

# INTERVIEW WITH THE PRESIDENT

## QUESTION

How did Terumo perform during fiscal 2008, the year ended March 31, 2009?

## ANSWER

The Company felt the effects of the revision of the official reimbursement prices for drugs and medical equipment under Japan's national health insurance scheme, as well as rising raw material costs. Combined with the sudden appreciation of the yen from fall 2008 onwards, these unfortunately resulted in decreases in both revenues and earnings for fiscal 2008. However, our overseas sales, which have been a growth driver for Terumo, again performed well, with double-digit growth on a local currency basis in all regions of Europe, the Americas and Asia. Soon after the financial crisis occurred, we started to see inventory adjustments at hospitals and distributors, which caused us some concern, but I think it is safe to say that the actual impact the crisis had on demand was limited.

## QUESTION

What were the management successes of fiscal 2008?

## ANSWER

I would have to say the fact that we saw through the implementation of various measures for future growth even amidst this unexpected economic turmoil.

First and foremost, we made steady progress in new product development, which provides the fuel for future growth. We started a series of clinical trials in the U.S. and Japan for our left ventricular assist system currently being sold in Europe. Meanwhile, for our drug-eluting stent, the major post-marketing study in Europe and the clinical trials already under way in Japan progressed according to plan.

On the production front, we began operations at our factory in Vietnam in May 2008, and in September that year began construction on a new wing at the Ashitaka Factory that will play a central role in plans to ramp up production of interventional systems.

In terms of M&A and alliances, in June 2008 we acquired all shares in Clinical Supply Co., Ltd., which specializes in interventional systems for the radiology field, making it a wholly owned subsidiary. In February 2009 we concluded an operational and capital alliance with Fuji Pharma Co., Ltd., which has a unique position in injectable solutions.

We implemented emergency measures in the aftermath of the financial crisis, fundamentally reviewing our expenses with a focus on general and administrative expenses. And we spent ¥18 billion on repurchasing the Company's own stock in fall 2008.

All things considered, we managed to stay on plan.



AKIRA TAKAHASHI  
Representative Director & President

**QUESTION**

What areas will you be focusing on in fiscal 2009, the year ending March 31, 2010?

**ANSWER**

Our first priority will be to increase revenue and earnings. During fiscal 2009, we expect the harsh business

climate to persist, with much the same negative impact from the strong yen as we experienced during fiscal 2008. Despite these challenges, however, we will seek to reverse current trends and put the Company back on a growth track.

One of the main differences with fiscal 2008 is that there will be no revision of the official reimbursement

prices for drugs and medical equipment, the new businesses we have been pursuing in recent years will gradually make a larger contribution to earnings. In May 2009, a new prefilled syringe we developed jointly with Kyowa Hakko Kirin Co., Ltd. was launched. This was the first joint project to come out of the operational and capital alliance concluded between our two companies in 2007.

Overseas, we are determined to maintain the double-digit growth in sales on a local currency basis in all regions of Europe, the Americas and Asia, centered on interventional systems. Considering that the global economic downturn will likely persist for some time, the need for medical devices that can reduce the total cost of medical care will continue to grow. Since interventional systems help to shorten hospital stays significantly, they are in fact ideally suited to fulfill this need. With demand for these devices likely to continue increasing on a global basis, the new wing at the Ashitaka Factory, which we plan to finish constructing this fall, will help support expanded production volume.

We will continue to implement our measures to increase operational efficiency, focused on general and

administrative expenses. A volatile business environment such as the one we are facing at the moment presents us with the perfect opportunity to strengthen our business. We plan to implement overall cost controls that will hold the increase in selling, general and administrative expenses below the rate of growth in sales.

#### QUESTION

How is the medium-term management plan progressing?

#### ANSWER

Exchange rates have diverged significantly from our original assumptions, making it extremely difficult to achieve our initial targets (net sales of ¥400 billion and operating income of ¥85 billion in fiscal 2010). It is still only a year since the plan started, however, and rather than surrendering we intend to pursue a range of growth opportunities.

The fact that we have survived the turmoil of the financial crisis has re-confirmed the appropriateness of the growth strategies at the heart of the plan. We intend to continue following these strategies during fiscal 2009.



## QUESTION

What will be the focus of the medium-term management plan?

## ANSWER

Our Company-wide measures include continuing with new product development, expanding the production structure on a global basis, and strengthening sales for each market. Where new product development is concerned, in addition to our left ventricular assist system and drug-eluting stent, which I mentioned previously, we are preparing for the simultaneous launch of clinical trials for our peripheral stent in Japan and the U.S. during fiscal 2009. The market for interventional treatments for peripheral blood vessels is expected to exceed ¥100 billion in five years for lower limb arteries alone, and we plan to actively target this field. Meanwhile, measures to expand the production structure include ongoing efforts to increase capacity at our factory in Vietnam, and investments to increase production of blood bags in India and China.

In terms of sales and business development, we will focus particularly on China. Sales in China during



fiscal 2008 surpassed those in Australia, Thailand and other countries to become the highest in Asia outside Japan. The decline in performance as a result of the financial crisis has been minimal, and we expect standards of medical care to improve in many subregions going forward.

## QUESTION

What are your policies on shareholder return and dividends?

## ANSWER

Terumo has set ambitious growth targets, and seeks to be a company with a strong global presence. Our basic stance is to appropriately reinvest earnings, build on successes, and achieve sustainable growth in corporate value.

In accordance with this policy, we strive for stable increases in dividends, while taking into account performance, investment plans and other factors. For fiscal 2008, we paid an annual dividend of ¥32 per share. We plan to maintain the dividend at ¥32 per share in fiscal 2009.