Terumo Corporation
May 15, 2013

Q&A at Financial Announcement for FYE Mar. 2013

The principal Q&A given during sessions of FYE Mar. 2013 and the New Mid-term Plan announcement held on May 9, 2013 are presented as follows. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1: In the new mid-term plan, what will primarily drive 4.9 point of increase in operating margin? Is it by improvement of gross margin or by reduction of SG&A?

A1: It is driven largely by the improvement of gross margin, that will be achieved through series of manufacturing cost reduction initiatives and further sales expansion of profitable Cardiac & Vascular products. We will reduce SG&A, however, the impact will not be large since we plan to increase in R&D expenses.

Q2: In fiscal 2013, how much of improvement in gross margin do you expect?

A2: We expect the improvement in gross margin by 2 point percentage mainly by reducing COGS.

Q3: In the new mid-term plan, you expect 13% CAGR with Cardiac & Vascular business, mainly with intervention products. Other global intervention companies don't expect such high growth due to severe market environment. Is your plan with C&V realistic?

A3: Intervention field we refer to is not only about coronary. We will expand our business in peripheral and neurovascular intervention where the market is still new and growing. To achieve this, we will utilize external resources to effectively and speedily launch new products and leverage high R&D capability of MicroVention.

Q4: During the new mid-term period, do you have a plan to form an alliance with other than Kaneka?

A4: During the mid-term plan period, one with Kaneka will have the biggest impact. We will keep seeking opportunities of alliances with others.

Q5: In fiscal 2016, how much of sales do you expect with renal sympathetic denervation?

A5: We expect about a few billion yen of its sales in fiscal 2016. We will differentiate our devices, by utilizing and applying our TRI access technologies.

Q6: Terumo seems to have a plan to develop a next generation of stent technology, bio-absorbable

stent for mid-to-long term. How would you strategically position new DES, which is currently under clinical trial?

A6: We don't believe that a bio-absorbable stent can treat all different types of lesions. DES will remain as a core product in coronary intervention. We would like to continuously improve DES to sustain our market presence in the coronary field.

Q7: What were major factors to lower operating income in Q4?

A7: One factor was that the ramp-up of manufacturing for new products was delayed, causing the increase in COGS. The other factor was an additional expense on TCVS's quality management system improvement. However, in fiscal 2013, once the production is ramped up, those new products will fully contribute to profit. Also, the investment in TCVS's quality management system already passed a peak and will be much smaller in this fiscal year and after, driving up the profit.

Q8: In the operating income variance analysis, for fiscal 2012 and 2013, "operating income improvement by sales increase" seems smaller than previous. What were the factors?

A8: Previously, we showed "gross profit improvement by sales increase", but this time, we showed the "net" operating income improvement by taking SG&A out.

Q9: In explanation of lowered operating income in Q4 fiscal 2012, you mentioned "trouble at production". What does it mean? Is there risk that the same kind of trouble happens in the future?

A9: What we meant was that the ramp-up of manufacturing for new products was delayed. Speedy commencement of mass-production for new products is quite challenging. We continue to strive hard for improvement.

Q10: The next reimbursement price reduction in Japan will hit in fiscal 2014. Considering that, what level of profit would you expect in fiscal 2014?

A10: We don't disclose the profit for interim fiscal years. During the new mid-term plan period, there will be reimbursement price reduction twice in Japan. We expect the total impact of these price reductions to be 13 to 14 billion yen.

Q11: Please explain about an additional expense of 2.3 billion yen for TCVS's quality management system improvement. Is there any possibility of another additional expense going forward?

A11: Planned improvement works were completed as scheduled. However, we received an

additional data requirement by FDA, causing additional expense of 2.3 billion yen to meet the requirement. However, as originally forecasted, the cost will be down to 3 billion yen in this fiscal 2013 and 2 billion yen in the following fiscal year. And, recertification by FDA will be delayed by six months to the end of this fiscal year.

Q12: What makes the alliance with Kaneka strategically important for business expansion in peripheral intervention?

A12: In peripheral intervention business, we already have a competitive product, Misago peripheral stent. However, in this field, we believe that it is critical to offer a total solution with full product lineup. Also, competitive access device products such as guide wire and introducer sheath are already in our lineup. Only the missing piece is PTA balloon catheter and Kaneka has advanced PTA balloon catheter technology. Through co-development with Kaneka, we will be able to speedily prepare a full product lineup in peripheral intervention field.

Q13: In the new mid-term plan, intervention business is forecasted to grow significantly. Is this driven largely by the entry in the US PTCA balloon catheter market?

A13: In fiscal 2016, last year of the new mid-term plan, the sales of PTCA balloon in US will contribute to the growth of intervention business. Meanwhile, the expansion of peripheral, neurovascular, as well as access devices business will rather have bigger impact. Additionally, we expect sales expansion in peripheral and neurovascular intervention to further generate a synergy effect on access devices.

Q14: How would you consider M&A during the new mid-term period?

A14: We always update a long list and a short list. While we improve on financial position, we will continuously seek M&A opportunities. Meanwhile, we would like to continue to conduct small-to-mid size acquisitions (more like technological acquisitions).

Q15: What level of price erosion would you expect for the base products during the new mid-term plan?

A15: Considering the trend in the past few years, we expect it at low single digit.

Q16: The new mid-term plan seems to be an extension of the past strategies. What makes you so sure to realize such a high growth?

A16: For the past few years, we experienced increase in R&D cost and delayed launch of new products since we needed to devote resources to cope with tightened FDA regulation. During

the new mid-term period, by strengthening R&D capability and concentrating its resources onto the focus area, we will ensure the full launch of the new products on time.

Q17: In Q4 of fiscal 2012, the sales in China grew by 32% year on year at local currency basis. What level of growth in China do you expect fiscal 2013?

A17: We expect the growth momentum to be sustained. Meanwhile, since there is still price drop possibility, for this fiscal year, we do not expect the growth by greater than 30%, but around 20%.

Q18: In the forecast of fiscal 2013, operating income in the 2nd half will grow 60% year on year. What would be the principle contributors?

A18: It is because new products will fully contribute an increase in operating income and expense for quality management system improvement will be decreased in fiscal 2013. Additionally, the result in the 2nd half of fiscal 2012 was unfavorable and low.