Q&A Session at the Financial Results Briefing for the First Half of the Fiscal Year Ending March 31, 2015

Outlined below are the principal Q&As from the financial results briefing of November 5, 2014. Certain details have been expanded or modified to provide readers with a deeper understanding of Terumo Corporation’s performance and activities.

Q1 : 1H operating income outperformed the company’s projection owing to cost control. However, do you plan to follow through with expense plans for 2H?

A1 : In 1H, although sales were slightly below the guidance, to ensure that we attain our profit goal we implemented measures to improve profitability as well as controlled SG&A expenses. Meanwhile, in 2H, we plan to increase our sales of more than JPY20.0 billion compared to those of 1H. We will continue to adequately control expenses but will carry out spending essential to sales growth.

Q2 : SG&A expenses are expected to increase JPY11.5 billion in FY2014 owing to reinforcement of the sales force for the Interventional Systems business in the U.S. but the rise in SG&A expenses in 1H was a mere JPY2.6 billion. Is hiring progressing smoothly in the U.S.? Should there be little-to-no hiring in 2H, will plans be carried forward to FY2015?

A2 : At this stage, we have a gap of personnel expenses between plan and results, in part due to slight delays in hiring. From 2H onward, depending on market and sales trends, we plan to continue hiring. However, it is possible that a part of hiring could be put off to next fiscal year.

Q3 : Have you made progress in improving profit margins in the General Hospital Company and what are your estimates for business profit margin in the next fiscal year? What degree of improvement in profit do you expect to see in the next fiscal year from the transformation of the product portfolio of Hospital and Laboratory Business in Europe?

A3 : Profitability is improving overall in the General Hospital Company. However, further efforts will be required to make this a permanent trend. First, in addition to achieving our goals for FY2014, we also plan to implement measures for continuing improvement in the next fiscal year. In Europe, Hospital and Laboratory Business is nearly in the red. We aim to achieve business profit margin of 20%-plus in Europe in the mid- and long-term by developing unique devices through collaboration with pharmaceutical companies and thereby expanding our BtoB
business for them.

Q4: Are you finished writing off assets of certain businesses for FY2014? Are you planning to take further measures going forward?

A4: Terumo plans to make ongoing improvements as it moves forward. However, we believe that we have completed all large-scale write off assets of certain businesses for FY2014.

Q5: When do you plan to commercially launch your Skeletal Myoblast Sheet? Have you developed a business model and how much in sales do you forecast?

A5: The commercialization of regenerative therapy is a major challenge. The Skeletal Myoblast Sheet, for which we recently applied for regulatory approval, was jointly developed with Osaka University. The feature of this therapy is that there is theoretically no risk of adverse reaction as cells are harvested from the patient's own body. At this stage, we are not thinking sales and profits but are simply viewing this as a breakthrough. We plan to continue R&D in this area and aim to link this with commercially viable regenerative therapies.