

**Q&A at Financial Announcement for Q3 of FYE Mar. 2014**

The principal Q&A given during financial announcement for Q3 of FYE Mar. 2014 held on February 4, 2014 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 : Regarding slowdown in General Hospital, which had greater impact, market environment changes or business-related? How likely the performance of General Hospital business will improve in Q4?**

**A1 :** Originally, we had great expectations on new products including safety IV catheter needle "SURFLO V3", however, its production ramp-up has been taking much longer time than expected. The full recovery during this fiscal year will be difficult. Nevertheless, it has bottomed and the light is getting brighter. We expect improved production ramp-up, sales expansion, and profit recovery to some extent. Meanwhile, the price erosion and competition in the market has been tougher than anticipated. We expect this trend continues for a while. We will overcome such challenging situation by new product releases and sales expansion of smart pump.

**Q2 : Compared to Nobori, how is the profitability of the new DES "Ultimaster"? Will the company replace Nobori with Ultimaster?**

**A2 :** As for Nobori, we have been paying a royalty fee to Biosensors for its polymer and drug technology. Since "Ultimaster" has been developed completely in-house, it is expected to have much higher profitability. We will switch to Ultimaster at the opportune moment.

**Q3 : What is the progress of quality management system improvement at TCVS? What about cost?**

**A3 :** We received FDA's audit in January as planned. Our quality management system improvement efforts are progressing steadily toward recertification. The cost of investment was 0.8 billion yen in Q3 and 3.5 billion yen for year-to-date. The annual projection of 4 billion yen remains unchanged.

**Q4 : To achieve annual operating profit forecast of 70 billion yen, the company will need to increase Q4 O/P by 4 billion yen (to 21.7 billion yen) over Q3 O/P of 17.8 billion.**

What particularly will drive such increase in Q4 O/P?

A4 : In addition to currency gain, we envisage profit increment by sales increase. The contribution of sales increase will be large. In Cardiac & Vascular business, the new PTCA balloon catheter “Hiryu Plus”, which was launched in November in Japan, and the line extension of peripheral stent “Misago Long” which was just launched in February in Japan, will drive growth. In Blood Management business, automated blood component collection system “Trima”, which Q3 order placement in Japan was moved back to Q4, will drive growth as well.

Q5 : Historically, the company’s Q4 gross margin and operating margin are lower than Q3. How likely the performance of General Hospital business will improve in Q4? How is the most recent performance in General Hospital?

A5 : As for pump, in Japan order placement tends to be increased at the end of hospital fiscal year. We have a certain amount of prospect for order and already built enough inventory to cover that. As for SURFLO V3, its situation has been improving, and it has received a very high evaluation from medical professionals. Toward Q4, we believe that we will be able to steer the situation on a good course.

Q6 : The forecast of CAPEX for this fiscal year increased by 5 billion yen. But, the forecast of Depreciation & Amortization remains unchanged. Why is that?

A6 : The CAPEX forecast was revised up because we advanced a part of investment, which was originally planned in FY2014. The same amount will thereby be reduced in next fiscal year. Since the invested equipments are not operational yet, it doesn’t affect depreciation.

Q7 : Is peripheral stent for below-the-knee, which will be launched in EU, indicated also for popliteal?

A7 : In CE Mark approval, there is no specific indication for lesion / artery. Considering the size to be available, it will mostly used for lesion in popliteal and below the knee.

Q8 : Compared to Q2, gross margin in Q3 was lower. What were major factors?

A8 : Decline in gross margin was mainly caused by some General Hospital products. In contract manufacturing business in Drug & Device, order placement was moved from Q3 to Q4. DM business sales in Q3 were weaker since its Q2 sales were

exceptionally strong. These highly profitable products declined in sales. Additionally, price erosion of other hospital devices affected gross margin. We expect the sales of products, which was affected by a delay of order placement or seasonal factors, will recover to some extent in Q4. Moreover, we will increase gross margin through improvement of productivity for new products.

Q9 : How much of impact by reimbursement price revisions in Japan would the company expect in FY2014?

A9 : Since we are in the middle of information collection, it is too early to know. We don't expect that it will exceed our original assumption substantially.

Q10 : In regard to progress compared to forecast, both sales and ordinary income are close at 75% of forecast. Are these about on schedule?

A10 : These include currency gains. We acknowledge that we are behind forecast.

Q11 : For Q3 year-to-date, there is foreign exchange gains of 4.6 billion yen. How would the company expect it to be at the end of fiscal 2013?

A11 : At the very end of third quarter, the yen weakened dramatically to 105 yen to the dollar. The account receivables in the foreign currency are evaluated by the period end spot exchange rate of 105 yen, not by the average exchange rate of 100 yen. We project average rates of 102 yen to the dollar in the fourth quarter. Therefore, we expect foreign exchange gains at the end of fourth quarter to be slightly smaller.