

BUSINESS RISKS

The following risk factors could negatively impact Terumo's operating results and financial position.

CHANGES IN GOVERNMENT HEALTH CARE POLICIES

In the health care industry, governments continue to restrain health care costs and implement other reforms intended to raise the quality of health care both in Japan and overseas. Large and unforeseen changes in government health care policy to which Terumo cannot respond could affect the Company's operating results and financial position.

MARKET PRICE FLUCTUATIONS

As part of its measures to restrain health care costs in Japan, the biennial revisions to government reimbursements for drugs, medical treatment and medical equipment covered by the national health insurance scheme are implemented. In addition, intense competition and innovations in technology both in Japan and overseas could serve to greatly lower prices and adversely affect the Company's operating results and financial position.

RAW MATERIAL PRICE FLUCTUATIONS

Many of the raw materials Terumo uses for product manufacture are plastics and other materials derived from petrochemicals. A steep rise in the price of resources worldwide could increase the raw materials costs and adversely affect the Company's operating results and financial position.

EXCHANGE RATE FLUCTUATIONS

Because Terumo's headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from local currencies into Japanese yen for the preparation of consolidated financial statements and other purposes. Exchange rate fluctuations therefore influence the conversion of those accounts into yen and result in either a gain or a loss for the Company.

We are coping with these fluctuations with structural methods, such as by transferring production to overseas factories and importing raw materials, along with the utilization of contracts to hedge against exchange rate volatility for trade receivables.

However, it is possible that unexpected exchange rate fluctuations could impact the Company's operating results and financial position.

RISKS ASSOCIATED WITH OVERSEAS OPERATIONS

Terumo supplies products to more than 160 countries. It is possible that in the markets Terumo serves, recessions with a resulting contraction in demand, unanticipated political instability or the sudden imposition of government regulations in those countries could impact the Company's operating results and financial position.

QUALITY CONTROL

Terumo manufactures its products based on stringent quality control principles that are in accordance with good manufacturing practice (GMP) standards for pharmaceuticals and medical equipment and with the ISO quality management system standards.

However, it is conceivable that the quality of our products could be questioned if complications occur during the use of the products. In addition, even in cases where medical accidents are clearly not a direct result of the Company's products, we are taking preventative measures and countermeasures in the event that any possible risks to our products occur in the future. Such occurrences could lead to a decrease in sales or rise in costs, which would affect the Company's operating results and financial position.

LEGAL PROCEEDINGS

Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of the Legal, Intellectual Property and other departments and a system of internal checks. Reports on the risk management structure are provided to the Board of Directors and the Board of Corporate Auditors as needed. However, if the Company were sued by a third party for damages or an injunction against sales or any other major legal action were taken, it could affect the Company's operating results and financial position.

OTHER RISKS

Other factors that could impact Terumo's operating results and financial position include changes in trade practices, terrorism, war, natural disasters, epidemics, or the worldwide spread of new strains of influenza.

Disclaimer

Among the Annual Report 2009, forecasts of financial performance on future projections contain potential risks and uncertainty since these are forecasts on projections made by Terumo based on limited information available at the moment of disclosure. Accordingly, it should be noted that actual results may differ from those forecasts on projections due to various factors. Factors affecting to actual results include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuations of foreign exchange rates, and state of competition.