Four "Arrows" That Are the Axes for the Mid- to Long-Term Strategy

On the occasion of the centennial since our founding, in December 2021 Terumo announced our new 5-Year Growth Strategy GS26. Today, more than two decades since the start of the 21st century, healthcare is in the middle of an enormous change in light of such factors as coexisting with chronic diseases due to population aging and the full-scale adoption of personalized medicine thanks to advances in genomic medicine and artificial intelligence (AI). Under GS26, mindful of those changes, our goal at Terumo is to make even more of our strengths to become a company that is of value to society.

GS26 is a five-year growth strategy, and furthermore also provides the four "arrows" that will provide the axes with the next ten years in mind. The first and second of those "arrows" are to (1) deepen existing businesses and (2) establish and develop new growth businesses, which together are centered on company management. Uniting as three companies, our efforts over these five years as well as the next five years are meant to further deepen the businesses that have supported our growth to date as well as to grow the new businesses born out of those strengths and synergies to serve as the pillars for what lays ahead. Furthermore, ongoing initiatives for the next decade and beyond include our third and fourth "arrows": (3) explore new business opportunities centered on corporate, or the company as a whole (innovation), and (4) strengthening our business foundations.

From Devices to Solutions

Vision for the Next 10 Years

From Devices to Solutions

Responding to 21st century social issues

Solving problems of medical settings

What we have started to work on

- \bullet Optimization of intra-hospital infrastructures
- Building ecosystems for new therapies such as cell and gene therapies
- Evaluation systems that contribute to health economics

Developing healthcare ecosystem

- Further improvement of less-invasive treatments
- Infection control
- Data utilization for diagnostics and therapy optimization
- · Optimal delivery for new drugs

Improving patient QOL

- Disease management:
- —Endovascular therapy for whole body
- -Diabetes, kidney disease, cancer, etc.
- -Overcoming deterioration of body functions
- Personalized care that accompanies the patient journey

The 5-Year Vision through FY2026 is "From Devices to Solutions." Devices remain core products for Terumo, but it is essential that we also provide solutions to cope with a variety of issues. By fusing together high quality with a variety of technologies and providing solutions for the entire medicine ecosystem, Terumo aims to achieve social value through solving issues in medical settings, the evolution of healthcare systems, and improved patient quality of life.

Focus on Solutions

Vision for the Next 10 Years

From Devices to Solutions

Delivering solutions to 21st-century healthcare challenges

Focus on solutions: The 3Ds

01. Delivery

High value-added biological access and delivery for advanced medical care

02. Digital

Disease-based approach focused on improving long-term patient QOL (patient journey)

03. Deviceuticals™

Maximize drug effectiveness through innovative

What we focus on when it comes to creating solutions are the three "D"s.

If we were to come up with a single word that represents Terumo's products and technologies, it would express access to living beings that can be carried out safely and with certainty—in short, delivery. This is the first "D." As represented by our endovascular interventions, this is at the core of the value that Terumo provides. The second "D" is for digital technology. When it comes to optimization and personalization in diagnosis and treatment tailored to the patient journey, data-using technologies have already become essential. The final "D" is for deviceuticals, our proposal for a new concept that means solutions that combine medical devices with pharmaceuticals. With our experience in both technology and develop, Terumo is making the most of its strengths to come up with new businesses such as CDMO (the contract manufacturing of pharmaceuticals) and plasma innovation (the development of source plasma collection systems). We provide solutions of value naturally to the pharmaceutical companies with whom we partner as well as to patients and donors.

Commitment to Sustainability Management

- ESG

Foundation supporting value creation

Specific KPIs Linked to Operations

┌ CSV

Social value creation

Specific items for monitoring <u>linked to growth</u> businesses

Based on its Group mission of "Contributing to Society through Healthcare," under the Terumo Group Sustainability Policy Terumo holds its social mission (purpose) to be to work toward the advancement of healthcare and the enhancement of patient quality of life. Amid drastic changes in social and global environments, Terumo will take leadership toward solving a variety of social issues, and to meet the expectations of its broad range of stakeholders.

Under GS26, with its commitment to sustainable management, in its ESG Terumo has set specific KPI linked to operations, and in its CSV it has set down specific items for monitoring (each item is taken up in the pages that follow). These are indicators to follow from a long-term perspective, and they are also taken into account when assessing the performance of the executive team.

Through these sustainability efforts, Terumo will contribute to the realization of a sustainable society, create new Terumo strengths and culture, and bring about sustainable corporate growth.

12 Terumo Report 2022 13

Social Value Creation

ESG

Set in accordance with SASB, e	tc.			
CO ₂ emissions (vs. FY2018, Scope 1 + 2) FY2030				
FY2040———Carbon neutra	lity			
Critical out-of-stock	0			
Number of critical findings from the regulatory authorities	0			

	Achieving carbon neutrality		
	• CO ₂ emissions (compared to FY2018, Scope 1 + 2)	Reduction rate 50°	% FY2030
		Reduction rate 10	0% FY2040
	• Renewable Energy Use	Usage rate 50%	FY2030
	Effective use of resources		
	Water consumption (per revenue sold, compared to FY20)	018) Reduction rate 20	% FY2030
	Recycle rate	90%	FY2030
	Ensuring the quality, safety and stable supply of		
	products and services		
	Number of critical findings from regulatory authorities	Zero	
	Sustainable supply chain management		
	No critical market shortages across the Group	Zero	
	 Promoting the acquisition of consent on supplier guideling 	nes Zero*	
	Promoting safety measures for the working environm	nent	
	Number of serious work-related accidents	Zero	
	Improving the associate experience		
	Investment in education per associate	_	
	Cultivating an organization that leverages divers	se	
	human resources to create value		
	 Ratio of nationalities in executives as well as global key pos 	sitions -	
	Increase the ratio of female managers	10%	FY2026
	Effectiveness of the Board of Directors		
	Evaluation of the effectiveness of the Board of Directors	Conducted annual	lly
(G Promoting of compliance		
	Number of internal reports	_	
	Rate of participation in Terumo Code of Conduct training (ann	nually) 100%	
· No. o	of transactions with companies that do not agree with Terumo's sun	nlier quidelines or do not d	nmnly with

^{*} No. of transactions with companies that do not agree with Terumo's supplier guidelines or do not comply with its code of conduct

CSV

	■ Further adoption of the radial procedure	Ratio of radial procedure (FY2026) TRI >70%, R2P >20%, RAVI >20%, Neuro 10%
Promote medical	■ Provide solutions to problems in medical settings	Medical safety • streamlining hospital management (number of facilities implemented)
technologies and services and improve access	■ Bring life-saving technology to previously unreachable patients	Introducing technologies to additional geographies
to healthcare	Provide new treatment options through innovation	Streamlining hospital management (number of facilities implemented)
		Expanding treatment options - insurance coverage to bring innovations to
		patients (number of additional geographies and treatment options)
Providing healthcare that	■ Promotion of personalized therapy	Number of stent grafts • radioactive embolization microspheres •
is closely aligned with	Patient-centered, care continuum focused	HeartSheet • WEB implant cases
each individual	value proposition	Cancer • Women's Health (number of facilities)
	■ Training	TIS: Number of training exercises
Co-creating a sustainable	■ Using DX to improve and transform the quality of	Build data-driven solutions (number of projects implemented: projects =
	healthcare	number of patients + number of facilities)
healthcare system	■ Bringing efficiency to the infrastructure of	Innovations in blood component processing—automated blood
	healthcare delivery	processing system

Message from the CAFO

Review of Fiscal 2021

In fiscal 2021, infections from COVID-19 continued to significantly impact the medical community.

Our Group mission, "Contributing to Society through Healthcare," has guided our actions throughout the pandemic. We have done everything in our power to prevent disruptions in healthcare by providing a steady supply of medical products. Terumo's Purpose is to advance healthcare through reliable quality and technology rooted in real-world clinical experience. Through these efforts, we protect patient health, reduce the number of difficulties they face, and help them lead better lives.

Maintaining a flexible approach has helped us overcome the challenges of the past year, including higher transportation costs caused by supply chain disruptions as well as increasing costs for materials driven by soaring oil prices.

Business performance in fiscal 2021 trended upward.

Declining revenues in the cardiovascular field rebounded, as

COVID-19 infections in the US, Europe and other regions

boosted demand. We experienced increased revenues across all regions, pushing Terumo's annual revenues to a record high of ¥703.3 billion.

We also overcame setbacks from inflation and manufacturing disruptions at some of our factories. Our year-on-year adjusted operating profits experienced double-digit growth driven by strong overseas sales and favorable foreign exchange rates.

Terumo posted record sales in its first quarter, an achievement fueled by a significant rebound in demand for the Cardiac and Vascular Company and a favorable exchange rate. Adjusted operating profits also hit record highs for the quarter. Selling, general and administrative (SG&A) expenses continued to be impacted by the COVID-19 pandemic with only moderate increases, allowing us to offset the impact of China's public procurement policies as well as production adjustments.

From the second quarter onward, our business was temporarily impacted by a resurgence in COVID-19 infections from the delta and omicron variants. However, revenues recovered across the board, placing us back on a growth trajectory that was further bolstered by a favorable exchange rate. To reflect these changes, we upgraded our revenue forecast at the end of the third quarter. Earnings were tempered by inflation from supply chain disruptions and production suspensions from COVID-19, but we were able to take countermeasures, including controlling expenses.



Social Value Creation

Our Five-Year Growth Strategy

I would like to begin by reviewing the targets we set in fiscal 2016 for our five-year growth strategy, for the period beginning in fiscal 2017 and ending in fiscal 2021.

Policy Target March 2022 (Actual) Achieve revenue growth that outpaces market growth Profitability Achieve profit growth that outpaces sales growth Adjusted operating profit* Adjusted EPS*2 Adjusted double-digit growth Adjusted EPS*2 Adjusted EPS*3 Adjusted EPS*4 Adjusted EPS*4 Adjusted EPS*4 Adjusted EPS*5 Adjusted EPS*6 Adjusted EPS*6 Adjusted EPS*6 Adjusted ROE*6 Adjusted ROE					
Growth growth that outpaces market growth Profitability Achieve profit growth that outpaces sales growth Maintain appropriate levels Revenues single-digit growth Adjusted operating profit*1 growth Adjusted EPS*2 ¥135–150*3 ¥134.6 Maintain appropriate levels Adjusted Realize double-digit growth Adjusted EPS*2 ¥135–150*3 ¥134.6 Maintain a ratio of 10% 10.0%		Policy	Tarç		
Profitability Profitability Profitability Profitability Profitability Profitability Profitability Profitability Profit Profitability Profit Profitability Profit Pr	Growth	growth that outpaces	Revenues	single-digit	CAGR 6%
Adjusted EPS** ¥135–150*3 ¥134.6 Maintain Efficiency appropriate levels Adjusted ROE** Adjusted ROE** 10.0%	Profitability	Achieve profit operating growth that outpaces profit* sales growth growth	double-digit	CAGR 4%	
Efficiency appropriate levels Adjusted ROE*4 a ratio of 10% 10.0%			Adjusted EPS*2	¥135-150*3	¥134.6
	Efficiency	appropriate levels	Adjusted R0E*4	a ratio of 10%	10.0%

- *1 Operating profit excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions
- *2 Earnings per share (EPS) excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions
- *3 As of March 2021. Figures reflect the stock split effective April 1, 2019
- *4 Return on equity (ROE) excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

We did not reach our targets for growth and profitability. This was largely due to production adjustments caused by flagging demand during the COVID-19 pandemic as well as increased production and transport expenses resulting in higher costs overall. However, we did achieve our efficiency target.

Our current five-year growth strategy GS26 began in fiscal 2022, the same year we marked our 100th anniversary. GS26 will prepare Terumo for the next decade and beyond. In it, we defined a new vision prioritizing our ability to offer solutions rather than simply offering medical devices. Our goal is to shift from a product-oriented approach to a customer-oriented approach and actively engage not only with healthcare professionals but with the broader medical ecosystem to deliver multifaceted solutions to our customers.

We set the following three KPIs as our five-year financial targets.

	Target	
Growth	Revenue Growth	Realize high single-digit growth (five-year average)
Profitability	Adjusted Operating Profit Margin	Achieve a margin of 20% or higher (in five years)
Capital Efficiency	ROIC	Achieve a ratio of 10% or higher (in five years) * Maintain ROE of 10% or higher

- Operating profit margins and ROIC excluding the impact of new M&A - USD = ¥107. EUR = ¥128

Financial Strategy in GS26

Our primary mission is to hit our targets for growth, profitability and capital efficiency, which are our financial performance indicators. To do this, we are pursuing a growth-oriented financial strategy. To support our growth strategy, we must continue to invest in increasing our production capacity in areas in which we hope to achieve double-digit growth in real terms—like cardiovascular health. Substantial upfront investment is also required to secure a foothold in sectors driving new growth, including CDMO business opportunities and plasma collection systems. A strong commitment to investing in growth will help ensure we meet our targets in profitability and capital efficiency.

Our shareholder returns policies prioritize steady annual increases in dividends with a target payout ratio of 30%. In fiscal 2021, dividends were ¥34 per share—up ¥5 from the previous year—marking 12 consecutive years of dividend increases.

In May 2022, we established a limit on share buybacks. We will continue to assess the situation and maintain flexibility when creating shareholder returns policies.

As a matter of course, the first step in considering M&A proposals is assessing their potential future value for Terumo and their ability to create synergies with existing businesses. Our investment committee includes managers from divisions handling production, development, planning, finance, and other areas. This committee sets hurdle rates based on the weighted average cost of capital (WACC) with an additional uncertainty risk added according to the nature of the investment and reviews these rates annually. When we make capital investments to improve medium- to long-term profits, including M&A, we examine the investment's financial feasibility through its net present value (NPV) and internal rate of return (IRR). We also consider our business strategy, medium-term plan, risk-response plan and other factors to make investments that are optimal for Terumo Group as a whole.

We typically finance investments in growth using cash returns from business operations. Effective use of our global cash management system (CMS) is our preferred funding source, but if external funding is required, we examine the balance of capital efficiency and financial soundness and select flexible, optimal financing through a combination of loans from financial institutions and other sources, like corporate bonds.

Our Approach to Cash Management



We added ROIC as a new capital efficiency indicator in GS26. Reviewing past and present investments is a critical activity to maximize sales and earnings. We also need to increase the efficiency of asset-liability balance sheet management. And when gaps begin to appear between actual and anticipated outcomes, we have to seize the chance to respond. These activities will ensure that we generate appropriate investments and outcomes (profits) across our divisions, including development, production, sales and the corporate sector.

We will encourage the widespread adoption of ROIC management and ensure each department uses ROIC as a basis for thinking about and understanding efficiency. Our corporate value will increase if we can achieve these three goals of growth, profitability and capital efficiency.

Company-wide Profit Improvement Project

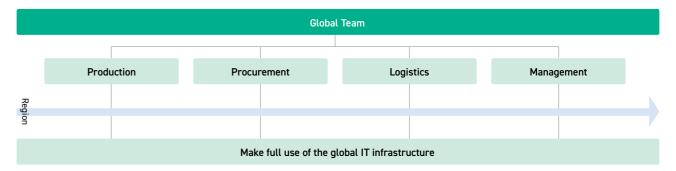
To meet our profitability target of increasing operating profit margins to 20% or higher in five years, GS26 introduces initiatives to improve profits across the company—specifically by raising operating profit margins by 2 percentage points. We have been able to accelerate growth by allowing our three

Four Areas for Company-wide Profit Improvement

companies to operate flexibly. We chose not to absorb each organizations' operations, but rather let them maintain their existing structures to avoid interfering with their development capabilities or operational speed.

Our initiative to improve profits company-wide includes optimizing and streamlining operations in production, procurement, logistics and management within each organization without undermining their strengths or capabilities—all under corporate guidance. Our goal is to strengthen profitability by creating positive collaboration and synergy for each organization.

In February 2022, we established a CAFO office to launch and lead these activities. The first half of GS26 focuses on analyzing operations and identifying common factors. In the second half, we will actually generate outcomes. However, to cope with inflation, some actions will be implemented in advance, like relocating to Costa Rica as an optimal manufacturing location and introducing an enterprise resource planning (ERP) system to improve cross-regional and cross-departmental efficiency.



Toward Fiscal 2022

In fiscal 2022, there are two external factors that we will watch closely—prolonged inflation and the depreciating yen. Our internal challenges include coping with the rebound in demand after COVID-19 and financing our entry into the new field of plasma collection. For the abovementioned external factors, our response will include financing automated production as well as maintaining and improving appropriate inventory levels. We also need policies to hedge against fluctuations in foreign exchange rates. For our business operations, we need to collaborate to ensure progress updates are properly conveyed for each project and that investments are made at the right time and on the right scale.

The growth strategy in GS26 is to strengthen our management base while making solid investments in growth. These should not be temporary measures that end within the fiscal year, but should prepare us for the next five years and the next decade. Our Group should aim for a strong start in the initial year of GS26 to ensure we can meet critical targets in our performance forecasts.

Fiscal 2022 Targets

Revenues	Adjusted Operating Profit	Profit for the year
¥775 billion	¥151 billion	¥100 billion
Year-on-Year Growth +10%	Year-on-Year Growth +12%	Year-on-Year Growth +13%
. 370	. 270	.070

We remain committed to meeting the expectations of our shareholders, customers and other stakeholders by continuing to secure future growth and increase corporate value. We will also work to achieve Terumo's Purpose of advancing healthcare and enhancing the quality of life of patients around the world. I look forward to continuing to support Terumo's operations by carrying out my duties as CAFO.

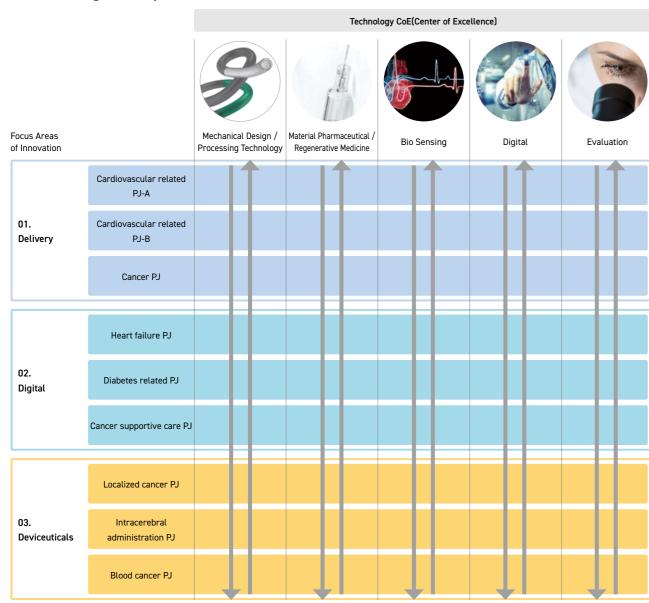
16 Terumo Report 2022 17

Accelerated Innovation under GS26 and the Strengthening of **Business Foundations**

In this section, we will explain the third and fourth of the four "arrows" around which the next ten years will be hinged, namely, "exploring new business opportunities (innovation)" and "strengthen business foundations."

The direction of the innovations that Terumo has in mind has been defined in the GS26 by the three "D"s of Delivery, Digital, and Deviceuticals. To ensure the creation of this innovation, we will introduce a Center of Excellence (CoE) for the technology axis. Its purpose will be to consolidate in a more multilayered way and at a global level the knowledge and skills of our core technologies acquired through product development to date, along with the new technologies that we will continue to acquire. By cross-fertilizing this with the projects of the disease axis, we will create innovations that make the most of Terumo's technological strengths in the markets on which we focus. This will provide a framework for the companies to encourage innovation based on their businesses while simultaneously allowing corporate to further undertake development and manufacturing from a mediumto long-term perspective.

Drive Projects through Technology CoE and Differentiation through Technological Capabilities



Note: The contents and assignments of projects are only for illustration purposes.

Terumo Aims toward Digital Transformation in Healthcare

In April 2021, Terumo created a DX Promotion Department. Needless to say, this is a new organization that will take the lead in creating innovation in the Digital area, the second of our three "D"s. Turning our eye to technologies from outside of Terumo, we have begun to select certain specific themes, including Al-based image analysis, predictive analysis, remote monitoring, data interoperability, health technology, robotics, and mobility. At the same time, digitalization is growing in-house in our existing businesses, and more than a few of our people have made attempts to fuse medicine with digital technologies. Another of the roles of the DX Promotion Department is to provide support by networking these people together. At the corporate level, too, we are supporting these efforts by offering intensive training at our DX college, hiring in overseas markets, and matching the right talent to the right job globally through skill matching.

X

Social Value Creation

Creating New Medical Value by Combining Terumo Strengths with Advanced Technologies



- Broad business domain and customer contact
- Medical device manufacturing technologies and capabilities
- Regulatory compliance and reliability assurance system
- Service capabilities including training
- Precision processing, materials, and sensing technologies





Partners

- Al-based image and predictive analytics
- Remote monitoring with wearable devices
- Robust cloud infrastructure and applications
- Data interoperability between different systems
- Health tech, robotics, mobility, etc.







R&D Division

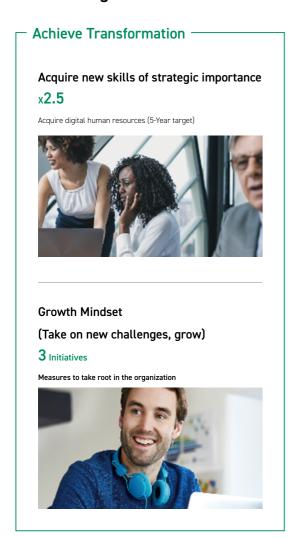


Maximizing the Potential of Human Resources

To drive innovation and reform, it is crucial to have personnel who not only acquire the skills that are of great strategic importance like those connected to digital transformation but also take on new challenges and grow. Toward that end, we are working to disseminate an "everyone can grow" growth mindset. Associates working at Terumo take pride in our mission of contributing to society through healthcare, and find great satisfaction in doing jobs that allow them to really feel this. It is also important that their performance be carefully evaluated and that they are provided with opportunities for further growth. Already Terumo generates around 70% of sales outside Japan and 80% of its employees are overseas, so having global management talent is extremely important when it comes to promoting our business.

In our Global Leader Development Program, we have regular discussions among the top management team to visualize and promote the use of our human resources across the organization. Furthermore, Terumo also includes organizations that have joined it through mergers and acquisitions. Hence, Terumo is a diverse organization with associates from various backgrounds and with different attributes. It is important that all of our human resources be able to thrive in their own ways, and that they have the support of an organization that does not undermine their creativity. We will also firmly promote initiatives to strengthen that environment.

For Maximizing the Potential of Human Resources





Strengthen corporate foundation

Strengthening business foundations—our fourth "arrow"—can be said to be the most important initiative when it comes to increasing corporate value in the future. The message from the CAFO has explained the company-wide revenue improvement projects that are part of this. Here, we will discuss the optimization of global production.

Social Value Creation

The first key phrase to keep in mind is reinforce the tripolar production system. The tripolar system seeks to consolidate the production bases for three different regions: Japan, where the mother factories are concentrated; Costa Rica, with its eye on North America, our largest market; and Vietnam, which serves as a base for the APAC region. It is meant to build the optimal production system for global supply.

In Costa Rica, in addition to the neurovascular business that has already proved itself, production for the Blood and Cell Technologies Company has begun. Furthermore, it is also gradually expanding into other businesses. In Vietnam, our production base is already in operation for our TIS Division and for the Blood and Cell Technologies Company. All of this makes it possible to strongly drive cost efficiency, and also has its sights set on promoting sustainability such as reducing CO_2 emissions. Costa Rica is also rich in water resources as a resource for supplying electric power, while the TIS Division base in Vietnam quickly began installing equipment capable of using solar energy.

The second key phrase is "Promote production innovation," which leads to gaining a competitive edge. At our global production bases, we are proactively introducing automation, labor saving, and digitalization obtained through Japanese production technology. This is one link in creating synergies that transcend the boundaries of the companies that are main players in our businesses, and is also an activity that creates cross-connections among many technologies and personnel. This, we think, will also lead to reinforcing our mutual complementarity functions for emergencies.

Optimize Global Production

- Strengthen global production network
- —Strategically leverage low-cost production locations for efficient and stable supply to major markets
- —Site selection criteria that includes addressing inflation of transportation costs and reduction of CO₂ emissions
- Promote production innovation
- $-\mbox{\rm Drive}$ automation, lean production, and digitalization
- Leverage the core competencies of quality and efficient offshore production methods established in concert by our Japan and APAC factories
- —Leverage wealth of expertise across the group, and strengthen redundancies to ensure business continuity

Mother plant production sites

Japan

Strategic production sites in APAC Vietnam Strategic production sites in North America Costa Rica

20 Terumo Report 2022 2