moment.

Q17: Blood Management Company tends to be largely affected by foreign exchange rates. Do you have any measure to decrease the FX impact?

A17: Blood Management Company has large percentage of the revenue from products made in US and exported, which makes it susceptible to foreign exchange rates. Going forward, we will increase the share of production volume at the new factory in Vietnam and the factory in India, which should gradually alleviate this situation.