

1. Financial Results for the Fiscal Year Ended March 31, 2013: Reference

(1) Analysis of Business Performance

<1> Overview of the Fiscal Year Ended March 31, 2013

[1] Overview of Business Results

During the fiscal year, a number of trends were observed in the global healthcare market, including urgent efforts to control national healthcare costs in developed countries in Europe and North America. Specifically, the United States Congress proposed to curtail public health expenditures as a measure to reduce the national debt, while European countries continued to cut back on government expenditures owing to concerns over credit uncertainty. In this context, expectations are growing for excellent medical products with medical cost efficiency that can improve the total profitability of medical services. Meanwhile, healthcare markets are continuing to expand in emerging countries such as China, India and Brazil.

In Japan, the Ministry of Health, Labour and Welfare is planning to submit a proposal to the National Diet for revisions to the Pharmaceutical Affairs Law as one of the current administration's growth strategies. The revisions are expected to incorporate measures to simplify and accelerate review and approval process for medical products.

Under these circumstances in the global healthcare market, the Terumo Group intends to leverage its strengths to capitalize on the expanding new opportunities for growth.

The Terumo Group's Cardiac & Vascular Business segment was considerably affected by a revision to drug price standard set under the National Health Insurance system in Japan. Nevertheless, sales of interventional systems products which have excellent medical cost efficiency rose strongly outside the country on a local currency basis. Meanwhile, the Blood Management Business segment was affected by a demand coordination that occurred in the previous fiscal year, but sales recovered from the first half of the fiscal year under review. The General Hospital Business segment performed strongly in Japan even though sales from the successive release of new products from the second half of the fiscal year have yet to contribute significantly to overall financial results.

The Terumo Group is presently carrying out its mid-term management plan with the goal of becoming a company with a global presence. The Group's main achievements under the plan in the fiscal year are as follows:

- In the Cardiac & Vascular Business segment, Terumo launched sales of Misago stent for treating peripheral artery disease in Japan. Peripheral artery disease is a condition in which arteries in the legs become clogged up with cholesterol and other fatty substances, causing bloodflow to worsen. Cases have been increasing in recent years as a result of the aging of society and lifestyle diseases. Endovascular intervention employing stents are expected to become more widespread in the future because they place less burden on the patient's body. In addition, Terumo constructed a new manufacturing plant in Costa Rica to produce neurovascular intervention devices. The plant is manufacturing stents and coils and supplying these products globally.
- In the Blood Management Business segment, Terumo acquired a leading distributor of blood-related products in Poland's growing market with a view to leveraging the firm's marketing capabilities. Looking forward, Terumo is projecting double-digit sales growth in Poland as demand for automated blood component collection systems grows and the country proceeds to adopt automated blood component processing system as well as technologies for pathogen reduction. This acquisition has given Terumo a foothold to expand its business in Eastern European markets, which are expected to grow in the future.
- In the General Hospital Business segment, Terumo sold off its home oxygen therapy system business and home infusion pump business in the home healthcare field to Air Water Inc. on February 28,

2013. The home healthcare field includes chronic stage medical facilities, for which the market is forecast to expand in the future. The Company is continuing to improve and promote its business in this field by broadening its product lineups in such areas as nutritional infusions, peritoneal dialysis, diabetes treatment, and pain management.

Owing to the above initiatives in the fiscal year under review, Terumo's consolidated financial results are as follows:

(Unit: millions of yen)

| | FYE Mar. 2012 Results | FYE Mar. 2013 Results | Change (%) | Changes (%) (Constant currency basis) |
|------------------|--------------------------|--------------------------|------------|---|
| Net Sales | 386,686 | 402,294 | 4.0 | 2.8 |
| Gross Profit | 204,639 | 205,688 | 0.5 | (0.7) |
| Operating Income | 63,049 | 53,216 | (15.6) | (15.7) |
| Ordinary Income | 59,164 | 51,376 | (13.2) | - |
| Net Income | 24,167 | 47,014 | 94.5 | - |

Net sales

Compared to the previous fiscal year, net sales increased 4.0% to 402.3 billion yen.

(Unit: millions of yen)

| Geographic segments | FYE Mar. 2012 Results | FYE Mar. 2013 Results | Change (%) | Changes (%) (Constant currency basis) |
|---------------------------|--------------------------|--------------------------|------------|---|
| Japan | 190,469 | 185,913 | (2.4) | (2.4) |
| Europe | 71,765 | 75,394 | 5.1 | 6.5 |
| Americas | 79,070 | 87,940 | 11.2 | 6.3 |
| Asia and others | 45,381 | 53,045 | 16.9 | 12.5 |
| Total of Outside of Japan | 196,217 | 216,380 | 10.3 | 7.8 |

Net sales in Japan amounted to 185.9 billion yen, a year-on-year decrease of 2.4%. This was mainly due to the considerable impact of the government's revision to drug price standard on the Cardiac & Vascular Business segment, as well as weaker performance than forecast at the beginning of the fiscal year in the General Hospital Business segment and Blood Management Business segment. In contrast, net sales outside Japan increased 10.3% year on year to 216.4 billion yen, mainly due to continuously robust sales in the interventional systems business, and a sales recovery in the Blood Management Business segment.

Gross profit

Gross profit edged up 0.5% year on year to 205.7 billion yen. Terumo benefited from a shift toward highly profitable products, but negative factors included the downward pressure on prices and expenditures for improving a quality management system at a U.S. subsidiary.

Operating income

Operating income amounted to 53.2 billion yen, a decrease of 15.6% compared to the previous fiscal year. This was mainly due to increased research and development expenditures as well as selling, general and administrative expenses, which included investments intended to foster business growth.

Ordinary income

Ordinary income was favorably affected by foreign exchange gains resulting from the depreciation of the yen, however, interest payments for loans was a negative factor. Consequently, ordinary income fell 13.2% year on year to 51.4 billion yen.

Net income

Net income rose 94.5% year on year to 47.0 billion yen, mainly owing to a decrease in corporate taxes resulting from the reorganization of subsidiaries.

Net sales results by business segment are as follows.

As of the beginning of the first quarter of the current fiscal year, Terumo integrated its Consumer Healthcare Business into the General Hospital Business segment, thereby reorganizing the business segments in its financial reports from four segments to three: the General Hospital Business, Cardiac & Vascular Business, and Blood Management Business.

(Unit: millions of yen)

| Business Segments | | FYE Mar. 2012 Results | FYE Mar. 2013 Results | Change (%) | Changes (%) (Constant currency basis) |
|--------------------------------|------------|--------------------------|--------------------------|---------------|---|
| General Hospital Business | Net Sales | 154,279 | 157,811 | 2.3 | 1.8 |
| | (Japan) | 124,229 | 126,931 | 2.2 | 2.2 |
| | (Overseas) | 30,050 | 30,880 | 2.8 | 0.2 |
| Cardiac & Vascular Business | Net Sales | 160,605 | 169,737 | 5.7 | 3.8 |
| | (Japan) | 53,050 | 46,161 | (13.0) | (13.0) |
| | (Overseas) | 107,555 | 123,575 | 14.9 | 12.1 |
| Blood Management Business | Net Sales | 71,800 | 74,745 | 4.1 | 2.6 |
| | (Japan) | 13,189 | 12,821 | (2.8) | (2.8) |
| | (Overseas) | 58,611 | 61,924 | 5.7 | 3.8 |

General Hospital Business

In Japan, earnings in this segment increased compared to the previous fiscal year on the back of continuously steady sales of electrolyte infusion solutions, which have increased in price, semi-solid nutritious foods for the chronic care market, as well as contrast media and commissioned business services in the Drug and Device (D&D) business. Meanwhile, sales outside Japan increased in China and other Asian countries, but declined in the Americas and Europe.

As a result of these factors, net sales in the General Hospital Business segment totaled 157.8 billion yen, up 2.3% compared to the previous fiscal year.

Cardiac & Vascular Business

In Japan, the revision of drug price standard had a major impact on sales of products in the interventional systems lineup, causing a year-on-year decrease. Sales of the Nobori drug-eluting coronary stent also fell considerably compared to the previous fiscal year as a result of the release of new products by three competitors.

In contrast, sales of interventional systems continued to be strong in all regions outside Japan. In North America in particular, by leveraging penetration of TRI (transradial coronary intervention treatment for approaching the coronary artery from the blood vessels in the wrist), sales continuously grew at double-digit rate on a local currency basis. In China, where procedural cases continue to rise, sales were up about 30% year on year on a local currency basis.

As a result of the above, net sales in the Cardiac & Vascular Business segment amounted to 169.7 billion yen, an increase of 5.7% compared to the previous fiscal year.

Blood Management Business

In Japan, Terumo significantly increased its market share for automated blood component collection systems, but the segment was affected by a demand coordination that occurred in the previous fiscal year. Consequently, sales decreased year on year.

Outside Japan, demand for blood transfusions declined owing to the economic recession in North America, however, sales of therapeutic apheresis systems continued to expand, driving up overall results.

Owing to the factors above, net sales in the Blood Management Business segment increased 4.1% year on year to 74.7 billion yen.

[2]Research and Development

Terumo released the following products in the fiscal year under review: Misago stent for treating peripheral artery disease; LUNAWAVE OFDI intravascular imaging system; Terufusion Infusion Pump, a smart infusion system; Terufusion Syringe Pump SS; SurFlo V3 intravenous catheter; and NANOPASS Needle II 34G. In addition, it commenced clinical trials of an adhesion barrier product in Europe in August 2012.

Terumo is working to further globalize its R&D Headquarters with a view to capitalize on demand for medical care generated by the establishment of healthcare infrastructure in various countries, particularly emerging nations.

[3]Capital Expenditure

Terumo expanded production lines at its Ashitaka Factory for the purpose of boosting production of its lineup of interventional systems products, for which sales continue to increase globally. The Company also expanded production lines at its Fujinomiya Factory for making total parenteral nutrition solutions that employ new safety containers. Terumo invested in its Kofu Factory to increase production of NANOPASS, needle for pen injector. Finally, the Company acquired a site and commenced construction of its newly planned Yamaguchi Factory.

Outside Japan, Terumo invested in expanding its factory in the Philippines in order to boost production of syringes and needles, and its factory in Vietnam to transfer production of interventional system products. Furthermore, Terumo BCT acquired a site for a new factory in the southern part of Vietnam, and has begun construction of the facilities. In addition, Terumo undertook capital expenditures for improvements and upgrades in order to improve quality, productivity, and product competitiveness.

As a result of these initiatives, capital expenditure amounted to 32.2 billion yen in the fiscal year.

<2>Outlook for the Fiscal Year Ending March 31, 2014

In developed countries in Europe and North America, Terumo aims to continue expanding sales of its minimally invasive medical products. In emerging countries, the Company is working to respond to expanding markets by strengthening locally based operations via its holdings companies in China and other Asian countries, and its local subsidiaries in Russia and countries in South and Central America. Furthermore, Terumo is proceeding to reorganize its global production system by expanding existing factories in the Philippines and Vietnam, and constructing new factories in southern Vietnam and Yamaguchi Prefecture, Japan.

In the General Hospital Business segment, Terumo is working to increase sales of products that feature added functions designed to prevent medical errors or the chance of infection. These included SurFlo V3, an intravenous catheter released in the fiscal year, and Smart Infusion Systems equipped with the Company's originally developed IT functions. Furthermore, Terumo is continuously working to proactively expand business and accelerate initiatives including strategic partnerships worldwide in its Drug & Device (D&D) business, which combines pharmaceutical products and medical devices to increase added value.

In the Cardiac & Vascular Business segment, Terumo intends to enhance its global lineup of products compatible with transradial coronary intervention (TRI). This interventional treatment for approaching the coronary artery from the blood vessels in the wrist contributes to improved medical cost efficiency. Also in the current fiscal year, Terumo aims to expand sales of Misago stent for treating peripheral artery disease, a product that has already been released in Japan. The Company will work to increase sales of all of its interventional systems products in China and other emerging countries in Asia, South America and other regions where procedural cases are steadily growing. Finally, Terumo plans to enhance its product lineup outside the coronary artery field with neurovascular and peripheral-vascular applications.

In the Blood Management Business segment, Terumo is pursuing continuous sales expansion of its therapeutic apheresis systems worldwide. Moreover, under the "Terumo BCT" brand, the Company is striving to further boost sales by globally developing a broad range of product lineups to respond to demand for the collection of both whole blood and blood components through its sales network spanning from emerging to developed countries.

By means of these initiatives, Terumo is aiming to realize its financial projections for the fiscal year underway and achieve continuous growth in profits going forward.

Forecast for the fiscal year ending March 31, 2014

(Unit: millions of yen)

| | FYE Mar. 2013 Results | FYE Mar. 2014 Forecast | Changes | Changes (%) |
|-------------------------------|--------------------------|---------------------------|---------|-------------|
| Net Sales | 402,294 | 460,000 | 57,705 | 14.3 |
| Operating Income | 53,216 | 70,000 | 16,783 | 31.5 |
| Operating Income Rates | 13.2% | 15.2% | | |
| Ordinary Income | 51,376 | 67,500 | 16,123 | 31.4 |
| Net Income | 47,014 | 42,000 | (5,014) | (10.7) |

Exchange rates in the fiscal year ended March 31, 2013:

1 US dollar = 83 yen; 1 euro = 107 yen

Projected exchange rates in the fiscal year ending March 31, 2014:

1 US dollar = 95 yen; 1 euro = 123 yen

(2) Analysis of Financial Condition

<1> Overview of Assets, Liabilities and Net Assets

As of March 31, 2013, total assets amounted to 771.0 billion yen, an increase of 78.5 billion yen compared to March 31, 2012. The main factors for this increase were acquisitions of property, plant and equipment, increased market valuation of available-for-sale securities, and the impact of favorable foreign currency exchange rates.

Total liabilities amounted to 333.1 billion yen, a decrease of 6.9 billion yen compared to March 31, 2012. This was mainly attributed to a repayment of 9.5 billion yen in loans.

Net assets amounted to 437.9 billion yen, an increase of 85.4 billion yen. This was mainly the result of an increase in retained earnings of 38.7 billion yen, a valuation difference on available-for-sale securities of 7.5 billion yen, and a foreign currency translation adjustment.

<2> Overview of Cash Flows

(Unit: millions of yen)

| | FYE Mar. 2012 | FYE Mar. 2013 | Changes |
|--|---------------|---------------|-----------|
| Net cash provided by (used in) operating activities | 56,200 | 50,270 | (5,930) |
| Net cash provided by (used in) investment activities | (247,182) | (31,293) | 215,888 |
| Net cash provided by (used in) financing activities | 182,982 | (22,340) | (205,322) |
| Cash and cash equivalents at end of period | 73,793 | 75,165 | 1,371 |

Net cash provided by operating activities amounted to 50.3 billion yen. Main items in the fiscal year under review included income before income taxes of 52.3 billion yen, depreciation and amortization of 24.6 billion yen, and amortization of goodwill of 8.0 billion yen. In addition, income taxes paid amounted to 24.3 billion yen.

Net cash used in investment activities totaled 31.3 billion yen. The main component was 25.7 billion yen in expenditures for the purchase of property, plant and equipment.

Net cash used in financing activities amounted to 22.3 billion yen. The main item was a net decrease in short-term loans payable of 42.0 billion yen.

Reference: Cash flow related financial indicators

| | FYE Mar. 2012 | FYE Mar. 2013 | FYE Mar. 2013 |
|---|---------------|---------------|---------------|
| Shareholders' equity ratio (%) | 79.8 | 50.9 | 56.7 |
| Shareholders' equity ratio based on market value (%) | 198.2 | 108.4 | 99.7 |
| Interest-bearing liabilities to cash flow ratio (years) | 0.0 | 3.4 | 3.6 |
| Interest coverage ratio (times) | 771.7 | 83.2 | 37.8 |

Formulas¹:

Shareholders' equity ratio: shareholders' equity divided by total assets

Shareholders' equity ratio (%) based on market value²: market capitalization of stock divided by total assets

Interest-bearing liabilities to cash flow ratio³: interest-bearing liabilities divided by cash flow

Interest coverage ratio⁴: cash flow divided by interest payments

Notes:

1. All calculations are based on consolidated financial data.

2. Market capitalization of stock is calculated by multiplying the closing price of stock at the end of the fiscal year by the total number of stocks issued at the end of the fiscal year excluding treasury stock.

3. Cash flow is the amount of "net cash provided by (used in) operating activities" recorded in the consolidated statement of cash flows. Interest-bearing liabilities are the sum of all debt for which interest is paid among the liabilities recorded in the consolidated balance sheets.

4. Interest payments are the amount of "interest expenses paid" recorded in the consolidated statements of cash flows.

(3) Basic Policy for Returning Profits to Shareholders and Dividends in the Fiscal Year under Review and Current Fiscal Year

To ensure higher profitability and sustainable growth, the Terumo Group undertakes appropriate and proactive reinvestment of profits while working to enhance its corporate value. The Company believes that this approach serves the interests of its shareholders and increases its investment value. Terumo's basic policy for returning profits to shareholders is to steadily increase dividend payments with the aim of a dividend payout ratio of 30% over the medium to long term.

In the fiscal year under review, Terumo plans to pay an annual dividend of 44 yen per share, an increase of 5 yen compared to the previous fiscal year. Having already paid an interim dividend of 22 yen per share, the Company plans to pay a year-end dividend of 22 yen per share to attain the planned amount.

In the fiscal year ending March 31, 2014, Terumo plans to pay an annual dividend of 58 yen per share (including an interim dividend of 29 yen per share).

(4) Business Risks

The following risk factors could negatively impact Terumo's operating results and financial position.

● Changes in Government Healthcare Policies

In the healthcare industry, governments continue to restrain healthcare costs and implement other reforms intended to raise the quality of healthcare both in Japan and overseas. Large and unforeseen changes in government healthcare policy to which Terumo cannot respond could affect the Company's operating results and financial position.

● Market Price Fluctuations

As part of its measures to restrain healthcare costs in Japan, the Japanese government enacts biennial revisions to government reimbursements for drugs, medical treatment, and medical equipment covered by the national health insurance scheme. In addition, intense competition and innovations in technology both in Japan and overseas could serve to greatly lower prices and adversely affect the Company's operating results and financial position.

● Raw Material Price Fluctuations

Many of the raw materials Terumo uses for product manufacture are plastics and other materials derived from petrochemicals. A steep rise in the price of resources worldwide could increase the price of raw materials and adversely affect the Company's operating results and financial position.

●Exchange Rate Fluctuations

Because Terumo's headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from constant currencies into Japanese yen for the preparation of consolidated financial statements and other purposes. Exchange rate fluctuations therefore influence the conversion of those accounts into yen and result in either a gain or a loss for the Company. We are coping with these fluctuations with structural methods, such as by transferring production to overseas factories and importing raw materials, along with the utilization of contracts to hedge against exchange rate volatility for trade receivables. However, it is possible that unexpected exchange rate fluctuations could impact the Company's operating results and financial position.

●Risks Associated with Overseas Operations

Terumo supplies products to more than 160 countries. It is possible that in the markets Terumo serves, recessions with a resulting contraction in demand, unanticipated political instability, or the sudden imposition of government regulations in those countries could impact the Company's operating results and financial position.

●Quality Control

Terumo manufactures its products based on stringent quality control principles that are in accordance with good manufacturing practice (GMP) standards for pharmaceuticals and medical equipment and with the ISO quality management system standards. However, it is conceivable that the quality of our products could be questioned if complications occur during the use of the products. In addition, even in cases where medical accidents are clearly not a direct result of the Company's products, we are taking preventative measures and countermeasures in the event that any possible risks to our products occur in the future. Such occurrences could lead to a decrease in sales or rise in costs, which would affect the Company's operating results and financial position.

●Legal Proceedings

Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of the Legal, Intellectual Property, and other departments and a system of internal checks. Reports on the risk management structure are provided to the Board of Directors and the Board of Corporate Auditors as needed. However, if the Company were sued by a third party for damages or an injunction against sales or any other major legal action were taken, it could affect the Company's operating results and financial position.

● Other Risks

Other factors that could impact Terumo's operating results and financial position include changes in trade practices, terrorism, war, natural disasters, epidemics, or the worldwide spread of new strains of influenza.

Disclaimer

Information related to forward-looking statements, such as forecasts of financial performance, contained in documents disclosed by the Company is based on available information and certain assumptions deemed rational at the time of disclosure. Accordingly, it should be noted that actual results may differ from those forecasts on projections due to various factors. Factors affecting actual results include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuation in foreign exchange rates, and the state of competition.

2. Management Policies

(1) Basic Policies of the Company's Management

Corporate Mission: Contributing to Society through Healthcare

Since its founding in 1921, Terumo has striven to contribute to medical progress and improve the safety of healthcare while constantly working to develop and promote medical devices and pharmaceutical products tailored to the needs of the healthcare market based on this corporate mission.

Corporate Vision: Terumo's unique technology makes medical treatment kinder and gentler

Embodying the Company's corporate mission, this vision provides guidance for the Terumo Group to help patients, medical professionals and all people around the world who hope for good health by making medical treatment kinder and gentler, such as shortening treatment periods and alleviating pain.

Five Statements: Open Management, Enhanced Value, Safety and Reliability, Respect for Our Associates, and Corporate Citizenship

These statements represent the basic principles underlying the standards for conduct and decision-making in the Terumo Group's business activities.

Guided by these management policies, the Terumo Group is working to raise its corporate value and maximize profits for shareholders by enhancing its position as a leading company in Japan's healthcare industry as well as improving its brand value and increasing its share of the global market.

(2) Medium- to Long-Term Corporate Management Strategies

Terumo's new four-year mid-term management plan went into effect in April 2013, and will be presented to the public in May of this year. The plan aims to increase sales by providing valuable products and services that are based on needs in the healthcare market, and ensure sustainable and profitable growth by means of initiatives that effectively employ management resources and cut costs.

(3) Challenges Confronting the Company

The global medical device market is facing a time of transformations. With the stronger pressure to control costs for healthcare in developed countries, medical devices must not only demonstrate good performance and quality but also contribute to making healthcare more economical. Meanwhile, the development of healthcare infrastructure in emerging countries is rapidly driving up demand. In Japan, the need for chronic stage healthcare is increasing and the market for products and services targeting the elderly is growing. To respond to these diverse needs, Terumo is flexibly combining strategies tailored for each specific market as it continuously works to improve its performance.