Q&A Session at the Financial Results Briefing
for the First Quarter of the Fiscal Year Ending March 31, 2017

Outlined below are the principal Q&As from the financial results briefing of August 4, 2016. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation’s performance and activities.

Q1: In the Cardiac and Vascular Company, do you expect an increase in gross profit from the second quarter to the fourth quarter to remain the same level as that of in the first quarter? Also, can you sustain the high profit margin posted in the first quarter?

A1: The Ultimaster, a drug-eluting stent, is a major profit contributor. However, in the third quarter the product will have been on the Japanese market for a full year so we anticipate profit contribution will narrow year-on-year. On the flip side, we expect profit growth of access devices to continue. We aim to sustain and improve our profit margin going forward.

Q2: The substantial improvement in profit margin in the Cardiac and Vascular Company came as a surprise, despite the hefty negative impact from foreign exchange rate fluctuations. Profit contribution from sales of the Ultimaster was likely considerable. Has the company’s share in the Japanese market changed? Also, you launched the Ultimaster in France in the first quarter. According to your explanation, this is already contributing to sales growth. What factors were behind the quick ramp up of sales?

A2: We believe our share in Japan is around 30%. In regard to the product launch in France, we have been rolling out the Ultimaster in other countries in Europe since FY2014. In light of this, we were able to conduct sufficient preparations. In addition, as the selling price in France is relatively high compared to other countries in Europe, we injected resources intensively into marketing and sales activities. These efforts contributed to the successful launch in France.

Q3: When did you embark on full-fledged profit improvement through marketing activities? Will you be able to continue to produce results further out? Your presentation basically centers on the Interventional Systems (TIS) business. Will you also be able to deploy activities in the other businesses in the Cardiac and Vascular Company or the Blood Management Company?

A3: From FY2015, a companywide sales and profit calculation system was put in place enabling us to grasp and analyze sales and profit by product in a timely manner. Each subsidiary and sales office will be able to develop marketing strategies based on the data and we believe this should be contributing to an improvement in profit. At present, activities are mainly being implemented in the TIS business. However, as we move forward, we aim to strengthen
activities in other businesses to further enhance our profit margin.

Q4: My question is about the increase in profit from the access devices. I believe Terumo already had TRI access devices on the market. Why are your profit from these products increasing so rapidly now?

A4: One catalyst is the shift to high-priced products in the access device business, including Glidesheath Slender for TRI. In addition, marketing and sales activity costs are relatively lower than therapeutic devices, including drug-eluting stent. As a result, the amount of profit growth from sales increase is substantial.

Q5: In the Interventional Systems (TIS) business, what degree of progress have you made in transferring production to Vietnam? You explained that continuous efforts to reduce production costs at domestic production sites have contributed to increased profit. What improvement activities are being implemented at the Ashitaka factory?

A5: We manufacture products for the TIS business at five different factories: Ashitaka factory in Shizuoka Prefecture, Terumo Yamaguchi in Yamaguchi Prefecture, and overseas factories in Vietnam, the US, and Europe. Manufacturing is mainly carried out at the Ashitaka factory but we are gradually transferring production to other factories. This is contributing to a reduction in production costs. We are repeatedly implementing detailed efforts to reduce production costs at the Ashitaka factory, including automation and review of materials procurement.

Q6: What degree of profit improvement do you anticipate from the lifting of shipping restrictions at Terumo Cardiovascular Systems’ Ann Arbor facility?

A6: In the first quarter, the improvement was around ¥600 million, and we expect to see a benefit of roughly ¥3.0 billion for the full year.

Q7: Why didn’t you revise your FY2016 guidance? Do you expect brisk profit to offset negative impact from an appreciation in the yen’s value against major currencies and from the acquisition of Sequent Medical, Inc.? Or did you maintain your guidance due to many uncertain factors, including the yen’s appreciation?

A7: In the first quarter, our business trended steadily. However, at this stage, there are numerous uncertainties, including progress in our sales and profit, foreign exchange trends, and the total impact from the acquisition of Sequent Medical, Inc. At the end of this first half we would like to calculate the impact of each uncertainty to sales and profit as accurately as possible in order to determine whether we should revise our FY2016 guidance.