Terumo Corporation
February 12, 2019

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

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

Q1: What is the current status of recovery from shipping delays at the Ashitaka factory for both Japan and overseas respectively?

A1: Shipments have been stable since October, and been fully recovered. As for the shipments levels, they are above normal.
Sales in Japan have recovered significantly from the impact of the shipping delays. On the other hand, we are unable to ascertain current status of our shares overseas because of the difficulty in accurately evaluating market share. From the fourth quarter onward, we will need to spend time ascertaining conditions.

Q2: Is it the case that you intentionally reduced product prices in order to recapture market share and achieve a rapid recovery from the shipping delays at Ashitaka factory?

A2: We did not lower product prices to accelerate recovery. Moving forward, we will consider introducing measures such as a program that provides our sales force with some incentives.

Q3: Alliance business performance in General Hospital Company is favorable. Is this performance according to plans? Also, is this due to increased sales of existing products or due to increased sales of sample shipments to pharmaceutical companies?

A3: Our current Mid- to Long-term Growth Strategy outlines annual average sales growth of 20% for the alliance business. As such, you can say that business is progressing favorably according to plans. As factors behind this increase, both increased sales of existing products and increased sample shipments contributed.

Q4: Adjusted operating profit margin of General Hospital Company for the third quarter alone was 19%, which already exceeds the profit margin indicated in the Mid- and Long-term Growth Strategy. Do you think this profit margin can be maintained, or increased moving forward?

A4: The current adjusted operating profit margin for General Hospital Company is a little too high

relative to original plans. As such, we think it will be difficult to further increase this profit margin. On the other hand, increased sales of highly profitable products such as alliance business and diabetes management products in hospital systems business are contributing to an improved profit margin.

Q5: What were global sales for drug-eluting stents (DES) year-to-date in the third quarter of FY2018?

A5: Global sales were approximately 13.0 billion yen, a year-on-year decline of 20%. The main factors behind this decline were the impact of NHI pricing revisions in Japan and the impact of new product launches by competitors. However, we are gradually recapturing market share thanks to the September launch of our new DES product "Ultimaster Tansei" in Japan, as well as the synergy generated with the December launch of our new percutaneous transluminal coronary angioplasty (PTCA) balloon catheter "Ryurei", and our intravascular ultrasound system (IVUS).

Q6: Do you see changes causing a slowdown on the Japanese market of PCI (percutaneous coronary intervention) cases?

A6: At present, there are no phenomena suggesting a general drop in cases. Internally, we have confirmed transitions in the catheter products used as benchmarks for PCI cases and we have seen no decline in the aforementioned products. In Japan, overall growth in the number of PCI cases remains largely unchanged.

Q7: What factors are driving favorable sales for the neurovascular business?

A7: This is due to increased sales of neurovascular embolization coils using hydrogel for brain aneurysm treatment and higher sales of "Sofia", the aspiration catheter for treatment of acute ischemic stroke.

Q8: With revisions to US acute ischemic stroke guidelines, the use of devices is now extended to up to 24 hours after a symptom onset. Is it correct to think that these revisions are propelling market growth?

A8: As you indicated, guideline revisions extend the window time for device use from 6 hours after a symptom onset to 24 hours, which has led to significant growth on the acute ischemic stroke device market.

Q9: For the neurovascular business, you indicated that sales of stent retriever device for use in acute ischemic stroke treatment will grow in Japan through a sales alliance with another company. What strategies are you considering for overseas markets?

A9: We will continue to deliberate strategies for expansion into overseas markets.

Q10: Do you forecast FY2018 fourth quarter SG&A expenses will increase compared to the third quarter?

A10: The normal pattern for us is that SG&A expenses and research and development expenses tend to be slightly higher in the fourth quarter compared to other quarters. As such, we forecast that FY2018 fourth quarter SG&A expenses as well as research and development expenses will increase slightly compared to the third quarter.