

Q&A Session at the Financial Results Briefing
for the Third Quarter of the Fiscal Year Ending March 31, 2016

Outlined below are the principal Q&As from the financial results briefing of February 4, 2016. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation's performance and activities.

Q1 : What is your FY2015 forecast for R&D and SG&A expenses? Deducting the cumulative results for the first nine months from the full fiscal year forecast, it appears that the company anticipates a sharp rise in expenses in Q4. Does this reflect aggressive investment plans?

A1 : Sharply increasing R&D expenses would be difficult. SG&A expenses generally trend upward each fiscal year in Q4 therefore we anticipate a rise in SG&A expenses this fiscal year as well in contrast with Q3.

Q2 : Recently, Terumo appears to be achieving its guidance by controlling SG&A expenses while growing sales. Has the introduction of business-led management made it easier to implement cost controls?

A2 : Cost control has become easier since the introduction of business-led management. However, we are not merely reducing our costs. We are actively injecting costs into those businesses that are exhibiting growth. We are closely monitoring the benefit from spending to sales to determine an adequate level of cost. We are reaping benefits by varying our outlays in the management of our operations.

Q3 : I understand there is a time lag before the impact from low crude oil prices affects your purchasing price for raw materials. Are you seeing cost reduction benefits from lower crude oil prices?

A3 : That is correct. There is a time lag before we experience any positive impact. During the first nine months of the current fiscal year, we posted a cost-reduction benefit of around JPY600 million. This cost-reduction benefit was at our factories in Japan and the Philippines. We believe this benefit is slightly larger if we include benefit seen at other overseas factories. The cost-reduction benefit was largest at the General Hospital Company.

Q4 : U.S. medical device tax is to be suspended for a two year period beginning January 2016. What level of impact will this have on your operating income in FY2015 and FY2016?

A4 : In Q4 FY2015, corporate-wide we are projecting a positive impact of around JPY500 million. In FY2016, we estimate the positive impact for the full fiscal year is likely to be roughly JPY1.5-2.0 billion.

Q5: In Japan, a competitor released a rival product to Terumo's Ultimaster in January. What are current sales trends and what is your market share? Also, has price competition heated up with other existing rival products?

A5 : Ultimaster accounted for around 30% of the market share in Japan in Q3, outperforming Nobori's peak market share. In and after January, there has been an impact from the new product launched by the competitor but sales have not dropped below our estimates. We believe we can recoup market share once the test period for rival product winds down. Regarding price competition, we are not aware of any competitor price strategies that are impacting our Ultimaster sales.

Q6: Can you explain the catalysts fueling the accelerated use of TRI in the United States and also can you discuss sales trends for Terumo's TRI related products?

A6 : In the United States, there has been an increased focus on medical cost efficiency against the back drop of Obamacare and the Lehman Shock. Since around 2007, Terumo has been appealing the medical cost efficiency and contribution to the improvement of patient QOL when using TRI. In addition, we have gradually implemented promotional activities by offering training for physicians. We don't think there are particular catalysts driving the use of TRI. It is our understanding that usage is steadily spreading owing to the heavier emphasis on medical cost efficiency. Thanks to our ongoing persistent activities, we believe our market share for TRI related products, including guide wires, sheathes, and catheters, is around 65% in the United States.

Q7 : Has a transition to the new prices in your contracts with blood centers been finished in the United States by the end of Q3? Do you anticipate a further decline in prices in and after Q4?

A7 : The transition to new prices was nearly complete at the end of Q3. After the transition, we expect prices to remain steady in and after Q4. We do not anticipate a further large decline in prices in and after FY2016. The newly signed contracts are long-term contracts that range from 5-7 years. In principle, during these periods prices are expected to be fixed.

Q8 : The buyback of shares was announced with the aim of improving capital efficiency. Do you plan to include numeric targets, including ROE, in the next mid-term plan? Can you please discuss your current shareholder return policy?

A8 : FY2016 is the final year of our current mid-term plan. In preparation for the announcement of our next mid-term plan, we are examining our capital policy, including indicators that will serve as management goals.