Strategic Overview

Cardiac and Vascular Company

Realizing minimally invasive treatments through endovascular interventions for various parts of the body and in cardiovascular surgery

Main Products

TIS Division (Terumo Interventional Systems)
Angiographic guidewires, angiographic catheters, introducer sheaths, vascular closure devices, PTCA balloon catheters, drug-eluting stents (DES), peripheral stents, intravascular ultrasound (IVUS) systems, and other products

Neurovascular Division (MicroVention)
Hydrogel embolic coils, flow diverters, aspiration catheters, clot retriever devices, and other products

Cardiovascular Division (Terumo Cardiovascular)
Hollow fiber oxygenators with integrated arterial filter, heart-lung machines, and other products

Vascular Graft Division (Terumo Aortic)
Surgical grafts, stent grafts

General Hospital Company

Through unique technologies and services, improving safety and efficiency in medical settings, while raising patient quality of life and innovating drug delivery

Main Products

Hospital Systems Division
Infusion pumps, syringe pumps, infusion sets, syringes, IV solutions, analgesics, nutrients, sprayable adhesion barrier gels, blood glucose monitoring systems, blood pressure monitors, thermometers, and other products

Alliance Division
Contract manufacturing of pre-filled syringes, products for pharmaceutical companies (prefillable syringes, needles for drug kit), and other products

Blood and Cell Technologies Company (Terumo Blood and Cell)

We unlock the potential of blood and cells with unique technologies helping to ensure the stable supply of advanced therapies and products to support patient lives and contribute to healthcare infrastructure

Main Products

Blood bags, component collection systems, automated blood processing systems, pathogen reduction systems, centrifugal apheresis systems, cell expansion systems, and other products

Revenue by Company / Percentage of Revenue (FY2019)

Cardiac and Vascular Company
¥350.6 billion  
56%

General Hospital Company
¥171.0 billion  
27%

Blood and Cell Technologies Company
¥107.2 billion  
17%

Targets and Fiscal 2019 Performance by Company
**Targets and Fiscal 2019 Performance**

**Revenue (¥ billion)**

- **Cardiac and Vascular Company**
  - 2018: ¥107.2 billion
  - 2019: ¥110.2 billion
  - 2021 (FY): ¥117.0 billion
  - Growth: +2.1%

- **Terumo Blood and Cell Technologies Company**
  - 2018: ¥14.9 billion
  - 2019: ¥15.7 billion
  - 2021 (FY): ¥15.1 billion
  - Growth: +4.0%

**Adjusted Operating Profit/Adjusted Operating Margin (¥ billion)**

- **Cardiac and Vascular Company**
  - 2018: Adjusted operating profit: ¥26.8 billion, Adjusted operating margin: 16.2%
  - 2019: Adjusted operating profit: ¥25.2 billion, Adjusted operating margin: 14.8%
  - Growth: -5.9%

- **Terumo Blood and Cell Technologies Company**
  - 2018: Adjusted operating profit: ¥15.7 billion, Adjusted operating margin: 14.9%
  - 2019: Adjusted operating profit: ¥15.1 billion, Adjusted operating margin: 14.0%
  - Growth: -4.0%

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**Targets of Mid- to Long-term Strategy**

**Revenue**

- **Cardiac and Vascular Company**
  - Realize growth that drives Groupwide growth; near double-digit growth

- **Terumo Blood and Cell Technologies Company**
  - Achieve profit growth that outpaces revenue growth; double-digit growth, maintain adjusted operating margin of 25% or above

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**Technologies**

**Targets and Fiscal 2019 Performance**

**Revenue (¥ billion)**

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  - Growth: -4.0%

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**Targets of Mid- to Long-term Strategy**

**Revenue**

- **Cardiac and Vascular Company**
  - Shift gears to enhance revenue and achieve sustainable growth; mid-single-digit growth

- **Terumo Blood and Cell Technologies Company**
  - Achieve profit growth that outpaces revenue growth; high-single-digit growth, improve adjusted operating margin 2 to 3 percentage points
I assumed the position of chief accounting and financial officer (CAFO) in April 2019. Terumo currently has operations in more than 160 countries and regions worldwide, with over 100 consolidated subsidiaries, including overseas subsidiaries welcomed into the Group via M&A activities. Given this global scale, the Company established the position of CAFO in fiscal 2015 to strengthen accounting and financial functions on a worldwide basis. Meanwhile, the global COVID-19 pandemic is causing unprecedented change in the Terumo Group’s operating environment, making for an increasingly opaque outlook. Even under these extreme circumstances, we recognize that healthcare must not be stopped. We, therefore, are doing everything in our power to ensure a stable supply of the products needed to support healthcare. In terms of finances, my role is to pursue ongoing improvements in profitability based on our current situation and support the implementation of management strategies from a medium- to long-term perspective.

Financial Strategies of Mid- to Long-term Growth Strategy

Terumo defines its mid- to long-term vision as to become recognized as a top global brand by healthcare professionals around the world while “being a global corporation with unique excellence.” By accomplishing this vision, we will seek to achieve sustainable and profitable growth.

Meanwhile, the Mid- to Long-term Growth Strategy is a five-year strategy launched in fiscal 2017 that puts forth targets we are working toward with regard to growth, profitability, and efficiency.

As for our financial strategies, we aim to achieve increases in return on equity (ROE) and earnings per share (EPS). These increases are to be achieved through higher asset efficiency stemming from improvements to business operations, rises in corporate value fueled by growth investments that exceed capital costs, and the development of a capital composition that is ideal from the perspective of financial soundness.

Specifically, we will practice funding through an optimal balance of on-hand funds, borrowings, and bonds. This approach will be adopted to help the Company execute a cash allocation in appropriate balance between investments for sustainable growth and shareholder returns based on the Mid- to Long-term Growth Strategy and annual business plans. In terms of credit capability, we have achieved a high credit rating of AA- from Rating and Investment Information, Inc.

At the same time, we will pursue improved capital efficiency by developing a system in which the head office controls surplus funds within the Group via the implementation of Group cash management systems in bases in Europe, the Americas, and Asia, including China. The Group’s cash flows take the form of various currencies. By consolidating management of these cash flows within the head office, we will be able to adjust the balances of foreign currency-denominated assets and liabilities at individual bases. This ability can be used in order to mitigate foreign exchange rate fluctuation risks.

We have also recently been cutting back on holdings of shares in other companies for strategic purposes. On March 31, 2020, we held shares in 19 listed companies for such purposes, which represented 0.1% of total assets.

Important methods of improving ROE, meanwhile, include increasing profit margins, heightening asset efficiency, and utilizing financial leverage. Of these methods, increasing profit margins will be of the most importance over the medium-to-long term. Accordingly, we will be managing the earnings of the Cardiac and Vascular Company, the General Hospital Company, and the Blood

Management Indicators under Mid- to Long-term Growth Strategy

<table>
<thead>
<tr>
<th>Growth</th>
<th>Achieve revenue growth that outpaces market growth (high-single-digit revenue growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Realize profit* growth that outpaces revenue growth</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Maintain an adjusted ROE* of 10% or more</td>
</tr>
</tbody>
</table>

* Operating profit excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions
*1 ROE excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

Naoki Muto
Executive Officer
Chief Accounting and Financial Officer (CAFO)
and Cell Technologies Company on an individual-company basis while also enhancing Companywide portfolio management to achieve growth in a manner that does not overemphasize any one of these businesses. Terumo’s business portfolio is unique, which gives it a certain degree of risk resilience. The global COVID-19 pandemic served as a reminder of this resilience.

Terumo will also be looking to capitalize on promising investment targets, such as capital investment and M&A activities with the potential to contribute to higher profits over the medium-to-long term. For this purpose, the Investment Committee, which is comprised of representatives from specialized fields, sets hurdle rates that are based on weighted average cost of capital and then adjusted to reflect risks from uncertainty with regard to specific investment targets. These hurdle rates are reviewed on an annual basis. With the hurdle rate, we valuate investments through the use of net present value and the internal rate of return out of consideration for business strategies, the Mid- to Long-term Growth Strategy, and risk management from a Groupwide optimization perspective. Investments are only conducted if deemed appropriate through these evaluations.

Review of Fiscal 2019

In fiscal 2019, revenue totaled ¥628.9 billion, up 4.9% year on year; adjusted operating profit came to ¥125.0 billion, a rise of 2.3%; and operating profit was ¥110.6 billion, an increase of 3.7%. The figures for revenue and operating profit broke prior records, despite being partly affected by the COVID-19 pandemic.

Looking at specific in-house companies, the Cardiac and Vascular Company and the General Hospital Company made substantial contributions to consolidated performance, the former benefiting from year-on-year growth of nearly 20% in the strong-performing Neurovascular Division and the latter capturing growth in alliance businesses with pharmaceutical companies. The Blood and Cell Technologies Company, meanwhile, saw strong global growth in products for blood centers.

By region, revenue in Japan rose 4.2% year on year as double-digit growth in the pain management products and alliance businesses of the General Hospital Company drove overall performance in the region. Overseas, growth ranged from single digit to the double digits in the EMEA, Americas, China, and Asia and Others geographic segments when excluding the impacts of foreign exchange fluctuations.

As a result, ROE* was 12.4%, once again achieving the target of 10% or more set in the Mid- to Long-term Growth Strategy.

* ROE excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

Forecasts for Fiscal 2020

The situation surrounding the global COVID-19 pandemic is constantly changing. Fiscal 2020 began with the healthcare field facing a challenging environment in April and May 2020, a situation that heavily impacted Terumo’s performance. In June, however, elective procedures that had been postponed began to pick up, causing a gradual recovery in performance. At the moment, our forecasts for full-year performance in fiscal 2020 are as follows:

Fiscal 2020 Performance Forecasts

<table>
<thead>
<tr>
<th>(Millions of yen)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>600,000</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>103,000</td>
</tr>
<tr>
<td>Operating profit</td>
<td>85,000</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the parent</td>
<td>65,000</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses () represent year-on-year.

Meanwhile, we began utilizing a network centered on myself, as CAFO, and comprised of top accounting executives from bases across the globe in April 2020 to strengthen administrative management from the perspective of Companywide crisis control. Under normal circumstances, we employ a proactive operation structure through which we practice rigorous management of earnings and funds, confirm rolling earnings forecasts on short cycles, and draft and execute the necessary measures for securing profits.

As for our financial condition, we continue to conduct growth investments from a medium- to long-term perspective while investing in sustainable and profitable growth through M&A activities in a manner that was not much different from before the pandemic. This approach has been adopted based on the fact that we have been able to achieve sufficient on-hand liquidity from a short-term perspective through flexible funding measures and that we have maintained a sound financial position through the credit line expansion. At the same time, we are reviewing expenditure items to curtail those deemed not urgent.

Shareholder Returns

Terumo adheres to a basic dividend policy of steadily increasing dividend payments, targeting a medium- to long-term dividend payout ratio of 30%. For fiscal 2019, we decided to pay dividends of ¥28 per share, an increase of ¥1 per share over the previous fiscal year, making for the 10th consecutive year of higher dividends. For fiscal 2020, we are currently planning to issue dividend payments of ¥28 per share, the same as in fiscal 2019, out of consideration for the impacts of the global COVID-19 pandemic. Going forward, we will look at the possibility of resuming dividend increases if deemed feasible given the impacts of the pandemic.

Dividends Per Share and Dividend Payout Ratio

<table>
<thead>
<tr>
<th>(Yen)</th>
<th>(Guidance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share (left scale)</td>
<td>28.0</td>
</tr>
<tr>
<td>Dividend payout ratio (right scale)</td>
<td>32.5</td>
</tr>
</tbody>
</table>

Notes:
1. Full-year dividend amounts have been adjusted to represent the impacts of a prior stock split.
2. Figures for fiscal 2016 and prior are based on J-GAAP standards.
Cardiac and Vascular Company

### Revenue by Business/
#### Percentage of Revenue
- **Vascular Graft**
  - ¥20.3 billion
  - 6%
- **Cardiovascular**
  - ¥46.3 billion
  - 13%
- **Neurovascular**
  - ¥27.6 billion
  - 14%

### Revenue by Region/
#### Percentage of Revenue
- **Japan**
  - ¥12.3 billion
  - 11%
- **Asia and Others**
  - ¥25.3 billion
  - 24%
- **Americas**
  - ¥18.8 billion
  - 18%

### Revenue*
- **¥350.6 billion**
- **FY2019**

---

General Hospital Company

### Revenue by Business/
#### Percentage of Revenue
- **Alliance**
  - ¥23.7 billion
  - 14%
- **Hospital Systems**
  - ¥147.3 billion
  - 86%

### Revenue by Region/
#### Percentage of Revenue
- **Japan**
  - ¥132.9 billion
  - 78%
- **Asia and Others**
  - ¥25.3 billion
  - 24%
- **Americas**
  - ¥9.1 billion
  - 5%

### Revenue*
- **¥171.0 billion**
- **FY2019**

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Blood and Cell Technologies Company (Terumo Blood and Cell Technologies)

### Revenue by Business/
#### Percentage of Revenue
- **Cell Therapy Technologies**
  - ¥7.7 billion
  - 7%
- **Therapeutic Solutions**
  - ¥350.6 billion
  - 29%

### Revenue by Region/
#### Percentage of Revenue
- **Asia and Others**
  - ¥25.3 billion
  - 24%
- **EMEA**
  - ¥18.8 billion
  - 24%
- **Americas**
  - ¥17.9 billion
  - 24%

### Revenue*
- **¥107.2 billion**
- **FY2019**

---

<table>
<thead>
<tr>
<th>Year</th>
<th>JGAAP (¥ billion)</th>
<th>IFRS (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>171.0</td>
<td>107.2</td>
</tr>
<tr>
<td>2016</td>
<td>161.4</td>
<td>105.0</td>
</tr>
<tr>
<td>2017</td>
<td>158.8</td>
<td>94.5</td>
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<tr>
<td>2018</td>
<td>165.8</td>
<td>104.7</td>
</tr>
<tr>
<td>2019</td>
<td>171.0</td>
<td>107.2</td>
</tr>
</tbody>
</table>

* “Net sales” under JGAAP
Adjusted Operating Profit/Adjusted Operating Margin

Revenue by Business Segment and Region

<table>
<thead>
<tr>
<th>Segment</th>
<th>Japan</th>
<th>Americas</th>
<th>EMEA</th>
<th>Asia and Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIS</td>
<td>34.0</td>
<td>92.6</td>
<td>56.4</td>
<td>53.4</td>
<td>236.3</td>
</tr>
<tr>
<td>Neurovascular</td>
<td>4.0</td>
<td>16.9</td>
<td>13.7</td>
<td>13.0</td>
<td>47.6</td>
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<tr>
<td>Cardiovascular</td>
<td>10.3</td>
<td>23.5</td>
<td>6.0</td>
<td>6.5</td>
<td>46.3</td>
</tr>
<tr>
<td>Vascular Graft</td>
<td>2.6</td>
<td>5.4</td>
<td>10.2</td>
<td>2.1</td>
<td>20.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>50.9</td>
<td>138.4</td>
<td>86.2</td>
<td>75.0</td>
<td>350.6</td>
</tr>
</tbody>
</table>

Adjusted Operating Profit/Adjusted Operating Margin

Revenue by Business Segment and Region

<table>
<thead>
<tr>
<th>Segment</th>
<th>Japan</th>
<th>Americas</th>
<th>EMEA</th>
<th>Asia and Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Systems</td>
<td>117.9</td>
<td>7.2</td>
<td>3.3</td>
<td>18.9</td>
<td>147.3</td>
</tr>
<tr>
<td>Alliance</td>
<td>15.0</td>
<td>1.9</td>
<td>6.0</td>
<td>0.8</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>132.9</td>
<td>9.1</td>
<td>9.3</td>
<td>19.7</td>
<td>171.0</td>
</tr>
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Adjusted Operating Profit/Adjusted Operating Margin

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<th>EMEA</th>
<th>Asia and Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood Center Solutions</td>
<td>11.8</td>
<td>25.4</td>
<td>19.7</td>
<td>21.3</td>
<td>78.2</td>
</tr>
<tr>
<td>Therapeutic Solutions</td>
<td>0.5</td>
<td>12.0</td>
<td>5.2</td>
<td>3.5</td>
<td>21.2</td>
</tr>
<tr>
<td>Cell Therapy Technologies</td>
<td>0.1</td>
<td>6.5</td>
<td>0.7</td>
<td>0.5</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12.3</td>
<td>44.0</td>
<td>25.6</td>
<td>25.3</td>
<td>107.2</td>
</tr>
</tbody>
</table>
Cardiac and Vascular Company

Mid- to Long-term Vision and Targets

Vision

Gain recognition from medical professionals worldwide as a leading brand in the cardiac and vascular business field

Be one of the top three players in each market we participate in

Gain world-class trust from our customers through “Total Quality”

Targets

Revenue: Realize growth that drives Groupwide growth; near double-digit growth

Adjusted Operating Profit: Achieve profit growth that outpaces revenue growth; double-digit growth, maintain adjusted operating margin of 25% or above

By evolving its business into a growth engine that can guarantee success in the face of market volatility, the Cardiac and Vascular Company is taking on new challenges going forward while executing with discipline in enhancing its operations to provide new value.

Toshi Osada
Managing Executive Officer
President, Cardiac and Vascular Company
Operating Environment of the Cardiac and Vascular Company

Terumo Interventional Systems Division
- Continuously spreading trend toward minimally invasive treatments
- Intensification of competition as attention is increasingly turned toward medical cost efficiency
- Implementation of more rigorous regulations in various countries and regions as seen in the European Medical Device Regulation and the preferential treatment for domestic manufacturers and distribution network reforms in China
- Market slowdown in Europe, the Americas, and Japan contrasted by ongoing market growth in China, India, other parts of Asia, and Latin America

Neurovascular Division
- Solid global market growth centered on Europe, the Americas, Japan, and China
- Diversification of treatment options in cerebral aneurysm field following launch of new therapeutic devices by Terumo
- Growth of stroke market following establishment of treatment evidence regarding thrombectomy and revisions to treatment guidelines and accompanying intensification of competition

Cardiovascular Division
- Ongoing transition from surgical treatment to vascular intervention due to trend toward minimally invasive treatments in the market for cardiovascular surgery using heart-lung machines, while surgery cases continue to increase gradually as a result of ongoing rise in cardiovascular disease
- Growth rates in the extracorporeal membrane oxygenation system market outpacing the cardiovascular surgery market due to improvements in treatment outcomes

Vascular Graft Division
- Steady growth in endovascular*1 market with availability of smaller diameter stent graft systems and improved clinical results
- Continuous increase in aortic hybrid procedures*2 due to wider treatment options
- Ongoing need to treat patients with aortic disease in spite of low growth rates in surgical procedures compared with other treatment options

*1 Procedure that involves implanting a catheter-led stent graft
*2 Procedure that involves implanting a combined surgical and endovascular device
Strengths of the Cardiac and Vascular Company

Terumo Interventional Systems Division
- Minimally invasive treatments that reduce the physical and economic burden placed on patients
- Comprehensive access device solutions ranging from puncture to hemostasis
- Value creation capabilities for promoting proper product use and new treatment methods via training for medical professionals

Neurovascular Division
- Diverse lineup of neurovascular treatment devices
- Development capabilities for swiftly creating unique products
- Global clinical development and regulatory affairs systems for facilitating speedy and efficient acquisition of approval

Cardiovascular Division
- Brand reputation for reliable products underscored by No. 1 position in Japan, the United States, and Asia, and No. 2 position in the global market *1
- Product development and production capacities positioning Terumo as the sole manufacturer for in-house production of oxygenators from the fiber *2 phase
- Full lineup of hardware and disposable devices for perfusion
- Lineup combining perfusion products centered on oxygenators and surgeon products such as heart stabilizers *3

Vascular Graft Division
- Comprehensive portfolio of products to treat aortic disease
- Brand reputation as a company delivering innovative products (including custom-made products)
- Strong partnerships with key opinion leaders in the fields of cardiovascular and cardiothoracic surgery
- Global sales network
- Highly specialized clinical and regulatory affairs processes/teams in the growth markets of Europe, the United States, and Japan

Fiscal 2020 Priorities

Terumo Interventional Systems Division
In the access devices field, we will continue to promote comprehensive solutions ranging from puncture to hemostasis as the No. 1 access device provider in global. Meanwhile, we aim to contribute to improved patients’ quality of life and reduced healthcare costs for patients and healthcare institutions through the provision of transradial intervention (TRI) solutions, which enable approaches via the radial artery. The R2P (Radial to Peripheral) system, which allows approaches via the radial artery in the endovascular field, where approaches from the femoral artery are common, is a proprietary Terumo system that has been increased in use since it was launched in the United States and Japan in 2019.

Meanwhile, the microspheres of Quirem Medical B.V., which we announced the acquisition of in July 2020, are the only commercially available microspheres containing the radioactive isotope Holmium-166. It can be visualized and enables image diagnosis by MRI and so on. As it responds to unmet treatment needs with new technologies, the Terumo Interventional Systems Division will also

*1 Source: Terumo Corporation
*2 One of the materials used in oxygenators
*3 Devices that hold parts of the heart in place during general surgery
develop a product portfolio for offering wide-ranging support in the interventional oncology field to complement its micro catheters, for which it boasts the top global share.

**Neurovascular Division**

Overseas, in North America we will seek to expand usage of the WEB, an intrasaccular device launched in 2019, while introducing FRED, a new flow diverter.

In Japan, we will look to achieve further contributions to performance by launching four new products: FRED, a flow diverter; the Woven EndoBridge device, an intrasaccular device; CASPER, a carotid stent; and Tron FXII, a stentriever.

**Cardiovascular Division**

In addition to pursuing increased sales by promoting the CDI Continuous in-line Blood Parameter Monitoring System 550 and the CAPIOX NX19 oxygenator, both new perfusion products available around the world, we will introduce these products to other regions and launch the CAPIOX NX19 oxygenator in Japan. Meanwhile, we will enhance our product portfolio through the development of next-generation models of our existing products. Furthermore, we will work toward ongoing improvements in profitability through the optimization of production and product costs and enhancements to product development processes.

**Vascular Graft Division**

We will focus on three key areas that will enable us to shape the future of aortic treatment:

1. **Portfolio Development**—We will continue to penetrate new markets and deliver the most comprehensive device portfolio within the aortic space. In May 2020, the U.S. Food and Drug Administration approved the TREO abdominal stent graft system, and we are now in the process of a phased commercial launch in the United States.

2. **Personalized Solutions**—Our goal is to complement our standard product offerings with custom solutions designed to treat complex aortic pathologies. Enhanced marketing and physician training with custom products for the Fenestrated Anaconda abdominal aortic stent graft, the Relay Branch thoracic stent graft, and the Thoraflex Hybrid graft product lines will expand our treatable patient population.

3. **Digital Transformation**—We are in the early stages of transitioning from an implantable device company to an integrated solutions provider. This year, we will focus on developing our ecosystem by delivering devices, applications, and high-value-added services to further complement our implantable device portfolio.

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**Impacts of the Global COVID-19 Pandemic**

**Operating Environment Changes**

- Reductions in numbers of therapy cases due to postponement of elective procedures as treatment of COVID-19 patients is prioritized, lower disease detection numbers because of delays in periodic examination, and decreases in cardiac surgery due to efforts to secure intensive care units and prevent infections
- Delays in introduction of new products at healthcare institutions due to postponement of training and hands-on trials required at time of introduction
- Changes in nature of communication and rising expectations for development of new approaches toward information provision and marketing activities

**Contributions against COVID-19**

- Increase in number of cases using extracorporeal membrane oxygenation system to treat acute respiratory failure that resulted from COVID-19
- Rising demand for TRI, hemostasis devices, and other solutions that help shorten hospital stays
The General Hospital Company will generate strong growth momentum by utilizing our distinctive technologies and expertise to address the diversifying issues seen in medical settings.

Hikaru Samejima
Managing Executive Officer
President, General Hospital Company

Mid- to Long-term Vision and Targets

**Vision**
Provide unique technologies and services to contribute to improvements in hospital care quality and efficiency as well as innovations in drug delivery

**Shift gears to enhance revenue and achieve sustainable growth**

**Targets**

- **Revenue**: Mid-single-digit growth
- **Adjusted Operating Profit**: Achieve profit growth that outpaces revenue growth; high-single-digit growth, improve adjusted operating margin 2 to 3 percentage points
**Operating Environment of the General Hospital Company**

- Ongoing growth of global medical market due to aging population and individuals suffering multiple diseases and chronic conditions
- Rising infection control awareness stimulated by global COVID-19 pandemic
- Development of digital, regenerative medicine, and other new technologies for prevention, diagnosis, and treatment
- Accelerated drug innovation as seen in shift to biopharmaceuticals and spread of immunotherapy
- Rising pressure to limit healthcare expenditures and lower prices around the world
- Acceleration of medical reforms through improvement of hospital efficiency, medical coordination and integration, and quantitative evaluation of values

**Strengths of the General Hospital Company**

- Development capabilities for and robust lineups of products that resolve issues faced in medical settings
- Services and training for promoting proper medical device use, medical safety, and infection control
- Mind-set and capabilities focused on high quality
- Track record and trust fostered through years of contributions to development and evolution of healthcare
Fiscal 2020 Priorities

Hospital Systems Division (For hospital market)

By contributing to healthcare quality and efficiency, we support the realization of sustainable healthcare systems.

Populations are aging, and that means more people require healthcare. It is also becoming more expensive to treat increasingly multiple diseases and chronic conditions in older populations. Meanwhile, the global COVID-19 pandemic is raising awareness regarding infection control. Providing sustainable medical care under these circumstances requires greater quality and efficiency.

The Hospital Systems Division is providing products and services that contribute to healthcare safety, operational efficiency, and early hospital discharges and higher quality of life to help develop and maintain healthcare systems for the sake of patients. In fiscal 2020, the Hospital Systems Division will focus on the following priorities

**Japan**

We will establish a healthcare platform by proposing comprehensive solutions utilizing our diverse product offerings.

- Promotion of digital health solutions such as automated recording, monitoring, and prescription data integration centered on the Smart Infusion System (smart pump) equipped with drug libraries that can be integrated with the IT systems of hospitals
- Provision of high-quality support through both products and services by bolstering our lineup of advanced infusion systems and enhancing our medical equipment maintenance systems
- Utilization of robust lineup of analgesics, sprayable adhesion barrier gels, condensed liquid nutrition, and other products for the perioperative period and oncology field to resolve issues pertaining to postoperative pain, complications, and adverse drug reactions
- Contribution to diabetes treatment by spreading use of Japan’s first insulin patch pump, an internally developed product, and continuous glucose monitoring system*1
- Enhancement of operating room and hospital room environments with ultraviolet irradiation robots and promotion of hand sanitization and other infection control measures through increased production of syringes for vaccines and the provision of various sanitization-related products and services

**Outside Japan**

We will proactively deploy initiatives in fields where we can leverage our strengths.

- Expansion of sales of advanced infusion systems, such as smart pumps, and promotion of digital health solutions centered on Asia
- Production of peritoneal dialysis solution through a joint business with WEGO Terumo (Weihai) Medical Products Co., Ltd., and expansion of sales through WEGO group company
- Acceleration of alliances with pharmaceutical companies for growing operations for disposable needles for pen-injectors on a global scale
- Commencement of promotion of hand sanitizer and other infection control products in Asia

*1 Introduced by U.S. company Dexcom, Inc.: sold only in Japan
Impacts of the Global COVID-19 Pandemic

Operating Environment Changes
- Limited examinations and reduced surgery numbers due to global COVID-19 pandemic
- Changes in nature of communication and rising expectations for development of new approaches toward information provision and marketing activities

Contributions against COVID-19
- Growing need for products, services, and training for helping infection control and increased opportunities for supplying these offerings
- Expansion of opportunities to propose new value for temperature measurement and management due to increased temperature management awareness
- Increasing vaccine demand, growing syringe supply, and rising expectations for convenient and effective new administration methods
- Rising level of sophistication in transfusion management practices in Europe and other overseas regions and increased opportunities to propose management practices centered on pumps

Alliance Division (For pharmaceutical market)

Utilizing unique technologies to add value to pharmaceuticals and contribute to better drug delivery.

The Alliance Division offers pharmaceutical companies new value by utilizing Terumo’s experience and expertise built through years of prefilled product manufacturing. We develop administration devices (including PLAJEX prefilled syringes, and needles for drug kit) made from materials tailored to each drug and provide contract manufacturing that leverages Terumo’s advanced manufacturing technology for drug-device combination products. In addition, we are moving ahead with initiatives to ensure the easy and effective administration of vaccines through intradermal injection devices. Through alliances with pharmaceutical companies, the Alliance Division provides a total solution, from clinical trial drug manufacture to full commercialization, contributing to safer and more certain delivery of the drugs patients need.

In fiscal 2020, the Alliance Division will accelerate its growth through the continuation of the following initiatives.

Japan
We will focus on leveraging material technologies and aseptic-filling technologies to win more contract development and manufacturing orders from pharmaceutical companies.

Outside Japan
We will concentrate efforts on increasing adoption of packaged pharmaceuticals, such as safety syringes engineered to prevent needle stick injury, and PLAJEX prefilled syringes.

Operations / Cost and Profit Management

The Company will utilize the strengths of individual factories to optimize production globally. We will support sales growth as well as profit improvement by conducting the investments necessary for realizing stable supplies, enhancing quality, and reducing costs over the medium-to-long term.
Blood and Cell Technologies Company

We are providing compelling and accessible innovations globally that unlock the power of blood and cells to improve patient outcomes and serve unmet medical needs.

Antoinette Gawin
Executive Officer
President, Blood and Cell Technologies Company
President and CEO, Terumo BCT Holding Corp.

Targets of Mid- to Long-term Growth Strategy

- **Revenue**: Return to growth; mid-single-digit growth
- **Adjusted Operating Profit**: Achieve profit growth that outpaces revenue growth; high-single-digit growth
Operating Environment of the Blood and Cell Technologies Company

- Pharmaceutical companies shifting focus on cell and gene therapy to building reliable manufacturing and supply capabilities
- Increased opportunities for the adoption of new therapies in response to unmet medical needs in the therapeutic apheresis market
- Rising demand for medical solutions that contribute to higher process efficiency and productivity in response to increasing healthcare expenditures stemming from aging population
- Development of precision medicine increasing demand for patient-specific medical information
- Implementation of more stringent regulations increasing the importance of clinical data and quality

Strengths of the Blood and Cell Technologies Company

- Sophisticated automated cellular and blood component manufacturing processes and data integration systems to deliver better treatment outcomes
- Innovation utilizing broad product portfolio and expansive global sales and support network
- Partnerships with customers fostered by providing services and clinical support
- Expanded health data analysis capabilities for providing more options to market
Fiscal 2020 Priorities

We will strengthen our foundation for sustainable growth to serve more patients and improve patient treatment outcomes.

Enterprise strategy to proactively capture growth opportunities

- Going beyond blood to new cutting-edge therapies
- Going beyond equipment to data management, services, clinical insights and health economic impact
- Advancing automation as a global standard
- Expanding geographic impact with more products and services

Automating complex manual processes to support *Cell and Gene Therapy Researchers and Developers* to bring novel therapies to market

- Delivering compelling, integrated automation solutions and services
  - Increasing adoption of Quantum cell expansion system and FINIA cell therapy fill and finish system
  - Becoming a trusted partner through incomparable service offerings
- Partnering with customers to propel them through stages of development
- Pursuing a new standard of quality and improved consistency in partners’ processes
Improving market access to provide therapy options to Hospitals and Healthcare Practitioners

• Improvement of clinical evidence and reimbursement to shape the standard of care
• Pursuit of diversification beyond devices to deliver patient data management and unique service offerings
  – Increasing adoption of StafaCT to improve safety and efficiency in patient management
  – Providing support and training to the healthcare community
• Supporting experimental treatments for COVID-19

Empowering Blood Centers by setting the automation standard to increase operational effectiveness

• Expanding automation systems and setting related standards in the blood center business
  – Expand markets for Reveos and TACSI automated blood processing systems
  – Drive evidence-based solutions to set a new standard in blood center operations
• Engaging academia and scientific communities to drive development of new therapies for SARS-CoV-2

Impacts of the Global COVID-19 Pandemic

Operating Environment Changes

• Reductions in elective procedure numbers in hospital-related businesses due to postponement of scheduled procedures as treatment of COVID-19 patients is prioritized
• Critical blood shortages across the globe as blood collections plummet due to cancellations of mobile blood drives and stay-at-home orders around the world
• Changes in nature of communication and rising expectations for development of new approaches toward information provision and marketing activities

Contributions against COVID-19

• Increased demand for Mirasol pathogen reduction system that reduces COVID-19 virus below the limit of detection in plasma and platelets
• Rise in global demand for Trima Accel component collection system kits used to collect convalescence plasma for purpose of COVID-19 treatment
• Spectra Optia centrifugal apheresis system and D2000 Adsorption Cartridge of Switzerland’s Marker Therapeutics AG received the first device U.S. Food and Drug Administration Emergency Use Authorization to treat acute respiratory failure in COVID-19 patients (authorization received for combined use of both devices)
• Quantum cell expansion system used for the automated cell expansion of ORBCEL,* a proprietary next-generation stromal cell immunotherapy developed by U.S. company Orbsen Therapeutics Limited that may benefit patients with acute respiratory distress syndrome caused by COVID-19

* Clinical trial under way in the United Kingdom as of summer 2020
Looking to the future of healthcare, we will strengthen internal development capabilities by drawing on our own core technologies and promoting external collaboration. With these efforts, we will aim to develop solutions of value to medical settings, which will contribute to resolving medical challenges with significant social impact.

### Basic Concepts

The Terumo Group’s research and development activities fall largely into two categories.

The first is Corporate R&D, where mid- to long-term research and development work is performed. With a future horizon of 10 years, Corporate R&D aims to create the new businesses and technologies that will support future growth for the Terumo Group. Those working on Corporate R&D projects coordinate with stakeholders such as medical settings and develop new technologies.

The second category of Terumo Group research and development activities is Company R&D. Here, work focuses on supporting the growth of core business segments by strengthening short- to mid-term product pipelines in accordance with the business strategy of the individual business segments.

The Chief Technology Officer (CTO), who oversees R&D activities for the entire Group, concentrates on creating synergies by promoting cooperation across geographic, business, and organizational boundaries. In leading the promotion of organic cooperation on a Groupwide scale, while associates in Corporate and Company R&D focus on their own activities, the CTO aims to continuously engender outstanding innovation in response to frontline medical needs.

### Terumo Group R&D System

- **Corporate R&D**
  - Create new businesses and technologies to support growth 10 years into the future
  - Advance innovation-oriented projects

- **Company R&D**
  - Enhance product pipelines in accordance with business strategies
  - Maximize business opportunities through product upgrade development

- **CTO**
  - Create synergies by promoting Groupwide R&D cooperation
  - Unify and visualize Groupwide R&D information and build common infrastructure

### Corporate R&D Mid- to Long-term Strategy

As pathological conditions and diseases that significantly affect society, such as chronic heart failure, stroke, and cancer, increase with the aging of society, innovations that contribute to the realization of longer healthy lifespans and efficient medical care are needed. To these ends, such innovations must adopt comprehensive approaches that encompass prevention and hospital care through to post-discharge prognosis control and recurrence prevention. In light of such social trends, the aim of our Corporate R&D activities is to gain insight into the future of medical care and provide new value.

In selecting R&D themes from among the medical care issues that significantly affect society, the Terumo Group gives priority to fields that promise market growth and in which it can realize competitive advantages. At the R&D concept planning stage, we take the initiative in conducting investigations on needs in medical settings and then discuss and verify the usefulness of our proposed solutions with medical professionals. Further, aiming to support its growth going forward and to create technologies and products with even higher added value, the Terumo Group is strengthening in-house development capabilities by evolving its core technologies and making optimal use of its technologies and infrastructure through in-house collaborations that transcend business boundaries. In conjunction with these efforts, we aim to anticipate technological trends and use external technologies flexibly to develop businesses.

Through such initiatives, the Terumo Group will support its growth in the coming generation while helping to address the medical care issues of tomorrow.
Terumo Group R&D Sites

Focused on the R&D Center in Japan, Terumo is pursuing next-generation research and development through internal development as well as through the development and unification of promising technological seeds from around the world. In recent years, we have been expanding the scope of R&D activities and accelerating these activities through the globalization of development via M&A activities and strategic partnerships and through coordination between R&D sites in the United States, Europe, Asia, and other locations across the globe.

The Terumo Group’s Global R&D Network
(As of March 31, 2020)

R&D Expenses

Fiscal 2019 R&D expenses totaled ¥50.6 billion, or 8.0% of revenue. Of that total, the Cardiac and Vascular Company accounted for ¥29.0 billion; the General Hospital Company accounted for ¥5.2 billion; and the Blood and Cell Technologies Company accounted for ¥9.6 billion. Basic research expense not allocable to any particular segment totaled ¥6.8 billion.
Basic Stance on Intellectual Property Management

The Terumo Group strives to create intellectual property that will help strengthen its competitiveness. In doing so, we establish a priority for allocating resources, based on R&D and business strategies. Development directions are considered and intellectual property portfolios are built from a strategic perspective. In this perspective, development and intellectual property departments initiate development activities by collaborating in identifying other companies' patents and the characteristics of their products. As we expand our business operations globally, we are strengthening cooperation with overseas Group companies to further the effective application of the Group’s intellectual property and taking steps to improve our management of intellectual property risk.

Patent Portfolio

Patent Applications (by segment)*

In fiscal 2019, Terumo filed 412 patent applications (filed in the first country), with 65% related to existing businesses, and 35% related to new areas not associated with existing businesses. From these figures, it is evident that Terumo continues to enhance and improve existing products while also actively pursuing investments for future business expansion and new endeavors.

Patents Held (by segment)*

As of March 31, 2020, Terumo held approximately 5,600 patents issued in Japan and abroad. Patents related to existing businesses account for a relatively high 87% of the total, with patents related to new areas making up the remaining 13%. Reflected here is the impact of Terumo’s earnings cycle, in which technology for “Advanced” products is also applied in “Platform” products. Even as we develop inventions in new fields, we use what we newly create to contribute to the businesses that comprise our existing operations. Patents held in Japan currently represent 39% of our patent portfolio, while patents held overseas represent 61%, illustrating an increase in overseas patents focused on those supporting overseas operations.

* Does not include patent applications or patents held by overseas subsidiaries.
To improve the overall quality of its products, supply capabilities, and services, Terumo has built a supply chain capable of reliably and swiftly providing high-quality products to locations throughout the world.

**Basic Concepts**

The enhancement of global operations is a crucial management issue for medical device manufacturers. Under the Mid- to Long-term Growth Strategy, Terumo is working to build a reliable and robust production system by clarifying the division of functions and target markets for supply on an individual factory basis according to the characteristics and products of each in-house company.

We have factories equipped with product development functions mainly in Japan and the United States. At these factories, we promote coordination between development divisions, production technology divisions, and production divisions from the initial product design stages to formulate optimal supply chains spanning from the procurement of materials to the delivery of products to medical settings. Factories located in Asian and other emerging countries will work to boost their cost competitiveness as mass-production sites focused on reliably supplying high-quality products through an ongoing process of conducting slight revisions to their operations.

Since fiscal 2019, the Chief Manufacturing Officer (CMO) has been guiding accelerated efforts to boost manufacturing competitiveness by capitalizing on the unique strengths of individual factories across the entire Group. With a cross-organizational, overarching view of the manufacturing capabilities honed in each business, the CMO will utilize these assets on a Groupwide basis.

Terumo is also actively promoting digital transformation. At regularly held global meetings, the Production Department, part of our corporate functions, introduces effective methods of utilizing digital tools as well as concrete examples of successes with this regard while also providing guidance on introducing image diagnosis systems powered by artificial intelligence technologies. The department thereby seeks to promote the spread of such digital technologies throughout the Group. In this manner, the Terumo Group aims to deploy cutting-edge digital technologies at production sites worldwide in order to develop a production system that can swiftly accommodate the needs of various users.

**Message from the CMO**

The global COVID-19 pandemic is currently having catastrophic effects across the globe. Simultaneously threatening every one of Terumo’s 31 factories located around the world, the scale of this crisis truly exceeds any natural disaster we have experienced thus far.

The pandemic has been identified in China during the Chinese New Year vacation period, a time when a lot of people are out and moving around. At the outset of the pandemic, our Hangzhou Factory, located in the Zhejiang Province of China, called upon its experience with the prior severe acute respiratory syndrome (SARS) pandemic to implement decisive and exhaustive measures for preventing the spread of the virus in order to protect the roughly 3,000 associates working there. In addition, the same procedures and measures used in China were applied to factories in other regions. Photographs and other easy-to-understand instructions were employed to swiftly communicate these measures to other factories. In this manner, we took a preemptive approach toward preparing for the virus before it spread to other regions.

Meanwhile, we must also respond to the ever-changing circumstances pertaining to our supply chains in various regions. By sharing information among bases around the world on a weekly basis, we help bases remain up-to-date on the status of operations at suppliers and of matters warranting attention with regard to logistics. Our ability to ramp up the production of extracorporeal membrane oxygenation systems relatively early into the pandemic was largely due to such utilization of our global network.

In response to the global COVID-19 pandemic, governments worldwide issued requests and orders to people to refrain from leaving home. However, the situation surrounding this virus will remain tense until a vaccine or some other radical solution is readily available around the world. Terumo will continue its production activities through coordination among all of its factories to provide products as expected by the healthcare professionals who are bravely exposing themselves to the risk of infection by COVID-19 in order to fight this pandemic on the front lines.

Kazunori Hirose
Senior Executive Officer
Chief Manufacturing Officer (CMO)
Basic Policy

The Terumo Group refers to all of its employees as “associates” to reflect the fact that they are viewed as valued colleagues. We currently have around 26,000 associates, approximately 80% of whom are overseas. In 2018, Terumo appointed a Chief Human Resource Officer (CHRO) to oversee human resource strategies on a global basis as future growth prospects were becoming increasingly global.

The Terumo Group recognizes that the development of human resources is imperative to the implementation of its growth strategies, and it is therefore implementing human resource strategies oriented toward supporting the Group’s management and businesses. These strategies are based on three pillars: (1) facilitating contributions from diverse leaders supporting global businesses, (2) enabling associates to exercise their full potential, and (3) promoting effective collaboration beyond the boundaries of businesses, functions, and regions. To support the Groupwide implementation of these strategies, we are coordinating human resource initiatives and share challenges between Group companies globally. In addition, we have assembled a dedicated human resources team comprised of members from various regions and organizations to advance globally shared human resource initiatives.

One example of our human resource initiatives is the Global Leadership Development Program for Executives, which has the goal of fostering next-generation managements on a global scale. In this program, associates selected globally are cultivated over the course of a two-year curriculum, during which they work together with associates from diverse backgrounds and businesses to create new value for Terumo. Another initiative is the Global Mobility Program. Through this program, we transfer associates on a global basis, spreading across countries and organizations, in order to optimally position human resources in a manner that extends beyond the boundaries of regions and businesses and to thereby further enhance human resource development.

It is also important for Terumo whether associates feel that their time working for the Company is meaningful. For this purpose, we advance global wellness programs for better health of associates, etc. to enrich Associate Experience by offering them opportunities which are unique to the Company deeply rooted in its Group Mission and Core Values.

The promotion of diversity and inclusion is indispensable to forming the foundation for these efforts. The management is strongly committed to supporting contributions from diverse human resources and fostering a corporate culture that emphasizes mutual respect for differing cultures and values. On this front, the Terumo Group held internal global events and members of senior management sent messages to associates in recognition of International Women’s Day in March, 2020. Events were planned locally so that they fit to each site, for example a discussion forum was arranged in which female associates talked about the future of Terumo. By holding events simultaneously across the globe, the events also fostered a sense of solidarity within the Terumo Group.

Going forward, the Terumo Group will continue to deploy unique organization and human resource strategies to realize the Group’s sustainable growth through its associates.
Topics

Acquisition of Talents in Specific Areas of Expertise

Terumo’s strengths lie in its diversified product portfolio, essential technologies, and its ability to combine these elements to create new therapeutic systems. Recruitment drives for new graduates for technical positions target all science and engineering departments of universities. After joining, new graduates first acquire the necessary medical knowledge and undergo on-the-job training to enhance their expertise. We also emphasize the growth of these associates by having them experience other positions. For mid-career hires, we recruit individuals not only with expert knowledge but also with communication skills and ambition required for tackling new challenges and creating new value.

Work-Style Reform Initiatives

Since 2019, Terumo has been promoting work-style reform to increase productivity and improving associate engagement. For example, we have expanded the scope of applicability for our flexible working hour system and Work from home policy. In addition, we have increased five more paid vacation days allocated in the first year of employment, a move made in recognition of the rise in mid-career hires, while taking steps to develop workplace environments in which it is easy to take leave. These initiatives are analyzed and verified through associate surveys to drive revisions and improvements. Comments received from associates are positive on our efforts to improve flexibility in work styles, indicating an increase in associate satisfaction.

Message from the CHRO

I assumed the position of CHRO in 2018 after it was established as a position responsible for groupwide human resource strategies. Terumo has been growing both organically as well as through acquisitions of overseas companies. As a result, our diverse base of overseas associates represents 80% of all associates. Prior to my assuming the position of CHRO, I spent a number of years directing overseas organizations as the president of Terumo Europe N.V. During this time, I came to realize just how many talented associates we had that embodied Terumo’s Core Values. Looking ahead, I will continue working to cultivate and utilize human resources from a groupwide perspective in my capacity as CHRO. I also aim to improve the Associate Experience by ensuring that associates around the world feel that their experience at Terumo is meaningful. Through ongoing discussion with heads of Human Resources of overseas Group companies, we have come to this common vision, and we are now advancing globally shared human resource initiatives. I am confident that these efforts will contribute to the growth of a more unified Terumo Group going forward.

Kyo Nishikawa
Director and Senior Executive Officer
Chief Human Resources Officer (CHRO)
Supervising Executive Officer for India and Asia Pacific Region