

# CEO Message

**Shinjiro Sato**  
President and CEO



Face the needs of medical settings with a spirit of challenge and bring about a new healthcare

## Looking back on the first year of the GS26 five-year growth strategy

In our fiscal 2022 results, strong global demand in the cardiac and vascular field, centered in the largest market of the United States, drove our highest-ever performance in both sales revenue and operating profit. The cost of goods increased due to inflation and other factors, causing an earnings headwind as we began the five-year plan; however, the demand fundamentals that support growth trended well.

Under the GS26 vision of From Devices to Solutions, we have shifted our focus from products to customers as we work to discover customer and patient needs and propose comprehensive solutions to those needs that merge diverse kinds of value. We are now seeing this challenge of building a new solutions-development business model become a reality in specific ways. Below we introduce some of the latest such cases.

The first is about leveraging digital technology in diagnosis and treatment. ePRISM, which Terumo is offering in the United States, is a software that supports clinical decision-making in cardiovascular treatment. In cardiac treatment, the solution quantifies each patient's personalized risk of complications, based not on generalized information, but rather the clinical data of that patient and factors including their other illnesses. In coronary artery interventional therapy, it provides information about the risk of bleeding complications to enable physicians to determine an appropriate treatment plan. Terumo already offers Terumo Business Edge as a consulting service for hospital management, and by adding digital solutions, it will promote personalized healthcare to give patients even better prognoses and contribute to reducing healthcare costs.

The next case is about building an ecosystem that leads to greater value in plasma collection. In 2022, Terumo began sales of the plasma collection system Rika in the United States. As the demand for treatments using plasma fractionation products increases worldwide, Terumo has partnered with CSL to develop a system for use in that company's plasma collection centers. Rika was developed to reduce the burdens of both the donors from whom plasma is collected, and the medical professionals who perform the collection. The system uses control functionality to constantly monitor the collection process, and is designed for safety, through ways including alert functions. We will continue to provide solutions that build an ecosystem that includes IT platforms, in order to comprehensively improve plasma collection operations.

The final case is about a new business that utilizes drug delivery technologies. Terumo is continually evolving its diverse technologies, including needles and syringes, as it aims to develop solutions that bring greater value to pharmaceuticals. In the pharmaceutical field, innovative new drugs are appearing one after another in fields that apply technologies like recombinant genetics and cell expansion. Because these biologics are mainly in injectable form, there are strong needs for delivery technologies that bring the drug to the intended location with certainty and efficiency. Amid these needs, the industry that provides solutions to pharmaceutical companies who consign a portion of their manufacturing and development is growing on a global scale. This business model is called "CDMO" (contract development and manufacturing organization). Terumo will leverage its unique technologies, high quality, and sterling customer service to accelerate growth in this new business field.

The starting point of Terumo's GS26 strategy is its awareness that a paradigm shift is happening in the healthcare world. In contrast to the 20th century, when information was unevenly distributed in medical settings, healthcare information is now more open. Now, we must not wait for specific requests from medical settings, but instead more actively and proactively take on healthcare needs as a medtech

company. Maintaining its priority on quality, Terumo will utilize diverse technologies to meet new healthcare needs for the benefit of patients and medical settings.

### Promoting initiatives to raise corporate value, toward GS26 achievement

While healthcare demand is steadily expanding, uncertainty in the business environment is increasing around the world. To achieve GS26, Terumo will continue to promote new measures that increase corporate value, while flexibly adapting to changes in the business environment.

The first such measure is to be more proactive in the internal development that sustains growth. We will continue to explore M&A opportunities as well, but strengthening our internal development capability will be a top management priority. To successfully enhance the pipeline of new products scheduled for GS26, we will strengthen the development capability of each company and manage launch schedules, including regulatory matters. At the same time, to ensure long-term growth beyond 10 years into the future, we have realigned our corporate R&D organization, centered in the Shonan Center. In addition, we are moving forward initiatives including group-wide information sharing, talent coordination, and development process standardization. Fundamentally reviewing development themes, we will strengthen programs that align with the GS26 strategic vision by investing in themes focused on the three Ds of Delivery, Deviceuticals, and Digital.

The second measure is to accelerate earnings improvement throughout the Group. To achieve our GS26 goals amid difficult earnings conditions and ensure sustainable, profitable growth, Terumo launched the VC2 (Value Creation through Collaboration) Group-wide earnings improvement project at the commencement of GS26. The quantitative goal of the project is to improve operating profitability by two percentage points. We aim to leverage economies of scale and the benefits of an overall optimization of headquarters functions, production, and indirect costs.

The third measure is to strengthen our capital policy. Terumo seeks growth investment opportunities that exceed capital cost, and our basic policy commits to striving to raise corporate value. In keeping with this policy, we are making progress in raising capital efficiency and building the right capital structure, to then appropriately and proactively reinvest profit. Regarding the distribution of profits to shareholders, we have decided to aim for a total payout ratio of around 50% by utilizing the repurchase of our own shares, in addition to stably increasing dividends. We expect that this will spur capital efficiency improvement and also positively affect ROE during the GS26 period. In addition, we will increase financial leverage in growth acceleration investments.

The fourth measure is to promote sustainability management. In 2023, Terumo established the Sustainability Committee, directly under the highest decision-making body regarding the business of Terumo, the Executive Management Meeting. As President and CEO, I serve as the Sustainability Committee Chairman, and we fulfill the role of monitoring the status of CSV and ESG initiatives and reporting regularly to the Executive Management Meeting and Board of Directors. We have also revised the performance evaluation system for executives. As a new executive performance evaluation indicator, we will adopt Future Corporate Value Targets. For the CSV and ESG focus themes of the GS26, we have listed Future Corporate Value Targets, and executives commit to each of these. These measures have created a system in which the management can unite in their efforts to promote sustainability.



### Cultivate a culture of proactive challenge, contribute to the new 21st-century healthcare

To bring about the vision of From Devices to Solutions and achieve our GS26 goals, we must have a strong will to transform our business model and an unflinching spirit of challenge. Along with promotion of GS26, Terumo has globally deployed an awareness transformation movement called Growth Mindset. In the end, it is talent that sustains continuous corporate growth. We can draw up a wonderful strategy, but it must be carried out by each associate. We are working to foster a culture of not setting limits for our capabilities, and of encouraging and praising those who take on the challenge of realizing new growth.

In addition to instilling the Growth Mindset, we seek to achieve high-productivity and flexible work styles that fit in the new normal of this era. In Japan, we introduced starting fiscal 2022 a job-based HR policy centered in management positions. We are currently studying how to expand this to all levels of the organization. By realizing more self-directed career planning and creation of workplace environments with higher productivity, we want to raise associates' motivation and grow Terumo itself into a more competitive global firm.

At this opportune time when the pandemic has largely subsided, we need to once again boost a growth mindset throughout the organization. We are fostering a culture of assertive challenge to realize the future of healthcare and accelerate our strategy outlined in GS26. We ask each valued stakeholder for your continued understanding and support.

Shinjiro Sato  
President and CEO