



**Terumo Report  
2020**



Terumo Corporation was founded in 1921 by several scientists and doctors, including Dr. Shibasaburo Kitasato, to produce clinical thermometers in Japan. These vital medical devices had previously been imported, until they were cut off as a consequence of World War I.

The lifelong spirit of Dr. Kitasato, whose achievements received global recognition, is found in his statement: "Scientists should never feel self-satisfaction doing advanced research; the true objective is for the results to be put to use, thereby contributing to society."

"Contributing to Society through Healthcare," is both Terumo's starting point and unchanging Group mission. Keeping Dr. Kitasato's spirit of innovation and challenge alive, we strive to bring outstanding innovation to medicine and enable the best possible care for patients.

## 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 health 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.

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### 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. Terumo reports provide information on the Company's primary business activities and results with a focus on explanations of its Mid- to Long-term Growth Strategy. In addition, we also publish sustainability data books to provide information on how we are helping to build a sustainable society by reducing our environmental impact and contributing to society.

### Coverage

Report coverage includes to the extent possible those elements of the global Terumo Group falling within the scope of consolidated earnings statements.

Coverage, however, differs in certain instances.

### 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.

In fiscal 2020, the name of the Blood Management Company was changed to the Blood and Cell Technologies Company. This change is purely a change in name and does not impact segment information. Accordingly, the new name is also used for references pertaining to fiscal 2019.



**Shinjiro Sato**

President and CEO

## Preparation for the New Normal to Become Entrenched after the Global COVID-19 Pandemic

I would first like to take this opportunity to extend our sincere condolences for those who have passed away due to the novel coronavirus disease (COVID-19), and our wishes for a speedy recovery to those who have become ill from it. I also want to express our appreciation to all of the healthcare professionals and others who are diligently fighting the pandemic on the front lines of medicine.

The efforts to respond to the pandemic have brought to light a variety of anticipations and concrete needs for Terumo, and many of these are fundamentally the same as the themes Terumo has put forth in its Mid- to Long-term Growth Strategy.

In the midst of the global COVID-19 pandemic, we recognize that healthcare must not be stopped and that, for this purpose, maintaining a stable supply of medical devices is of the utmost importance. At the same time, we are pressed with the need to furnish an earnest response to the issues facing the medical field as we prepare for the new normal to emerge after the conclusion of the pandemic. Through these efforts, we will make greater contributions to the medical field while improving corporate value.

## Review of Fiscal 2019

In fiscal 2019, we posted record highs for revenue and adjusted operating profit\*<sup>1</sup> due to the relatively strong performance and the fact that the impacts of the global COVID-19 pandemic felt during the fourth quarter were minimal.

Due to growth in all in-house companies, revenue was up 4.9% year on year, to ¥628.9 billion, while adjusted operating profit\*<sup>1</sup> overcame the negative impacts of foreign exchange fluctuations and other factors to rise 2.3%, to ¥125.0 billion. In addition, return on equity\*<sup>2</sup> was 12.4%.

By in-house company, the Cardiac and Vascular Company enjoyed double-digit growth in both revenue and operating profit when excluding the impacts of foreign exchange fluctuations. The Neurovascular Division of this company, which handles cerebrovascular treatment products, achieved growth of nearly 20% driven by offerings such as the WEB intrasaccular device used to treat cerebral aneurysms, and stroke-related products. Similarly, the General Hospital Company achieved double-digit growth in alliance businesses with pharmaceutical companies and for products such as AdSpray sprayable adhesion barrier gel and pain management products centered on domestic operations. In the Blood and Cell Technologies Company, meanwhile, overall performance was propelled by the introduction of new software for our Trima Accel component collection system for blood centers.

Looking at performance by region, growth ranged from high single digit to the double digits in all overseas regions when excluding the impacts of foreign exchange fluctuations while performance was generally stable in Japan. I believe that this outcome was a result of the gradual generation of synergies as our efforts for exercising the Group's collective strengths took form in each region. Examples of such efforts include the "SCRUM" project aimed at creating frameworks for comprehensive collaboration to tie the demand to arise

from market changes in the upcoming age in which people in Japan commonly live to be 100 to more robust growth.

## Response to Global COVID-19 Pandemic

The global COVID-19 pandemic is impacting the entire world. In response to this catastrophe, we have tentatively instituted a crisis management system and are reacting through a coordinated Companywide effort. Flexible management is being practiced on the front lines of operations to ensure responsiveness toward unforeseen circumstances while financial controls are being tightened from a Companywide perspective. A top priority of crisis management is maintaining financial health. Terumo boasts a strong financial position in terms of the shareholders' equity ratio and on-hand funds, and we are building on this position to guarantee we are able to respond as necessary in this highly uncertain climate.

The Terumo Group has established the following three key policies for responding to the global COVID-19 pandemic.

1. To protect the health and safety of all Terumo Associates with utmost priority.
2. To maintain a stable supply of products to continuously meet global healthcare needs.
3. To actively engage and contribute to the prevention and treatment of the disease, by maximizing Terumo Group's expertise and technologies.

Our efforts to adhere to the first policy, which defines the health and safety of all associates as our utmost priority, included the promotion of telecommuting and other flexible workstyles. In addition, great care was taken to provide workplace environments in which associates could work with peace of mind. In regard to the second policy, on the stable supply of products, we were forced to temporarily halt or

### Mid- to Long-term Vision

#### Being a Global Corporation with Unique Excellence

Earn the trust of medical settings globally as a top brand

Ensure world-class trust with Total Quality (quality of products, supply, and services)

### Management Indicators under Mid- to Long-term Growth Strategy

Growth	Achieve revenue growth that outpaces market growth (high-single-digit revenue growth)
Profitability	Realize profit* <sup>1</sup> growth that outpaces revenue growth
Efficiency	Maintain an adjusted ROE* <sup>2</sup> of 10% or more

Assumed exchange rate: USD=¥105, EUR=¥115

\*1 Operating profit excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions

\*2 ROE excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

scale back operations at certain factories due to the lockdowns and other measures instituted in some parts of the world. In Japan, however, we continued to operate factories at full capacity, and no events have occurred that threatened the continuity of these operations. Moreover, we recognize that maintaining a reliable supply of medical devices has great social significance in the midst of such a crisis. The third policy, on contributing to the effort to fight this virus, calls on us to coordinate with national governments as we seek to fulfill our social mission. In fact, many Terumo products have been playing an important role in the effort to combat this pandemic, from the thermometers that provide a basic means of preventing the spread of infection to the extracorporeal membrane oxygenation systems that are used to treat patients in suffering from serious cases of the disease.

Up until today, Terumo has continued to develop a balanced and dispersed business portfolio through its in-house company system. As a result, we have been able to mitigate the impacts of the global COVID-19 pandemic to a certain degree. I, therefore, recognize the value of an appropriate balance. In fiscal 2019, it was the Cardiac and Vascular Company, which produces more than half of the Company's revenue, that was most affected. This outcome was due in part to healthcare institutions being forced to delay procedures in the midst of this crisis. Conversely, the General Hospital Company and the Blood and Cell Technologies Company, both of which have portfolios largely comprised of products for supporting healthcare infrastructure, showed relatively firm performance.

Meanwhile, we have been taking steps to strengthen the entire flow of Group operations, spanning from production to logistics. I feel that these efforts have contributed to increased risk resilience. In particular, the improvement measures implemented in response to the shipment delays at

the Ashitaka Factory two years ago had a notable benefit toward ensuring reliable supplies in the face of this crisis. Other efforts have included reinforcing business continuity frameworks, optimizing our global production base network, and practicing closer coordination between Group factories. Through these efforts, the Terumo Group is working to control supply risks to the greatest degree possible.

We are also exercising responsibility in responding to the global COVID-19 pandemic from the perspective of social contribution. The Terumo Group has made donations of supplies and funds to the tune of US\$2.4 million to help combat the global COVID-19 pandemic. Some of these donations were directed toward a fund for supporting the activities of the World Health Organization, through which they were used to provide supplies and information to frontline healthcare professionals and to advance research on vaccines and treatment methods.

After the conclusion of the global COVID-19 pandemic, we anticipate that the policy priorities of the medical field will be reviewed, prompting a reevaluation from the perspectives of safety and peace of mind and the enhancement of medical infrastructure. Specifically, we project a rise in needs for effective evidence-based program execution and evaluation as well as consultation in the fields of medical safety and infectious disease control.

One facet of our efforts to respond to this future demand was the launch of a Companywide Infection Control initiative. Infectious disease control is an area of expertise for Terumo in which it can utilize the wide-ranging expertise it has accumulated thus far. There is thus a role for us to offer proactive contributions in this field, and we, therefore, look to propose highly appealing solutions for this field.





## A Year of Transformation and Invigoration

I view 2020 as a year for transformation. Terumo's operating environment has been changing at an accelerated pace in recent years. For example, population aging has created increased social demand for improved quality of life, while there is also a rising need to improve medical cost efficiency sparked by pressure to limit healthcare costs. In this manner, the issues faced by our customers are growing more complicated and serious. These issues are being compounded by the global COVID-19 pandemic, which has the potential to cause massive and qualitative changes to society through a fundamental transformation in the mind-sets of governments, customers, and patients. It is, therefore, entirely likely that we will see a swift and substantial shift in the medical field, meaning that we need to prepare for the next large development.

To ensure that we are able to live up to stakeholders' expectations for the growth of Terumo, we are accelerating the innovation of our products with new technologies, such as the Internet of Things, artificial intelligence, and other digital transformation technologies as well as robotics technologies. As the same time, we are proposing solutions that offer value in response to the medical issues seen in the 21st century. Meanwhile, evolving our business model to match contemporary needs requires us to invigorate our human resources and organizations to stimulate transformation. We, therefore, aim to ensure that our associates have better everyday Associate Experiences and to develop organizations that allow a diverse human resources to feel motivated and pride as they exercise their talents through their work.

In fiscal 2020, we intend to accelerate global strategies, bolster product pipelines, reinforce and optimize the operating frameworks underpinning our growth, and ramp up forward-looking initiatives to evolve our business model. These initiatives will be guided by our Mid- to Long-term Growth Strategy. If Terumo is to remain a company that the healthcare field finds truly necessary in the 21st century, we will need to break out of our confines as a device manufacturer to transition toward a customer-oriented solution business. We are approaching the end of the era in which medical device needs were relatively clear; in the future, we will need to reconfigure our assets and our capabilities to create new value. However, if Terumo is able to supply customers with its various strengths, including the insight, skills, expertise, functions, and networks it has cultivated thus far, I am confident that we will find numerous opportunities for resolving customer issues. I, therefore, want to make fiscal 2020 into a year in which we tackle new challenges by returning to our roots. In this year, I envision us integrating products, supply efforts, and services in a manner that provides value to medical professionals, making proposals for improving collective disease management value, and employing new technologies to deliver solutions that are personalized for individual patients.





## To Our Stakeholders

Established in 1921 with the aim of producing high-quality thermometers, which are fundamental to public health, in Japan, Terumo will celebrate its centennial anniversary in 2021. Throughout our long history, we have continued to be guided by our Group mission of “Contributing to Society through Healthcare” as we proceeded to respond to the substantial medical needs for building foundations for public health, preventing infections at medical sites, and making healthcare more friendly toward patients.

Dr. Shibasaburo Kitasato, one of the founding members of Terumo, dedicated his life to combating infectious disease and researching bacteriology. His spirit lives on through Terumo's long history of helping prevent the spread of infections. A recent example of this commitment can be seen in relation to the global COVID-19 pandemic. Convalescent plasma transfusion is currently garnering global attention as a possible treatment for COVID-19. The products of the Blood and Cell Technologies Company are making contributions in this field. Furthermore, this treatment is a form of passive

immunotherapy, which traces its roots back to the research of Dr. Kitasato. I cannot help but feel a sense of fate.

The global COVID-19 pandemic has put a spotlight on the purpose of Terumo. This purpose is to be fulfilled by helping healthcare institutions in their fight against COVID-19, and making such contributions is something we strongly desire. We stand by this proactive stance even after the pandemic has come to an end, remaining committed to developing our business activities in a manner that is congruent with Terumo's purpose. I would like to ask our stakeholders for their ongoing support and understanding as we move forward with this pursuit.

September 2020



President and CEO



## 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

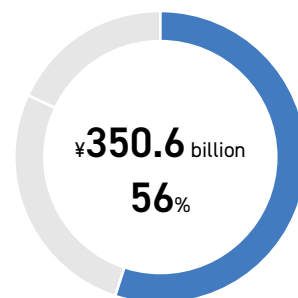
#### Cardiovascular Division (Terumo Cardiovascular)

Hollow fiber oxygenators with integrated arterial filter, heart-lung machines, and other products

#### Vascular Graft Division (Terumo Aortic)

Surgical grafts, stent grafts

Revenue by Company/  
Percentage of Revenue (FY2019)



## 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

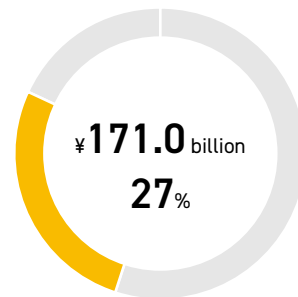
#### Hospital Systems Division

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

Revenue by Company/  
Percentage of Revenue (FY2019)



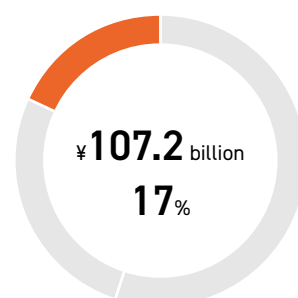
## Blood and Cell Technologies Company (Terumo Blood and Cell)

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

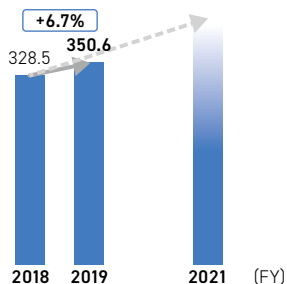
Revenue by Company/  
Percentage of Revenue (FY2019)



### Targets and Fiscal 2019 Performance

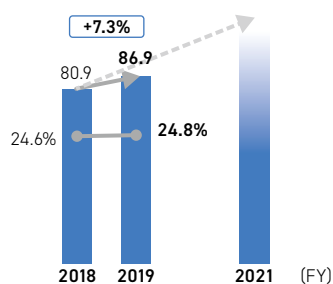
#### Revenue

(¥ billion)



#### Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit (¥ billion)    ● Adjusted operating margin



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

#### Revenue

**Realize growth that drives Groupwide growth;**  
near double-digit growth

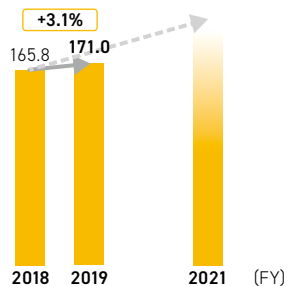
#### Adjusted Operating Profit

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

### Targets and Fiscal 2019 Performance

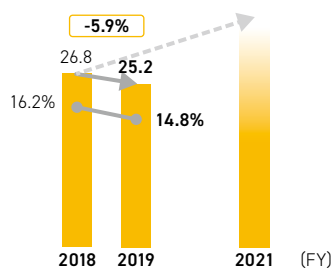
#### Revenue

(¥ billion)



#### Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit (¥ billion)    ● Adjusted operating margin



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

#### Revenue

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

#### Adjusted Operating Profit

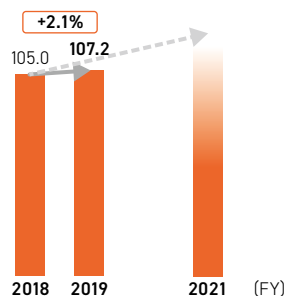
**Achieve profit growth that outpaces revenue growth;**  
high-single-digit growth, improve adjusted operating margin 2 to 3 percentage points

### Technologies)

### Targets and Fiscal 2019 Performance

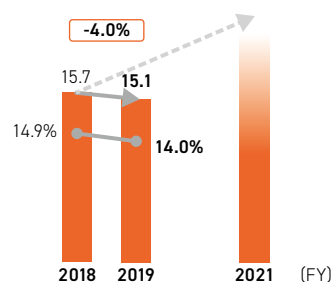
#### Revenue

(¥ billion)



#### Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit (¥ billion)    ● Adjusted operating margin



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

#### Revenue

**Return to growth;**  
mid-single-digit growth

#### Adjusted Operating Profit

**Achieve profit growth that outpaces revenue growth;**  
high-single-digit growth

## Message from the CAFO



### Naoki Muto

Executive Officer  
Chief Accounting and Financial Officer (CAFO)

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

Growth	Achieve revenue growth that outpaces market growth (high-single-digit revenue growth)
Profitability	Realize profit* <sup>1</sup> growth that outpaces revenue growth
Efficiency	Maintain an adjusted ROE* <sup>2</sup> of 10% or more

Assumed exchange rate: USD=¥105, EUR=¥115

\*1 Operating profit excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions

\*2 ROE excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

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 evaluate 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 high 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

	(Millions of yen)
<b>Revenue</b>	<b>600,000</b> -4.6%
<b>Adjusted operating profit</b>	<b>103,000</b> -17.6%
<b>Operating profit</b>	<b>85,000</b> -23.2%
<b>Profit for the year attributable to owners of the parent</b>	<b>65,000</b> -23.7%

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

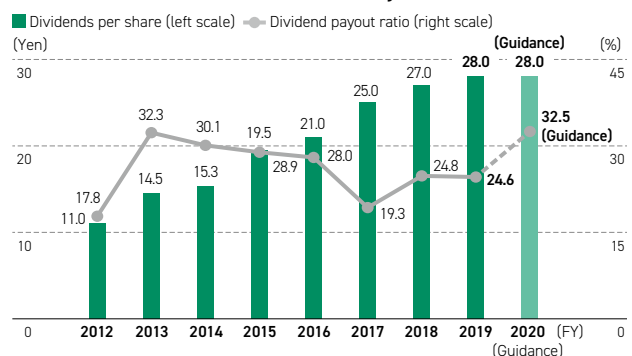
Meanwhile, we began utilizing a network centered on myself, as CAFO, and comprised of top accounting executives from bases across the globe in April 2020 to strengthen administrative management from the perspective of Companywide crisis control. Under normal circumstances, we employ a proactive operation 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

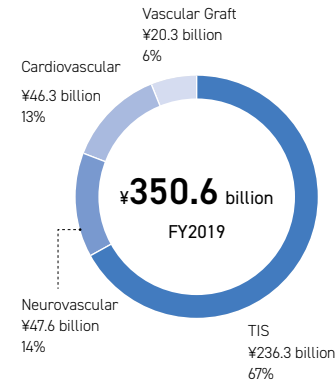


Notes:

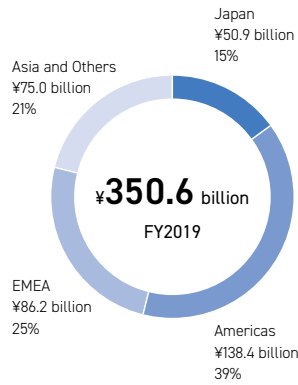
1. Full-year dividend amounts have been adjusted to represent the impacts of a prior stock split.
2. Figures for fiscal 2016 and prior are based on J-GAAP standards.

## Cardiac and Vascular Company

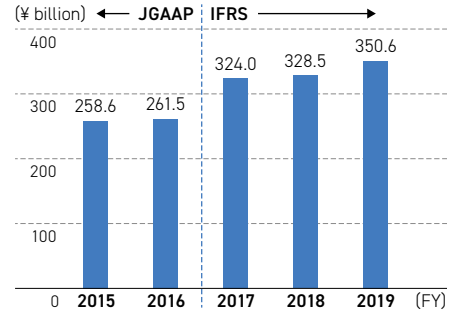
Revenue by Business/  
Percentage of Revenue



Revenue by Region/  
Percentage of Revenue



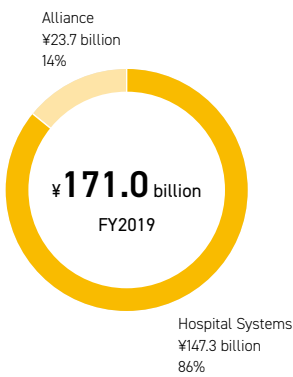
Revenue\*



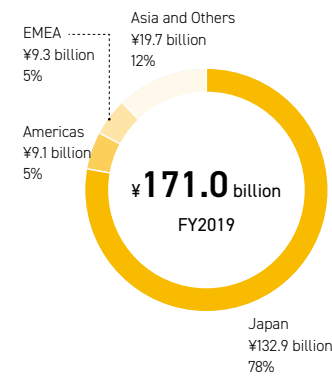
\* "Net sales" under JGAAP

## General Hospital Company

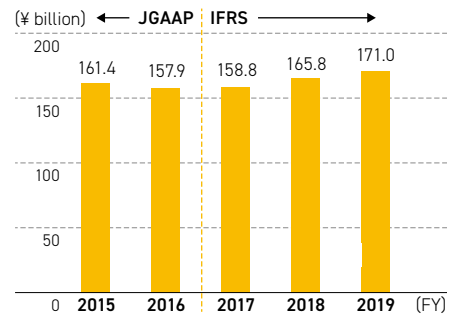
Revenue by Business/  
Percentage of Revenue



Revenue by Region/  
Percentage of Revenue



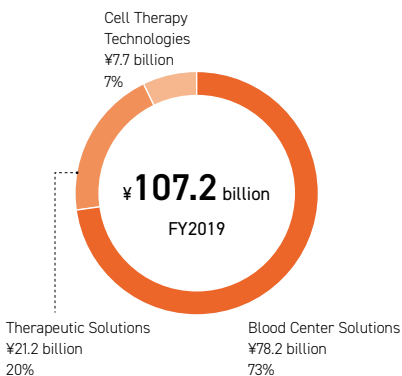
Revenue\*



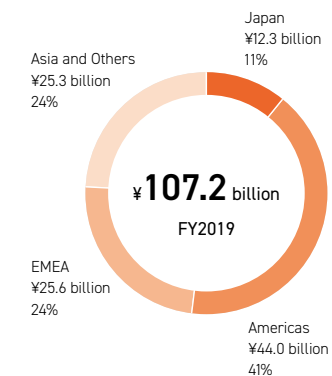
\* "Net sales" under JGAAP

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

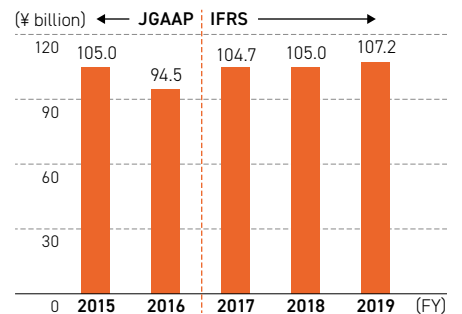
Revenue by Business/  
Percentage of Revenue



Revenue by Region/  
Percentage of Revenue

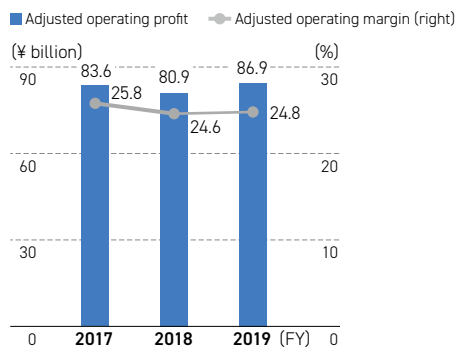


Revenue\*



\* "Net sales" under JGAAP

### Adjusted Operating Profit/ Adjusted Operating Margin

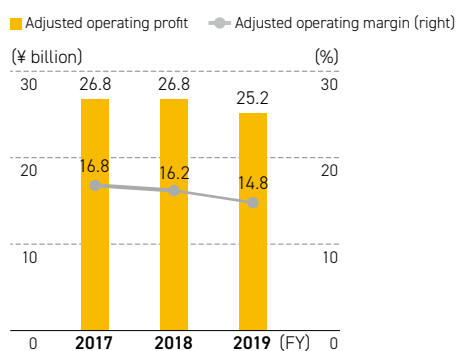


### Revenue by Business Segment and Region

(¥ billion)

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

### Adjusted Operating Profit/ Adjusted Operating Margin

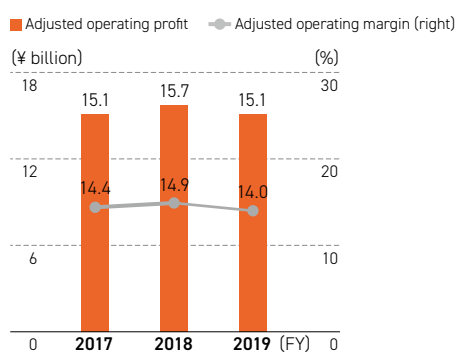


### Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Hospital Systems	117.9	7.2	3.3	18.9	<b>147.3</b>
Alliance	15.0	1.9	6.0	0.8	<b>23.7</b>
<b>Total</b>	<b>132.9</b>	<b>9.1</b>	<b>9.3</b>	<b>19.7</b>	<b>171.0</b>

### Adjusted Operating Profit/ Adjusted Operating Margin



### Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Blood Center Solutions	11.8	25.4	19.7	21.3	<b>78.2</b>
Therapeutic Solutions	0.5	12.0	5.2	3.5	<b>21.2</b>
Cell Therapy Technologies	0.1	6.5	0.7	0.5	<b>7.7</b>
<b>Total</b>	<b>12.3</b>	<b>44.0</b>	<b>25.6</b>	<b>25.3</b>	<b>107.2</b>



## Cardiac and Vascular Company



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

### 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

## 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<sup>\*1</sup> market with availability of smaller diameter stent graft systems and improved clinical results
- Continuous increase in aortic hybrid procedures<sup>\*2</sup> 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 devices

## 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<sup>\*1</sup>
- Product development and production capacities positioning Terumo as the sole manufacturer for in-house production of oxygenators from the fiber<sup>\*2</sup> phase
- Full lineup of hardware and disposable devices for perfusion
- Lineup combining perfusion products centered on oxygenators and surgeon products such as heart stabilizers<sup>\*3</sup>

\*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

### 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



Misago peripheral stent



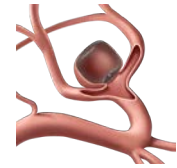
QuiremScout microspheres for pre-therapy and QuiremSpheres for selective internal radiation therapy

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.

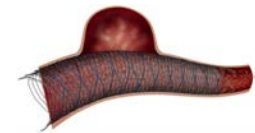
### Neurovascular Division

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.



Intrasaccular device (rendering)



FRED flow diverter (rendering)

### 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.



CAPIOX NX19 hollow fiber oxygenator with integrated arterial filter

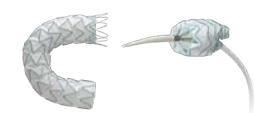
### Vascular Graft Division

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 TREQ 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.



CDI blood parameter monitoring system 550



Left: RelayPro thoracic stent graft  
 Right: TREQ abdominal stent graft

## 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

## General Hospital Company



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 recoding, 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<sup>\*1</sup>
- 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

<sup>\*1</sup> Introduced by U.S. company Dexcom, Inc. : sold only in Japan



Smart Infusion System advanced infusion system (smart pump)



Acelio Intravenous Injection antipyretic analgesic



AdSpray sprayable adhesion barrier gel



MEDISAFE WITH insulin patch pump



Dexcom G4™ PLATINUM series continuous glucose monitoring device



Purell® Advanced Gel hand sanitizer



LIGHTSTRIKE® ultraviolet irradiation robot



## 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.



PLAJEX prefilled syringe



Immucise intradermal injection device



Needles for drug kit

## 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

## 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

#### Targets

**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



Quantum cell expansion system



FINIA cell therapy fill and finish system

### 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



Spectra Optia  
centrifugal apheresis system



REVEOS  
automated blood  
processing system

### 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



Trima Accel  
component collection system

## 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

## R&D and Intellectual Property

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

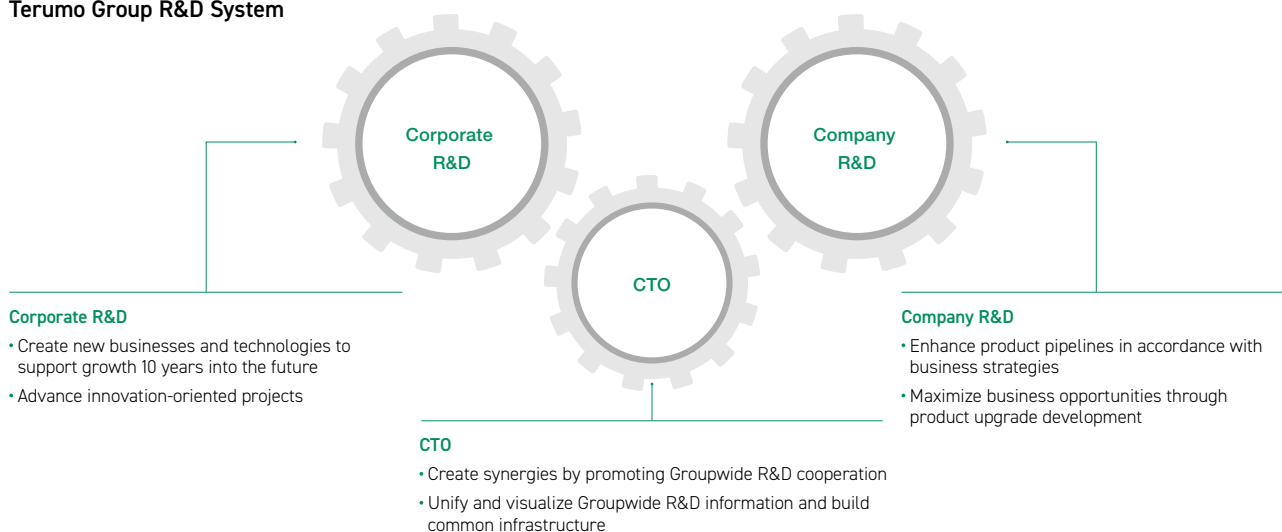
The Terumo Group's research and development activities fall largely into two categories.

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 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.

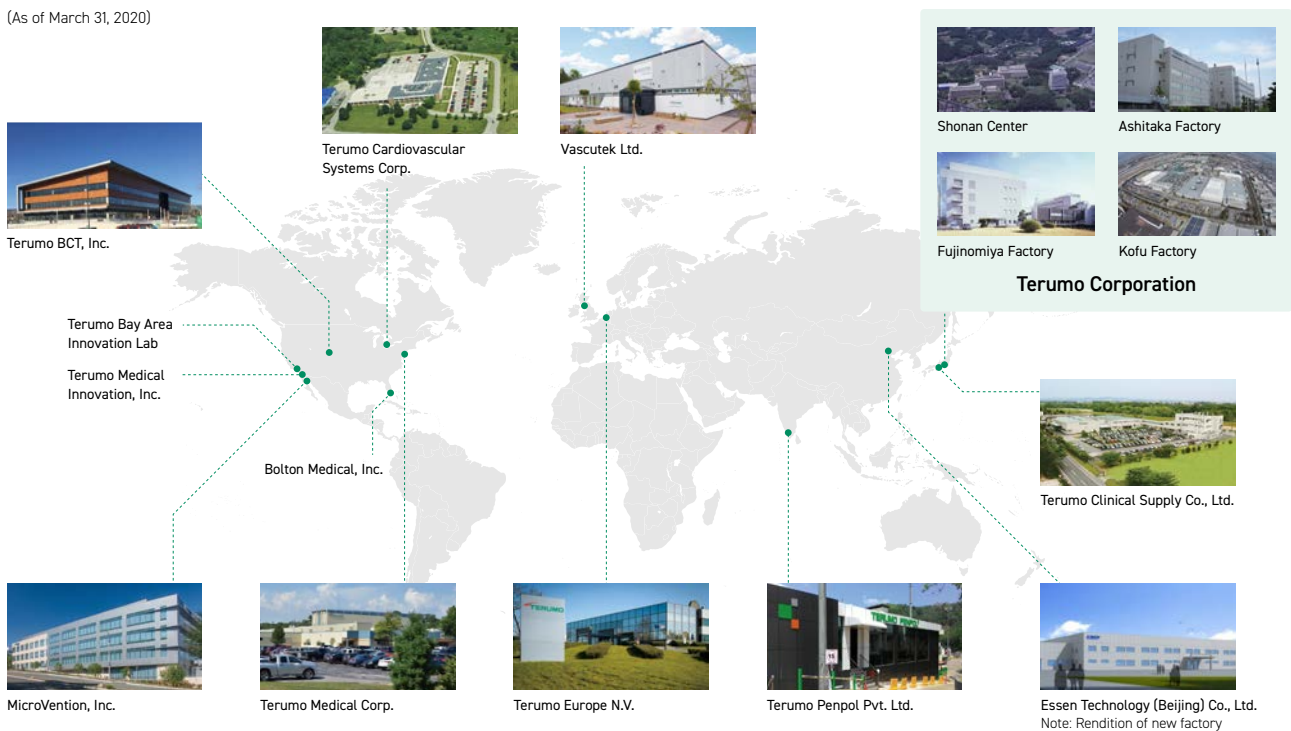
Through such initiatives, the Terumo Group will support its growth in the coming generation while helping to address the medical care issues of tomorrow.

## 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

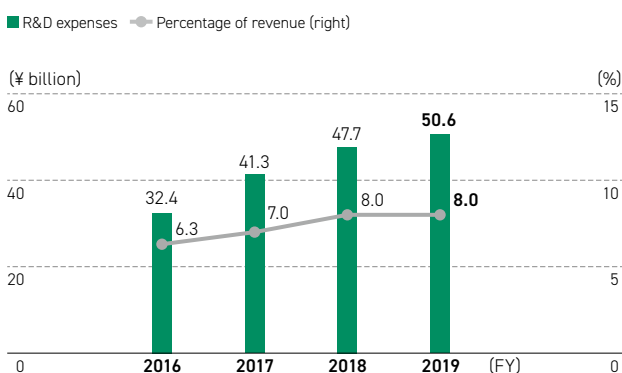
(As of March 31, 2020)



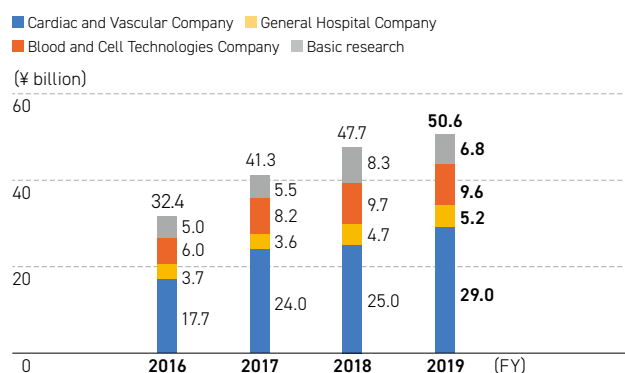
## R&D Expenses

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.

### R&D Expenses/Percentage of Revenue



### R&D Expenses by Segment





## 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)\*

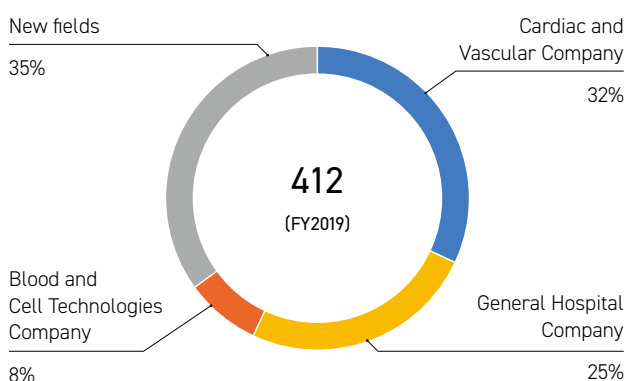
In fiscal 2019, Terumo filed 412 patent applications (filed in the first country), with 65% related to existing businesses, and 35% related to new areas not associated with existing businesses. From these figures, it is evident that Terumo continues to enhance and improve existing products while also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

### Patents Held (by segment)\*

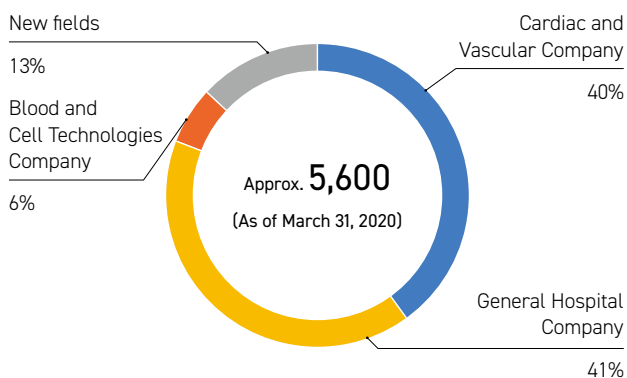
As of March 31, 2020, Terumo held approximately 5,600 patents issued in Japan and abroad. Patents related to existing businesses account for a relatively high 87% of the total, with patents related to new areas making up the remaining 13%. Reflected here is the impact of Terumo's earnings cycle, in which 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.

### Patent Applications (by segment)\*



### Patents Held (by segment)\*



## Production and Supply

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.



Discussion between female associates at Terumo India Pvt. Ltd. on International Women’s Day

## 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

### Approach to Sustainability

Under the Group mission of “Contributing to Society through Healthcare,” the Terumo Group strives to provide a stable supply of high-quality medical equipment and services to patients and medical settings throughout the world, as well as resolve the various challenges facing healthcare.

To realize this Group mission, Terumo has established its Core Values, which are the values that connect all Terumo associates around the world. Based on the Core Values, the Terumo Group determines priorities for sustainability that must be put into practice in the course of daily business activities. The Group will strive for balance between the realization of a sustainable society and the achievement of its sustainable growth by promoting these priorities, while communicating with patients, medical professionals, and other stakeholders.

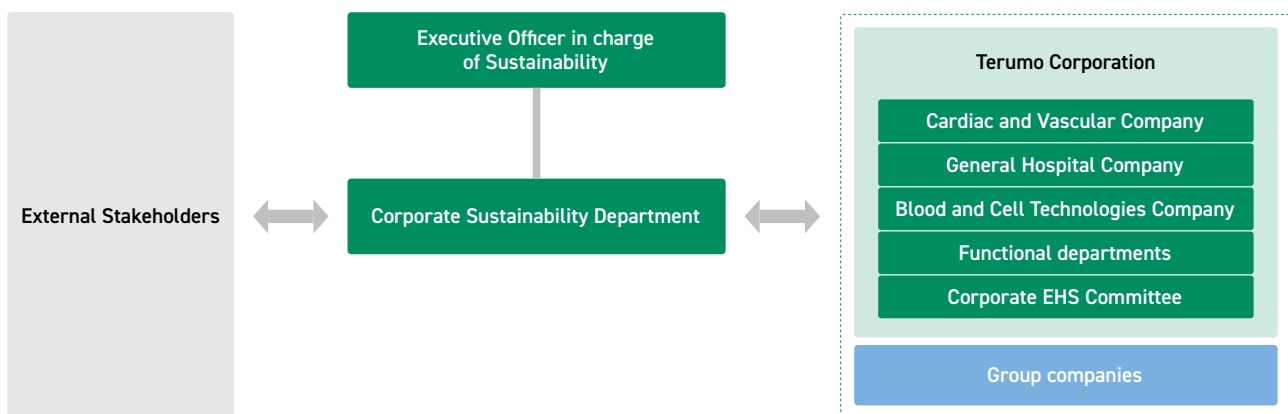
### Sustainability Priorities

The Terumo Group is working to resolve social issues, including issues in healthcare, and balance the realization of a sustainable society with sustainable growth of the Terumo Group, while taking the United Nations Sustainable Development Goals (SDGs) into account.

Core Values	Sustainability Priorities	Related United Nations SDGs
Respect – Appreciative of others	Ensuring occupational safety and promoting health	 
	Creating workplace environments where diverse associates can demonstrate their skills and abilities	 
Integrity – Guided by our mission	Promoting compliance	 
	Reducing the environmental impact of our business operations	  
	Promoting responsible procurement	  
	Building relationships of trust through dialogue with stakeholders	
Care – Empathetic to patients	Improving access to healthcare	 
Quality – Committed to excellence	Ensuring the safety and quality of products and services	 
	Managing supply chains that support stable supply	 
Creativity – Striving for innovation	Resolving healthcare challenges through innovation	  

## Sustainability Management

The purpose of the Corporate Sustainability Department is to coordinate and promote activities throughout the Group. Working together with related departments, committees, and Group companies, the Corporate Sustainability Department sets action policies and priorities related to sustainability, finds ways to disseminate them throughout the Group, and promotes specific initiatives. It also interacts with internal and external stakeholders, sharing information and engaging in discussions, in order to understand the expectations of society for the Terumo Group and reflect them in its initiatives.



## Participation in the United Nations Global Compact

In 2012, Terumo became a signatory to the United Nations Global Compact. This action reflects Terumo's agreement with the Ten Principles of the compact, which relate to human rights, labor practices, the environment, and anticorruption measures. Under the Group mission of "Contributing to Society through Healthcare," the Terumo Group is striving to practice these principles throughout the course of its business operations.

## Human Rights Initiatives

On Human Rights Day on December 10, 2019, we established the Terumo Group Human Rights Policy.

This policy was designed as a clear declaration to society of the Terumo Group's position and responsibilities toward ensuring respect for human rights and as a guide for actions for living up to the expectations of society with this regard. The policy supports and respects the United Nations Guiding Principles on Business and Human Rights. As a company that provides products and services relating to the lives and health of people, the policy identifies the importance of human rights, prioritizing specific themes such as creating safe and worker-friendly environments, complying with fair labor practices, and ensuring the quality and safety of products and services. We also request that our business partners practice respect for human rights based on the Terumo Group Procurement Policy and the Supplier Guidelines. Through this dedication to human rights, the Terumo Group aims to earn widespread trust from society and contribute to the realization of a sustainable society.



For more information on Terumo's sustainability initiatives, please refer to the website below:

<https://www.terumo.com/sustainability/reports/>



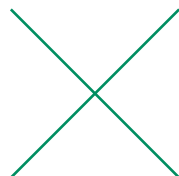


## Dialogue between Independent Directors

### Masaichi Nakamura

Independent Director  
(Audit and Supervisory Committee  
Member)

Mr. Masaichi Nakamura joined Tetsuzo Ota & Co. in 1983. After taking up a position as a partner of Showa Ota & Co., he went on to become an executive director and eventually representative partner and vice president of Ernst & Young ShinNihon LLC. Mr. Nakamura established Masaichi Nakamura CPA Office in 2016, assuming the position of its representative. After assuming concurrent positions as external corporate auditors and outside directors at different companies, he became an independent director of the Terumo Corporation in June 2019.



### Soichiro Uno

Independent Director  
(Audit and Supervisory Committee  
Member)

Mr. Soichiro Uno joined Nagashima & Ohno (currently Nagashima, Ohno & Tsunematsu) in 1988. Going on to pass the bar exam in the State of New York, he became a partner at this firm in 2000. In the years that followed, Mr. Uno held concurrent positions as Audit & Supervisory Board member and directors at other companies before becoming an independent director at Terumo Corporation in June 2019.



— Given that Terumo Corporation is a Company with Audit and Supervisory Committee, what approach do you take toward auditing and supervising management at meetings of the Board of Directors?

Uno:

At meetings of the Audit and Supervisory Committee, we audit and supervise management, particularly decision-making by the Board of Directors and operational execution by directors. In regard to deliberations on proposals raised at Board of Directors meetings, it is important to consider whether decisions on what proposals are raised to the Board of Directors are being made appropriately, whether all directors fully understand proposals, and whether sufficient discussion is taking place at Board meetings.

With regard to the appropriateness of decisions regarding the proposals raised, proposals are given proper attention; it is not the case that directors are unable to fully digest proposals due to their sheer volume. This is true despite the fact that proactive discussions are taking place that look at a multitude of factors, recent examples of which include Groupwide production systems, IT systems, and human resources-related matters.

As for director understanding, pre-meeting explanations are thorough and well prepared, ensuring that directors effectively understand the proposals. At the same time, it feels as those pre-meeting explanations for certain proposals are intentionally simplified to make discussions at meetings of the Board of Directors more dynamic.

When it comes to discussions, the leadership of the Chairman of the Board is contributing to incredibly lively discussions with an atmosphere that is conducive to the free and open exchange of opinions. Sound opinions are exchanged from the specialized points of view of each director, and management displays an attitude that shows they are listening. For this reason, I would judge that discussions at meetings of the Board of Directors are functioning effectively.

— What do you see as the role of the Audit and Supervisory Committee in improving the effectiveness of corporate governance at Terumo?

Nakamura:

The Audit and Supervisory Committee members of a Company with Audit and Supervisory Committee differ from

the auditors of a Company with Company Auditor(s) in that they also have voting rights at meetings of the Board of Directors as directors. In addition, they are able to issue orders to internal control divisions and voice opinions regarding the appointment, dismissal, resignation, and compensation of executive directors. It is, of course, important to confront any executive director found to be engaged in misconduct with resolute opposition. However, I also believe that independent directors have a role in preventing misconduct by executive directors under normal circumstances. This role is played through effective coordination with internal control divisions and the application of an objective, overarching perspective. By fulfilling this role, I hope to contribute to the soundness of the executive team.

— What is your view on the risks facing Terumo from the perspective of its audit and oversight systems?

Nakamura:

Terumo's growth is supported by the base formed through the stable earnings of its platform products, which have been forged through an ongoing process of refinement and improvement, and driven by its effective M&A activities. As Terumo has engaged in a number of such activities up until now, the portion of its sales that come from overseas is rising and its product lineup is becoming more diverse, as is its base of associates. These factors are strengths of Terumo, but they also represent risks.

In 2019, Terumo unveiled its Core Values,\* which are the values it wants to share with all associates globally, and it has since deployed these values on a global scale. These values have helped foster a sense of solidarity and shared understanding at an increasingly diverse and global Terumo. In addition, Terumo has been focusing on strengthening global operations as a priority task in recent years. These efforts, I believe, are effective measures for mitigating the type of risk of which I speak.

Talking from my specialized perspective as an accountant, large-scale M&A activities entail the recording of large amounts of goodwill. Rather than only focusing on avoiding goodwill impairment risks immediately after an M&A, I would like to see Terumo continue to address these risks through post-merger integration from a medium-term perspective by strengthening global operations.

## Corporate Governance

Uno:

It is hard to compare different companies as the differences in their business models make all-encompassing statements impossible. What I can say is that Terumo has a very clear business model, providing medical devices and other products that support the healthcare industry, as well as unique businesses that only a limited number of employees are privy to. This model makes for low risks of scandals and similarly decreases the need for auditing. Furthermore, the healthcare industry is subject to rigorous regulation. Another characteristic of Terumo is thus that it has high levels of legal and other compliance. However, as Mr. Nakamura stated, the Terumo Group contains a number of overseas subsidiaries acquired through its many global M&A activities. Going forward, I hope to continue promoting efficient coordination between the auditing divisions of Terumo Corporation and those of overseas subsidiaries in conjunction with the Group's global expansion and future growth will become increasingly more important. This will, therefore, be a task requiring attention going forward.

— How would you evaluate Terumo's corporate governance systems? Also, what do you see as issues that will need to be addressed in the future?

Nakamura:

Independent directors on the Board of Directors have a diverse range of insight and experience, making for effective discussions. Meanwhile, the majority of internal directors are executive officers from corporate divisions, as opposed to

from business divisions, contributing to strong monitoring functions in the Board of Directors.

As for future issues, as overseas operations come to represent a larger portion of the Company's overall business, I think it would be a good idea to look at appointing a director who is capable of viewing global management from a perspective outside of Japan. Regarding inside directors, to further enhance monitoring functions in the Board of Directors, it might also be beneficial to implement frameworks for more proactive job rotations in order to endow the executive officers and management-level associates that will serve as candidates for future director positions with a more diverse range of business experience.

— From the perspective of an independent director, what are Terumo's strengths?

Nakamura:

This might be a bit abstract, but the Terumo Group's mission of "Contributing to Society through Healthcare" is highly compatible with the concept of corporate social responsibility. This mission has served to foster a sense of solidarity within the Group, which has provided the foundation supporting its strengths.

Uno:

Medical devices are a field with a lot of potential. Terumo has a number of products that boast high market shares in this field, and this is certainly a strength of its business. I see potential for aggressive business expansion to be advanced in fields in which Terumo specializes as well as fields peripheral to those based on the Company's strong relationships with medical institutions and healthcare professionals. I look forward to seeing Terumo capitalize on this potential.

Nakamura:

Terumo strengths are underpinned by the strong trust that the healthcare industry has for its products. At the same time, its growth is supported by its swift and flexible responses to the differing market characteristics between regions and business segments. Another factor supporting growth is the fact that it allows the companies welcomed into the Group through M&A activities the freedom to select integration patterns that match the characteristics of their regions, businesses, and management structures while still having in place a Groupwide executive management organization.



— What are your thoughts with regard to your personal role in the Board of Directors?

**Nakamura:**

I am not satisfied to simply offer technical opinions as a specialist in accounting and auditing at meetings of the Board of Directors, the Audit and Supervisory Committee, and other committees. I therefore endeavor to offer input from a wider variety of perspectives based on my specialized skills. For example, I try to chime in on the appropriateness of discussion processes leading up to decisions, whether decisions are appropriate given changes in the operating environment, and the adequacy of the executive team's response post decision.

**Uno:**

As a legal specialist, I believe that I am expected to fulfill the role of confirming whether internal control systems are functioning sufficiently and whether proposals have any serious oversights from a legal perspective. As an officer and legal advisor to other companies, I am in the position to observe a wide variety of companies. Internal control systems can vary a lot by company based on the characteristics of the company and its business, how global it is, its officer team, and whether it has major shareholders. Given that Terumo's business model is clear, I believe that the Company's internal control systems are functioning effectively. As the Terumo Group grows more global going forward, I hope to play a role in ensuring it can install efficient controls that function on a Groupwide basis from my perspective as a legal expert.

— In closing, what are your anticipations for Terumo going forward?

**Uno:**

Before becoming an independent director at Terumo, I had the impression that Terumo was an earnest company. That impression has not changed today. This very serious culture of Terumo permeates everything it does, from the lectures it provides independent directors on the Company and its thorough explanations prior to meetings of the Board of Directors to the discussions that take place therein. I hope this culture will remain a constant at the Company going forward. At the same time, I want Terumo to boldly tackle new business challenges in medical devices and peripheral fields



through digitization and other means. I look forward to seeing Terumo, through such ambitious endeavors, fulfill its mission of "Contributing to Society through Healthcare" as a medical device manufacturer that Japan and the entire world can be proud of.

**Nakamura:**

People gain experience and become wiser with each coming year, but they also become more stubborn and prone to being blinded by preconceptions. Companies are the same. They grow with time, but as their organizations tend to become bloated, they also become rigid and unable to make swift decisions.

Terumo is rapidly approaching its centennial anniversary, at which it could be said to be an "old" company. In its "senior" years, I hope that Terumo will be able to maintain a vibrant "youthful" corporate culture that is receptive toward diversity along with flexible organizations as it grows to become a top global brand while "being a global corporation with unique excellence" as described in its mid- to long-term vision.

\* For more information on the Core Values, please refer to the back cover.

## Basic Stance on Corporate Governance

- Terumo’s Group mission is “Contributing to Society through Healthcare.” Guided by its mission, Terumo provides valuable products and services to achieve sustainable growth, maximize longterm corporate value and meet the expectations of its worldwide stakeholders, including its customers, shareholders, associates, business partners, and communities.
- To guide it in the accomplishment of its Group mission, Terumo has articulated the Core Values, which represent the values and beliefs on which all Terumo associates worldwide should base their actions, as follows:

**Respect – Appreciative of others**

**Integrity – Guided by our mission**

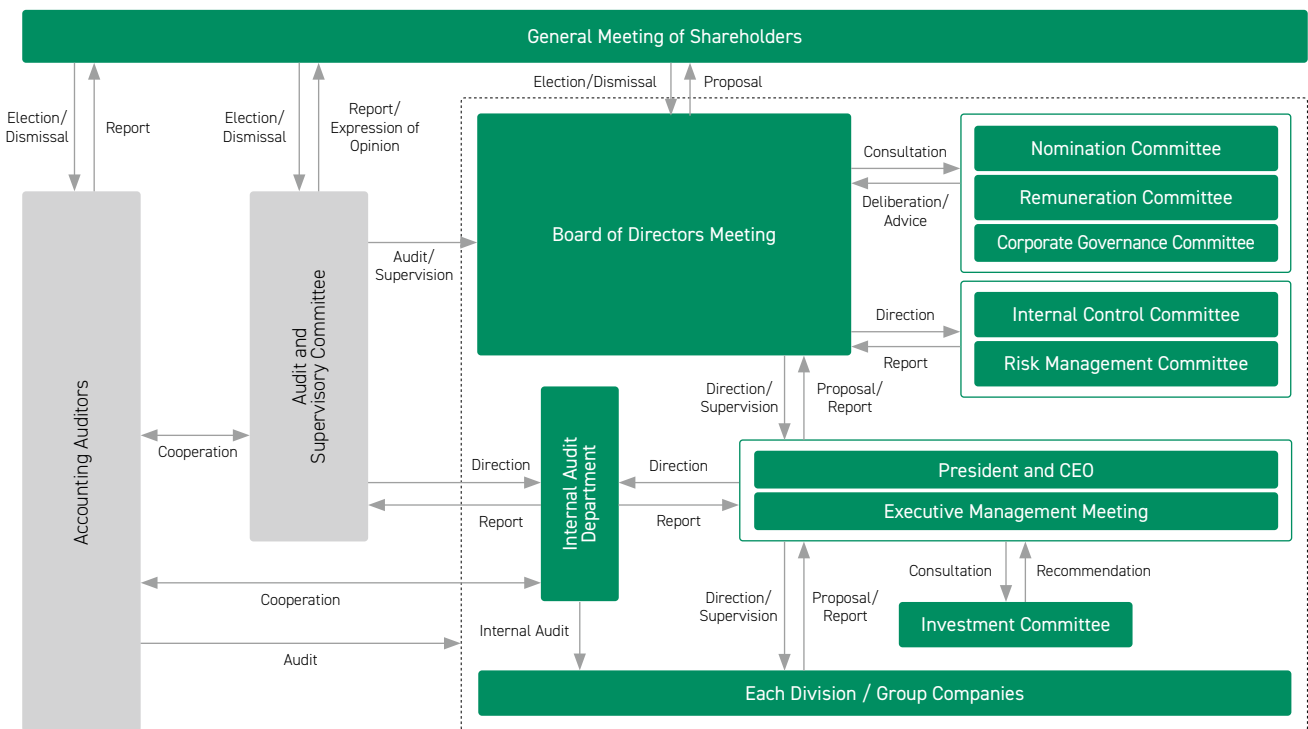
**Care – Empathetic to patients**

**Quality – Committed to excellence**

**Creativity – Striving for innovation**

- Based on its Group mission and the Core Values, Terumo has established these guidelines, which are intended to promote timely decision making while helping maintain transparency and objectivity in management.
- Terumo continuously strives to earn the understanding and trust of its internal and external stakeholders by exercising accountability toward its stakeholders and promoting dialog and other means of communication with its shareholders.
- Informed by Japan’s Corporate Governance Code, Terumo has developed a global platform for its activities as a good corporate citizen.
- Terumo strives diligently to foster a corporate culture of “a highly motivating and challenging workplace with open and candid communication,” because Terumo believes a culture of this nature is essential to effective corporate governance.

## Corporate Governance Structure



\* Audit and Supervisory Committee members are directors, and have voting rights in the Board of Directors meetings. The majority of the Audit and Supervisory Committee is constituted by independent directors. The Audit and Supervisory Committee serves the function of auditing and supervising the directors and the Board of Directors.

## Corporate Governance Structure

Terumo adopted the organizational design of a Company with Audit and Supervisory Committee, as described in the Companies Act of Japan, to achieve the following goals, further strengthen its corporate governance framework, and to enhance its medium- to long-term corporate value.

### 1. Strengthen audit and supervisory functions

The members of the Audit and Supervisory Committee shall have voting rights in meetings of the Board of Directors.

### 2. Enhance transparency and objectivity in management

By increasing the proportion of independent directors on the Board, transparency and objectivity in decision making will be enhanced at the Board level by reflecting opinions of the independent directors, which represent the perspective of shareholders and other stakeholders.

### 3. Expedite decision-making process

By promoting the appropriate delegation of the Board's authority by way of the executive officer system, Terumo will further expedite its decision-making process and business development through a shift toward a monitoring-based approach for the Board.

In addition, the Company has established the Nomination Committee, Remuneration Committee, Corporate Governance Committee, Internal Control Committee, and Risk Management Committee as discretionary bodies that serve to enhance the transparency and objectivity of management.

## Board of Directors

### Roles

- The Board shall strive for optimal decision-making regarding basic management policies with the goal of maximizing corporate value.
- To expedite decision making processes, the Board may delegate certain duties or responsibilities, which are executed based on basic management policies decided by the Board to directors and/or executive officers. The Board shall monitor the execution of any such duties or responsibilities so delegated.
- The Board shall oversee the nomination process of the president's successor as one of its important obligations for maintaining and improving corporate governance and sound management.

### Members

- The Board shall consist of no more than 15 persons, excluding the Audit and Supervisory Committee members.
- Terumo shall strive to have independent directors account for at least one-third of the Board membership.
- Considering that, from the standpoint of corporate governance, the execution of business operations, and supervisory oversight should be separated, the chairman shall serve as the chair, in principle; provided, however, that if no chairman has been appointed, the Nomination Committee shall propose a candidate for chair, considering the actual situation of possible candidates based on the above standpoint and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

## Audit and Supervisory Committee

### Roles

- The Audit and Supervisory Committee shall audit and supervise the execution of duties by directors and executive officers to ensure the appropriate, reasonable, and efficient operation of the Terumo Group. To fulfill its audit and supervisory duties, the Audit and Supervisory Committee may provide direct instructions to the Internal Control, Internal Audit, and Legal and Compliance departments.

### Members

- The Audit and Supervisory Committee shall consist of no more than five (5) directors.
- Terumo shall have independent directors represent a majority of Committee membership.
- The members of the Audit and Supervisory Committee shall elect one of the Committee members to serve as the chair of the Committee.

Corporate Governance

### Support Systems for Independent Directors

The Company actively appoints independent directors to improve the diversity of the Board of Directors and to ensure highly effective discussions. Support systems are being enhanced to enable independent directors to better incorporate their talents and experience into the oversight of management.

- To assist the independent directors in quickly gaining the understanding necessary of the Company to fulfill their duties as directors, at the time of their appointment we provide opportunities to receive explanations on the Company, its businesses, and its medium-term management plans from the President and business representatives.
- Once appointed, independent directors may take part in an annual training program designed to enable them to continue acquiring the legal and industry knowledge required of directors. In addition, independent directors are given the opportunity to visit and observe workplaces and factories in Japan and overseas in order to develop a better understanding of the Company and its business.
- Explanations of the items on the agenda for discussion at meetings of the Board of Directors are provided to independent directors prior to the meetings to enable them to gain a better understanding of these items and to facilitate more substantial discussions at Board meetings (in principle, explanations will be provided by a representative from a division proposing each item two days prior to the Board meeting).
- All independent directors are provided with tablets to enable the safe and timely sharing of materials pertaining to the Board of Directors meetings as well as other internal information.

### Committees

	Role/Structure	Chairperson
Nomination Committee	<ul style="list-style-type: none"> <li>• The Nomination Committee shall, as an advisory body to the Board of Directors, deliberate on the following matters. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.                             <ul style="list-style-type: none"> <li>– Matters concerning successors to the positions of President and Chairman of Terumo Corporation, which is one of the most important duties of the Board of Directors</li> <li>– Matters concerning the appointment and dismissal of directors and executive officers</li> </ul> </li> <li>• The Committee shall be comprised of directors selected by the Board of Directors. Independent directors shall account for a majority of Committee members.</li> </ul>	Independent director
Remuneration Committee	<ul style="list-style-type: none"> <li>• The Remuneration Committee shall, as an advisory body to the Board of Directors, deliberate on the matters listed below and provide advice to the Board with the goals of maintaining and improving the Terumo Group's business integrity and corporate governance practices. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.                             <ul style="list-style-type: none"> <li>– Matters concerning the remuneration for directors and executive officers (Policy for determining remuneration amount or calculation method thereof)</li> <li>– Other matters which the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out the purposes of the Committee</li> </ul> </li> <li>• The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee.</li> </ul>	Independent director
Corporate Governance Committee	<ul style="list-style-type: none"> <li>• The Corporate Governance Committee shall, as an advisory body to the Board of Directors, discuss the matters listed below and provide advice to the Board with the goals of maintaining and improving the Terumo Group's business integrity and corporate governance practices. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.                             <ul style="list-style-type: none"> <li>– Basic matters concerning corporate governance</li> <li>– Important matters concerning the establishment, design, and operation of the corporate governance system</li> <li>– Other important matters that are highly relevant to corporate governance such as improvement of the system in the field of environment and society and efforts to enhance sustainability</li> <li>– Other matters which the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out the purposes of the Committee</li> </ul> </li> <li>• The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee.</li> </ul>	Independent director
Internal Control Committee	<ul style="list-style-type: none"> <li>• Positioned under the Board of Directors, the Internal Control Committee shall design and operate the Terumo Group's internal control systems in accordance with the Company's "Internal Control System Design Basic Policy."</li> <li>• The Committee shall be comprised of Terumo Corporation's Representative Directors, directors ranked Managing Executive Officer or above, Expert Panel chairpersons, Internal Control Department managers, and external legal counsels.</li> </ul>	President and CEO
Risk Management Committee	<ul style="list-style-type: none"> <li>• Positioned under the Board of Directors, the Risk Management Committee shall design and operate the Terumo Group's risk management system based on risk identification, assessment, analysis, and prioritization across the entire organization.</li> <li>• The Committee shall be comprised of executive officers ranked Managing Executive Officer or above, Internal Control Department managers, and a person designated by the chair.</li> </ul>	President and CEO

## Membership of the Board of Directors, Audit and Supervisory Committee, and Other Committees, and Numbers of Meetings

(As of July 1, 2020)

	Name	Board of Directors	Audit and Supervisory Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee
Directors	Takayoshi Mimura	◎		○	○	○
	Shinjiro Sato	○		○	○	○
	Toshiaki Takagi	○				
	Shoji Hatano	○				
	Kyo Nishikawa	○				
	Ryuzo Ueda*	○		◎	○	○
	Yukiko Kuroda*	○		○	◎	◎
	Hidenori Nishi*	○		○	○	○
Directors (Audit and Supervisory Committee Members)	Yoshihiro Kimura	○	◎			
	Masaichi Nakamura*	○	○	○	○	○
	Soichiro Uno*	○	○	○	○	○
Numbers of meetings in fiscal 2019		13	12	4	3	4

◎: Chairperson ○: Member \* Independent director

## Selection of Directors

### Policy

In selecting candidates for directors, with the aim of creating an ideal Board of Directors, Terumo considers the diversity of the composition of the Board in order to give the Board relative base strength with broad experience and skills (industry experience, management capability, etc.), which are necessary for the Board to engage in good discussions and decision making.

Candidates for internal directors shall be selected according to the internal regulations, which stipulate the eligibility criteria, including "a candidate shall have the management judgment capacities and management oversight capacities from stakeholders' standpoint."

Internal regulations for appointment of independent directors stipulate that independent directors shall be selected from persons with extensive experience in management, international business, the practice of medicine, or other specific areas of expertise and that these individuals must be able to contribute to management and to improved corporate governance and be able to offer their frank opinions. The regulations also require the consideration of the diversity of independent directors, including, to the extent possible, their backgrounds, expertise, gender, and other characteristics as appropriate.

With regard to independent directors who serve as Audit and Supervisory Committee members, the regulations stipulate that independent directors should ideally be selected from persons who play leading roles in the fields of law or accounting with at least one candidate coming from each such field.

### Procedure

The Nomination Committee shall discuss potential candidates for directors and the appropriateness of each director's reappointment, and present the results of these discussions to the Board of Directors. This process is intended to eliminate arbitrariness and to ensure the sound selection of candidates.

If a situation arises that leads to serious concerns over the performance of a director's duties, the Nomination Committee may immediately propose to the Board of Directors that necessary measures be taken even during one's term of office.

Independent directors shall be subject to the requirements of the Director Independence Standards. The Nomination Committee shall discuss and propose the Director Independence Standards for review and approval by resolution of the Board of Directors.

Each director shall concurrently hold officer positions (director, auditor, etc.) with no more than three other listed companies as a condition to serving as a director of Terumo Corporation.

The reasons for selection and the positions concurrently held by each candidate for director shall be disclosed in the Corporate Governance Report, reference materials for the General Meeting of Shareholders, or other documents as appropriate.



**Reasons for Appointing Independent Directors and Attendance at Meetings**

Name	Reasons for appointment	Attendance at meetings of the Board of Directors and Audit and Supervisory Committee
Ryuzo Ueda	Mr. Ueda has expert knowledge that includes that gained through his track record of research in cancer therapy, has served as president of Nagoya City University Hospital and director-general of the Nagoya City Hospital Bureau, and has cultivated extensive experience through the performance of his duties in these organizations. He has been appointed as an independent director to utilize this experience in the management of Terumo Corporation and the supervision thereof.	Board of Directors: 12/13 (92%)
Yukiko Kuroda	Ms. Kuroda has extensive experience as a manager and many years of global experience in organizational and leadership development consulting. She has been appointed as an independent director to utilize the insight she has cultivated from these experiences in the management of Terumo Corporation and the supervision thereof.	Board of Directors: 13/13 (100%)
Hidenori Nishi	Mr. Nishi has extensive experience as a manager and many years of experience in overseas businesses and marketing. He has been appointed as an independent director to utilize this experience in the management of Terumo Corporation and the supervision thereof.	Appointed on June 25, 2020
Masaichi Nakamura	Mr. Nakamura has extensive knowledge of finance and accounting as a Certified Public Accountant. He is expected to utilize this knowledge to audit and supervise the management of Terumo Corporation from an independent perspective.	Board of Directors: 10/10 (100%) Audit and Supervisory Committee: 8/9 (89%)
Soichiro Uno	Mr. Uno has specialized knowledge and extensive experience as an attorney in Japan and overseas. He is expected to utilize this knowledge and experience to audit and supervise the management of Terumo Corporation from an independent perspective.	Board of Directors: 10/10 (100%) Audit and Supervisory Committee: 9/9 (100%)

**Selection and Cultivation of Successor to the President (Succession Plans)**

The Board of Directors has established the Nomination Committee as an organization overseeing the process of selecting and cultivating successors to the president in recognition of the fact that the selection of successors to the president is one of the most important duties for the Board of Directors, and the Committee’s activities are monitored by the Board of Directors. The process of selection and cultivation of successors to the president is clearly stated in internal regulations. With regard to selecting a successor to the president, the president shall propose a “Succession Plan” listing more than one candidate and a plan for their cultivation within a specified period of time. The Nomination Committee shall consider the successor candidates in accordance with the procedures stipulated in the internal regulations.

From the point of view of cultivating future successor candidates, the president shall also submit a “Next-Generation Executives’ Development Plan” naming several persons with the potential to become future executives to the Nomination Committee within a specified period of time, and shall thereafter continue to report on the status of these candidates’ cultivation to the Committee as appropriate.

**Evaluation of the Effectiveness of the Board of Directors**

The Board of Directors conducted a self-evaluation concerning its effectiveness during fiscal 2019, for the purpose of further improving effectiveness and functionality of the Board.

The Board evaluation process included anonymous questionnaires completed by each director and individual interviews with certain members of the Board of Directors and the secretariat of the Board. In order to draw out frank opinions and ensure objectivity, the process of collecting questionnaires, conducting individual interviews, and analyzing them were facilitated by outside consultants.

Upon receiving the report from outside consultants, the performance of the Board was discussed and evaluated by the Corporate Governance Committee, of which the majority of the members are independent directors. Subsequently, all members of the Board discussed major findings from the survey and agreed on the actions to take, which will be reflected in the operations of the Board and each committee in fiscal 2020.

**Process for Evaluation of the Effectiveness of the Board of Directors at Meetings**



### Fiscal 2018 Evaluation Results and Fiscal 2019 Response Measures

The areas for improvement identified as requiring further attention by the fiscal 2018 evaluation of the effectiveness of the Board of Directors and the measures taken are as follows:

Areas for improvement	Measures of Fiscal 2019
Discussion of long-term corporate strategies and directives based future innovations and health-care industry trends	Strategic discussions in the areas of global manufacturing strategy, global talent management, and Asian market strategy took place. Long-term business portfolios, technology innovations, and monitoring systems pertaining to global governance were discussed as these topics relate to long-term management directives.
Discussion of Board of Directors composition and diversity and foster shared understanding of policies regarding appointment of directors	Discussions were held centered on the Nomination Committee with regard to the composition of the Board of Directors in fiscal 2020.
Development of onboarding support systems for independent directors and redefinition of roles	A broader range of education and training opportunities for new independent directors were provided sooner after joining than previously, and these efforts were recognized as enabling new external directors to swiftly begin making contributions to the Board of Directors.

### Summary of Results of Fiscal 2019 Evaluation

Based on the following major findings from the evaluation, the Board of Directors concluded that initiatives for improving the Board's effectiveness have been steadily progressing and that the audit, supervisory, and monitoring functions of the Board are efficient.

- The Board of Directors appropriately delegates authority to management and monitors business risks properly.
- Independent directors attend meetings of advisory committees to the Board of Directors and serve as the chairpersons of these committees, contributing to transparent and effective operation of these committees.
- Internal and independent directors possess a variety of insight and experience, allowing for effective and open discussions at meetings of the Board of Directors.

### Areas for Improvement

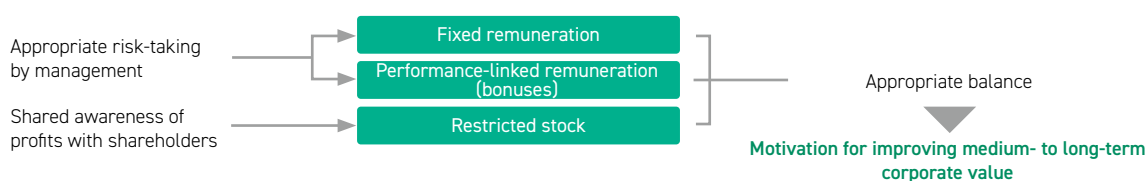
In addition to the aforementioned results, the Board of Directors identified the following areas to be improved.

- Improvements are needed to the proceedings of Board of Directors meetings to secure sufficient time for discussion as changes in the healthcare industry and progress in digital technologies warrant additional opportunities for discussing medium- to long-term corporate strategies and directives.
- Ongoing improvements are needed in the monitoring functions of the Board of Directors in relation to overseas risk management (production, quality, compliance, etc.).
- Continuous discussion is necessary regarding the ideal composition of the Board of Directors going forward.
- There is a need to clarify the roles of advisory committees and adjust their composition.

In fiscal 2020, the Board of Directors and committees will implement measures regarding areas of improvement, including those listed above, and will discuss and implement measures to further improve the effectiveness and functionality of the Board.

## Executive Compensation

### Policy and Framework



### Policies for Targets and Compensation Types

#### 1. Overall Distribution

Executive directors (all)	Fixed remuneration 50%	Performance-linked remuneration (bonuses) 30%	Restricted stock 20%
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\* The higher the rank of the director (with the President ranked highest), the higher the ratios of performance-linked remuneration (bonuses) and restricted stock to the total amount of remuneration.

## 2. Performance-Linked Remuneration (Bonuses)

### (1) Summary of Purpose and Calculation Method

Performance-linked remuneration (bonuses) is issued for the purpose of motivating directors to achieve sustainable growth and improve annual performance and therefore has been adopted as a performance indicator.



Bonuses calculated by multiplying evaluation coefficients determined based on above evaluation indicators by standard bonus amount set for each position

### (2) Indicator Targets and Scale of Fluctuation

		Policy/Target	Scale of fluctuation
Companywide performance indicators	Revenue	Accomplishment of initially set target defined as 100% for evaluation coefficient	Evaluation coefficient to be adjusted within range of 0% to 150% based on degree of accomplishment of targets in order to provide healthy motivation for improving performance
	Operating profit		
	EPS	Year-on-year increase in three-year moving EPS average growth rate (profit increase rate per share) set as evaluation index for EPS for the purposes of further emphasizing shareholders' perspective and encouraging pursuit of sustainable profit growth	Evaluation coefficient to be adjusted within range of 0% to 150% with a three-year moving EPS average growth rate that is the same as the average for the three-year moving EPS average growth rate over the past 10 years set as 100%
Overseen department(s) / individual performance indicators	Revenue of overseen department(s)	Accomplishment of initially set target defined as 100% for evaluation coefficient	Evaluation coefficient to be adjusted within range of 0% to 150% based on degree of accomplishment of targets in order to provide healthy motivation for improving performance
	Adjusted operating profit		
	Individually set targets	Targets initially set with regard to important measures	Evaluation coefficient to be adjusted within range of 0% to 100% based on degree of accomplishment of targets as of fiscal year-end

### (3) Evaluation Index Results (Fiscal 2019)

The evaluation coefficients pertaining to Companywide performance indicators in fiscal 2019 were 89% for revenue, 110% for operating profit, and 129% for EPS, which resulted in an average of 109% for these three coefficients.

	Initial forecast	Performance	Evaluation coefficient
Revenue	¥635.0 billion	¥631.8 billion*	89%
Operating profit	¥109.0 billion	¥113.3 billion*	110%
EPS	7.8% three-year moving EPS average growth rate (10-year average)	12.0% three-year moving EPS average growth rate	129%
Average for evaluation coefficients pertaining to Companywide performance indicators in fiscal 2019			109%

\* Figures are calculated using foreign exchange rates employed when formulating initial targets.

### (4) Policy and Ratios for Evaluation Indicators for Each Director Position (Executive Directors)

- Chairman/CEO: Evaluation based only on Companywide performance indicators
- Directors with business responsibilities: High weight assigned to overseen department(s) / individual performance indicators
- Directors with functions / regional responsibilities: High weight assigned to Companywide performance indicators

Director position	Companywide performance indicator weight	Overseen department(s) / individual performance indicator weight
Chairman/CEO	100%	0%
Directors with business responsibilities	70%	30%
Directors with functions / regional representative	71~80%	29~20%

### 3. Restricted Stock

In order for executive directors to share the benefits and risks of stock price movements with shareholders and further enhance their desire to contribute to rises in stock prices and to the improvement of corporate value, a restricted stock system was adopted in fiscal 2019. Under the concept "sharing awareness of profits with shareholders over the long term," directors may not transfer to a third-party or otherwise dispose of restricted stock allotted to them for thirty years (or until their retirement from position of director, if earlier). Furthermore, if directors commit fraud or violate laws during their term as director, all or part of their allotted stock will be acquired by the Company without compensation.

#### Determining Procedure

The Remuneration Committee, as an advisory body to the Board of Directors, deliberates on the standard amount of fixed remuneration, bonuses and restricted stocks (stock options) for directors (excluding Audit and Supervisory Committee members) by position and the basic design of the remuneration system in light of information that includes information on comparable standards used at other companies provided by an outside research organization.

Independent directors shall account for the majority of Remuneration Committee members and the chair shall be elected from among the Committee members who are independent directors.

As approved at the 100th Annual General Meeting of Shareholders held on June 24, 2015, a total annual limit of ¥700 million was set for remuneration of directors other than Audit and Supervisory Committee members (fixed remuneration, bonuses, and stock options). Thereafter, at the 104th Annual General Meeting of Shareholders held on June 21, 2019, a total annual limit of ¥200 million was set for restricted stock remuneration. A maximum annual limit of ¥100 million was also approved for remuneration of directors who serve as Audit and Supervisory Committee members at the 100th Annual General Meeting of Shareholders held on June 24, 2015. Thereunder, the procedure for determining remuneration is as follows.

- Fixed remuneration

Within the approved remuneration limit, remuneration for directors, excluding members of the Audit and Supervisory Committee, is decided by resolution of the Board of Directors, and remuneration for Audit and Supervisory Committee members is decided through discussions among the Audit and Supervisory Committee members.

- Bonuses, restricted stock (stock options)

Bonuses and restricted stock (stock options) are approved by resolution of the Board of Directors, within the director remuneration limit mentioned above, after taking business results, the business environment, and other factors for each year into consideration.

#### Remuneration to Directors

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)			Number of directors
		Fixed remuneration	Restricted stock	Bonuses	
Directors (excluding Audit and Supervisory Committee members and independent directors)	512	230	112	169	6
Audit and Supervisory Committee members (excluding independent directors)	41	41	—	—	1
Independent directors	76	76	—	—	7

#### (Reference) Activities by the Board of Directors and Committees in Recent Fiscal Years as Part of the Process for Deciding Remuneration of Directors

Date	Organization	Activity
November 7, 2019	Remuneration Committee	Discussion on stock options for directors and executive officers living overseas
January 23, 2020	Remuneration Committee	Discussion on director remuneration composition for fiscal 2020
February 6, 2020	Board of Directors	Resolution on director remuneration composition for fiscal 2020
May 14, 2020	Remuneration Committee	Discussion on policies for performance evaluations and director remuneration for fiscal 2020

### Holding of Shares in Other Companies for Strategic Purposes

Terumo stipulates the following in its Terumo Corporate Governance Guidelines regarding Securing Shareholders' Rights and Equality.

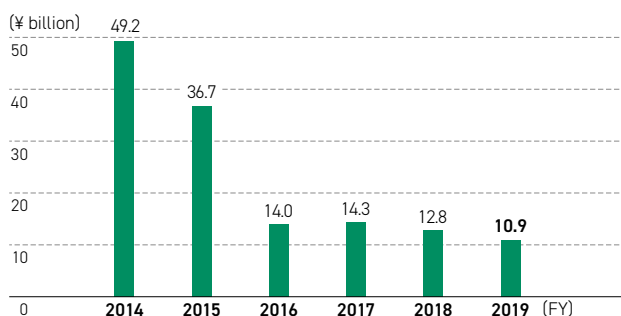
#### 3. Securing Shareholders' Rights and Equality

##### (4) Holding of Shares in Other Companies for Strategic Purposes

- Terumo may hold shares of other companies with a view to creating business opportunities and/or enhancing corporate value.
- The Board of Directors shall verify the economic, strategic, and other rationales for each such holding using a medium- to long-term perspective on an annual basis. Terumo shall disclose holding securities as specified equity securities in the Annual Securities Report unless selling them.
- Terumo shall exercise its voting rights taking into consideration the impact of its voting on the corporate value of Terumo and the company in which Terumo has invested.

### Holding of Shares in Other Companies for Strategic Purposes

(As of March 31, 2020)



Notes: 1. Figures represent total of investments in stocks for special purposes and balance of deemed securities holdings (market value).  
2. Figures exclude early stage investment in venture companies.



For more information on the Terumo Corporate Governance Guidelines, please refer to the website below:  
<https://www.terumo.com/about/governance/>



## Compliance

With the goal of realizing its Group mission of “Contributing to Society through Healthcare,” the Terumo Group conducts honest and fair business practices and fosters the high ethical standards expected of a healthcare company.

### Basic Approach

Earning the trust of society is critical for Terumo to continue to fulfill its Group mission of “Contributing to Society through Healthcare.” Terumo, together with all of its associates, strives to protect its reputation, which is an invaluable asset, and to further build trust with society. To achieve this, every Terumo associate must make the right decisions and do the right things. The Terumo Group Code of Conduct is a guide to help Terumo associates make the right decisions in their everyday actions.

Terumo makes every effort to ensure that all associates around the world, not only directors and officers, engage in fair business practices, abide by laws and regulations, and follow the highest ethical standards when serving all stakeholders, including the patients and healthcare professionals that use our products, and when practicing social responsibility, always keeping this Code of Conduct in mind. For this purpose, Terumo has established an environment that enables associates to better understand the importance of the Code of Conduct through means such as constantly providing training tailored to each workplace.



For information on the Terumo Group Code of Conduct, please refer to the website below:  
<https://www.terumo.com/about/code-of-conduct/>



### Compliance System

At Terumo, the Internal Control Committee, which is responsible for enacting the Internal Control System of the Terumo Group in accordance with the Internal Control System Design Basic Policy approved by the Board of Directors, shall deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit and Supervisory Committee.

Under the leadership of the Chief Legal Officer (CLO) and centered on the Legal and Compliance Department, we create compliance-related rules, perform training and education, and conduct monitoring to quickly discover and ascertain compliance issues through coordination with the compliance officers who are in charge of promoting compliance-related activities at each Group company.

In the event that any significant compliance violations occur, a response team shall be immediately organized under the direction of the Chairman of the Internal Control Committee, and that team shall, in addition to handling and resolving the matter, report and make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

### Compliance Education

Terumo conducts compliance education with the aim of improving compliance awareness among all associates and ensuring understanding of and compliance with relevant laws and regulations.

#### Major Compliance Training Programs (Terumo Corporation)

Theme	Scope of participation	Format	Subjects	Frequency
Terumo Group Code of Conduct	All directors, officers, and associates	E-learning program	Training on the Terumo Group Code of Conduct	Once a year
Antitrust and anti-corruption	All directors, officers, and certain associates	E-learning program	Fair transactions and prevention of corruption in business activities	Once a year
Interactions with healthcare professionals	Associates in sales branches and Companies	Branch training E-learning program	Maintenance of appropriate relations with healthcare professionals	At least once a month
Level-based training	Associates at specific levels	Group training	Compliance education as part of training for early-career associates and associates being promoted to mid-level and management positions	Once a year
Officer training	Officers	Group training	Compliance education	Once every two–three months

## Major Compliance Initiatives

### Whistle-Blowing System

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When we encounter any compliance issues, it is important to promptly take the appropriate measures, such as investigation, preventive action, disciplinary action, and/or recurrence prevention. For this reason, we have established the Group Compliance Violations Reporting and Anti-Retaliation Policy, which urges associates to promptly report any compliance-related issues internally while ensuring that they will not suffer any retaliation as a result.

Based on this policy, Terumo has established and operates a whistle-blowing system through which associates can make reports or receive consultation with regard to compliance violations. Through this system, associates can contact internal venues, legal advisors, or external reporting venues operated by independent third-party organizations via email, mail, telephone, or other means. In addition, a whistle-blowing system relating to the Board of Directors was established in July 2017, enabling associates to contact the Audit and Supervisory Committee.

### Prevention of Harassment

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Terumo's work regulations in Japan explicitly forbid abuses of power and sexual harassment, regardless of gender orientation or gender identification (members of the LGBT community), as well as activities intended to put individual associates at a disadvantage due to reasons such as pregnancy, or roles as a parent or caregiver. In addition, with clearly indicating our stance toward harassment, we have established a harassment intranet page where associates in Japan will find our Harassment Prevention Guidelines. From fiscal 2017, December–January has been designated as a period for promoting harassment prevention awareness in Japan. Initiatives during this period include the transmission of messages, administration of surveys, and conducting of e-learning programs for all associates. Managers, meanwhile, periodically attend training sessions that provide examples of harassment relevant to daily business activities. These activities are examples of our ongoing efforts to raise harassment prevention awareness.

Furthermore, a new intranet page detailing our efforts to ensure rigorous compliance was established in April 2020. On this page, associates will find information on our stance toward earnestly embracing compliance and concrete examples of compliance violations and countermeasures. This information is designed to facilitate increased understanding and risk sensitivity among associates.

### Appropriate Relationships with Healthcare Professionals

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Terumo abides by the Fair Competition Code of the Japan Fair Trade Council of the Medical Devices Industry, the Promotion Code of the Japan Federation of Medical Devices Associations, and other industry regulations to ensure that it follows appropriate practices in promoting medical devices and pharmaceuticals to healthcare professionals. We have also established internal rules for this purpose.

Furthermore, the Group Ethical Interactions with Healthcare Professionals Policy was established based on the principles of the codes of ethics of reputable industry associations in the regions in which the Group operates, to guide us in maintaining appropriate relationships with healthcare professionals.



We are developing IT and digitization foundations to support Terumo's digital transformations and to ensure that we are able to provide healthcare settings with cutting-edge products and services in a timely manner.

## Basic Approach

Products and services powered by digital technologies are on the rise, particularly among technological forerunners in the United States. The healthcare industry is no exception as the digitization trend gains speed on a global basis.

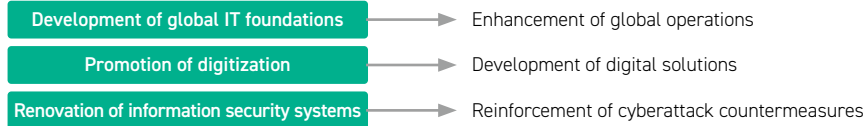
Meanwhile, *DX Report: Overcoming of "2025 Digital Cliff" Involving IT Systems and Full-fledged Development of Efforts for DX*, which was published by the Ministry of Economy, Trade and Industry, sounds the alarm with regard to the obstacles to digitization in Japan created by the aging of the core systems of domestic companies. The report states that, if these companies are unable to redevelop their core systems by 2025, the digitization trend will be stifled, which would have a negative impact on the Japanese economy. This issue is referred to as the "2025 Digital Cliff."

The Terumo Group faces issues with this regard in terms of its aging core systems and a lack of consistency in IT infrastructure among bases worldwide. Accordingly, we formulated a roadmap for global IT strategies in 2015. This plan is based on the three pillars of development of global IT foundations, promotion of digitization, and renovation of information security systems.

Efforts for the development of global IT foundations include advancing a project to integrate aged, non-standard core systems into the platform of SAP. Through this project, we aim to upgrade and globally integrate core systems by 2024 in order to consolidate the management of business data and improve the efficiency of operations on a worldwide scale. Meanwhile, the promotion of digitization will be advanced in in-house systems as we seek to acquire artificial intelligence and other state-of-the-art technologies and build digitization promotion frameworks. In regard to the renovation of information security systems, we are drastically redeveloping current information security frameworks to combat the rising cyberattack risks.

In this manner, we are steadily advancing preparations for digitization by redeveloping and integrating existing IT platforms and information security systems on a global level.

### Three Pillars of Global IT Strategies



### Contributions to Businesses



## Katsuya Takeuchi

Executive Officer  
Chief Information Officer (CIO)

## Message from the CIO

Embracing IT and promoting digitization on a global scale requires coordination among the entire Terumo Group, including the IT staff of overseas subsidiaries.

The Terumo Group has incorporated a number of overseas subsidiaries through mergers and acquisitions, and the IT infrastructure of these subsidiaries varies by company to company. In 2014, there was no consistency between the IT policies of Group companies due to this situation coupled with a lack of communication between the IT divisions of the head office and those of overseas subsidiaries.

To address this insufficiency, Terumo established the CIO Office in 2015, signaling the start of efforts to develop global IT governance systems. Since then, the CIO Office has played a central role in an ongoing, Groupwide process of discussion on various IT-related issues from short-, medium-, and long-term perspectives at global IT committee meetings held four times a year. At first, there were cases in

which consensus could not be reached, but we were able to meld our various opinions together through the pursuit of synergies, thereby moving toward global IT policies.

Today, we are engaged in initiatives pertaining to the three pillars of our global IT strategies, which pertain to a project to integrate global systems in the platform of SAP, the examination of methods of employing digital technologies, and the renovation of information security systems. These initiatives are being advanced by forming organizations centered on junior and mid-level associates at bases worldwide.

Going forward, we will continue to outpace our peers in our efforts to embrace IT and promote digitization by strengthening IT governance systems in a bid to contribute to development of the Terumo Group.

## Risk Management

### Business Risks

The Company has established the Group Risk Management Policy to guide responses to various internal and external risk factors, and organizational systems and risk factor-specific response measures are put in place accordingly. The major risk factors that could negatively impact the Company's operating results and financial position are as follows.

<b>Changes in Government Healthcare Policies</b>	<p>In the healthcare industry, governments in Japan and overseas continue attempts to control health expenditures while implementing system reforms to enhance the quality of healthcare. The Company constantly analyzes the government healthcare policies of the countries in which it operates in order to furnish the necessary responses through coordination between relevant internal divisions and stakeholders. However, large scale amendment in healthcare policies exceeding expectations resulting in rapid changes in the operating environment could affect the Company's operating results and financial position.</p>
<b>Stable Supply-Related Risks</b>	<p>Terumo has established business continuity plans (BCPs) pertaining to material procurement in order to develop sustainable value chains that ensure stable supply of high-quality products to medical settings. In addition, Terumo has been enhancing quality control, compliance, environmental health and safety related initiatives, etc. through various actions including development of systems for collaboration with business partners. However, in case malfunction of the stable supply systems continues for an extended period of time exceeding expectations, the Company's operating results and financial position could be affected.</p>
<b>Quality-Related Risks</b>	<p>Terumo develops its business on a global scale. For this reason, it is enhancing compliance with legal and regulatory standards and specifications pertaining to pharmaceuticals and medical devices in the countries in which it manufactures and sells its products. It is also reinforcing its quality governance systems globally and developing and constantly improving quality control systems. In addition, internal audits are conducted to verify the status of legal compliance at each production site while quality control-related situations are periodically reviewed. To meet all the required standards, legal or otherwise, rigorous quality and production control provisions are put in place to ensure the quality, efficacy, and safety of its products. However, there are following potential risks which could lead to decrease in sales or rise in quality-related costs, and the Company's operating results and financial position could be affected as a result.</p> <ul style="list-style-type: none"> <li>A. Risk of inability to comply in a timely manner with more rigorous legal or regulatory standards which could be newly implemented in the countries.</li> <li>B. Risk of recalls or temporary halts to product shipments due to quality-related issues with its products.</li> <li>C. Need for preventive measures or actions arising from cases in which there would be any medical accident and when Terumo anticipates possibilities that the risks might extend to its products in the future, even if direct involvement of its products is not confirmed</li> </ul>
<b>Discovery of New Medical Evidence</b>	<p>As time passes in the healthcare industry, research findings can reveal evidence of previously unknown efficacies or risks of treatments, medical devices, or pharmaceuticals. The Company undertakes product development, business alliances, acquisitions, and other business initiatives based on thorough consideration of all potential risks and opportunities that can be predicted beforehand. Moreover, even after an initiative is started, the decision on whether to continue or discontinue the initiative is made based on analyses of new research reports or clinical data. However, should a product be found not to demonstrate the anticipated efficacy, or new issues or adverse effects be discovered with regard to the treatment previously thought to be effective, the Company's operating results and financial position could be affected.</p>
<b>Market Price Fluctuations</b>	<p>In the domestic healthcare industry, Japanese government enacts biennial revisions to government reimbursements for drugs, medical treatment, and medical equipment covered by the national health insurance scheme as part of its measures to control health expenditures. In addition, intense competition and innovations in technologies both in Japan and overseas could serve to greatly lower market prices of products. Terumo takes measures to minimize the impacts of such risks through continuous reduction of manufacturing costs and sales expansion of highly value-added products. However, large fluctuations in market prices could adversely affect the Company's operating results and financial position.</p>
<b>Exchange Rate Fluctuations</b>	<p>Because Terumo's headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from the currencies of the respective countries into Japanese yen for the consolidated financial statements and other purposes. Fluctuations in the applied exchange rates could therefore influence conversion of those accounts into yen and result in either gain or loss for the Company. Steps are taken to minimize the impacts of these fluctuations through structural methods, such as by transferring production to overseas factories and importing raw materials, along with flexible utilization of contracts to hedge against exchange rate volatility for trade receivables. However, it is possible that large exchange rate fluctuations could affect the Company's operating results and financial position.</p>
<b>Changes in Accounting Policies and Taxation Systems</b>	<p>The Company endeavors to incorporate future changes in accounting standards and taxation systems into business plans and growth strategies to the extent that they can be predicted beforehand. However, should new accounting standards or taxation systems be effective at a timing when it is difficult to acquire information in advance or should additional tax burdens be incurred due to difference in interpretation between tax authorities and the Company, the Company's operating results and financial position could be affected.</p>

<b>Capital and Business Alliances, Corporate Acquisitions</b>	Capital and business alliances, corporate acquisitions, and other such measures have been positioned as one of the important strategies for strengthening business fundamentals. In undertaking such measures, the Company analyzes and evaluates the business potentials and takes steps to mitigate the projected risks and to ensure swift and efficient post-merger integration, etc. However, should a capital and business alliance, corporate acquisition, or other such measure fail to produce the expected benefits, the Company's operating results and financial position could be affected.
<b>Risks Pertaining to Impairment Losses, Valuation Losses, and Business Reorganizations</b>	Based on its mid- to long-term growth strategies, the Company pursues efficient utilization of management resources in its businesses and maximum return on investments. However, should the Company be unable to achieve the anticipated growth; impairment losses be recorded on goodwill, tangible or intangible assets; or losses might be incurred due to sale or liquidation of businesses, the Company's operating results and financial position could be affected.
<b>Information Security- and IT System Management-Related Risks</b>	The Company implements scam email countermeasures, unauthorized communication monitoring, and other initiatives to reinforce its security measures in order to protect information and IT systems through multiple layers of defense against external threats. Measures for protecting against internal threats include establishment of the global information security standards and rules, implementation of ongoing associate training, and measures to update or replace aged systems. However, should these security precautions fail to function, there might be risks of unauthorized access, leaks of personal or confidential information, or system failures, the Company's operating results and financial position could be affected.
<b>Legal Proceedings</b>	Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of Legal and Compliance, Intellectual Property, and other respective divisions as well as system of internal control. The management structure is also in place to ensure that the Board of Directors and the Audit and Supervisory Committee review situations as needed. However, if the Company were to be sued by a third party for damages, or an injunction against sales or any other major legal action were to be taken, the Company's operating results and financial position could be affected.
<b>Pandemics, Epidemics, and Large-Scale Natural Disasters</b>	Terumo has established Group BCP Policy to facilitate the implementation of proactive and reactive measures against global pandemics and epidemics as well as against earthquakes, hurricanes, and other natural disasters. In addition, various drills are carried out on a regular basis. However, the Company's operating results and financial position could be affected if the impacts of such events exceed the projected scale. Against impacts due to the global COVID-19 pandemic, Terumo implemented following three basic policies for business activities, which have been formulated based on Group Mission, Core Values and Group BCP Policy. <ul style="list-style-type: none"> <li>• Secure associates health and safety</li> <li>• Stable supply to sustain healthcare</li> <li>• Proactive contribution to infection prevention and treatment</li> </ul> Furthermore, on April 1, 2020, the Company began implementing a number of measures to maintain flexible operations and to respond to the rapidly changing situations from the perspective of group-wide crisis management. These measures are to strengthen company management, such as securing financial health (liquidity), assessing performance and forecasts in a faster cycle, detailed expenditure management and discipline.
<b>Risks Related to the Environmental Health and Safety, and Compliance</b>	In regard to compliance with laws pertaining to occupational health and safety, anticorruption, antitrust, and appropriate promotions targeting healthcare professionals as well as measures for addressing climate change and other environment issues, the Company implemented management systems that conform to international standards, pursues ongoing improvements to its activities and systems, and conducts education for associates. However, if these measures were unable to function sufficiently due to substantial changes to the laws of relevant countries or other factors impacting the Company or its stakeholders, there might be risks of serious legal violation or loss of trust in society and the Company's operating results and financial position could be affected.
<b>Economic and Geopolitical Risks</b>	Terumo supplies products to various countries. It is possible that economic recessions, subsequent contractions in demand, acts of terrorism, wars, or other unpredictable political changes could occur in the Company's business domain. The company constantly reviews the political and economic situations of the countries, and in case of emergency, takes necessary actions keeping safety of human lives always as the top priority. However, the Company's operating results and financial position could be affected if the impacts of such changes exceed the projected scale.

**Disclaimer**

Performance and other forward-looking statements contained in materials disclosed by the Company are based on the information available as of March 31, 2020, and on judgments assumed to be rational. The Company does not promise the outlook projected. Actual performance may differ from projections based on a variety of factors. Material factors that may impact performance include economic conditions affecting the Company's business domain, foreign exchange rate fluctuations, and competition.

## Directors, Audit and Supervisory Committee Members, and Executive Officers

(As of September 1, 2020)

### Directors



#### Takayoshi Mimura

Chairman of the Board

Apr. 1977 Joined Terumo Corporation  
 Jun. 2003 Director and Executive Officer  
 Jun. 2004 Director and Senior Executive Officer  
 Jun. 2007 Director and Managing Executive Officer  
 Apr. 2008 Group President of General Hospital Business Group, responsible for Domestic Sales Dept.  
 Jun. 2009 Regional Representative, China and Asia  
 Jun. 2010 Director and Senior Managing Executive Officer  
 Aug. 2011 President and CEO, Terumo (China) Holding Co., Ltd.  
 Apr. 2017 Chairman of the Board (present)



#### Shinjiro Sato

President and CEO

Apr. 1984 Joined Toa Nenryo Kogyo K.K. (currently ENEOS Corporation)  
 Feb. 1999 Joined Arthur Andersen Business Consulting (currently PwC Japan Group)  
 Jun. 2004 Joined Terumo Corporation  
 Jun. 2010 Executive Officer, General Manager of Strategic Planning Dept.  
 Oct. 2011 Group President of Cardiac and Vascular Business Group (currently President, Cardiac and Vascular Company)  
 Jun. 2012 Senior Executive Officer  
 Jun. 2014 Director and Senior Executive Officer  
 Apr. 2015 Director and Managing Executive Officer  
 Apr. 2017 President and CEO (present)



#### Toshiaki Takagi

Director and Senior Managing Executive Officer

[Supervising Executive Officer for] Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., Regulatory Affairs, Promotional Activities Control Dept., Clinical Development Dept., Production Dept., Supply Chain Management Dept., CIO Office, IT Planning Dept., Terumo Medical Pranex

[Executive Officer in charge of] Intellectual Property Dept.

Apr. 1981 Joined Terumo Corporation  
 Jun. 2008 Executive Officer  
 Jun. 2009 General Manager of R&D Headquarters  
 Jun. 2010 Director and Senior Executive Officer  
 Jun. 2013 Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept. (present), and Environmental Management Dept.  
 Jul. 2015 Chief Quality Officer (CQO)  
 Apr. 2016 Director and Managing Executive Officer  
 Apr. 2017 Responsible for Production Dept. (present) and Procurement Dept.  
 Apr. 2018 Director and Senior Managing Executive Officer, responsible for Intellectual Property Dept. and Terumo Medical Pranex (present)  
 Apr. 2020 [Supervising Executive Officer for] Regulatory Affairs, Promotional Activities Control Dept., Clinical Development Dept., Supply Chain Management Dept., CIO Office, IT Planning Dept. (present)



#### Shoji Hatano

Director and Managing Executive Officer

[Supervising Executive Officer for] Corporate Affairs Dept., Legal and Compliance Dept., Japanese Sales Management Dept., Terumo Call Center, Procurement Dept.

[Executive Officer in charge of] Corporate Communication Dept., Investor Relations Dept., Strategic Branding Dept., Corporate Sustainability Dept., Design Planning Dept., Environmental Management Dept.

Apr. 1983 Joined Terumo Corporation  
 Oct. 2011 General Manager of Strategic Planning Dept.  
 Jun. 2012 Senior Executive Officer, General Manager of Strategic Planning Dept., responsible for Corporate Communication Dept. and Design Planning Dept.  
 Apr. 2015 Managing Executive Officer  
 Apr. 2016 President, General Hospital Company  
 Jun. 2016 Director and Managing Executive Officer (present)  
 Jan. 2017 Division President, Hospital Systems Division, General Hospital Company  
 Apr. 2020 [Supervising Executive Officer for] Corporate Affairs Dept., Legal and Compliance Dept., Japanese Sales Management Dept., Terumo Call Center, Procurement Dept. (present)  
 [Executive Officer in charge of] Corporate Communication Dept., Investor Relations Dept., Strategic Branding Dept., Corporate Sustainability Dept., Design Planning Dept., Environmental Management Dept. (present)



#### Kyo Nishikawa

Director and Senior Executive Officer

Chief Human Resources Officer (CHRO)

[Supervising Executive Officer for] Human Resources Dept., India and Asia Pacific Region

[Executive Officer in charge of] Global Human Resources Dept., Human Resources Development Dept., Diversity Promotion Dept.

Apr. 1982 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)  
 Apr. 2002 Human Resource Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)  
 Apr. 2008 General Manager, Hong Kong Branch, Mizuho Corporate Bank, Ltd.  
 Apr. 2010 Executive Officer, Mizuho Corporate Bank, Ltd.  
 Jun. 2010 Executive Officer, Terumo Corporation  
 Mar. 2012 General Manager, International Business Division Regional Representative, Eastern Europe, Russia, Middle East and Africa Managing Director and BOD Chairman, Terumo Europe N.V.  
 Apr. 2018 Senior Executive Officer (present)  
 Chief Human Resources Officer (CHRO), Human Resources Dept., Human Resources Development Dept. (present)  
 Apr. 2020 [Supervising Executive Officer for] India and Asia Pacific Region (present)  
 [Executive Officer in charge of] Global Human Resources Dept., Diversity Promotion Dept. (present)



**Ryuzo Ueda**

Independent Director

Professor, Dept. of Tumor Immunology,  
 Aichi Medical University

- Apr. 1969 Clinical Fellow, Nagoya University School of Medicine
- Sep. 1976 Visiting Research Fellow, Memorial Sloan Kettering Cancer Center, New York
- Apr. 2003 President, Nagoya City University Hospital
- Apr. 2010 Professor Emeritus, Nagoya City University (present)
- Apr. 2012 Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine (present)
- Jun. 2015 Independent Director, Terumo Corporation (present)
- May 2016 Visiting Professor, Nagoya City University (present)
- Jun. 2018 Board Chairman, Research Foundation for Oriental Medicine (present)
- Nov. 2018 Designated Professor, Nagoya University Graduate School of Medicine (present)



**Yukiko Kuroda**

Independent Director

Managing Director and Founder, People Focus Consulting Co., Ltd.

- Apr. 1986 Joined Sony Corporation
- Jan. 1991 President, People Focus Consulting Co., Ltd.
- Jun. 2010 Outside Audit & Supervisory Board Member, Astellas Pharma Inc.
- Mar. 2011 Outside Director, CAC Co., Ltd. (currently CAC Holdings Corporation) (present)
- Apr. 2012 Founder and Director, People Focus Consulting Co., Ltd. (present)
- Jun. 2013 External Director, Marubeni Corporation
- Jun. 2015 Outside Director, Mitsui Chemicals, Inc. (present)
- Jun. 2018 Outside Director, Seven Bank, Ltd. (present)  
 Independent Director, Terumo Corporation (present)



**Hidenori Nishi**

Independent Director

- Apr. 1975 Joined Kagome Co., Ltd.
- Jun. 2000 Director, Kagome Co., Ltd.
- Jun. 2005 Director and Managing Executive Officer, Kagome Co., Ltd.
- Jun. 2008 Director and Senior Managing Executive Officer, Kagome Co., Ltd.
- Apr. 2009 Representative Director and President, Kagome Co., Ltd.
- Jan. 2014 Representative Director and Chairman, Kagome Co., Ltd.
- Jun. 2014 Independent Director, NAGASE & CO., LTD.
- Mar. 2016 Chairman of the Board, Kagome Co., Ltd.
- Jun. 2019 Independent Director, FUJI OIL HOLDINGS INC. (present)
- Jun. 2020 Independent Director, Terumo Corporation (present)

**Directors (Audit and Supervisory Committee Members)**



**Yoshihiro Kimura**

Director  
 Audit and Supervisory Committee Member

- Apr. 1978 Joined Terumo Corporation
- Apr. 2004 Managing Director, Terumo Europe N.V.
- Jul. 2006 General Manager of Controller Dept.
- Mar. 2011 Chairman, Terumo Penpol Private Ltd.
- Apr. 2014 Executive Officer and General Manager of Internal Audit Dept.
- Apr. 2016 Advisor
- Apr. 2017 Audit and Supervisory Committee Office
- Jun. 2017 Director (Audit and Supervisory Committee Member) (present)



**Masaichi Nakamura**

Independent Director  
 Audit and Supervisory Committee Member  
 Certified Public Accountant

- Oct. 1983 Joined Tetsuzo Ota & Co.
- May 1999 Partner of Showa Ota & Co.
- Aug. 2008 Executive Director of Ernst & Young ShinNihon LLC
- Jul. 2014 Representative Partner and Vice President of Ernst & Young ShinNihon LLC
- Sep. 2016 Representative of Masaichi Nakamura CPA Office (present)
- Jun. 2017 External Corporate Auditor, Sumitomo Heavy Industries, Ltd. (present)  
 Outside Director (Audit and Supervisory Committee Member), SCSK Corporation (present)
- Jun. 2019 Independent Director (Audit and Supervisory Committee Member), Terumo Corporation (present)



**Soichiro Uno**

Independent Director  
 Audit and Supervisory Committee Member  
 Lawyer

- Apr. 1988 Joined Nagashima & Ohno (currently Nagashima, Ohno & Tsunematsu), admitted to the bar in Japan
- Nov. 1993 Passed the bar exam in the State of New York, USA
- Jan. 2000 Partner, Nagashima Ohno & Tsunematsu (present)
- Jun. 2004 Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (present)
- Jun. 2018 Director (Audit & Supervisory Committee Member), Dream Incubator Inc. (present)
- Jun. 2019 Independent Director (Audit and Supervisory Committee Member), Terumo Corporation (present)

## Executive Officers

### Kazuaki Kitabatake

Managing Executive Officer

Division President, Neurovascular Division, Cardiac and Vascular Company  
President and CEO, MicroVention, Inc.

### Hikaru Samejima

Managing Executive Officer

President, General Hospital Company  
Division President, Hospital Systems Division, General Hospital Company

### Toshihiko Osada

Managing Executive Officer

President, Cardiac and Vascular Company  
Division President, Interventional Systems Division, Cardiac and Vascular Company

### Tsuyoshi Tomita

Senior Executive Officer

Group Manager, General Hospital Products Group, Hospital Systems Division, General Hospital Company

### Takanori Shibazaki

Senior Executive Officer

Regional Representative, China  
President and CEO, Terumo (China) Holdings Co., Ltd.

### Tetsuya Kumei

Senior Executive Officer

Division President, Alliance Division, General Hospital Company  
General Manager, Business Planning, General Hospital Company

### Kazunori Hirose

Senior Executive Officer

Chief Manufacturing Officer (CMO)  
General Manager, Production Dept.  
Procurement Dept.  
Supply Chain Management Dept.

### Itaru Sakaguchi

Senior Executive Officer

Chief Operations Officer (COO), Interventional Systems Division, Cardiac and Vascular Company

### Kosuke Matsumoto

Executive Officer

General Manager, Japanese Sales Management Dept.  
Terumo Call Center

### Masanori Hoshino

Executive Officer

President and Chief Manufacturing Officer, Terumo Yamaguchi Corp.

### Hiroshi Nagumo

Executive Officer

President and CEO, Terumo Americas Holding, Inc.  
Regional Representative, Latin America

### James Rushworth

Executive Officer

Chief Commercial Officer (CCO), Interventional Systems Division, Cardiac and Vascular Company  
President and CEO, Terumo Medical Corp.

### Hiroaki Kasukawa

Executive Officer

Chief Technology Officer (CTO)  
R&D Promotion Dept.

### Katsuya Takeuchi

Executive Officer

Chief Information Officer (CIO)  
General Manager, IT Dept.

### Miho Mizuguchi

Executive Officer

Chief Legal Officer (CLO)  
General Manager, Legal and Compliance Dept.

### Fumihisa Hirose

Executive Officer

General Manager, Strategic Planning Dept.

### Kazuhisa Senshu

Executive Officer

Chief Clinical and Regulatory Affairs Officer (CRAO)  
General Manager, Clinical Development Dept.  
Regulatory Affairs  
Promotional Activities Control Dept.

### Paul Holbrook

Executive Officer

Division President, Vascular Graft Division, Cardiac and Vascular Company  
President and CEO, Vascutek Ltd.

### Probir Das

Executive Officer

Regional Representative, India and Asia Pacific  
Chairman and Managing Director, Terumo Asia Holdings Pte., Ltd.

### Tomoko Manabe

Executive Officer

General Manager, Terumo Medical Pranex

### Norimasa Kunimoto

Executive Officer

Regional Representative, Eastern Europe, Russia, Middle East and Africa  
Managing Director and BOD Chairman, Terumo Europe N.V.

### Antoinette Gawin

Executive Officer

President, Blood and Cell Technologies Company  
President and CEO, Terumo BCT Holding Corp.

### Keiji Takeda

Executive Officer

General Manager, Human Resources Dept.  
Health Management

### Naoki Muto

Executive Officer

Chief Accounting and Financial Officer (CAFO)  
Controller Dept.  
Treasury Dept.  
Tax Dept.

### Kenichi Ikeda

Executive Officer

General Manager, Sales Promotion (Japan), Hospital Systems Division, General Hospital Company

### Kazunobu Handa

Executive Officer

General Manager, Corporate Affairs Dept.

### Toshio Nakashima

Executive Officer

Chief Quality Officer (CQO)  
General Manager, Quality Assurance Dept.  
Post-Market Surveillance and Vigilance Dept.

### Takeshi Kuroo

Executive Officer

Senior Vice President, Surgical Business, Cardiac and Vascular Company  
General Manager, HeartSheet Business Dept., Cardiac and Vascular Company

### Robert DeRyke

Executive Officer

Division President, Cardiovascular Division, Cardiac and Vascular Company  
President and CEO, Terumo Cardiovascular Systems Corp.



Terumo Corporation and consolidated subsidiaries  
Years ended March 31

(Millions of yen)

	FY2015 (Ended March 2016)	FY2016 (Ended March 2017)	FY2017*2 (Ended March 2018)	FY2018*2 (Ended March 2019)	FY2019 (Ended March 2020)
	JGAAP		IFRS		
<b>Results of Operations and Cash Flow*1</b>					
Net sales/Revenue	525,026	514,164	587,775	599,481	628,897
Adjusted operating profit*3	—	—	124,929	122,128	124,998
Operating income/Operating profit	81,703	76,578	108,552	106,637	110,611
Income before income taxes/Profit before tax	76,920	74,981	106,630	102,709	106,466
Profit attributable to owners of parent/Profit for the year attributable to owners of the parent	50,676	54,225	91,295	79,470	85,211
Net cash provided by (used in) operating activities	80,303	80,862	114,562	93,571	117,479
Net cash provided by (used in) investing activities	(23,495)	(181,433)	(44,105)	(74,792)	(84,714)
Free cash flow	56,808	(100,571)	70,457	18,778	32,764
Net cash provided by (used in) financing activities	(79,936)	60,937	(4,132)	(67,540)	14,010
Research and development expenses	33,147	33,747	41,342	47,681	50,618
Capital expenditure	31,454	39,091	45,685	60,845	89,510
Depreciation and amortization*4	44,674	45,400	42,035	44,035	52,358*6
<b>Per Share Indicators*1</b>					
EPS (Yen)*5	67.57	75.08	129.56	108.70	113.96
Dividends per share (Yen)	39.00	42.00	50.00	54.00	28.00
BPS (Yen)*5	704.27	694.85	777.94	939.60	1,003.36
<b>Financial Position (at year-end)*1</b>					
Current assets	374,746	349,459	411,042	398,722	460,607
Current liabilities	168,835	248,645	179,013	142,912	211,845
Total assets	901,685	1,020,879	1,081,045	1,120,790	1,241,355
Net assets/Total equity	511,544	489,554	550,435	698,113	754,883
Capital stock/Share capital	38,716	38,716	38,716	38,716	38,716
<b>Management Indicators*1</b>					
ROE	9.3%	10.8%	17.5%	12.7%	11.7%
ROA	5.4%	5.6%	8.7%	7.2%	7.2%
Shareholders' equity ratio/Ratio of equity attributable to owners of the parent to total assets	56.7%	47.9%	50.9%	62.3%	60.8%
Shares issued and outstanding at year-end (thousands)*5	725,939	703,958	707,388	742,902	759,521
Employees at year-end	20,697	22,441	23,319	25,378	26,438

\*1 Items separated by a "/" refer to items under "JGAAP/IFRS."

\*2 A provisional accounting treatment, for the integration of businesses acquired in fiscal 2017 was finalized in fiscal 2018, and is reflected on certain figures for fiscal 2017 under IFRS.

\*3 Adjusted operating profit is operating profit excluding amortization of acquired intangible assets and other non-recurring profit or loss. The Terumo Group uses adjusted operating profit as a performance indicator.

\*4 Depreciation and amortization under JGAAP up to fiscal 2016 includes amortization of goodwill.

\*5 A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2019. The figures for EPS, BPS, and shares issued and outstanding at year-end are reflected as if the aforementioned stock split had been carried out at the beginning of fiscal 2015. Shares issued and outstanding at year-end do not include treasury shares.

\*6 Figures for fiscal 2019 include depreciation amounts associated with the application of IFRS 16 Leases.



## Revenue and Profits

In fiscal 2019 (the fiscal year ended March 31, 2020), revenue totaled ¥628.9 billion, up 4.9% year on year. In Japan, overall revenue increased year on year. This revenue growth was supported by the strong performance of the pain management business and the Alliance Division, which is advancing operations through alliances with pharmaceutical companies, of the General Hospital Company as well as of the TIS Division and the Neurovascular Division of the Cardiac and Vascular Company. Overseas, revenue was up, despite the fourth quarter impacts of the COVID-19 pandemic that were felt mainly in China. The higher revenue was attributable to the steadily growth of the TIS Division coupled with the favorable performance of the Neurovascular Division.

Gross profit was up 5.3% year on year, to ¥343.9 billion, due to the growth in revenue.

Adjusted operating profit came to ¥125.0 billion, an increase of 2.3% year on year, as the rise in selling, general and administrative expenses, particularly research and development expenses, was offset by high gross profit. Adjusted operating profit is operating profit after adjustment for amortization expense for intangible assets following acquisitions and for one-time profit movements.

Operating profit increased 3.7% year on year, to ¥110.6 billion, in conjunction with the rise in adjusted operating profit.

Profit before tax was ¥106.5 billion, a year-on-year increase of 3.7%, following the growth in operating profit.

Profit for the year attributable to owners of the parent totaled ¥85.2 billion, up 7.2% year on year. This increase was a result of positive impacts from changes in profit mix by region with differing tax rates.

## Results by Business Segment

### Cardiac and Vascular Company

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Revenue in the Cardiac and Vascular Company totaled ¥350.6 billion, an increase of 6.7% year on year. In Japan, impressive performance was achieved for the imaging domain of the TIS Division and the treatment of acute ischemic stroke in the Neurovascular Division. Overseas, a slowdown was seen primarily in the TIS Division's Chinese operations as a result of the global COVID-19 pandemic that broke out in the fourth quarter of the fiscal year. However, overall overseas performance was driven by offerings such as the WEB intrasaccular device of the Neurovascular Division.

### General Hospital Company

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Revenue in the General Hospital Company was ¥171.0 billion, an increase of 3.1% year on year. This increase was due in part to the favorable performance of the AdSpray sprayable adhesion barrier gel and Fentanyl injections, the narcotic analgesic. In addition, thermometers and hand sanitizer sales benefited from special-circumstance demand associated with the global COVID-19 pandemic that began in the fourth quarter of the fiscal year. Another contributor was the smooth growth of alliance businesses with pharmaceutical companies in the Alliance Division.

### Blood and Cell Technologies Company

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Revenue in the Blood and Cell Technologies Company totaled ¥107.2 billion, a rise of 2.1% year on year. Although performance in Europe and the emerging markets was adversely impacted by negative foreign exchange fluctuations, overall performance was strong due to contributions from the global launch of new software for component collection systems.

## Financial Position and Cash Flows

### Financial Position

Total assets stood at ¥1,241.4 billion on March 31, 2020, an increase of ¥120.6 billion compared with March 31, 2019. Factors behind this increase included a ¥43.9 billion increase in cash and cash equivalents following short-term borrowings for the purpose of securing funds for growth investments and preparing for the potential impacts of the global COVID-19 pandemic. Another factor was a ¥62.4 billion increase in property, plant and equipment attributable to the capital investments in the construction of a new building of Terumo Yamaguchi Corporation and in production increases and the application of IFRS 16 Leases.

Liabilities came to ¥486.5 billion, an increase of ¥63.8 billion. This increase was primarily a result of a ¥21.1 billion rise in bonds and borrowings as well as a ¥30.6 billion increase in the combined total of other current financial liabilities and other non-current financial liabilities following the application of IFRS 16 Leases.

Equity was ¥754.9 billion, an increase of ¥56.8 billion versus a year earlier. Factors behind this result included an increase of ¥85.0 billion attributable to the recording of profit for the year and an increase of ¥17.7 billion from allocating treasury stock for the conversion of convertible bond-type bonds. These factors outweighed a ¥20.5 billion decrease associated with the payment of dividends from retained earnings.

### Cash Flows

Net cash provided by operating activities was ¥117.5 billion. During the fiscal year under review, profit before tax was ¥106.5 billion and depreciation and amortization was ¥52.4 billion. In addition, income taxes paid came to ¥24.8 billion and increase in inventories was ¥17.3 billion.

Net cash used in investing activities was ¥84.7 billion. This primarily reflects a ¥62.3 billion in payments for purchase of property, plant and equipment attributable to the capital investments in the construction of a new building of Terumo Yamaguchi Corporation and in production increases as well as ¥21.2 billion in payments for purchase of intangible assets in the form of investments in new IT systems and the acquisition of exclusive distribution rights.

Net cash provided by financing activities was ¥14.0 billion. Outflows included ¥40.0 billion in repayments of short-term borrowings and ¥20.5 billion in payments for dividends.

As a result of the above, cash and cash equivalents totaled ¥166.9 billion as of March 31, 2020, an increase of ¥43.9 billion compared with March 31, 2019.

## Consolidated Financial Statements

Terumo Corporation and consolidated subsidiaries  
March 31, 2019 and 2020

## Consolidated Statement of Financial Position

(Millions of yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	122,982	166,898
Trade and other receivables	128,462	131,728
Other current financial assets	1,744	397
Inventories	134,106	147,147
Current tax assets	—	1,745
Other current assets	11,426	12,689
Total current assets	398,722	460,607
Non-current assets		
Property, plant and equipment	201,986	264,407
Goodwill and intangible assets	468,885	461,506
Investments accounted for using the equity method	5,571	5,275
Other non-current financial assets	17,131	17,733
Deferred tax assets	24,624	27,307
Other non-current assets	3,868	4,517
Total non-current assets	722,068	780,748
Total assets	1,120,790	1,241,355

(Millions of yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
<b>Liabilities and Equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	81,476	88,044
Bonds and borrowings	—	50,324
Other current financial liabilities	741	6,144
Current tax liabilities	10,199	11,681
Provisions	236	395
Other current liabilities	50,258	55,256
Total current liabilities	142,912	211,845
Non-current liabilities		
Bonds and borrowings	225,135	195,870
Other non-current financial liabilities	6,607	31,802
Deferred tax liabilities	24,302	20,360
Defined benefit liabilities	12,823	18,456
Provisions	88	92
Other non-current liabilities	10,807	8,043
Total non-current liabilities	279,764	274,626
Total liabilities	422,677	486,472
Equity		
Share capital	38,716	38,716
Capital surplus	52,029	51,858
Treasury shares	(32,381)	(14,103)
Retained earnings	646,223	705,765
Other components of equity	(6,553)	(27,423)
Total equity attributable to owners of the parent	698,034	754,813
Non-controlling interests	78	69
Total equity	698,113	754,883
Total liabilities and equity	1,120,790	1,241,355

## Consolidated Financial Statements

## Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Revenue	599,481	628,897
Cost of sales	272,984	284,964
Gross profit	326,497	343,932
Selling, general and administrative expenses	226,334	235,144
Other income	9,801	4,737
Other expenses	3,327	2,914
Operating profit	106,637	110,611
Finance income	2,111	1,671
Finance costs	5,876	5,371
Share of profit (loss) of investments accounted for using the equity method	(162)	(445)
Profit before tax	102,709	106,466
Income tax expenses	23,422	21,428
Profit for the year	79,287	85,037
Attributable to:		
Owners of the parent	79,470	85,211
Non-controlling interests	(183)	(173)
Total profit for the year	79,287	85,037

(Yen)

Earnings per share		
Basic earnings per share (yen)	108.70	113.96
Diluted earnings per share (yen)	104.97	112.61

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Profit for the year	79,287	85,037
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	844	(1,181)
Remeasurements of defined benefit plans	(1,766)	(4,499)
Total items that will not be reclassified to profit or loss	(921)	(5,681)
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	20,895	(19,813)
Cash flow hedges	(353)	204
Cost of hedging	8	(500)
Total items that are or may be reclassified subsequently to profit or loss	20,549	(20,109)
Total other comprehensive income (loss) for the year	19,627	(25,790)
Total comprehensive income for the year	98,914	59,246
Attributable to:		
Owners of the parent	99,100	59,415
Non-controlling interests	(185)	(169)
Total comprehensive income for the year	98,914	59,246

## Consolidated Financial Statements

## Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2018	38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435
Adjustment on changes in accounting policy	—	—	—	54	—	54	—	54
Restated balance	38,716	52,445	(101,546)	588,986	(28,240)	550,361	128	550,490
Profit for the year	—	—	—	79,470	—	79,470	(183)	79,287
Other comprehensive income	—	—	—	—	19,630	19,630	(2)	19,627
Total comprehensive income	—	—	—	79,470	19,630	99,100	(185)	98,914
Acquisition of treasury shares	—	—	(9)	—	—	(9)	—	(9)
Disposal of treasury shares	—	—	155	(47)	(107)	0	—	0
Dividends	—	—	—	(19,555)	—	(19,555)	—	(19,555)
Transfer from other components of equity to retained earnings	—	—	—	(1,949)	1,949	—	—	—
Change in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	215	215	—	215
Conversion of convertible bonds	—	(415)	69,018	(681)	—	67,921	—	67,921
Total transactions with owners of the parent	—	(415)	69,164	(22,233)	2,057	48,572	135	48,708
Balance as of March 31, 2019	38,716	52,029	(32,381)	646,223	(6,553)	698,034	78	698,113
Profit for the year	—	—	—	85,211	—	85,211	(173)	85,037
Other comprehensive income	—	—	—	—	(25,795)	(25,795)	4	(25,790)
Total comprehensive income	—	—	—	85,211	(25,795)	59,415	(169)	59,246
Acquisition of treasury shares	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury shares	—	—	89	(21)	(67)	0	—	0
Dividends	—	—	—	(20,507)	—	(20,507)	—	(20,507)
Transfer from other components of equity to retained earnings	—	—	—	(4,950)	4,950	—	—	—
Changes in shares of subsidiaries due to capital increase	—	—	—	—	—	—	159	159
Share-based payments	—	(50)	120	82	41	194	—	194
Conversion of convertible bonds	—	(120)	18,072	(272)	—	17,679	—	17,679
Total transactions with owners of the parent	—	(170)	18,278	(25,668)	4,924	(2,636)	159	(2,476)
Balance as of March 31, 2020	38,716	51,858	(14,103)	705,765	(27,423)	754,813	69	754,883



## Consolidated Statement of Cash Flows

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Cash flows from operating activities		
Profit before tax	102,709	106,466
Depreciation and amortization	44,035	52,358
Share of loss (gain) of investments accounted for using the equity method	162	445
Increase (decrease) in defined benefit liabilities	293	(695)
Interest and dividend income	(1,507)	(1,019)
Interest expenses	2,051	1,828
Foreign exchange loss (gain), net	(455)	262
Loss (gain) on disposal of property, plant and equipment	(489)	114
(Increase) decrease in trade and other receivables	(5,935)	(7,318)
(Increase) decrease in inventories	(20,144)	(17,284)
Increase (decrease) in trade and other payables	6,682	3,442
Others	(4,155)	3,396
Sub-total	123,249	141,995
Interest and dividend income received	1,687	1,215
Interest expenses paid	(1,116)	(956)
Income taxes paid	(30,249)	(24,774)
Net cash provided by (used in) operating activities	93,571	117,479
Cash flows from investing activities		
Payments for purchase of time deposits	(1,373)	(154)
Proceeds from withdrawal of time deposits	17	1,313
Payments for purchase of property, plant and equipment	(39,326)	(62,316)
Proceeds from sale of property, plant and equipment	1,887	23
Payments for purchase of intangible assets	(15,038)	(21,168)
Payments for purchase of investment securities	(1,200)	(1,512)
Proceeds from sale of investment securities	524	2
Payments for acquisition of shares of subsidiaries	(20,283)	(902)
Net cash provided by (used in) investing activities	(74,792)	(84,714)
Cash flows from financing activities		
Proceeds from short-term debt	—	40,000
Repayments of long-term borrowings	(47,764)	—
Proceeds from non-controlling interests	135	159
Payments for repayment of lease obligations	(346)	(5,638)
Payments for purchase of treasury shares	(9)	(3)
Payments for dividends	(19,555)	(20,507)
Net cash provided by (used in) financing activities	(67,540)	14,010
Effect of exchange rate changes on cash and cash equivalents	3,912	(2,859)
Net increase (decrease) in cash and cash equivalents	(44,849)	43,916
Cash and cash equivalents at the beginning of the year	167,832	122,982
Cash and cash equivalents at the end of the year	122,982	166,898

## Corporate Information

(As of March 31, 2020)

Company Name	Terumo Corporation
Founded	September 17, 1921
Tokyo Office	Tokyo Opera City Tower, 3-20-2 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-1450, Japan
Head Office	2-44-1 Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
Share Capital	¥38.7 billion
Employees	Consolidated: 26,438 Non-Consolidated: 5,087
Fiscal Year	From April 1 to March 31

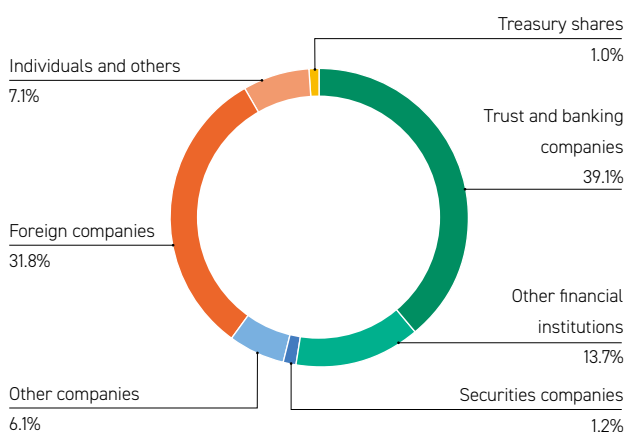
## Stock Information

(As of March 31, 2020)

Security Code	4543
Stock Exchange Listing	First Section of Tokyo Stock Exchange
Number of Shares Authorized	3,038,000,000
Number of Shares Issued	759,521,040
Number of Shareholders	37,389
Trading Unit	100 shares

Note: A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2019.

### Composition of Issued Shares by Type of Shareholder



### Major Shareholders (Top 10 Shareholders)\*<sup>1</sup>

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	114,778	15.3
Japan Trustee Services Bank, Ltd. (Trust Account)	68,010	9.0
The Dai-ichi Life Insurance Company, Limited* <sup>2</sup>	40,519	5.4
Meiji Yasuda Life Insurance Company	27,136	3.6
STATE STREET BANK AND TRUST COMPANY 505223	19,440	2.6
Mizuho Bank, Ltd.* <sup>3</sup>	15,736	2.1
TERUMO LIFE SCIENCE FOUNDATION	14,720	2.0
JP MORGAN CHASE BANK 385632	13,034	1.7
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	11,893	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,579	1.5

\*<sup>1</sup> Terumo owns 7,236 thousand treasury shares at the end of March 2020. The percentage is calculated by deducting the treasury stocks.

\*<sup>2</sup> Shares held by The Dai-ichi Life Insurance Company, Limited include 6,000 thousand shares contributed by that company to a retirement benefit trust.

\*<sup>3</sup> Shares held by Mizuho Bank, Ltd. include 13,036 thousand shares contributed by that company to a retirement benefit trust.

## Inclusion in ESG Indexes

**2020 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)**

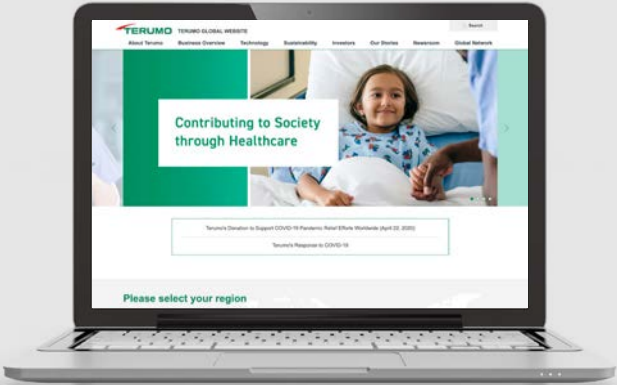
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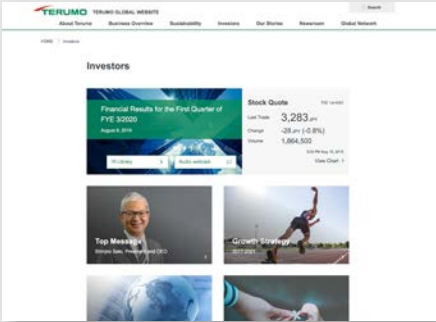
# Terumo's Corporate Website

Terumo's corporate website provides information on the Company and its businesses, the latest financial information, news releases, and other information.

Terumo Global Website  
<https://www.terumo.com/>



Investor relations website  
<https://www.terumo.com/investors/>



Sustainability website  
<https://www.terumo.com/sustainability/>





**TERUMO CORPORATION**

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