



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*¹ 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*¹ overcame the negative impacts of foreign exchange fluctuations and other factors to rise 2.3%, to ¥125.0 billion. In addition, return on equity*² 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* ¹ growth that outpaces revenue growth
Efficiency	Maintain an adjusted ROE* ² 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