

Advancing corporate governance to enhance medium- to long-term corporate value

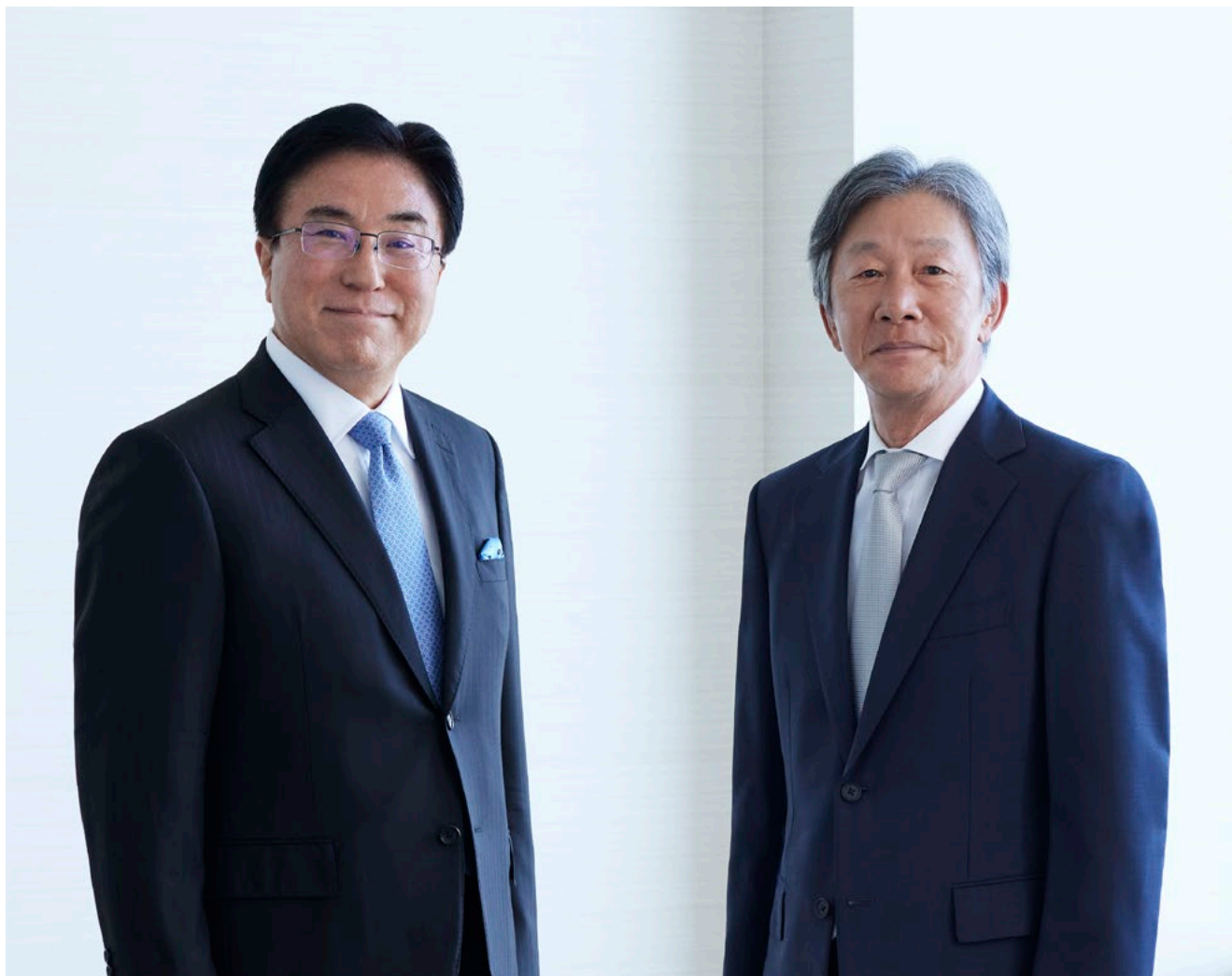
Effectiveness of corporate governance

Takagi Terumo has gradually shifted the roles of the Board of Directors to a monitoring-type board, aiming to clearly define the division of roles and responsibilities between oversight and execution. In this context, over the past few years, we have been enhancing our discussions on the topics contributing to improving corporate value over the medium to long term, including the global people strategy, the evolution of global management systems, and the formulation and monitoring of our five-year growth strategy "GS26." What is your view of the roles of Terumo's Board of Directors and its effectiveness?

Nishi I believe there are three excellent aspects of Terumo's corporate governance. First, there is an effective PDCA cycle at work within the Board of Directors' operations. In order to continue to hold meaningful, substantive discussions, we must continue the cycle of theme selection, appropriate management and review, evaluation of their effectiveness, and selection of themes for the next and subsequent years based on the results of that evaluation. It is not easy to keep this going.

Second, there is strong collaboration between supervision and execution of business operations, or the members of the Board of Directors and executives. When we talk about the effectiveness of corporate governance, we tend to focus only on supervision, but in reality, governance can only function effectively when both supervision and execution of business operations work in tandem. There are of course times when the two sides have differing opinions, but I feel that both the supervisory and executive sides discuss from a broad, fundamental perspective how management ought to be in future in order to continue to increase Terumo's corporate value, and the results are firmly reflected in our management policy, strategies, and measures.

Third, there are ample opportunities for independent directors to gain a deeper understanding of Terumo's business and internal culture. Explanations about medical devices, interaction with associates working at the business frontlines, and 1-on-1s with



Toshiaki Takagi
Chairman of the Board

Hidenori Nishi
Independent Director (Chair of the Nomination Committee)

Dialogue between the Chairman of the Board and an Independent Director

Group Executive Officers have provided valuable opportunities to gain a better understanding of the company's businesses, its products, and the situation on the ground. I hope that you will continue and expand this program going forward.

Takagi The evaluation of the effectiveness of the Board of Directors conducted in fiscal 2023 showed that the Board maintains a high level of effectiveness and has made steady and continuous improvements toward better governance. As chairman, I will continue to make every effort to choose appropriate themes and to manage agendas in a fair and transparent manner so that we can have substantive discussions based on our business environment, external evaluations, and internal conditions. We will also continue to provide detailed explanations to independent directors ahead of time so that they can deepen their understanding of our business and business execution cycle, as well as expand opportunities for training and site visits.

On the other hand, future issues for consideration raised in the effectiveness evaluation include reorganization of the Board of Directors' supervisory function in line with the evolution of the executive structure, and ongoing discussions regarding the composition of the Board of Directors. Stakeholders such as institutional investors are calling for an increase in the ratio of women, non-Japanese, and independent directors. What are your thoughts on this matter?

Nishi At Terumo, the members of the Group Executive Officers responsible for the execution of business operations are diversified in terms of gender and nationality, and many Japanese members possess extensive global experience. The composition of the Board of Directors may be less diverse in terms of gender and nationality than that of the Group Executive Officers. However, our directors have in-depth knowledge and extensive experience in various fields, enabling them to make appropriate decisions in overseeing the management of the Terumo Group.

At the same time, there is a need to update the composition of the Board of Directors in order to continue to improve the effectiveness of governance in response to societal trends and demands from stakeholders. I believe that the future composition of the Board of Directors should be determined through substantive discussions on its ideal structure, including the necessary skills, gender and nationality balance, and the mix of internal and

independent directors, in alignment with the direction outlined in Beyond GS26, the successor to our GS26 growth strategy.

Takagi In order to further improve the quality of governance going forward, it is essential to update the roles and composition of the Board of Directors based on a timely understanding of changes in the business environment surrounding Terumo, as well as trends among government administrations and competitors in other countries. I would like to discuss what form the Board of Directors will take in future while taking into account the management direction set out in Beyond GS26 and the demands of our stakeholders.

Discussions aimed at enhancing corporate value over the medium to long term

Takagi The Board of Directors has been expanding discussions that contribute to enhancing corporate value from a medium- to long-term perspective, such as monitoring the progress of GS26 and discussing Beyond GS26. How do you view the progress to date and the future direction?

Nishi In GS26, Terumo sets out its vision of "From Devices to Solutions." I believe that solutions mean thinking about "what and whose needs are to be met." My impression is that Terumo is now at the stage of providing "devices with solutions." Even solutions using the same devices may have different combinations of goals and needs than those previously considered when viewed from a different perspective. When considering Beyond GS26, I think it will be necessary to identify these variations, review their respective business models, profitability, and management resources required, and then consider how to choose between and focus on them. Investment in talent is also essential to achieving growth. From my perspective, the globalization of Terumo's management talent has been steadily progressing. Going forward, to further enhance the talent and organizational capabilities of the Terumo Group as a whole, I would like to see efforts to foster a sense of unity throughout the group, as well as the development of middle-level talent and those who work on the frontline of business.

Takagi GS26 is now in its third year. We are observing steady progress in developing new solutions across each company, promoting innovation through partnerships, and creating a new



corporate venture capital division. In the future, I would like to monitor how these measures contribute to the improvement of corporate value. I would also like to discuss the optimization of our business portfolio, taking into consideration the synergy effects for the Terumo Group as a whole, growth potential, and profitability. With regard to our people strategy, we will monitor the overall organizational and talent status across the Terumo Group by evaluating the promotion and penetration of the Growth Mindset and DE&I. We will also analyze the results of the associate engagement surveys. Through these measures, we will identify the issues that require monitoring.

Succession plan for Chief Executive Officer

Takagi In April 2024, Chief Executive Officer Samejima took office, and the new management structure was initiated. Terumo has the Nomination Committee to serve as an advisory body to the Board of Directors, which you chair, but how do you see the process of selecting and training the successor to the Chief Executive Officer of Terumo?

Nishi When I became an independent director in June 2020, Terumo had already started evaluating candidates for the next generation of management executives. After approximately two

Dialogue between the Chairman of the Board and an Independent Director

years of assessment, the Nomination Committee began to consider specific candidates for successions, taking enough time to review the candidates carefully. The majority of the Nomination Committee is made up of independent directors, including myself as its chair. What impressed me about the nomination process was that all members, including those from within the company, openly shared their views on the qualities that the successor who will ultimately be responsible for Terumo's future should possess and engaged in sincere and fair discussions. This kind of discussion is possible because of the open corporate culture and climate that has taken root in the company. I hope that we will continue to maintain an atmosphere that allows this kind of essential discussion in the open.

Takagi In selecting candidates for Terumo's future CEO, we must take the time to carefully evaluate them from multiple perspectives while maintaining objectivity and fairness. The majority of our Nomination Committee, including the chairperson, consists of independent directors. I believe this fosters an open atmosphere where both external and internal committee members can candidly share their opinions and engage in meaningful discussions. As a committee member, I will continue to strive to uphold this open environment.

What qualities and experience do you think will be required of



Terumo's CEO in the future?

Nishi I believe that a successor to Terumo's CEO should possess a keen sense and ability to anticipate future trends, along with extensive knowledge of and deep insight into the healthcare industry. In addition, as our business focus shifts from devices to solutions, it is essential for the successor to have experience in effectively communicating and building trust with people from diverse cultures and backgrounds. A mindset geared towards multi-stakeholder management is also crucial. In the medical device industry, in particular, quality and safety concerns can pose significant risks to patient lives. Therefore, it is vital to assess whether the CEO is genuinely committed to these values. In my opinion, both Mr. Sato, the former CEO, and Mr. Samejima, his successor, exemplify these qualities and have the extensive experience I mentioned.

Takagi In the rapidly changing world of healthcare, I believe that the ability to create a vision for the future and lead change in collaboration with internal and external stakeholders is an essential quality for the top management of the Terumo Group. On the other hand, our commitment to quality and safety, which has earned us the trust of healthcare professionals and patients, is an element that must not change. I would like for us to take a close look at these points when selecting and training the next generation of management executives.

Roles of independent directors and the Chairman of the Board and future expectations from Terumo

Nishi I believe that the roles expected of independent directors are to evaluate strategies and measures proposed and advanced by the executive side from an objective perspective that differs from that of internal directors. Based on this evaluation, independent directors should recommend whether they are the best solution for the entire Terumo Group and whether they will contribute to increased corporate value, ultimately leading to higher-quality management decisions.

I personally believe that Terumo should promote its brand more actively. Although Terumo has made significant contributions to society through healthcare, these contributions need to be more effectively communicated, which I find unfortunate. I hope

Terumo will enhance the communication of its purpose, not only to healthcare professionals but also to other stakeholders, by finding ways to convey its message more effectively and broadly to society.

Takagi In order for Terumo to continue contributing to society through healthcare, we need to identify signs of change taking place in medical settings and deliver valuable solutions that meet the real needs of medical settings in a timely manner. As you mentioned, it is also very important for us to communicate Terumo's initiatives to healthcare professionals, patients, and other stakeholders to ensure their recognition and understanding. I believe this will enhance Terumo's presence in society, which in turn will lead to increased corporate value. As chairman, I have many opportunities to visit sites both inside and outside the company, and I would like to actively communicate the excellent efforts being made on the business frontlines.

As Chair of the Board of Directors, I will continue to make every effort to ensure that the Board of Directors continues to hold high-quality discussions while receiving input from independent directors in order to enhance the effectiveness of governance in light of current trends and stakeholders' demands and expectations. Furthermore, I would like to continue to improve my sensitivity to signs of change in medical settings by actively visiting the business frontlines, including our business sites and customers, so that I can conduct monitoring that leads to balanced management decisions based on the actual status of the business frontlines.