

Q&A Session at the Financial Results Briefing
for the Fiscal Year Ended March 31, 2020

Outlined below are the principal Q&As from the financial results briefing on May 18, 2020. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: Regarding the impact of COVID-19, many companies have said that they believe April and May would be the bottom followed by recovery. How does Terumo view the situation? Will you be able to announce the annual guidance for FY2020 at the financial results briefing for the first quarter?

A1: As for the current situation in April, Cardiac and Vascular Company, which has been affected the most, saw drop in revenue by mid-30% year on year, while revenue of Hospital Company and Blood and Cell Technologies Company was on par with normal years. Company-wide revenue declined by mid-10% year on year. As of mid-May, there are some indications of slight recovery, and we assume the revenue would bottom out in April and May. Although it depends on the situation, we aim to announce the annual guidance for FY2020 at the financial results briefing for the first quarter.

Q2: Regarding the impacts of COVID-19 on Cardiac and Vascular Company, on slide 15 of the presentation "Financial Results for the Fiscal Year Ended March 31, 2020 (FY2019)," it says the ratio of elective procedures in most segments is 80%. However, you explained that the revenue decrease in Cardiac and Vascular Company was by mid-30% year on year. The impact of postponement of elective procedures seems to be small, but where does this variance come from?

A2: Elective procedures are being carried out to a certain extent. In addition, there are various factors causing impact on the revenue. Therefore, it is difficult to explain the revenue impact only by the type of procedures, whether it is urgent or elective.

Q3: Regarding the impact of COVID-19 on Cardiac and Vascular Company, at what pace do you believe the revenue recovery will be?

A3: In our base scenario, we assume the recovery would begin in the second half of this fiscal year, but we need to consider that there would be difference in the pace of recovery by segment and region. The April revenue results indicated that the decrease level was highest in US, followed by Europe, China, Asia and Japan. In China, we have seen a trend toward recovery as of late

and we believe the pace of recovery will be different by region.

Q4: Many procedures have been postponed due to COVID-19. Is there any activity against excessive postponement, or any change responding to it?

A4: In many countries, patients with suspected myocardial infarction have been avoiding medical examinations. In response to this, there is increase in enlightenment activities by physicians and medical societies to raise awareness, calling on people to get examinations if they have suspicions. We will continue to monitor the situation.

Q5: The number of interventional procedures is declining due to COVID-19. Has the impact on Terumo, which has strength in access devices, been different from the competitors? How do you view it in the post-COVID situation?

A5: As a company, which has strength in access devices used in various interventional treatments, compared to competitors which has strength in therapeutic devices used in specific procedures, we believe our product portfolio is less susceptible to the COVID-19 impact. In the post-COVID situation, we believe there would be even higher demand for efficiency in healthcare cost as well as operations and thus, our access devices, including TRI products which make outpatient interventional procedures possible, would offer competitive advantages.

Q6: In the post-COVID world, it is said that there could be increase in the number of outpatient procedures. In US, some interventional procedures have already been performed at facilities known as ambulatory surgical centers (ASC) before the pandemic; rather than at major hospitals. Does Terumo have access to or business with these facilities?

A6: We have been approaching to those facilities. It is difficult to grasp the amount of revenue coming from them. We believe those facilities specializing in outpatient care will be more important in the future. Therefore, we will enhance our sales and marketing toward ASC.

Q7: How do you view the change in demand and its impact on the business in the post-COVID world?

A7: There are both positive and negative impacts. For example, for certain interventional procedures, guidelines on elective procedures that have been postponed due to COVID-19 might be revised or the price pressure might increase. We believe those are negative impacts. On the other hand, if outpatient procedures would preferred and TRI would expand, that is a positive impact for Terumo. Furthermore, there is a possibility that new demands would arise

from medical system review because of this pandemic, which also offers both positives and negatives. We have been focusing on providing simpler and more efficient solutions that offer excellent healthcare cost efficiency. We believe it will be possible to find growth opportunities in the post-COVID world as well.

Q8: There is a possibility that healthcare companies, especially pharmaceutical companies would move toward digital sales and marketing activities, driven by the COVID-19 impact. What about med-tech companies? Will Terumo consider changing the way of sales and marketing fundamentally?

A8: Even at the moment, we are utilizing IT for providing information or training online. Regarding our sales and marketing style, we will review it over the mid-term. It is not only a quantitative issue, but also qualitative, as we need to consider more solution-based approaches or methods to appeal healthcare cost efficiency to hospital procurement department. In our next Mid- to Long-term Growth Strategy, we will note the evolution on sales and marketing.

Q9: While the revenue was largely in line with the guidance until the third quarter, some expenses were not incurred and the profit exceeded the guidance. For the slowdown in the fourth quarter, there was the COVID-19 impact. Can you provide a summary of revenue and expenses in the fourth quarter?

A9: Regarding the revenue, partially there were some impacts such as the sluggish revenue of Drug Eluting Stents (DES), but the slowdown in TIS business was largely attributed to the COVID-19 impact in China. Expenses were incurred in line with the plan, and they remain at the same level year on year. As such, in the fourth quarter, there was a drop in profits because of the drop in revenue of TIS business due to COVID-19 as well as FX impact, and those factors eroded the excess in profits reported until the third quarter.

Q10: How was the performance of Drug Eluting Stents (DES)?

A10: The global revenue totaled approximately 16.8 billion JPY for the year, or decrease by 1% year on year. The revenue were up 4% in the third quarter YTD, but there was the COVID-19 impact in the fourth quarter. Looking ahead, we will enhance our approaches to procurement departments, in addition to sales promotion for physicians. Moreover, we will continue to generate synergies with acclaimed Ryurei, Percutaneous Transluminal Coronary Angioplasty (PTCA) balloon and Intravascular Ultrasound System (IVUS).

Q11: How was the performance of WEB, intrasaccular aneurysm treatment device in

Neurovascular business? It seems the revenue was sluggish in the fourth quarter. Does this mean many cerebral aneurysm procedures were elective and have been postponed due to COVID-19?

A11: The global revenue of WEB totaled 6 billion JPY for the year, up 134% year on year, which highly exceeded our forecast. While a slight slowdown was observed in the fourth quarter, we still believe that it was a solid result although many cerebral aneurysm procedures were categorized as elective procedures and postponed.

Q12: How was the performance of SOFIA, the aspiration catheter for acute ischemic stroke?

A12: The global revenue totaled 8.5 billion JPY, up 47% year on year, maintaining strong results. In Japan, SOFIA was launched in September 2019, and showed strong take off with a large number of business inquiries. There was no COVID-19 impact, and revenue in the fourth quarter alone was 2.5 billion JPY, which was the highest-ever revenue for a quarter.

Q13: What is your outlook for CAPEX and R&D in FY2020?

A13: We cannot comment on details as we have not issued the guidance for FY2020, but we would like to note that Terumo is in an ongoing phase of strengthening operations. On the other hand, we will carry out prudent investment management with priorities, while monitoring the impact of COVID-19. Regarding R&D, it remains largely unchanged from FY2019, as we continue necessary investments.

Q14: Will depreciation cost increase in FY2020 compared to FY2019?

A14: As CAPEX increases, depreciation cost is trending higher to some extent, but this will remain within the amount that can be managed in overall profit in FY2020 and beyond.

Q15: Regarding SG&A expenses, were there any costs that will be carried over to FY2020 after not being spent in FY2019?

A15: There is some carryover of expenses for Medical Device Regulation in EU.

Q16: How do you view the outlook for SG&A expenses in FY2020 considering the post-COVID situation?

A16: Aiming at the post-COVID situation, we will continue spending at the same level as before in order to maintain competitiveness and secure sustainable growth. However, in the short term, we will monitor the COVID-19 impact and carefully control expenses, reining in non-urgent



Terumo Corporation
May 20, 2020

cost items.