

# FAQ

## ACCURAY JOINT VENTURE TO MANUFACTURE AND SELL RADIATION ONCOLOGY SYSTEMS IN CHINA

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- **What is the name and location of the joint venture?**

CNNC Accuray (Tianjin) Medical Technology Co., Ltd. The joint venture will have principal offices in Tianjin, China.

- **What is the purpose of the joint venture?**

The joint venture aims to be uniquely positioned to serve the world's largest growth market for radiation oncology systems which is China. Additionally, by leveraging the strengths and capabilities of both Accuray and CIRC, CNNC Accuray (Tianjin) Medical Technology Co., Ltd. is designed to have a competitive advantage through its locally branded and manufactured innovative radiation therapy products.

- **Why did Accuray choose to establish a joint venture in lieu of establishing its own manufacturing facility and direct sales organization in China?**

We believe there are key competitive advantages to the joint venture. First, we will be the only company in the segment with a local Chinese partner. We believe our locally branded product strategy will be better positioned for the Made in China 2025 initiative versus the competition's branded products, especially for government owned hospitals. Second, we are minimizing financial risk because Accuray's in-kind and cash capital contribution to the joint venture consists primarily of the contribution of two radiation therapy systems. Third, our partner's strong ties to the government and target market sales infrastructure provides a distinct competitive advantage.

- **Who is Accuray's joint venture partner?**

CNNC High Energy Equipment (Tianjin) Co., Ltd., a subsidiary of China Isotope and Radiation Corporation (HKSE: 01763) which can also be referred to as "CIRC".

- **How much of the Joint venture will Accuray own?**

Accuray Asia Limited, an indirect wholly-owned subsidiary of Accuray Incorporated will own 49% of the joint venture.

- **How much of the joint venture will Accuray's joint venture partner own?**

CNNC High Energy Equipment (Tianjin) Co., Ltd., a subsidiary of China Isotope and Radiation Corporation (HKSE: 01763) will own 51%.

- **How will the joint venture be governed?**

The joint venture will be governed by a Board of Directors that will consist of four (4) CIRC appointed members and three (3) members appointed by Accuray Incorporated.

- **How large is the China market for radiation therapy equipment?**

China represents a significantly underserved market based on the country's population and cancer incidence rates on both an absolute and relative country basis. The China Ministry of Health on

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October 29, 2018 issued new quotas for licenses for 1,396 radiation therapy devices through 2020. This quota includes 188 Type A devices and 1,208 Type B devices.

- **What equipment will the joint venture sell?**

The joint venture initially intends to distribute Accuray Type A and Type B radiation therapy devices in China, then sell a Type B product manufactured by the joint venture and locally-branded in approximately two years. A goal for the Type B product is that it be aligned with the “Made in China 2025” initiative being pursued by the Chinese government. During the interim period, Accuray’s current Chinese distributor will continue its efforts to maximize orders and revenue.

- **Who is CIRC?**

CIRC is 73.83% owned by China National Nuclear Corporation (CNNC), the leading nuclear technology conglomerate in China. CIRC was established in 1983 and is based in Beijing. The Stock trades on Hong Kong stock exchange (July 2018 IPO).

CIRC is the leader in the field of isotopes and irradiation technology applications in China and the largest manufacturer of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers and radioactive source products in China (in terms of revenue as of 2017). As of December 31, 2017, sales network covered more than 10,000 hospitals and other medical institutions across more than 30 provinces.

- **Does Accuray currently sell products in the China market?**

Yes, Accuray currently sells devices into China. Under the last set of Type A quotas issued Accuray won over 80% of licenses issued. Accuray attributes this win rate to a strong following of Accuray’s CyberKnife and TomoTherapy products by key opinion leaders and, Tier 1 academic and research-based hospitals due to the unique architecture and clinical benefits of Accuray radiation therapy products.

Accuray did not meaningfully participate in the Type B market segment in the past. Recently, the Chinese Ministry of Health has designated certain Accuray Products (Onrad and Tomo H) as Type B products.

- **How will the joint venture be capitalized?**

The joint venture will be capitalized with approximately 25.5 million USD. CIRC will contribute approximately 13 million USD in cash to the joint venture and Accuray will contribute approximately 12.5 million, in-kind and in cash, consisting primarily of the contribution of two radiation therapy systems.

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- **How will Accuray shareholders be able to follow the operational and financial performance of the joint venture?**

Both Accuray and CIRC are public companies and will provide routine operational and financial performance updates consistent with the regulations of the respective stock exchange on which they are listed. Further, the joint venture may also issue relevant news and updates via press releases, articles and other communication methods from time to time.

- **What are the implications of this transaction for Accuray's financial guidance?**

The financial impact and contributions from the joint venture are expected to start in fiscal 2020 for Accuray.

- **How will the joint venture impact Accuray's financial guidance and income statement?**

The joint venture announcement does not impact Accuray's most recently provided financial guidance for fiscal year 2019 that was reaffirmed on January 22, 2019. The joint venture is anticipated to start contributing to Accuray's results in fiscal year 2020 financials. Fiscal year 2020 financial guidance has not yet been provided.

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