

**Q&A Session at the Financial Results Briefing**  
**for the Fiscal Year Ended March 31, 2019**

Outlined below are the principal Q&As from the financial results briefing of May 9, 2019. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: A comparison of the original FY2018 guidance and actual FY2018 results shows that revenue from the Cardiac and Vascular Company was 12.5 billion yen lower than the guidance. Within this decrease, what is the approximate impact from shipping delays at Ashitaka factory?

A1: As we revised the guidance on the financial announcement of FY2018 Q1, the impact on revenue from the shipping delays at Ashitaka factory was approximately 11.0 billion yen. Another factor was that sales of drug-eluting stent (DES) did not grow as much as initially expected. On the other hand, the neurovascular business performed well, and made a positive impact on the revenue. All in all, the revenue in FY2018 results decreased by 12.5 billion yen in comparison to the original guidance.

Q2: A comparison of the FY2018 guidance and actual FY2018 results shows that while revenue outperformed, operating profit failed to beat the guidance. What caused it to fall short?

A2: The difference in operating profit between the FY2018 guidance of 108.0 billion yen and the actual result of 106.6 billion yen is 1.4 billion yen. The cause was that since we obtained regulatory approval for WEB in the neurovascular business earlier than initially expected. Therefore, we incurred milestone payment of 2.0 billion yen in research and development expenses earlier.

Q3: What made revenue for the Cardiac and Vascular Company in Japan look weak in the FY2018 results?

A3: First of all, Shipping delays from Ashitaka factory impacted revenue in the TIS business. Secondly, there was the impact of NHI reimbursement price revisions on drug-eluting stents (DES) in Japan. In addition, we failed to focus on sales activities for DES against newly launched products from competitors in a timely manner since we put all our efforts to recover from shipping delays at Ashitaka factory. Thirdly, the shipping delays slowed the launch of PTCA balloon "Ryurei," coupled with the fact that we had a hard time continuing the shipments of intravascular ultrasound systems (IVUS), which were expected to create

synergies in combination with DES, Fourthly, we bought inventories of stent graft manufactured by Bolton Medical, which we acquired in FY2016, due to business transition to direct sales model in Japan. Above are the main contributing factors.

Q4: On adjusted operating profit variance analysis in FY2018, what factors largely increased “gross margin” in the fourth quarter?

A4: First of all, growth in revenue for the Cardiac and Vascular Company's TIS business and products in Blood Management Company improved the product mix. Secondly, higher productivity accompanying the start of full-scale operations at the Yamaguchi factory lowered manufacturing costs.

Q5: A comparison in adjusted operating profit variance analysis in FY2018 results and FY2019 guidance shows only a slight increase in the gross margin. What was the cause?

A5: This was due to the cost of preventing a recurrence of shipping delays reflecting the Ashitaka's incident, in addition to the increase in depreciation expenses for Yamaguchi factory. While we anticipate improvements from the product mix, this was offset by the aforementioned factors, resulting in a forecast for a slight increase.

Q6: What was global sales performance for drug-eluting stents (DES) in FY2018? In addition, how much do you expect to sell it globally in FY2019.

A6: Global sales performance for FY2018 was around 17.0 billion yen, which was a decline of 17% year on year. The main factors behind this decline were the impact of NHI reimbursement price revisions in Japan and the impact of new products put on the market by competitors. As for the FY2019 guidance for revenue, we are aiming for about 20.0 billion yen excluding Essen Technology's DES in China, the same level of revenue in FY2017 before the shipping delays at Ashitaka factory.

Q7: What is the current status of training for WEB intrasaccular aneurysm treatment device in the US?

A7: Physicians show strong interest in the training and it is proceeding smoothly. We have been selling to hospitals and physicians who completed the training and we plan to keep focusing on the training in FY2019. We also expect gradual increase in sales.

Q8: In “FY2019 Annual Guidance: Adjusted Operating Profit”, is there any one-time expense? In addition, what is the depreciation plan from IT investment going forward?

A8: Other than the impact of foreign exchange fluctuations, the one-time factor is expenses for Medical Device Regulation in EU. It depends on the upcoming schedule for regulatory compliance, but at present we expect that over the coming four years, the highest cost impact would be in FY2019. As for the IT investment, there will be depreciation cost from global implementation of SAP. As the implementation throughout Terumo Group proceeds, we expect gradual increase in the depreciation cost. However, the amount of year on year increase will gradually decrease.

Q9: In FY2019 Annual Guidance: Adjusted Operating Profit, what is the factor in pushing up increase of SG&A expenses compared to other years in the past?

A9: Additional expenses to achieve higher sales growth of WEB intrasaccular aneurysm treatment device and of stent-grafts, as well as enhanced promotion to recover the loss from shipping delays at Ashitaka factory in previous fiscal year will push up expenses.

Q10: Adjusted operating profit in the FY2019 Annual Guidance will increase by 7.6% in the first half, but by 1.5% for the full year. Why is the growth ratio expected lower for the second half?

A10: In FY2018, the impact from shipping delays at Ashitaka factory was huge in the first half, while the financials were recovered and good in the second half. Therefore, the expected year on year growth ratio is larger in the first half of FY2019.

Q11: The impact of JP reimbursement price revision scheduled in October 2019 is mentioned as ¥3.0 billion in FY2019, but that looks large compared to ¥5.0 billion annual impact for the FY2018 annual guidance. Why is it?

A11: The impact of JP reimbursement price revision was small in FY2018 because overall revenue was less due to the shipping delays at Ashitaka factory. Furthermore, when the prices were revised in April 2018, there was some positive impact also for infusion solutions etc., which mitigated the total negative impact in FY2018. In addition, generally our revenue is higher in the second half than that in the first half, so we usually expect larger impact of JP reimbursement price revision in the second half.

Q12: Which products will be the major sales contributors in new product pipeline in FY2019?

A12: The major sales contributors will be WEB intrasaccular aneurysm treatment device by neurovascular business and Ryurei PTCA balloon by TIS business in Cardiac and Vascular Company; Fentanyl injection, the narcotic analgesic for postoperative pain management in

General Hospital Company; as well as FINIA fill and finish system for cell therapy processing in Blood Management Company.

Q13: There was a message about strengthening global operations in the presentation, but was it fully planned in the Mid- to Long-term Growth Strategy, or will it incur additional expenses to those in the original plan?

A13: Under the current circumstances, we believe it is essential that we invest for strengthening global operations to carry out the Mid- to Long-term Growth Strategy, especially for sustainable revenue growth. A positive example is the higher growth expected in the alliance business and ongoing up-front investments to enable it. On the other hand, this action will increase capital expenditures more than we expected, but we aim to mitigate this impact within the period of the Mid- to Long-term Growth Strategy, through efforts such as improving production efficiency and pursuing synergies from enhanced collaboration among Terumo Group.