

# “Initiatives towards Sustainable Growth”

## “Integration of Assets Acquired in FY 2016”

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Terumo Corporation

President and CEO

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# Key Initiatives towards Sustainable Growth

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Strengthen Global Operations

Accelerate Strategic Development

Leverage Group's Comprehensive Strength

# Strengthen Global Operations

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- Strengthen production capacity in growing arena
  - TIS\*: Yamaguchi, Vietnam (Hanoi), MV: Southern CA, Costa Rica, Alliance: Yamaguchi
  
- Optimize production among TIS factories on a global basis
  - Promote integration of closure device production (Puerto Rico, US, Costa Rica)
  - Expand production base in US for peripheral intervention products
  - Realign production portfolio and increase the number of engineers at Ashitaka factory
  
- Optimize production on a global and group basis
  - Promote to mutually utilize space and technology among factories/companies
  - Hold first “Global Production Management Meeting” beyond the frame of each company
  
- Quality management system accommodating US-FDA well secured a foothold among the entire group
  - In 1H, FDA inspected five factories and completed them with no major observations (Cardiac and Vascular 3, General Hospital 1, Blood Management 1)
  - Among the above, the first inspection post lift of CD\* at Ann Arbor factory, US also completed with no major observations (Sep)

\*TIS: Terumo Interventional Systems, MV: MicroVention, CD: Consent Decree

# Accelerate Strategic Development

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- Formed new organization “Corporate R&D Center” at Shonan Center
- Opened “MicroVention Worldwide Innovation Center” in Southern CA, US
- Establish “TIS Mastery Center” at Ashitaka Factory
- Expand the R&D base in Southern CA: Lab to incubate in-house early technologies
- Enhance product and system portfolio for regenerative medicine and immunotherapy
- Accelerate innovative R&D after M&A
  - WEB from Sequent Medical (become the first player launching a new type of aneurysm embolization system into US)
  - Vado from Kalila Medical (expand the product portfolio of steerable sheath for ablation)
  - TAA stent graft from Bolton Medical (develop pipeline following existing products)

# Leverage Group's Comprehensive Strength

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- New product development and sales expansion through collaboration among companies
  - Expand sales for carotid artery stent system “Roadsaver” and peripheral embolization coil “AZUR”
  - Reinforce the product line-up for interventional oncology (bioresorbable drug-eluting beads)
  - Stay on track for clinical trial of peripheral drug coated balloon “Kanshas” , expecting to launch within FY17
  
- Rotation of human resource beyond the frame of organization and company
  - Japan: Cross-rotation of company's sales force between Cardiac and Vascular and General Hospital
  
- Promote collaborative initiatives among companies (R&D, Production, Sales)
  
- Invigorate global meetings led by CXO: cross-organizational activities are in full swing in Terumo group
  
- Initiate disease-oriented projects beyond the frame of each company
  - Cancer, Regenerative/Cell therapy, Foot care (Diabetic foot problem), Surgery and others

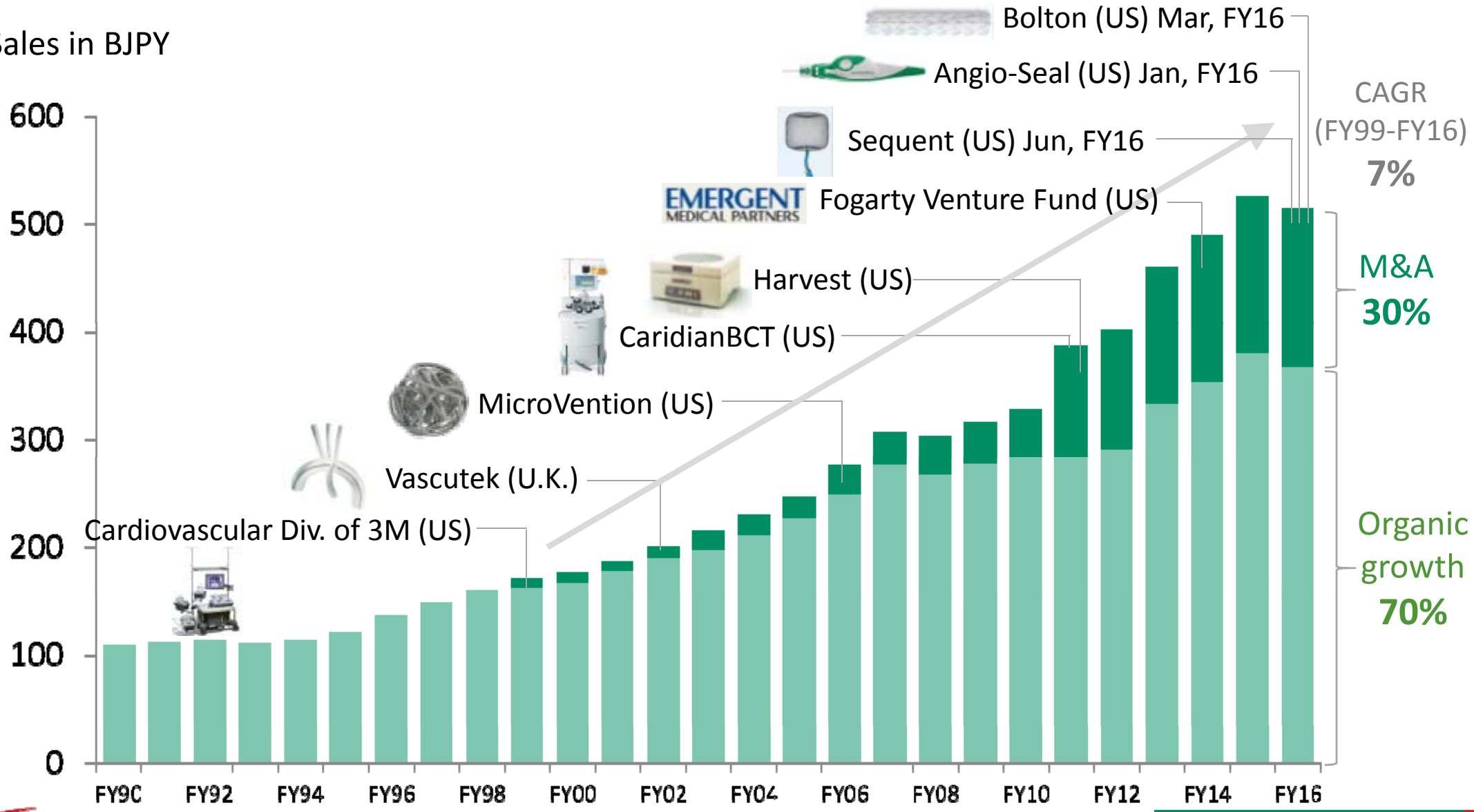
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# Integration of Assets acquired in FY 2016

# Successful Track Record of M&A

M&As in US and Europe are the Main Drivers of Sales Growth

Sales in BJPY



# Evolution on Integration Know-how

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## ■ The First Phase (-2006)

- Acquired completely new technology Terumo never owned before (Heart-lung machine, vascular graft, neurovascular embolization coil, and others)
- Retained existing management team and kept the acquired company as a subsidiary
- Principles of autonomous management

## ■ The Second Phase (2007-2015)

- Acquired the company in the arena where Terumo also had business (Blood Transfusion)
- Reverse integration: Merged Terumo business into the acquired one
- Designated TBCT's president Mr. Perez as a member of BOD of the Group. Positioned TBCT as a global HQs of Blood Management Company

## ■ The Tertiary Phase (2016-)

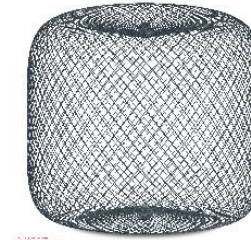
- Conducted three M&As in a year (+10 BJPY/case)
- Integrate acquired assets into existing overseas entities and manage there (Sequent→MV, Bolton→VAK\*)
- Based on each circumstance, select the most appropriate one from the diversified integration patterns
- Implemented large-sized acquisition (vascular closure device)

\*VAK: Vascutek



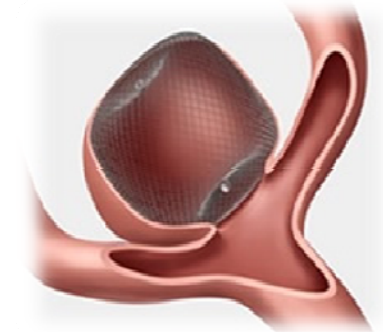
# Sequent Medical: Complete and Quick Integration into MV

- Decided not to hold Sequent as a entity, and integrated it completely into neurovascular business of MicroVention
- Promoted unity and invigoration of organization designating Sequent's key persons as executives of MicroVention (e.g. R&D, Clinical Development)



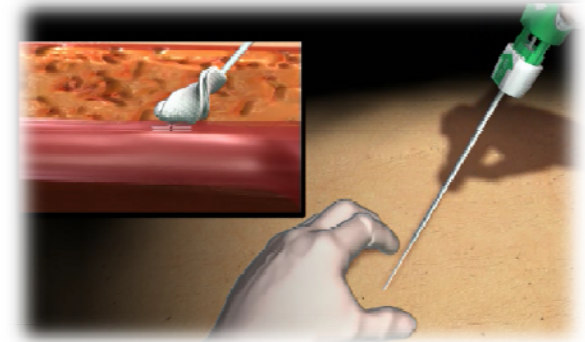
Current  
Status

- Has expanded sales territory and shown strong sales
- After acquisition, widened the application of WEB by adding smaller size into line-up
- Clinical development has been proceeding well toward US approval in FY19



# Closure Devices: Integrated into Operation in TIS, US

- Asset acquisition: existing sales force specialized for access devices sells closure devices under TIS in US
- Improve customers satisfaction by TIS's specialty "training and education" coupled with products modification



Current  
Status

- Sales surpassed the plan by increasing number of customer accounts in US
- Factory in Puerto Rico: Integration was on track...
  - Damages to the exterior by hurricane are limited
  - Partially resume production owing to generator in place
  - Electricity supply resumed on Nov 5, yet it is still unstable
- For mid-term period, optimize production system through combining Maryland factory, US

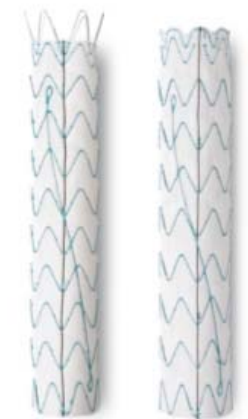
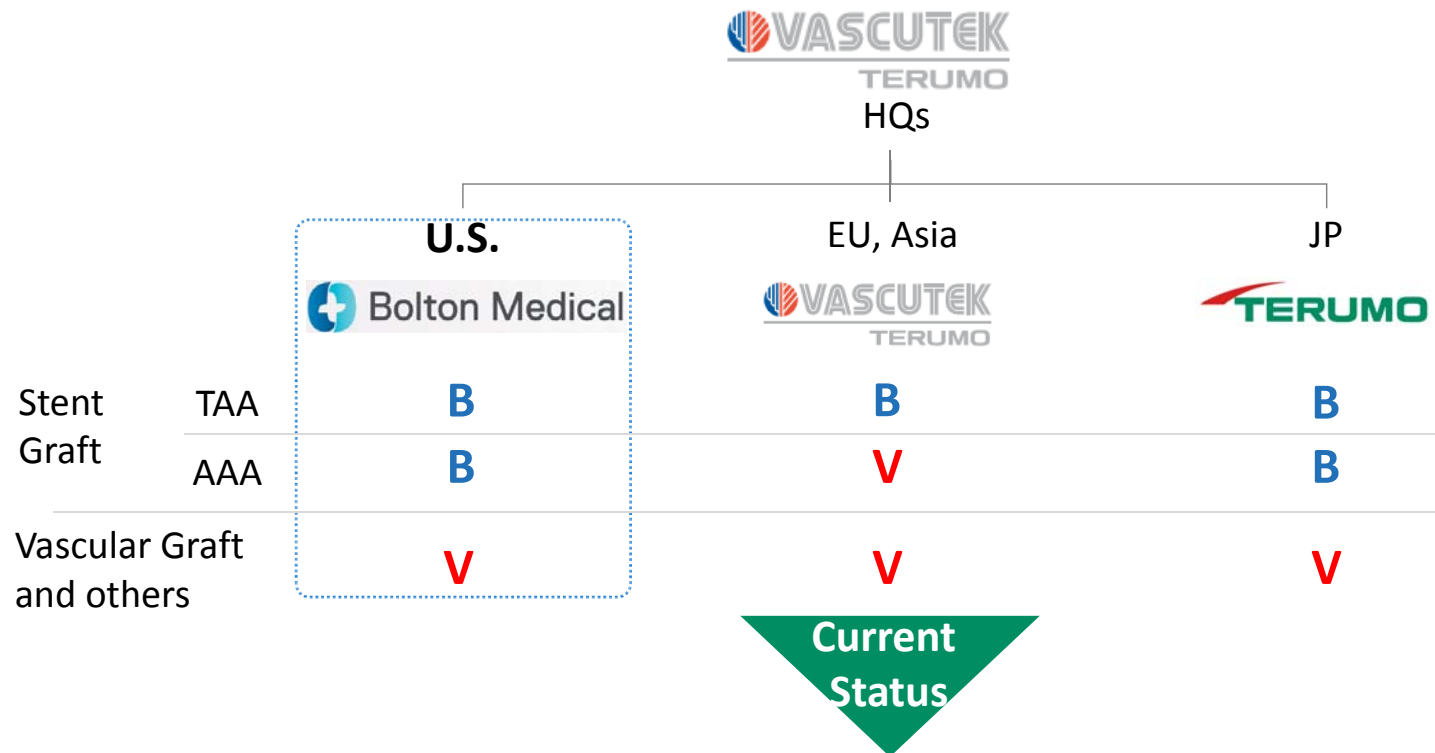
Strive to release  
products within  
Dec, 2017



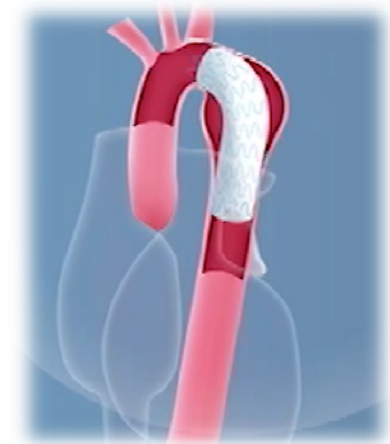
FemoSeal®

# Bolton Medical: New US Entity for Vascular Graft Business

- Maximized complementary both in region-wise and product-wise. Incorporated Bolton into vascular graft business in Vascutek



**RELAY<sup>®</sup> PLUS**  
THORACIC STENT-GRAFT SYSTEM



- Good momentum mainly in sales of TAA stent graft “RELAY PLUS”
- Structuring sales force specialized for stent graft, capable of training as well as clinical development activities
- Japan: have both TAA and AAA stent grafts in product line-up, and start direct sales from FY19

# IR Contact

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The market share information in this presentation is partly derived from our own independent research.