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### **Q&A Session at the Financial Results Briefing for the FY24**

Outlined below are the Q&As from the financial results briefing on May 14, 2025.

**Hidemaru Yamaguchi:** Thank you. My first question is about non-recurring loss, JPY24.2 billion. At the beginning, if I remember, if I'm not mistaken, it was JPY8 billion. However, one-time cost has expanded quite largely because you tried to cover a lot of things all at once. I guess for this kind of thing, do you think you've already blended everything, taken care of everything? Do you not expect something like that to happen again? Anything like that this is much bigger than before, so what drove that change?

**Jin Hagimoto, Chief Financial Officer, Terumo:** I will reply to your question. Thank you very much. Regarding the JPY8 billion was the amount reported previously. Within that, GS26, as we move towards the first year, we wanted to remove any negative influence as soon as possible as we get to the last year of GS26. This time, we had a considerable review of our portfolio, so we had a pretty comprehensive review of our calculation. As we move towards the end of GS26 and further on beyond that and implement some strategic investment, beyond GS26, we will continue to thoroughly look back on past investments. I think it is not the case that there will be several similar developments as this, but we will reflect carefully on strategic investment from the past when preparing decisions for our future strategic investment. Thank you very much. That's all from me.

**Yamaguchi:** Is that correct to say that, in some sense, you tried to revise as much as possible at this point and to restructure and reallocate the strategic investment?

**Hagimoto:** Yes, that is correct.

**Yamaguchi:** My second question is regarding the CDMO. Thank you very much for explaining CDMO. I think in particular, this time, WuXi, the filling factory, you bought this new factory in Europe for filling. I think Asia and America were both referred to in your presentation, but these bases overseas, will you increase M&A through these and increase the global footprint? Was that why you have really spread out into Europe? Is

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that the first step of a major rollout into other global bases to increase the footprint?

**Hikaru Samejima, Chief Executive Officer Terumo:** Yes. Basically, CDMO will go into full tilt from now. We are considering accelerating our international expansion in earnest. We have spoken to several pharmaceutical manufacturers within Japan, but we would like to have capacity near to the market as possible. That is one keen index.

First of all, in Europe, it's a very important market for us to get our footprint there, to establish that footprint. In the future, in terms of what kind of negotiations we have with which pharmaceutical makers, in the future, that will be implemented where our next global footprint expands.

**Yamaguchi:** Thank you. What about the sort of concrete pipeline for that? If you've decided about that, how will that pipeline work? I mean the pipeline, I understand is increased. Is that true?

**Samejima:** Well, pharmaceutical manufacturers, that also concerns them as well, so it's hard for me to be more specific about the pipeline. However, we are in discussions with multiple pharmaceutical manufacturers at the moment. That's what I can say at this point.

**Yamaguchi:** Thank you very much.

**Tony Ren:** Thank you very much. It's my first time asking questions live, so thank you for the opportunity. I want to go back to the acquisition of the WuXi Biologics factory in Germany again. I happen to cover WuXi Biologics. I recall right around 2020, they bought two factories from Bayer in Germany. One is about filling. It's a filling facility. You guys did mention in your press release today about vial products there. I just want to see if that's the one you bought. I also recall they bought another one from Bayer that was making, if I recall, recombinant factor VIII, that was in quite serious decline. It was a drug substance factory that was making recombinant factor VIII. I just want to hear a little bit from you guys on that.

My second question is about tariff impact. You guys guided about, in my calculation, roughly an 8% impact on your operating profit margin. Yesterday, your peer, Olympus, also guided roughly about 3%. Yours is a little bit higher. I just want to see what was going into your calculation. Yes, thank you.

**Samejima:** Thank you. Well, let me take on the first question. Well, I mean, I'm very impressed with your good memory. Yes, it's one of these two assets you've just mentioned.

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The second question, probably I'll turn it over to Hagimoto.

**Hagimoto:** Thank you for the question. In regards to the tariffs impact that we have calculated, the chart that we are showing is just the rough calculations of how we've derived to that impact. Obviously, depending on how much inventory is already in the US market, that will have a dependency on how much the impact will be on the overall operating profit situation.

What we have factored in is all the known aspects that we are aware of as of today, and we sort of did a straightforward calculation of the maximized impact. Obviously, what we will do is to make sure that we can pass on the price increases where kind of feasible to the market. We will also look into a supply chain situation to see if there are any steps that we can take to avoid any kind of tariffs landing into the US market.

All of these situations, we will need to consider, but right now, I think it would be fair to say that we've done a maximized calculation of how much the impact would be or could be. This is probably the correct way to phrase it. I hope that answers your question.

**Ren:** Yes. If I may, just a couple of quick follow-ups. On the WuXi German factories, you guys obviously mentioned vial products in your press release. I assume it is fill and finish. I just want to confirm that.

Also, you mentioned trying to pass the cost tariff impact on to your customers. Just want to confirm that you can actually do that. Most of the companies, at least the drug companies and including Olympus, yesterday, they said that they do not think they can pass on the cost. I just want to hear a little bit from you, a little bit more clarification on that. Yes, thank you.

**Takashi Miyoshi, IR Terumo:** Tony, so let me follow up on the WuXi side. Yes, indeed, in our press release, we did mention that we did purchase the DP side of the factories. One of them of WuXi, which is Bayer Leverkusen in Germany. Just for your clarification, yes, that is correct.

**Hagimoto:** In terms of the cost, sort of the increase or passing on the pricing to the market, obviously, we do have contracts, long-term contracts that has been signed. It's not that we will be able to immediately pass on the impact to the market. However, depending on the business situations, depending on where our competitors are kind of situated, we do believe that there is an effort that we should be taking to make sure that we can pass on the market.

The intention is that we will try to pass on whatever the impact is into the market as much as possible. However, that will depend on timing or that will depend on the business

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situation if we can actually pass on the full impact towards the market.

**Ren:** Understood. Yeah. Thank you very much.

**Ryotaro Hayashi:** This is Hayashi participating remotely from Morgan Stanley Securities. I have two questions. First point, when calculating the year-on-year revenue growth rate excluding the exchange rate impact of the Terumo BCT, it has increased by 27%. This is probably due to significant sales growth in the Global Blood Solutions segment, which has recently changed its segment name.

In terms of these, are these due to the blood center business? Where exactly is it growing? Is it due to Rika? Is the Rika-related earnings weighing on this? Could you just give us a little more color about GBS and the growth there?

**Hagimoto:** Well, I think as was anticipated, in Q4, we saw an expansion in net sales as was expected. However, I think about 1/2 of that impact, about 1/2 of that is due to Rika. Compared to last year, it has gone on a very favorable trajectory. The other 1/2 of that positive impact, I think is probably what we consider to be the core, blood center business. I think about 1/2 Rika and 1/2 non-Rika would be contributing to this, to the increased revenue.

**Hayashi:** For this TBCT, it looks like there's a 15%, the plan looks like 15% growth in revenues. Is this, again, 1/2 due to Rika and 1/2 due to core products? Would you say that split will continue?

**Hagimoto:** I think if we compare to Q4 of last year, Rika had just been launched at that stage. So, I think a year on, it will be more than 1/2 of the impact.

**Hayashi:** Understood. The second question here is today, you released the purchase of the WuXi factory in Germany. I think this is a plant that has vial production. I feel there may be already some sales accrual in place. I just wanted to ask about the current state of revenue accrual. How much do you see that revenue increasing in future? I think for Terumo, you have the technology and the know-how that will be transplanted into Germany. That will take time for that to come online.

For the CDMO business as well, it will take time to really establish relationships with customers, as you explained, which is how I appraise the situation as well. From this plant, the accrual of revenue from anything emanating from this plant, how long will it take? Will it take four or five years for revenue to start accruing, or do you see it expediting over one or two years? I'd like to hear more about these prospects for revenue

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accrual for this factory you purchased in Germany.

**Samejima:** Thank you very much for your question. Well, in terms of the net sales and specific forecasts, I won't discuss specific forecasts, but in terms of the prospect for growth from now on in terms of the time span, I think for us, really as soon as possible, we would like to enter multiple new contracts and to start contributing to revenues. That is our primary aim. We can acquire extremely talented personnel from this factory. That was one of the main reasons for acquiring this factory.

**Hayashi:** From the know-how, in transferring know-how from Japan over to Germany, is that one or two years? Is that something that takes much longer, i.e., is it actually pretty simple to transport that know-how from Japan to Germany?

**Samejima:** Well, without being too objective about this, we will be sending over human resources from Japan and be looking for a synergy with the local technologies, and we're aiming for a very smooth entry into Germany.

**Hayashi:** Thank you very much. That's all from me. Thank you for your answers.

**Tomoko Yoshihara:** This is Yoshihara from UBS Securities. Thank you for the opportunity. One question is regarding the tariffs. Sorry to go back to the tariffs again, but I was late at the beginning of this explanation, so I might have missed your explanation regarding this. The premise of this, for example, if Japan might be 10% or I think in the US, I believe you're producing Rika equipment in the US. What about if you are putting parts in from China into the US? How will that affect the tariffs? If that did, in fact, transpire, then I think there would be some overall. Could you just give me an assumption on the tariffs between the US and China?

**Hagimoto:** Thank you. I will explain that. I think what we are anticipating at the moment is in importing into North America, most of that is from Japan. First of all, I think it was 10%. However, from July onwards, from Japan to North America, we are expecting to go up to about 24%. From importing into America from China, we don't believe it's such a large amount for us, so the impact will be limited.

Meanwhile, from the US to China, I think that 10% is the base figure at the moment. I think it may go up to 145% something, 90 days or some retaliatory tariffs will come into effect 90 days from now, so that would be 145%. Those are the general calculations we have made for the current period.

Regarding parts, I think from China, as I explained just now, we are not exporting

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significantly from China to the US.

**Yoshihara:** I have additional follow-up question on tariffs. You talked about transfer the prices or the impacts to market, so JPY17 billion. How much do you think you can pass it on to the market? Nobody knows what the final tariffs are going to be. You may do a perfect calculation. It may change tomorrow. What would be your goal or what would be the kind of target that you want to achieve at?

**Hagimoto:** Now, the revenue with the existing contract is something different. If you look at that, the renegotiation because that has happened, it's going to be very difficult for the existing contracts that have been signed already. How much can we pass it on in FY2025? That requires a little bit more work on our end.

I would say I can't give you a specific number at this point in time. Our intention is to weather management of business portfolio and how the situation may develop. We want to pass on as much as possible in running different programs by us.

**Yoshihara:** That's fair enough. Thank you very much. Second question is I just wanted to hear the updates about M&A. WuXi transaction update, I think that was a very nice transaction. In the past, you have C&V device. You had M&A strategy that you previously have discussed. Can you share your perspective about any changes or approach or philosophy? It's been one year since then from last year. Do you have any updates on those potential M&As?

**Samejima:** Thank you. Over the last one year, since you asked, R&D, M&A was the core of our strategy. In that sense, cardiovascular or CDMO other potential companies, other potential targets, as I've been saying in different occasions, that particular framework has not been changed.

Now, as we have announced a press release today, we are always having multiple different candidates in our list and validating which one makes more sense. This is a continuous basis. We are continuing. No change in that sense from the past to now.

**Yoshihara:** For intravenous intervention, maybe you cannot probably disclose that. Putting that aside, there's no change in business plan, I guess. Is this for that?

**Samejima:** There were multiple different devices for venous side, intravenous interventions. We are currently planning to launch a new product about that device. How can we strengthen that as a franchise to make sure we are expanding intravenous business as a whole, that will be our first step.

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**Yoshihara:** Okay. Thank you very much.

**Motoya Kohtani:** My name is Kohtani from Mizuho Securities. Since the president is here, I just wanted to ask. TMCS, I was looking at this slide talking about the future rollout of products and now CDMO factories. You just bought this company. Rather than glass vial, you are interested in more plastic products. That's the strength that you want to demonstrate, and that's why you want to drive more growth. You couldn't really go overseas because it's made in Japan. Right? Supply was the difficulty. I think those were the nuances that you have presented in the past. I just wanted to clarify my understanding is correct.

Now in Europe, injection needle with filter for pharma. A particulate matter is a huge problem right now. Your technology can be a great differentiation. By doing this transaction, you were talking earlier about how shipping from Japan to global was difficult. Now, can we expect we are going to be having a huge step? The PLAJEX is very well known. Right? Can I assume that it's going to be much easier to expand globally?

**Samejima:** Thank you for your question. As you have implied and you have suggested, we have our core strength, which are PLAJEX and polymer injectables. That's the world in which we want to spread globally. That's the axis, the core of how we would like to approach.

In Terumo Europe, we have made some track records. With this transaction, we will be able to roll out more technology from Japan and have an established footprint in Europe. That's what we want to do.

**Kohtani:** I understand. Second and last question is on costs. I think it was about JPY7 billion. I want to try to break down the cost. COGS improvement, I think it was the gross margin. So you have an inflation impact. Depreciation is accounted for with the market. Can you break them down, JPY7 billion? Can you break down with more details inside of that JPY7 billion?

**Hagimoto:** JPY6.5 billion is coming from price. VBP minus impact is something that we have accounted for. The price increment, and pricing measures in each region and business are just that, as well as the reimbursement rate revision is working positively for us. Inflation and labor cost increase are actually incorporated with the impact. Those are the negative impacts. For those negative impacts, we will be offsetting them with the corporate- wide profit improvement activities.

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**Kohtani:** Just one further. JPY6.5 billion is inclusive of VBP?

**Hagimoto:** Inclusive of VBP, yes, as a whole. Negative VBP is included in that.

**Kohtani:** VBP negative was at JPY4 billion, but it's now a bit smaller this year?

**Hagimoto:** This year is about the same. We are assuming it to be about the same.

**Kohtani:** So, you are assuming to roll them out to other regions. Is that correct?

**Hagimoto:** That's right.

**Kohtani:** Thank you. Since giving the opportunity, I'm looking at slide eight about large-diameter vascular closure devices. This is like you don't have access with Angio-Seal. Perclose is dominating. Right? This market is dominated by them. I was just surprised that you have to cancel this project, but you're running multiple different projects of such. Right? Is there any other project that can potentially contribute to revenue?

**Samejima:** Let me just take that. Yes, I can't give you the details of the pipeline. Let me just refrain from that. However, I was impressed that you just have an eye for it. For access products, for Terumo, we want to maintain and strengthen our number one strategic position. It is very important for our strategy for the closure devices. So, blood closure device is something that we would like to make a very big commitment to.

**Kohtani:** Your own product or other somebody else's products?

**Samejima:** It's a partnership with the third party. This one. This one that you were mentioning is the project we are jointly working with another company.

**Kohtani:** Thank you.

**Takahiro Mori:** This is Mori, Nomura Securities, speaking. I just went outside of the room for the time being. I apologize if it's already being asked as a question. I have my first question is about WuXi. At that time when WuXi bought it in 2020, and that was when COVID-19 was happening. Vial demand was going up. That's where they were captured, but that demand came out shortly after that. Vial suppliers, I was listening to those different companies, but vial demand was quite weak. However, WuXi, what were the reasons why they decided to give that business away? How would you turn that business



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around?

**Samejima:** Thank you for the question. We actually briefly talked about it in the other questions. Now, the biggest reason for buying this asset. PLAJEX is a key polymer injectable. That's our strength. We want to roll that out overseas, particularly in Europe. So owning the vial production line is, yes, available in that facility, but that's not really the core. Our traditional approach, as we've been doing with Japanese pharmas, PLAJEX, polymer injects, that is the leverage that we want to demonstrate with this acquisition.

**Mori:** Thank you. My second question. A year ago, Samejima-san, you talked about transformation of business portfolio. You want to focus more on M&A. That was journey last year. Can you look back for one year? Do you think your output is as expected? How would you score yourself for the last year?

**Samejima:** Thank you. So though there is a question of how to assess myself, right, but that's questionable. However, we've been having many intensive discussions. We have one concrete result this time, but there were other opportunities. Some of them are going positive, some are maybe negative, but we have many other opportunities. At a high level, we are making very good progresses in our internal discussions as we have committed one year ago.

**Mori:** Thank you very much.

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