# Q&A Session at the Financial Results Briefing for the Third Quarter of the Fiscal Year Ending March 31, 2015

Outlined below are the principal Q&As from the financial results briefing of February 3, 2015. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: Despite the nine-month results making good progress, FY2014 guidance was not upwardly revised. Can you please explain why?

A1: There are three main factors. First, the rapid rise in the yen's value against the euro in the third quarter has made it difficult to forecast performance in the fourth quarter. Second, we expect an increase in expenses in the fourth quarter, in part reflecting the posting of previously postponed costs. Third, although the sales in the General Hospital Company increased in the third quarter, changes in the environment and other factors are making it difficult to forecast performance in the fourth quarter. Consequently, we did not revise FY2014 guidance as we do not expect it to outperform the level indicated in the disclosure requirements.

Q2: Can you explain recent sales trends for Ultimaster and Nobori?

A2: Nobori sales slightly decreased while Ultimaster sales were off to a solid start. The profit margins on Ultimaster are higher so the contribution to profit is positive. Going forward we expect further profit improvement once these sales are rolled out in Japan.

Q3: Do favorable third quarter sales in Japan in the General Hospital Company indicate a recovery from the decline in hospital beds utilization rate, which had previously been declining?

A3: Third quarter sales grew compared to those in the second quarter but it is still too early to confirm a rebound in the hospital bed utilization rate.

Q4: Was the growth in sales in the D&D (Drug & Device) Division in the third quarter due to a matter of timing for incoming orders? Do you expect to see similar growth in the fourth quarter?

A4: Sales growth mainly reflected the timing of incoming orders. We are not certain whether we can expect to see similar growth going forward.

Q5: Overseas sales in the Blood Management Company are growing substantially, but what factors are driving this growth? Can you also discuss market conditions?

A5: Sales increased in all segments in emerging markets and automated blood component processing system and therapeutic apheresis system sales increased in developed markets. However, this largely reflects impact from changes in the foreign exchange rates. Market demand is



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decreasing for red blood cells but the demand for platelets, which is our area of expertise, has been almost flat. Nonetheless, we anticipate harsh market conditions ahead as selling prices are trending downward.

Q6: You stated that you anticipate an increase in marketing and promotional expenses in the fourth quarter. What will these expenses be used for specifically?

A6: In addition to expenses carried forward from previous quarters, including outlays for post-marketing clinical studies, we also expect to incur expenses for academic conferences, trade shows, and other events which we had basically abstained from in the first three quarters. We expect expenses in the fourth quarter to be in line with our plan.

Q7: I understand that the decrease in sales in China was due to the result of the distributor rearrangement. Was there no impact from other factors such as a decline in selling prices or changes in the competitive environment? Also, how long do you expect the impact from this rearrangement to continue?

A7: This does not reflect changes in the market environment. This is due to an internal factor. It is taking longer than expected to build new business relationships with secondary and tertiary distributors in tandem with the rearrangement. We expect impact throughout the remainder of this fiscal year but plan to deploy a recovery in FY2015.

Q8: Can you update us on the status of investments being made to strengthen your sales force in the US in the Cardiac & Vascular Company?

A8: Hiring in the US was basically in line with our plan in the third quarter. We expect to wrap up our investment plan for reinforcing our sales force within the current fiscal year.

Q9: Was performance in the General Hospital Company, which includes the D&D Division and General Hospital Products Division, the largest contributor to the “product mix improvement” and “gross profit improvement by cost reduction” that was discussed in the operating income variance analysis?

A9: Although there was contribution from sales growth in the General Hospital Company in the third quarter, the largest driver was sales growth in the Cardiac & Vascular Company, which has been brisk since the start of this fiscal year.

Q10: I understand sales in Asia are brisk but what risks do you forecast in FY2015?

A10: There are various risks, including a decline in selling prices due to the introduction of a national healthcare program in Indonesia in 2014. However, we anticipate sales growth in Asia overall.



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