



Terumo Report 2022

Group Mission

Contributing to Society through Healthcare

We contribute to society by providing valued products and services in the healthcare market and by responding to the needs of patients and healthcare professionals.

Core Values

Respect — Appreciative of others

We show respect and appreciation toward associates, customers, and business partners.

We value individuality and diverse cultures, and listen widely and carefully to different opinions and the voice of society.

Integrity — Guided by our mission

As associates of Terumo Group, responsible for life and health, we always act with sincerity and a sense of mission.

Through our daily efforts, we build trust among all stakeholders.

Care — Empathetic to patients

We are mindful that everything we do ultimately connects us to patients.

We strive to understand healthcare providers deeply and work together with them to give patients a better future.

Quality — Committed to excellence

To ensure safety and reliability in healthcare, we view each issue from a “gemba” perspective in order to find the optimal solution.

As well as product quality, we pursue excellence in all we do, from product supply to customer care.

Creativity — Striving for innovation

We promote a mindset that embraces challenge for the future, and work with curiosity and passion.

We respond to the needs of “gemba” by delivering products and services that create meaningful value in a timely manner.

* Terumo uses the term “associates” to refer to our employees, emphasizing the idea of employees as partners with whom we work together.

Terumo's Value Creation

	Group Mission / Core Values
4	Message from the President and CEO
10	Value Creation Process

5-year Growth Strategy (GS26)

12	5-year growth strategy with a 10-Year Vision (FY2022-2026)
15	Message from the CAFO
18	Accelerated Innovation under GS26 and the Strengthening of Business Foundations

Social Value Creation

22	Financial and Non-financial Highlights
24	At a Glance
26	Strategies by Company
26	Cardiac and Vascular Company
32	Medical Care Solutions Company
38	Blood and Cell Technologies Company

Corporate Governance

44	Dialogue between the Chairman of the Board and an Independent Director
----	--

Data Section

48	Directors, Audit and Supervisory Committee Members, and Executive Officers
51	Dialogue with Shareholders and Investors
52	Risk Management
55	Terumo's Intellectual Property
56	Ten-Year Financial Summary
58	Financial Review
60	Consolidated Financial Statements
66	Corporate Information

* For more details about the framework and governance that underpin Terumo's creation of value for society, see the Terumo Report 2022 ESG Section.

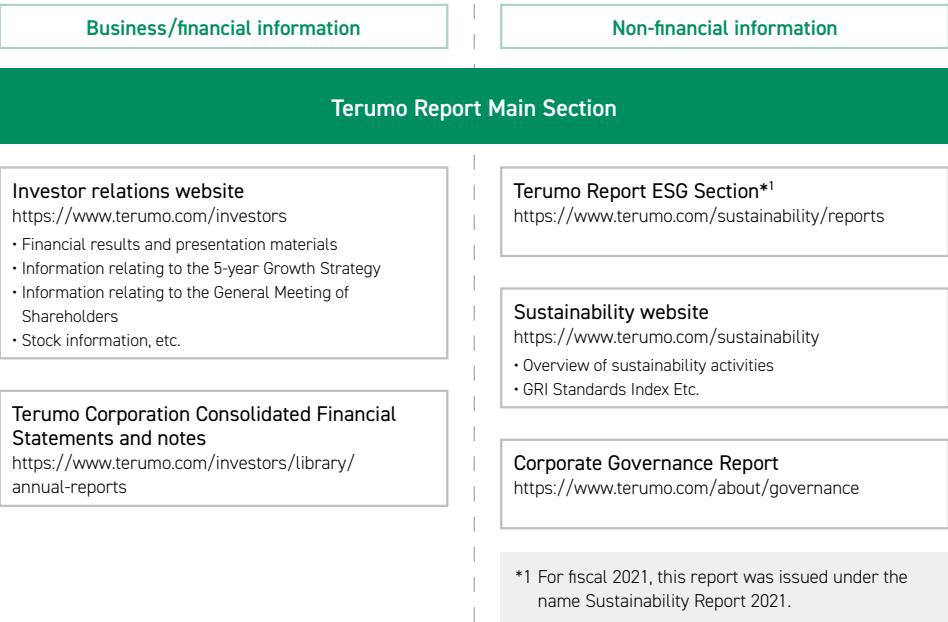
Editorial Policy

Terumo prepares communication tools to provide stakeholders with straightforward reporting on the business activities it is pursuing in fulfillment of its Group mission—"Contributing to Society through Healthcare"—and to promote communication with society.

In the Terumo Report Main Section, we present a concise summary of both financial and non-financial information, including, from a medium- to long-term perspective, the strengths of our company's businesses and the main strategies being implemented in each business, reporting on performance, our medium- to long-term growth strategy, and key initiatives relating to creating social value (CSV) and environmental, social and corporate governance (ESG). In the Terumo Report ESG Section, we present, in a comprehensive manner, our ESG initiatives, which serve as the foundation underpinning Terumo's provision of value to society by addressing healthcare issues, together with related data.

In combination, the Terumo Report Main Section and Terumo Report ESG Section represent our integrated report.

Information Disclosure System



Coverage

Report coverage includes, in principle, those elements of the global Terumo Group falling within the scope of consolidated earnings statements. When the scope differs from that described above, notification will be provided.

Covered Period

The covered period is fiscal 2021 (April 1, 2021-March 31, 2022), but some activities conducted in and after April 2022 are also included.

Adoption of International Financial Reporting Standards

Beginning with its financial results announcement for fiscal 2017, the Company has adopted International Financial Reporting Standards (IFRS) with the goal of making its financial information more easily comparable to that of companies around the world and to improve management accuracy and strengthen corporate governance through the global application of uniform rules.

Cautionary Statement Regarding Forward-looking Statements

Forward-looking statements in this report, including financial projections, are based upon assumptions using information available at the time and are not intended to be a guarantee of future events or performance. Accordingly, it should be noted that actual results may differ from forecasts and projections due to various factors. Factors affecting actual results include, but are not limited to, changes in the economic conditions surrounding Terumo, fluctuations in foreign exchange rates, and the state of competition. Information on market share in this report is partly derived from our own independent research. Information about products (including products currently in development) included in this report is not intended to constitute advertising or medical advice.

Advancing sustainability management aimed at balancing the realization of a sustainable society with sustained growth for the Terumo Group



Shinjiro Sato
President and CEO

Q1

The impact of the COVID-19 pandemic continued in fiscal 2021. What is your review of the past fiscal year?

In terms of performance, revenues reached a record high as demand, which had declined due to the impact of COVID-19, began to recover and sales increased in all regions. Despite the effects of inflation and a temporary slowdown in production at some factories, adjusted operating profit ended the year with double-digit growth, due in part to the contribution of exchange rates.

Fiscal 2021 was the final year of our previous Medium- to Long-term Growth Strategy. Thanks to our efforts to achieve our vision of being a global company with unique excellence, overseas sales accounted for more than 70% of total revenue last fiscal year. Our strength lies in our quality, which is an assurance of safety and security, and that quality has gained us the strong support of people around the world. This is the ultimate underlying factor that will allow our company to distinguish itself even into the future, and quality is something we will continue to pursue. Unfortunately, due in part to the impact of COVID-19, we were unable to meet some of our management targets. We should also reflect on the fact that our business infrastructure was too vulnerable to support strong growth. That said, however, our three companies all enjoy positive business fundamentals, and are each showing steady signs of new growth. Our commitment to balanced, sustained growth will be carried over under our new five-year growth strategy.

Over the more than two years of the COVID-19 pandemic, Terumo has significantly strengthened its ability to resist and respond to such global events, and I believe that overall, we have been successful in minimizing the impact of COVID-19. We put in place a crisis management system from the earliest stages, engaging in adaptable, flexible front-line management while also strengthening financial controls from a company-wide perspective. In a crisis such as this, a stable supply of medical equipment takes on enormous social significance. Terumo was able to make diverse, proactive medical contributions while working with national governments and striving to ensure the safety of our associates. For example, Terumo has a large share of the ECMO market in Japan, and ECMO played a significant role in medical settings as a last resort for severely compromised COVID-19 patients. In December of last year, Terumo was recognized by the Japanese government for its ongoing actions to develop, commercialize and promote the use of ECMO and for the company's contributions during the COVID-19 pandemic, and was awarded both the Japan Medical Research and Development Grand Prize and the Prime Minister's Award. Moving into the post-COVID-19 era, we will continue to build on the lessons of this pandemic, working with medical institutions to advance efforts in the areas of medical safety and infection control measures.

Q2

Fiscal 2021 also marked the 100th anniversary of the company's founding. What direction do you think Terumo should take heading into its next 100 years?

Looking back over that 100-year history, Terumo has always been in step with the evolution of healthcare. Over that time, we set out a Group mission of "Contributing to Society through Healthcare," and we have worked to address the needs of

each era by taking on entrenched social issues. As a result, today we deliver our products in more than 160 countries and regions around the world, and have grown into a global company with in excess of ¥700 billion in revenue.



Terumo is a company that, in the truest sense of the word, remains in step with healthcare. To ensure that Terumo continues to be a company that society can turn to over the next 100 years, it is essential that we provide patient-centric solutions to the new medical issues of the 21st century and become a useful presence in the evolution of healthcare going forward. Just 20 years into this new century, we are forced to recognize that medicine is at a true crossroads, and at a time when healthcare is undergoing major changes, our goal is to become a company that responds to society's needs with solidly reliable technology and knowledge.

Looking at society as a whole, balancing increasingly advanced healthcare with economic concerns is emerging as a significant theme. As we approach an era of 100-year lifespans, society faces a mountain of healthcare issues it needs to solve. Since the second half of the 20th century, striking progress in medical technology has led to the global spread of standardized medical treatments, allowing more and more patients' lives to be saved. In providing safe,

high-quality products, we have made a significant contribution to that progress. Still, that alone was not enough to solve the problem. As we are faced with an increasingly aged society, attention is now turning to quality of life, or QOL, throughout each individual patient's lifetime, an approach known as the "patient journey." The advent of new technologies in recent years is making it increasingly possible to optimize medical care, including management of prevention and prognosis, across a lengthy timeframe. We are seeing the arrival of an era in which a combination of products, services and data can take us beyond simple one-time healthcare impacts and allow us to aim for improving the long-term QOL of each individual.

Terumo's mission is to develop new medical systems and realize individualized medicine in developed countries, while also building a framework in which anyone can receive safe, minimally invasive treatment in regions where standardized healthcare is not yet sufficiently widespread. We are eager to take on the greater challenge of pioneering on the frontiers of medicine.

Q3

Last year you announced “GS26,” your new five-year growth strategy. What are your aspirations for this strategy, and what has the response been like?

Coinciding with Terumo's 100th anniversary, GS26 reflects our awareness that this represents a literal strategic turning point. Terumo is committed to achieving strong growth over the next five years, beginning this fiscal year, while changing to a new growth model that addresses the coming paradigm shift in healthcare. This is why we have defined our vision for GS26 as a shift in focus from devices to solutions. While devices will continue to be core products for Terumo, we are entering an age in which devices alone will not be enough to solve the healthcare issues of the 21st century. Terumo would like to engage more proactively with medical professionals, pharmaceutical companies and other business partners, as well as the entire healthcare ecosystem, to discover and redefi ne issues relative to our customers and their patients, and to become a company capable of proposing complex solutions.

One specific example of a complex solution is our entry into the source plasma collection business. With the increasing need for plasma-derived therapies, Terumo is working with partner companies to streamline the collection process and improve quality. In March 2022, Rika, a device that was under development, obtained clearance from the FDA. With the ability to reduce the average plasma collection time to 35 minutes or less with a volume of 200 milliliters or less outside

the donor's body, the system is expected to reduce the burden on both donors undergoing plasma collection and healthcare workers performing the procedure. In addition to deploying Rika at plasma collection centers, Terumo will contribute to the entire source plasma collection ecosystem by providing comprehensive solutions that include the development of IT platforms and on-site support, including training.

When we announced GS26, we may have over-emphasized our vision of shifting from devices to solutions, since there were questions asking if Terumo was going to switch all of its businesses to a service model. That is not the case. While continuing to be based on manufacturing, GS26 reflects our commitment to doing an even better job of solving customer issues. The integration of digital technology is essential in doing so. Healthcare is in the midst of a major change, and with a paradigm shift emerging in the medical field, GS26 will enable us to take on an even greater number of business opportunities. With our source plasma collection system as a first step, our stakeholders are looking forward to seeing the emergence of other concepts for complex solutions going forward. We will continue to make steady progress toward our next 100 years.

Q4

What can you tell us about your efforts to build more sophisticated management?

First is the introduction of a new officer system. Global management needs to evolve to a higher level if we are to achieve

value creation on par with global competitors. We have thus newly positioned our executive officers, those responsible

for discussing management of the Terumo Group as a whole across the organizational frameworks of businesses and regions, as Group Executive Officers.

Second is the further promotion of sustainability management. Terumo has recently established the Terumo Group Sustainability Policy, and we have revised some of our sustainability priorities in accordance with this policy. The global spread of COVID-19 has highlighted the need for a sustainable healthcare system. In addition, advances in technology and rising environmental risks such as climate change are

accelerating a paradigm shift across society as a whole. Social demands for more proactive corporate involvement in solving these increasingly complex social issues are also growing quickly, and the Terumo Group itself will require guidelines for engaging in sustainability actions from a more long-term, management-focused perspective. We aim to achieve both a sustainable society and sustainable growth for the Terumo Group while listening to a broad range of feedback from patients, healthcare professionals and our stakeholders.

Q5

What initiatives do you have planned for fiscal 2022?

Tectonic shifts are occurring on a global scale with regards to the current state of society. Even with the global economy still not fully recovered from the pandemic, market risks are rapidly increasing with Russia's invasion of Ukraine and with changes in monetary policy in countries around the world. Due to soaring energy and raw material prices, conditions surrounding our company also remain unpredictable. This fiscal year, the Terumo Group will focus management on rigorous control of financial risks, while also ensuring we leave nothing to chance in our global operations.

The five priorities for this fiscal year are as follows:

- (1) Launching GS26; the initial sprint
- (2) Developing more advanced global operations
- (3) Evolving solutions
- (4) Advancing a global human resources strategy
- (5) Accelerating advancements in DX

In developing more advanced global operations, this year production began at three new factories in Costa Rica as part of our global production strategy. Located in the southern part of Central America, Costa Rica is home to a cluster of medical device manufacturers and derives 95% of its electric power from renewable energy—primarily hydropower—making it an environmentally advanced country as well. We also consider it a key component of the value chain essential for sustainable growth in the Americas, due to its close proximity to the U.S. and minimal time zone differences. Our associates there already number more than 3,000, and going forward, we will work to ensure stable supplies by boosting production capacity for those product groups where future growth is expected.

In addition, accelerating advancements in DX is seen as a common issue for the entire Group, and is being intensively studied on a company-wide basis. The use of digital technology is essential in terms of individualized medicine, data-driven improvements in efficiency and, more importantly, the optimization of diagnosis and treatment. We wish to accelerate the development of digital solutions that will encourage an evolution of the healthcare system.

Q5

In closing, what would you like to say to your stakeholders?

On the occasion of Terumo's 100th anniversary, we have put down in writing our Purpose, which shows our long-term direction based on our Group mission.

**Advancing Healthcare and
Enhancing Patients' Quality of Life**

Terumo advances healthcare based on reliable quality and technology developed with deep insight of the medical environment.

Through these efforts, we contribute to saving the lives of patients, reducing their difficulties, and helping them lead a better life.

Going forward, Terumo remains committed to achieving sustainable growth in a manner that is consistent with this Purpose and in harmony with society.

I would like to ask our stakeholders for their ongoing support and understanding as we move forward with this pursuit.

December 2022

President and CEO



We contribute to society by providing valued products and services in the healthcare market and by responding to the needs of patients and healthcare professionals.

Group Mission

Contributing to Society through Healthcare

Core Values: Respect, Integrity, Care, Quality, Creativity
Terumo Group Code of Conduct

Terumo's Strengths

Corporate Activities

Social value creation

■ Cardiac and Vascular Company

- Contributing toward early discharge and reduced complications, in response to the growing need for healthcare to be more cost-effective
- Full-scale expansion of the therapeutic product pipeline in growth markets

■ Medical Care Solutions Company

- Providing patient-focused value that covers every aspect of care, not only in hospitals but also in the home
- Accelerating global expansion as the domestic market reaches maturity
- Providing solutions for pharmaceuticals manufacturers to maximize the value provided by their drugs
- Responding to market competition from low-priced products with proposals that provide value through new solutions

■ Blood and Cell Technologies Company

- Responding to changes in the market, such as the commercialization of cellular therapy products and an unstable blood supply, by building a presence in cell therapy processes and by providing innovative systems and services
- Responding to competitors' actions, such as the optimization of their portfolios, by promoting a shift away from selling products toward selling solutions, developing high-value-added services and diversifying our portfolio

■ R&D / M&A

- Accelerate innovation by strategically and consistently combining short-, medium-, and long-term internal R&D with M&A and startup investments

■ Digital transformation

- Providing comprehensive care and solutions to support the patient journey

■ Corporate

- Implementation of a company-wide revenue improvement project (aiming to increase profitability by at least 2 percentage points by FY2026)
- Focusing on the four key areas of production, procurement, logistics and management, and working to optimize these across the board on a global scale
- Optimizing global production

Foundation supporting social value creation

■ Human resource strategy

- Realizing change: Securing strategically important new skills, and adopting a growth mindset
- Realizing global management: Cultivating global leadership talent, and making effective use of diverse human resources

■ Total quality (ensuring safety and quality)

- Ensuring the quality, safety and stable supply of products and services
- Sustainable supply chain management
- Promoting safety measures for the working environment

■ Reducing the burden on the environment

- Initiatives to realize carbon neutrality
- Effective use of resources

■ Human rights

- Signing up to the United Nations Global Compact
- Formulation of the Terumo Group Human Rights Policy

■ Compliance

- Terumo Group Code of Conduct

Governance

Selected as a Winner Company in the Corporate Governance of the Year® 2020 awards organized by the Japan Association of Corporate Directors

[See the ESG section on P. 41 of the Terumo Report 2022](#)

Capital Invested

Financial capital

- Stable financial situation -----AA-
Credit rating
(rated by Rating and Investment Information, Inc.)

Manufactured capital

- Global production network -----32 production locations
(8 production locations in Japan and 24 outside Japan)
- Overseas production ratio -----58.3%
- Capital Expenditure -----¥69.2 billion
- Cross-company and cross-business production collaboration

Intellectual capital

- Research and development expenses -----¥51.8 billion
- Global R&D network
- Utilization of Terumo Medical Pranex, and provision of various types of training
- Patents held -----8,380
(inc. Overseas Subsidiaries)

Social and relationship capital

- Trust and a strong brand, built up over a period of a century in which Terumo has developed alongside Japan's healthcare providers
- Open innovation initiatives
- Communication with stakeholders

Human capital

- Terumo Group associates -----28,294
- Percentage of female managers -----8.4%
- Promotion rate of female managers -----11.8%
- Percentage of eligible male employees taking childcare leave -----54.9%
- Appointment of an CXO to strengthen global management infrastructure

* Unless noted otherwise, data is for FY2021 or the end of FY2021.

Outputs

Five-year Growth Strategy—Objectives

Realize sales growth that is superior to the market average growth rate, while also strengthening our revenue structure and aiming to shift to a new growth model to help bring about a paradigm shift in healthcare

Growth

- Revenue growth rate -----
Realize high **single-digit** growth (5-year average)

Profitability

- Operating margin -----
Achieve a margin of **20%** or higher (in 5 years)

Capital efficiency

- ROIC -----
Achieve a ratio of **10%** or higher (in 5 years)
- ROE -----
Maintain **10%** or higher

Cash allocation

- Operating cash flow -----
FY2022-2026 **¥800-900 billion**

+
Financing
↓

- Capital investment -----**¥430-480 billion**
- Dividend -----**¥130-180 billion**
- Acquisitions, shareholder returns, etc.

Sustainability-focused management: CSV

- Promote medical technologies and services and improve access to healthcare

- Further adoption of the radial procedure
Ratio of radial procedure (FY2026)

- TRI -----
At least **70%**
- R2P -----
At least **20%**
- RAVI -----
At least **20%**
- Neuro -----
10%

- Providing healthcare that is closely aligned with each individual

- Co-creating a sustainable healthcare system

[P. 14](#)

Sustainability-focused management: ESG

- CO₂ emissions
FY2030 -----**50% reduction**
FY2040 -----**Carbon neutrality**

- No. of major out-of-stock events: Zero

- No. of major issues noted by regulatory authorities: Zero

[P. 14](#)

Medium- to Long-term Vision

From Devices to Solutions

Focus in solutions: the 3Ds

Delivery

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

- Aiming for a world with 100% adoption of minimally invasive treatments

Digital

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

- Aiming to raise the treatment completion rate for chronic diseases to 100% through the effective utilization of digital technology

Deviceuticals™

Maximize drug effectiveness through innovative devices

- Accelerating the evolution of combination products through delivery technology innovation, with the aim of raising the share of total sales held by combination products that integrate pharmaceuticals with devices to at least 50%

Outcome

Solving problems of medical settings

- 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 diseases, cancer, etc.
 - Overcoming deterioration of body functions
- Personalized care that accompanies the patient journey

Healthcare paradigm shift that Terumo is focusing on

Changing disease patterns

- Learning to coexist with chronic diseases, the prevalence of which is increasingly rapidly due to rising global living standards and the emergence of a hyper-aging society in the developed nations

- Combating the decline in organ function and other bodily functions that accompanies aging

Changing timescale

- Improving of long-term QOL
- Prevention and prognosis monitoring
- Personalized disease management (Patient Journey)

Changes in technology

- Increasing adoption of biopharmaceuticals, regenerative medicine, cell and gene therapies
- Wide adoption of personalized medicine through evolution of genomic medicine and AI