

Q&A Session at the Financial Results Briefing
for the Fiscal Year Ended March 31, 2017

Outlined below are the principal Q&As from the financial results briefing of May 10, 2017. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: In your operating income guidance for FY2017, you estimate operating income excluding amortization of ¥3 billion as profit contribution from the three acquisitions made in FY2016. Can you give a breakdown of this profit contribution? Does this include the temporary cost posted in tandem with the acquisitions?

A1: We cannot provide you with an accurate profit forecast for each business as we have not completed our post-acquisition PPA (Purchase Price Allocation: an acquisition accounting process whereby the purchase price is allocated for financial reporting purposes based on a valuation of the fair value of the acquired assets and liabilities). As a provisional figure at this moment, we estimate profit of roughly ¥3 billion based on the net of profit from the vascular closure device business and losses from other businesses. This reflects little-to-no temporary cost incurred due to the acquisitions.

Q2: In the operating income variance analysis in FY2016 (on page 5/30 of the presentation material), the amount of SG&A increase due to sales force expansion in U.S. interventional systems and neurovascular divisions was roughly 50% lower than the estimate at the start of the fiscal year. Why were these outlays lower than expected?

A2: This is primarily attributable to reduced expenses as a result of the recall of Misago and stronger-than-expected sales, which made it unnecessary for us to use the budget for sales promotions.

Q3: In your FY2017 operating income guidance (on page 16/30 of the presentation material), you anticipate a lower level of gross profit improvement by cost reduction, and set your estimate at a higher level for SG&A increase due to sales force expansion in U.S. interventional systems and neurovascular divisions compared with FY2016. Your outlook seems slightly conservative. Do you expect operating income results for FY2017 to outperform your guidance?

A3: Unlike FY2016, we no longer expect to see contribution to profit growth from the following three factors in FY2017. The first one is the temporary suspension of medical device excise tax in the U.S. The second one is that, in drug-eluting stents, we are shifting to Ultimaster

developed by us, and away from Nobori, for which we paid a third-party licensing fee. The third one is the reduced cost for quality management system improvement in TCVS. In FY2017, we expect the profit increase backed by our steady cost reduction efforts, which excludes these three factors.

Q4: Why were sales brisk in Q4?

A4: This was mainly attributable to performance in the Cardiac and Vascular Company. Sales grew in the interventional systems business, mainly for access devices, and overseas sales in the neurovascular intervention business, including sales in China, were brisk. Moreover, sales were favorable in the recently-acquired vascular closure device business, trending above our initial forecast.

Q5: When do you plan to launch Ultimaster Tansei, which offers improved deliverability compared with the current Ultimaster?

A5: We are planning to launch the Ultimaster Tansei in FY2018.