Q&A Session at the Financial Results Briefing for the Fiscal Year Ended March 31, 2018

Outlined below are the principal Q&As from the financial results briefing of May 9, 2018. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: Profitability in the Q4 of FY2017 seems low compared to the first three quarters of FY2017. What caused this aforementioned low performance?

A1: One cause of the lower gross profit margin can be attributed to temporary costs incurred in the Q4 of FY2017 pertaining to the transfer of the production lines of Blood Management Company from a factory in US to one in Vietnam. Terumo group as a whole tends to spend more SG&A incl. R&D expenses than other quarters. An additional one-off cause can be attributed to the realization of temporary costs in FY2017 based on the contract made with Sequent Medical, Inc. which Terumo acquired, since there is a probability of the application for FDA's approval of the WEB™ System developed by aforementioned acquired company being earlier than initially anticipated.

Q2: FY2018 guidance of Cardiac and Vascular Company is expected to rise by 5% year-on-year in terms of revenue and adjusted operating profit. Even w/ impacts of reimbursement revision in Japan and FX taken into account, shouldn't we see the guidance rather conservative?

A2: The negative impact from revisions to NHI reimbursement prices in Japan and from FX will mostly affect Cardiac and Vascular Company. Furthermore, revenue rose in FY2017 owing to temporary factors such as the impact from the acquisition of the Angio-Seal, vascular closure device, revenue growth by resumed reshipment of heart-lung machine, and the impact from the acquisition of Bolton Medical. However, these aforementioned factors will dissipate in FY2018. We see the TIS and neurovascular businesses continuing their robust performance.

Q3: With regards to the business environment in FY2018, do you expect any changes to the healthy U.S. market as well as the status of the operation at the Puerto Rico factory producing the Angio-Seal vascular closure devices?

A3: For the mid- to long-term trend, the U.S. market is facing increasingly severe pressure on prices, along with demand for efficient medical economy. However, we do not see any major changes in FY2018. Production in Puerto Rico is growing robustly. The device usage/penetration rate in the market and our market share expanded at upper single-digit growth rate in FY2017, and we will continue the growth in FY2018.

Q4: How do you view the impact from new drug-eluting stents (DES) and blood glucose monitors by other companies?

A4: We expect a temporary impact after the launch of DES products by other companies, but we plan to launch "Ultimaster Tansei", an upgraded version of the current Ultimaster, in the second half of this fiscal year. As for the product quality, we believe the Tansei has some superior points compared to other products. By promoting these advantages, we will retain our position in Japan. As for blood glucose monitors, we had paid attention if insurance coverage for flash glucose monitoring (FGM) was realized. However, since the coverage only extends to technical fees, not to medical supplies, we see the impact on the SMBG market as being limited at the present time. In the mid- to long-term, however, we foresee the expanded use of FGM and continuous glucose monitoring (CGM), and the SMBG market is expected to be downsized to a certain degree. We will seek growth as a total solutions provider with a combination of needles, syringes, SMBG, insulin pumps and CGM by leveraging our acquisition of exclusive CGM distribution rights in Japan from U.S.-based Dexcom, Inc.

Q5: You mentioned a desire to increase R&D expenses for the General Hospital Company, but in what areas exactly will you add the expenses? Will the General Hospital Company's R&D expenses remain higher than usual?

A5: We expect higher R&D expenses on DM products and alliance business. As for outlook from FY2019 and beyond, we don't have any information to share for now.

Q6: You made three big acquisitions in FY2016 and it seems the integration is proceeding smoothly, but for the time being are you going to hold off on acquisitions and focus on strengthening operations? What is your stance on future M&A?

A6: Our stance remains unchanged. As for acquisition targets, we always consider a wide range of possibilities and make rational decisions.

Q7: With regards to the initiative to return to the growth trajectory in Japanese market within your mid- to long-term growth strategy, you mentioned preparing a stronger product lineup by FY2020, but what are you seeking to achieve in terms of revenue growth?

A7: On a single fiscal year basis, factors such as the impact from revisions to NHI reimbursement prices affects revenue growth, but we would like to grow sales by around 5% a year on average.