

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

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

Q1: How do you anticipate impact from share loss due to shipping delays at the Ashitaka factory?
In the US market, it appears there are some hospitals that started dual sourcing. Has there been an instance where you were unable to participate in bidding?

A1: At this stage, it is difficult to estimate what degree of share we lost since we are still in the middle of filling backorders. In the United States, there are some customer accounts that started dual sourcing but at present there has not been a case where we missed out on bidding. We expect this situation to settle down by the time we announce our financial results of the third quarter of FY2018, and I think we will be able to give you a better feel of our situation then. We are currently moving to a phase where we are winning back trust from the market. In order to complete the aforementioned phase, we first need to shore up our track record for stable supply and need to make assurances to our customers so they have a sense of security. In addition, we communicate with our customers by declaring that the situation has been resolved, and showing our plans for supply conditions going forward and measures to prevent reoccurrence of this issue. Furthermore, we also plan to consider introducing a program that would provide incentives to customers as a part of our goal to achieve a quick recovery. By focusing on these and other measures, we aim to minimize the impact from share loss.

Q2: Previously I estimated a decline in revenue in the access device business in the Cardiac and Vascular Company due to shipping delays at the Ashitaka factory but the revenue of the business made a positive growth in 1H. What factors contributed to this growth?

A2: This growth reflects the use of the sterilization function at the Fujinomiya and Hanoi (Vietnam) factories to clear the backorders. Also, we were able to curb the decline in supply capacity in some regions since we manufacture a portion of our access devices in the United States.

Q3: In Q2, the gross margin was low. How do you estimate it in the full fiscal year guidance?

A3: In Q2, we did indeed see a decline in gross margin. Nevertheless, in 2H we are forecasting a rebound in our gross margin to previous levels. We estimate TIS products' sales will be in line with the guidance since, in a course of a recovery in the level of shipments at the Ashitaka factory, we believe positive factors—pent-up demand from customers—will offset negative factors—loss of customers. The TIS business boasts the highest gross margin of our businesses. We therefore anticipate to improve our product mix only to trigger a recovery in our gross margin in 2H.

Q4: You received a positive outcome at the US Food and Drug Administration panel meeting at the end of September for the WEB Aneurysm Embolization System. Within Terumo, has there been a change in the level of expectation for the potential of this product?

A4: The outcome was in line with our initial expectations, and expectations are rising.

Our expectations to this device remains high since we will be able to sell it with no similar products from competitors in the market for a while once we acquire approval in the United States. Meanwhile, at the medical front, given this product is the first of its kind, physicians will require training. As such we do not anticipate a large growth in sales immediately after its launch to market. We forecast its revenue are likely to growth gradually.

Q5: As Mr. Sato mentioned in his presentation, he discussed “providing solutions to new needs at the medical front”. Does he imply the entrance into new product groups or new businesses, including ones related to IT and services?

A5: We plan to enter new product groups, including continuous glucose monitoring and hematopoietic stem cell transplantation (HSCT). At the same time, we look to also commence disease-oriented approaches including ones related to cancer and foot care.

Q6: In comparison with the Mid- to Long-term Growth Strategy you announced before, revenue and adjusted operating profit in the General Hospital Company are brisk. Has your outlook for the General Hospital Company changed over the past two years?

A6: In the Mid- to Long-term Growth Strategy, we estimated mid-single digit revenue growth and an improvement of 2-3 percentage points in adjusted operating profit margin in the company. At present, both revenue and adjusted operating profit margin are at the levels we targeted. We do not plan to review our target for adjusted operating profit for now but going forward we look to

expand both revenue and adjusted operating profit.

Q7: What is the growth driver in the alliance business in the General Hospital Company? In the B2B for biopharmaceutical companies, you said a major key factor for Terumo going forward is the enhancement of capability to expand overseas. What types of capabilities do you currently think you need to expand overseas?

A7: In Japan, especially in the field of prefilled syringes, we've already been holding a leading shares in the industry, and We will continue to fortify our ties with pharmaceutical companies going forward. Outside Japan, the product groups that contribute to revenue the most at this point are delivery devices (needles, etc.) used in drug products kits. Further out, we aim to further increase the number of contracts with pharmaceutical companies for prefilled syringes and prefillable syringes.

As for the capacities to expand overseas, we are focusing on factory quality assurance. We find it crucial to have quality assurance, that is in line with regulations in a particular sales region, and operational capabilities. Therefore, we believe that an increase in the number of contracts we have with pharmaceutical companies shows the evidence that Terumo possesses such capabilities, which makes us an attractive company for them.