Terumo Corporation
May 8, 2015

Q&A Session at the Financial Results Briefing for the Fiscal Year Ended March 31, 2015

Outlined below are the principal Q&As from the financial results briefing of May 8, 2015. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: In FY2014 guidance, despite forecasting an impact of JPY6.2 billion from reimbursement price cuts, the actual impact was JPY4.7 billion. Can you please explain why?

A1: In the Cardiac & Vascular Company, we strategically did not reduce the actual selling prices for our highly competitive products so much, compared to the amount of reimbursement price cuts.

Q2: Was there a change in the hospital utilization rate in Japan? What is the current utilization rate?

A2: In 1H FY2014, there was a decline in the hospital utilization rate mainly reflecting an increase in the cost burden for senior citizens due to revisions to the healthcare insurance system. Moving into the 2H, the decline in the utilization rate slightly leveled off. Although we are still under price pressure, we will increase sales and maintain profitability by accelerating shift to the differentiated products.

Q3: What progress have you made since adopting business-led management? What is the goal of the recently-announced plan to introduce CXO system to enhance the global business infrastructure?

A3: In the Cardiac & Vascular Company, we are seeing positive results from a shift to business-led management. In addition to the recent improvement in profit, we are also making progress with introducing medium/long-term growth initiatives. In the General Hospital Company, we would like to strive to achieve some results in FY2015 by making efforts including enhancing human resource development. In the Blood Management Company, we have already established comprehensive global management, but we are currently facing the major challenge of dealing with the decline in selling prices. In FY2015, it is the task of management to minimize the impact of these selling price declines. We will introduce the CXO system to strengthen our global headquarter functions as we have acquired overseas companies. The ultimate goal is to achieve a rapid transformation into a true global company. In FY2014 we strengthened our business operations by introducing business-led management. In FY2015 we will reinforce our global headquarter functions.

Q4: In the whole blood collection related products business, we see a decline in selling prices and a tendency to purchase from a single supplier. Do you expect these trends to continue going forward? What is the impact to the sales of blood component collection systems?

A4: Selling prices declined substantially, mainly in the United States. We began to see the impact to sales of whole blood collection related products and blood component collection systems in 4Q FY2014. In FY2015, we anticipate considerable negative impact from large-scale contracts for products for which selling prices have declined. There is a little possibility that selling prices will decline further going forward but we believe that the decline should be minimal. We look for selling prices to level off in and after FY2016. Some customers are starting to purchase from multiple suppliers, rather than relying on a single source, given the potential risk to stable supply. We think the trend will differ by region and customer on a case-by-case basis.

Q5: In FY2015, operating income growth appears to be slightly weak compared to the sales growth. Was there negative impact aside from TCVS-related costs, the decline in selling prices for blood management products, and foreign exchange rate changes?

A5: There is no primary factor. However, we dare to say one of the factors is that the profit improvement in the General Hospital Company is lower than we initially expected.

Q6: In FY2015, why do you plan to increase in research and development expenses by JPY5.6 billion and an increase in depreciation and amortization by JPY4.3 billion? Do you expect these expenses to remain at the same level in FY2016?

A6: In the Cardiac & Vascular Company, we are strengthening our research and development platform in the fields of interventional systems and neurovascular intervention, mainly at MicroVention, Inc., our subsidiary on the West Coast in the U.S. In 4Q FY2014, we have been smoothly moving forward with development. In FY2015, we plan to continue in this direction. Moreover, in the General Hospital Company and Blood Management Company, we estimate development expense will slightly increase. In FY2015, we forecast R&D ratio of 6.7%. In FY2013, our investments for building new factories and facilities expansion peaked. Given these facilities are starting operations, depreciation and amortization expenses will increase going forward.

Q7: I believe Terumo's policy is to reduce costs by accelerating production transfer outside Japan. Do you plan to slow your production transfer overseas?

A7: We do not change our policy to accelerate production transfer outside Japan. We are currently examining where and how we increase the production. At present, we are exporting products produced in China to Japan. However, given the rising value of the renminbi and growing labor costs, we will likely have to switch to selling this product in China or exporting to neighboring countries around China.

Q8: It seems that you could have forecast for the most part of the impact from foreign exchange rate exchanges, the decline in selling prices of blood management products, and the increase in

R&D, depreciation and amortization expenses to a certain degree? How accurate are the forecasts in the mid-term plan?

A8: Although our R&D expenses for FY2015 appears large in comparison with the scale of R&D expense in FY2014, averaged out, our R&D expenses do not increase so much. The increase in depreciation and amortization reflects fluctuations in foreign exchange rates but this is not a substantial deviation from our mid-term plan. As we explained at our financial announcement briefing for FY2013, the goal in our mid-term plan focuses on improving profitability, rather than specific sales and profit targets. In FY2014, we wrote off assets of certain business, and still continue to make efforts to improve our profitability. We would like you to review our initiatives from that point of view.

Q9: Do you believe you will achieve an operating profit margin of 20% (before amortization of goodwill and other intangibles) in FY2016?

A9: At present, this 20% target is not within range. Our first step is to make efforts to outperform FY2015 guidance as much as possible. We will strive to achieve the target with taking medium/long-term initiatives.

(End)