Q&A Session at the Financial Results Briefing
for the Fiscal Year Ended March 31, 2016

Outlined below are the principal Q&As from the financial results briefing of May 10, 2016. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation’s performance and activities.

Q1: Why were you able to achieve your target for “Roadmap to FY16” (operating margin excluding amortization of 20%) a year ahead of schedule? How will the direction of the mid-to-long term growth strategy scheduled to be announced in December change from “Roadmap to FY16”?

A1: We improved the quality of SCM operations in addition to downsizing low-profit businesses, impairment losses and plant reorganization, among other measures. The results from each of these efforts were achieved faster than expected. This has enabled Terumo to build a high-profit structure overall. The fact that we were able to launch our highly profitable “Ultimaster” in Japan faster than expected was also a contributing factor. We have been focused on improving profitability in “Roadmap to FY16”, but will return to the original focus of “Sustainable and Profitable Growth” in the next mid-to-long term growth strategy.

Q2: Please explain the negative impact of 8.5 billion yen from foreign exchange rates on operating income in your FY16 guidance, and in particular the considerable impact from emerging countries currencies (a negative impact of 6.6 billion yen).

A2: The negative impact from the Thai Baht will be more than 1.0 billion. The impact from other emerging countries currencies except for China will be in the 100 million yen range, respectively. The collective impact from multiple currencies in Latin America will be 2.0 billion yen. The impact from the foreign exchange rate of a single currency is limited, but added up to a substantial amount in total. Exchange rates began to fluctuate rapidly upon entering Q4 FY15 and the impact of this will be felt in FY16. We do not think that there will be any further downside risk from the impact of emerging countries currencies, however.

Q3: Please explain the status of “Ultimaster” sales in Japan, and the impact from competing products as well.

A3: The product started off strong in Q3 FY15. A new product from other company was launched in Q4 and this impacted sales, but the impact was of the level that we had anticipated. Overall sales for DES on a global basis, including “Nobori”, were around 20 billion yen in FY15, representing growth of 40% over the previous fiscal year. We are expecting double-digit growth on a global basis in FY16.
Q4: You are apparently intending to increase investment in sales of Interventional Systems and Neurovascular businesses in the U.S. and EU in FY16. Is it right to consider this as advance investment in the next mid-to-long term growth strategy?

A4: Yes, it is. We also made similar advance investments in FY14. The difference this time is a major increase in the number of engineers in Japan.

Q5: The guidance on FY16 sales for the Cardiac and Vascular Company in Japan suggests a decline in revenues of 1%. What is the reason for the decline in spite of the full-year contribution from “Ultimaster”?

A5: The impact from the Japan reimbursement price revision is the largest. We are not anticipating a drop in market share for “Ultimaster”.

Q6: A series of new products have been launched in peripheral and Neurovascular businesses. When can we expect to see results begin to emerge from this?

A6: Many new products have been launched in the Neurovascular business and we are continuing to see double-digit growth. In Interventional Systems, we are increasing the number of personnel in charge of training and clinical development to achieve growth in therapeutic devices. We do not expect a major contribution from new products in the peripheral segment in FY16, but would like to expand our therapeutic device business in peripheral market and other areas over the mid-to-long term, mainly in the U.S.

Q7: To what extent have positive factors such as the temporary suspension on U.S. medical device tax, reductions in cost related to improvements to the TCVS quality system, the low price of crude oil been incorporated in the FY16 guidance?

A7: Positive impact from temporary suspension on U.S. medical device tax will be around 1.5 billion yen, and the impact from low crude oil prices will be around 500 million yen in FY16, respectively. These factors are incorporated in the FY16 guidance. In regard to TCVS, the overall quality system in the Ann Arbor factory was already approved to be in compliance with FDA regulations, and all injunctive restriction were lifted for intraoperative monitoring system last fiscal year. The remaining product is heart-lung machine. The FDA inspection on heart-lung machine has already begun since last week at the Ann Arbor factory. A positive impact on operating income of 3.0 billion yen is incorporated in the FY16 guidance. This assumes that the restrictions will be lifted.

Q8: IVUS has been mentioned as one of the new products in the pipeline for FY16. How much of a sales contribution do you expect from it?

A8: Sales of several billion yen, but it is replacing the current product so the increment sales will be around 300 to 500 million yen compared to FY15. The frequency of this IVUS has been
increased. More detailed information can be obtained from proximal areas and it also enables information on deep areas to be obtained that was difficult to obtain before, at the higher frequency. It is competitive product and we expect an increase in market share.

Q9: The U.S. factory received a warning letter from the FDA in regards to guiding sheaths. What impact will that have?

A9: We have been manufacturing guiding sheaths at this factory for a long time. We received a finding that some files were old. We have already responded to the FDA, and are working on improvement. The Terumo group is subject to a considerable number of FDA inspections a year and has passed them. We are not anticipating a negative impact on sales and profits at present.

Q10: What are the factors behind the FY16 guidance that the positive impact from improvement in gross profit due to cost reductions is smaller than that of FY15?

A10: It does not necessarily indicate some negative factor. Major benefits from improvements were obtained in FY15 and this has raised the base. We think reduction in fixed costs, the increase in sales for “Ultimaster”, and the reduction in manufacturing costs will have slightly smaller positive impacts than last fiscal year, respectively. However, the positive impacts from these factors could increase, depending on results during the period.