Outlined below are the principal Q&As from the financial results briefing of August 6, 2014. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation’s performance and activities.

Q1: Q1 operating income already achieved 58% of 1H guidance. In addition, SG&A expenses seem to progress at a slow pace compared to the full-year projection. If the same level continues from Q2 onwards, operating income is expected to exceed the FY14 guidance. Will not the company revise the FY14 guidance?

A1: In FY2014, we anticipate the cost of investment in TCVS quality system improvement to incur as planned, while the cost in Q1 was JPY500 million less than that of Q1 FY2013. SG&A expenses should increase compared to FY2013, due mainly to investment increase in reinforcing sales force of Interventional Systems in the U.S. and Europe, as well as expansion of sales promotion for “Ultimaster” and other new products. Amortization costs are also expected to incur in relation to investment in IT systems which have begun operation. R&D expenses are progressing on track, while development cost will decrease in regard to next generation implantable left ventricular assist system entered into strategic alliance last year. As sales and profits have progressed almost in line with the FY14 plan, we have not changed the current guidance for FY2014.

Q2: According to the FY2014 guidance, the company expects the increase in operating income to be JPY3.8 billion resulted from plant productivity improvement and cost reduction. Of this increase, JPY1.4 billion has already realized in Q1. Can we expect the same level increase from Q2 onwards?

A2: In Q1, the cost of investment in TCVS quality system improvement was JPY500 million less than that of Q1 FY2013. That amount is included in the said JPY1.4 billion increase. As planned, we will pursue plant productivity improvement by sales growth of Cardiac & Vascular Company and profitability improvement of General Hospital Company.

Q3: How is the progress of performance in Cardiac & Vascular Company and General Hospital Company compared to the full-year plan?

A3: In Cardiac & Vascular Company, sales and profits are progressing almost in line with the
full-year plan, as overseas sales of Interventional Systems were robust in Q1. In General Hospital Company, reduced manufacturing cost of General Hospital Products contributed improvement in profitability in Q1, while sales was slightly weaker than plan and decreased year on year due to the impact of reimbursement price cut and recoil reduction in demand following the consumption tax increase in Japan. We expect profitability of General Hospital Company to improve steadily.

Q4 : The Cardiac & Vascular Company operating profit margin has improved from 19% in the same period last year to 21%. Are there any contributions resulted from new products launch or improved manufacturing costs?

A4 : Cost reduction efforts in Ashitaka factory and production transfer to Vietnam factory contributed to operating margin improvement. We aim to achieve further improvement going forward.

Q5 : Are medical institutions in Japan demanding more price reductions in the wake of the consumption tax hike?

A5 : Prices are falling in line with our expectations. The fall this year is not particularly pronounced compared to last year.

Q6 : Could you explain specifically about the impairment losses booked in Q1? Are these new impairment losses resulted from “taking inventory of each business profitability?”

A6 : This is the impairment losses for additional investment in CV business carried out last year. There is no new impairment losses resulted from “taking inventory of each business profitability.”