

Value Creation Process

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

Group Mission

Contributing to Society through Healthcare

Core Values/Terumo Group Code of Conduct

Healthcare paradigm shift that Terumo is focusing on

Changing disease patterns

- Learning to coexist with chronic diseases, the prevalence of which is increasingly rapidly due to rising global living standards and the emergence of a hyper-aging society in the developed nations
- Combating the decline in organ function and other bodily functions that accompany aging

Changing timescale

- Improving of long-term quality of life
- Increasing adoption of prevention and prognosis monitoring
- Personalized disease management (Patient Journey)

Changes in technology

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

Terumo's Strengths

Corporate Activities

Social value creation

Cardiac and Vascular Company

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

Medical Care Solutions Company

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

Blood and Cell Technologies Company

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

R&D / M&A

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

Digital transformation

- Providing comprehensive care and solutions to support the patient journey

Corporate

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

Foundation supporting social value creation

People strategy

- Realizing reforms and changes
 - Developing global leaders, enhancing organizational efficiency and effectiveness, and targeting critical skills development
 - Enhancing Associate Experience
 - Fostering Growth Mindset, cultivating a DE&I culture, nurturing associate well-being, and recognizing the contributions made by its associates

Total quality (ensuring quality, safety, and stable supply)

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

Reducing the burden on the environment

- Initiatives to realize carbon neutrality
- Effective use of resources

Human Rights

- Promoting safety measures for the working environment
- Established Terumo Group Human Rights Policy
- Became a signatory to the United Nations Global Compact

Governance and Compliance

- Group mission and Core Values forming foundations of governance
- Enhancing global management system (implementation of a group executive officer system)
- Group-wide code of conduct and continuous compliance education

Capital Invested

Financial capital

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

Manufactured capital

- Global production network **34** production sites (8 production sites in Japan and 26 outside Japan)
- Overseas production ratio **60.6%**
- Capital expenditure **¥75.8 billion**

- Cross-company and cross-business production collaboration

Intellectual capital

- R&D expenses/Ratio to revenue **¥61.6 billion/7.5%**
- Global R&D network
- Provision of various types of training for health care professionals in each region, including at Terumo Medical Pranex in Japan
- Patents held **Approx. 8,600** (inc. Overseas subsidiaries)

Social and relationship capital

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

Human capital

- Associates (Terumo Group) **30,207**
- Ratio of non-Japanese in group executive officers **33.3%**
- Ratio of non-Japanese in global key positions **54.0%***
 - * As of April 1, 2023
- Ratio of female managers (Terumo Group) **30.8%**
- Ratio of female managers (Terumo Corporation) **9.6%**
- Ratio of male associates taking childcare leave **68.8%**
- Appointment of a CXO to strengthen global management infrastructure

* Unless noted otherwise, data is for FY2022 or as of the end of FY2022

Outputs

Targets of the Five-year Growth Strategy GS26

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

Growth

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

Profitability

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

Capital efficiency

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

Cash allocation

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

+
Financing
↓

- Capital investment **¥430-480 billion**

- Dividend **¥130-180 billion**

- Acquisitions, shareholder returns*, etc.

* Aiming for total payout ratio of 50% or higher

Sustainability management: CSV

- Further adoption of the radial procedures
 - Ratio of radial procedures (FY2026)
- Coronary artery **75%** or higher
- Peripheral artery **20%** or higher
- Interventional oncology **15%** or higher
- Neurovascular **15%** or higher

Sustainability management: ESG

- CO₂ emissions (Scope 1+2)
 - FY2030 **50.4%** reduction (vs. FY2018)
 - FY2040 **Carbon neutrality**

- No. of critical market shortages: Zero

- No. of critical findings from regulatory authorities: Zero

* For all themes related to CSV/ESG of the GS26, please refer to pp. 14-17.

Medium- to Long-term Vision

From Devices to Solutions

Focus in solutions: the 3Ds

Delivery

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

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

Deviceuticals™

Maximize drug effectiveness through innovative devices

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

Digital

Disease-based approach focused on improving long-term patient quality of life (Patient journey)

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

Outcome

Solving problems of medical settings

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

Developing healthcare Ecosystem

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

Improving patient quality of life

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