
Corporate 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.

Five Statements

Open Management

We maintain a fundamental policy of open management, work to secure and return to our benefactors a suitable profit, and strive to develop our business on a global basis as befits a leading company in the industry.

Enhanced Value

We emphasize the importance of scientific thinking, creativity, and time appropriation, and respond in depth to customer needs by creating valued products and services.

Safety and Reliability

We pride ourselves on our commitment to the development of technologies and quality assurance systems that ensure safe, reliable products.

Respect for Our Associates

We emphasize respect for the individual, promote intercultural understanding, and encourage openness in the workplace in accordance with our slogan, "Associate Spirit," as we prepare to meet the challenges of the future.

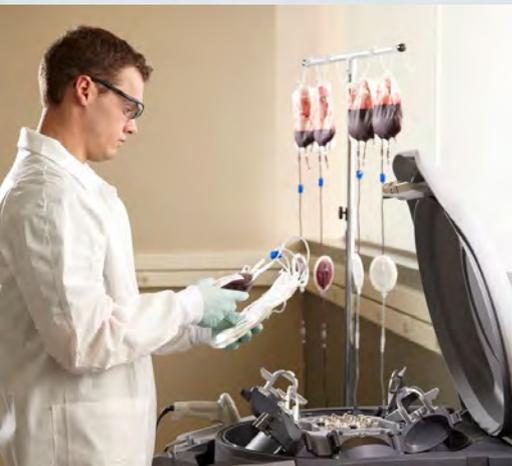
Corporate Citizenship

We conduct our business activities in a fair and equitable manner and act responsibly toward the environment as we fulfill our responsibilities as a good corporate citizen.

Global Vision

Innovating at the Speed of Life

As society changes constantly and science and technology advance, we remain focused on lives, and on rapidly bringing new value to medical settings.



Strategy

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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 corporate mission—“Contributing to Society through Healthcare”—and to promote communication with society. Annual reports provide information on our primary business activities and results with a focus on explanations of our Mid- to Long-term Growth Strategy. In addition, since fiscal 2016, we have also published sustainability reports (available in Japanese and English, PDF only) to provide information on how we are helping to build a sustainable society by lowering 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. Figures for fiscal 2016 have been restated based on IFRS standards.

Message from the President and CEO



As a global corporation with unique excellence, Terumo will strive to enhance its Total Quality with the aim of making greater contributions to medical settings around the world.

Shinjiro Sato

President and CEO

Mid- to Long-term Vision and Targets of Mid- to Long-term Growth Strategy

Terumo defines its mid- to long-term vision as “being a global corporation with unique excellence.”

This vision has two meanings. The first is to “become a top brand trusted in medical settings all over the world,” while the second is to “ensure that trust with Total Quality.” By “Total Quality,” we refer collectively to quality with regard to products, supply, and services. As such, our vision for Terumo is for the Company to be driven by a commitment to manufacturing and quality, which are strengths commonly associated with Japanese companies, to make even greater contributions to medical settings around the world.

Meanwhile, the Mid- to Long-term Growth Strategy, which covers the five-year period spanning from fiscal 2017 to fiscal 2021, targets the continuation of strong growth coupled with improved profitability. Specific targets include achieving high-single-digit revenue growth, realizing profit*¹ growth that outpaces revenue growth, and maintaining an adjusted return on equity (ROE)*² of 10% or greater.

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 in Mid- to Long-term Growth Strategy

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

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

Review of Fiscal 2017

In fiscal 2017, revenue was up 14.3% year on year, to ¥587.8 billion; adjusted operating profit rose 19.4%, to ¥124.9 billion; and ROE was 17.5%, much higher than the targeted level of 10%. This strong performance was due in part to the benefits of acquisitions. Moreover, the figures for revenue and all profit items represented record highs. I therefore feel confident in saying that we got off to an incredibly good start in the first year of the Mid- to Long-term Growth Strategy.

Our progress in integrating the three businesses acquired outside of Japan in fiscal 2016 went even smoother than we had anticipated. This integration was advanced together with overseas Group companies with the aim of developing the optimal organizational structures and operating procedures. Through past acquisitions, we had already acquired the level of organizational capabilities and expertise required to perform mergers and acquisitions outside of Japan. These recent acquisitions, however, enabled us to gain an ability to coordinate integration measures between Group companies outside of Japan. This new ability will be a powerful asset in future overseas acquisitions.

Three Key Initiatives of the Mid- to Long-term Growth Strategy

Three key initiatives have been defined for the implementation of the Mid- to Long-term Growth Strategy: strengthening global operations, accelerating strategic development, and leveraging the comprehensive strengths of the Terumo Group.

1. Strengthening Global Operations

Including the vascular closure device factory in Puerto Rico and the stent graft factory in Florida of the United States acquired in fiscal 2016, the Terumo Group's production system consists of 30 factories located across the globe. In addition, 68% of our revenue comes from overseas while 52% of production is conducted outside of Japan, and these ratios are expected to increase going forward. A glance at the market shows a trend toward reducing healthcare expenditures around the world. This trend is intensifying competition, and the ongoing improvement of quality, cost competitiveness, and timely supply capabilities is now more important than ever.

In light of this situation, the Terumo Group is endeavoring to manufacture its products in optimal locations. A global perspective is being taken in this process, which is being carried out based on a comprehensive evaluation of the production costs of specific factories, the levels of their quality systems, and the industry policies of the countries in which they are based. At the same time, we are consolidating advanced production technologies at our principal manufacturing facilities in Japan, the United States, and Europe, which are equipped with development functions. We are also shifting labor-intensive production procedures to Asia and Latin America to boost our cost competitiveness. Furthermore, we are examining the possibility of adopting a local production for local consumption approach based on the trend toward domestically made products in China, India, and other countries with massive growth potential. In accordance with these policies, we approved plans in fiscal 2017 to construct a new building at Terumo Yamaguchi Corporation, which manufactures guidewires; augment production facilities at the headquarters of Vascutek Ltd. in the United Kingdom; and expand the Costa Rica factory of MicroVention, Inc. In fiscal 2018 and beyond, we will proceed with the optimization of production locations while also conducting the necessary investments for increasing production levels or relocating specific manufacturing operations in a timely manner.

2. Accelerating Strategic Development

We are proactive in conducting the necessary investments for boosting internal development capabilities to ensure that we can continue our timely development of products offering value for the fiercely competitive global market.

The Terumo Group is promoting research and development for enhancing the product pipelines of specific companies and businesses based on a short- to medium-term perspective while stepping up cross-business and cross-division coordination at the corporate level from a long-term perspective. The Corporate R&D Center was established in April 2017 as an organization tasked with supporting these efforts. With this organization in place, we are moving ahead with ambitious development projects with an eye to the future of healthcare with the goal of creating the technologies and products that will underpin the sustainable growth of Terumo. In addition, the role of the Chief Technology Officer (CTO) was refined in conjunction with the establishment of this new organization. The CTO now focuses on promoting coordination and collaboration and facilitating synergies between the R&D divisions of Group companies. I feel that these efforts are contributing to increased exchanges and cooperation between engineers at different companies, and I anticipate that this will be highly conducive to the creation of meaningful innovations.

One example of our synergies from cross-business coordination is the MicroVention Worldwide Innovation Center set up in September 2017 in southern California in the United States. Functioning as a corporate division of MicroVention, Inc., this center will conduct development of neurovascular intervention products. The center will also apply the technologies accumulated through such product development activities to accelerate the development of therapeutic devices for the peripheral intervention field. In this manner, the center will expand our lineup of therapeutic devices for the United States and other global markets.

Meanwhile, there may be a need to obtain new technologies through acquisitions in fields where there are high unmet medical needs as competition is intense and swift development is needed in these fields. WEB, a new type of aneurysm embolization device, and the Relay Thoracic Stent-Graft System, which we incorporated into our lineup through acquisitions conducted in fiscal 2016, are both examples of this approach. These products are expected to provide the benefits of shorter treatment times, improved treatment effectiveness, and reduced complications. These are also incredibly important strategic products for facilitating our efforts to become the leading brand in their respective fields. We will therefore work to quickly integrate these products into the Terumo Group's development systems so that we can utilize our internal development capabilities to realize rapid launches and expand the regions in which these products are sold.

3. Leveraging the Comprehensive Strengths of the Terumo Group

As the Terumo Group's organization spreads across the globe, we will need to foster an increased sense of unity as a group that exceeds the boundaries of businesses and regions. We will go about fostering this sense of unity by encouraging cross-organizational coordination in development as well as in functional departments, sales, the cultivation and promotion of human resources, and various other areas.

Adept leadership and teamwork among senior management will be crucial to realizing frameworks for global coordination. It was for this reason that we held the Global Leadership Meeting in fiscal 2017.





Terumo business leaders from around the world gathered at this conference, which took place in Japan, where our corporate headquarters reside, and discussions were held on matters such as important management challenges faced by the Group.

In addition, we have recently implemented frameworks for periodic meetings between the leaders of functional departments at Group companies, thereby clarifying the leadership role to be fulfilled by our headquarters. The ability to tackle common challenges faced in specialized fields, such as accounting and finance, production, quality, and procurement, in a manner that blurs business and region lines is a major step forward in Terumo's global management efforts.

We are also engaged in new undertakings in terms of human resources. As of March 31, 2018, nearly 80% of the Terumo Group's 23,319 associates were associates working outside of Japan. As our organization is now undeniably global, it is crucial that we not only position

Japanese associates to workplaces overseas, but also provide a diverse range of workplaces for locally hired overseas associates so that we can appoint talented individuals to critical positions. Looking to better utilize global talent, in 2018 we appointed four overseas associates to important leadership positions responsible for overseeing businesses, regions, and functions. Furthermore, we appointed a fifth Terumo Fellow*³ in 2018 among the U.S. associates working at MicroVention, Inc., who has created significant results in the development of coils for treating intracerebral aneurysms and microbeads technologies for treating liver cancer. In addition, a Chief Human Resources Officer (CHRO) was appointed at Terumo's headquarters to oversee and promote such human resources initiatives on a global basis. The CHRO will lead the heads of human resources divisions in an effort to address global human resources issues while also bearing responsibility for the evaluation, development, discovery, and recruitment of global management personnel. Through these human resources initiatives, we will seek to realize greater levels of diversity in order to become a truly competitive organization.

Leveraging the comprehensive strengths of the Terumo Group will also be crucial to the Group's growth in the Japanese market. Over the past several years, we have unfortunately been in a state of low revenue growth in our domestic operations in light of the maturing Japanese market. However, as we approach an age in which people in Japan commonly live to be 100, new needs are emerging in medical settings on a daily basis. If we are able to fully leverage the brand power, diverse product lineup, robust organizational foundation, and strong ties with customers Terumo has cultivated to date, we will surely find sufficient room to provide value by utilizing these assets to address emerging needs in the medical field. This belief has inspired us to kick off a project for boosting our capacity to grow in the Japanese market. This project has been dubbed "SCRUM 2018." As part of this project, we are working to construct frameworks for cross-business coordination encompassing sales offices throughout the nation. In addition, we are enhancing the support that can be provided through corporate functions to facilitate such efforts as the quick introduction of products approved overseas into the Japanese market. Terumo has also assembled project teams focused on specific diseases, such as cancer and heart failure, as well as surgery, and we have initiated an integrated approach toward medical institutions through these teams.

*³ Associates appointed as Terumo Fellows possess superior expertise and practical experience in the fields of technology, research, and clinical development and make outstanding contributions to medical settings throughout the world.

Capital Expenditures and R&D Expenses

Terumo conducts the necessary investments for enhancing global operations and accelerating strategic development in a timely manner in order to maximize the benefits of these investments.

Over the five-year period that began with fiscal 2017, we plan to conduct capital expenditures totaling up to ¥250.0 billion primarily for augmenting production capabilities, and we anticipate a record high for capital expenditures of around ¥60.0 billion*⁴ in fiscal 2018. As for R&D expenses, I foresee a need to raise expenses beyond the current level to accommodate the increase in therapeutic device pipelines in the neurovascular intervention and peripheral intervention fields and our plans to deploy such products on a global scale. Accordingly, we project R&D expenses of approximately ¥47.5 billion,*⁴ or roughly 8% of revenue,*⁴ which will both be record highs.

*⁴ Forecast announced on May 9, 2018

Shareholder Returns

Under the Mid- to Long-term Growth Strategy, we will conduct capital expenditures, acquisitions, and other growth investments while delivering appropriate returns to shareholders. Having adopted International Financial Reporting Standards (IFRS), Terumo will continue to steadily increase dividend payments, targeting a medium- to long-term dividend payout ratio of 30%. In fiscal 2017, we decided to pay dividends of ¥50 per share, an increase of ¥8 per share over the previous fiscal year. The dividend payout ratio has temporarily dropped to a low level, but this is a result of the transition to IFRS as well as the one-time decrease in corporate taxes following the tax reform in the United States. We will continue to steadily increase dividend payments going forward, thereby also raising the dividend payout ratio.

To Our Stakeholders

In fiscal 2021, the final year of the Mid- to Long-term Growth Strategy, Terumo will celebrate the 100th anniversary of its founding. Based on its corporate mission of “Contributing to Society through Healthcare,” Terumo will seek to heighten its Total Quality with regard to aspects of its operations including products, supply, and services, as it aspires to become a top brand trusted in medical settings all over the world. I would like to ask our stakeholders for their ongoing support and understanding as we move forward on this quest.

September 2018



President and CEO

Mid- to Long-term Growth Strategy: Targets and Fiscal 2017 Performance by Company

Cardiac and Vascular Company

Realizing minimally invasive treatments through endovascular interventions for various parts of the body and in cardiovascular surgery



Main Products

Terumo Interventional Systems (TIS) Division

Angiographic guidewires, angiographic catheters, introducer sheaths, vascular closure devices, PTCA balloon catheters, coronary stents, stents for peripheral artery disease, intravascular ultrasound system, and other products

Neurovascular Division

Coils and stents used to treat cerebral aneurysms, and other products

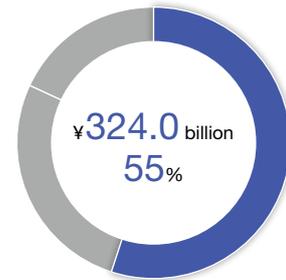
CV Systems Division

Oxygenators, heart-lung machines, and other products

Vascular Graft Division

Vascular grafts, stent grafts

Revenue by Company/
Percentage of Revenue (FY2017)



General Hospital Company

Through unique technologies and services, improving safety and efficiency in medical settings while contributing to patient quality of life and better drug delivery



Main Products

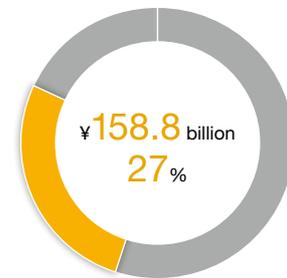
Hospital Systems Division

Infusion pumps, syringe pumps, infusion sets, syringes, IV solutions, analgesics, nutrients, adhesion barriers, blood glucose monitoring systems, digital blood pressure monitors, digital thermometers, and other products

Alliance Division

Contract manufacturing of prefilled syringes, products for pharmaceutical companies (prefillable syringes, needles for pharmaceutical packaging business), and other products

Revenue by Company/
Percentage of Revenue (FY2017)



Blood Management Company (Terumo BCT)

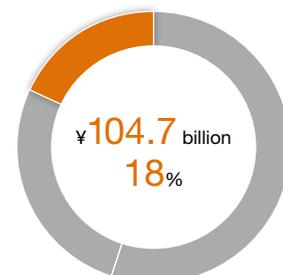
The Blood Management Company drives customer value and enhances patient outcomes through blood component, therapeutic apheresis, and cellular technologies



Main Products

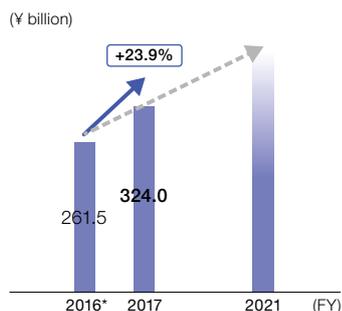
Blood bags, automated blood collection system, automated blood component processing system, pathogen reduction technology system, centrifugal apheresis system, cell expansion system, and other products

Revenue by Company/
Percentage of Revenue (FY2017)



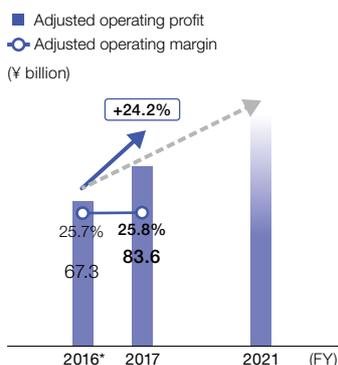
Mid- to Long-term Growth Strategy: Targets and Fiscal 2017 Performance

Revenue



* Figures for fiscal 2016 have been recalculated using IFRS.

Adjusted Operating Profit/ Adjusted Operating Margin



Revenue

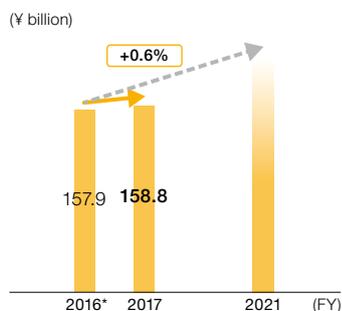
- **Targets of Mid- to Long-term Strategy**
Realize growth that drives Groupwide growth; near double-digit growth
- **Fiscal 2017 Performance**
+23.9% (YoY)

Adjusted Operating Profit

- **Targets of Mid- to Long-term Strategy**
Achieve profit growth that outpaces revenue growth; double-digit growth
Maintain adjusted operating margin of 25% or above
- **Fiscal 2017 Performance**
+24.2% (YoY)
Adjusted operating margin: 25.8%

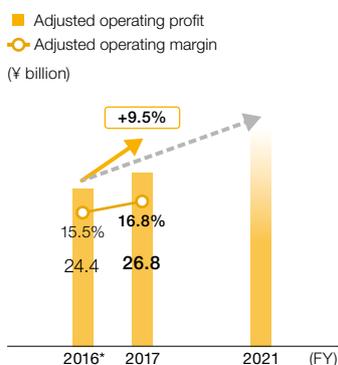
Mid- to Long-term Growth Strategy: Targets and Fiscal 2017 Performance

Revenue



* Figures for fiscal 2016 have been recalculated using IFRS.

Adjusted Operating Profit/ Adjusted Operating Margin



Revenue

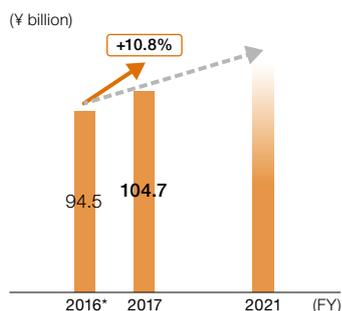
- **Targets of Mid- to Long-term Strategy**
Shift gears to enhance revenue; mid-single-digit growth
- **Fiscal 2017 Performance**
+0.6% (YoY)

Adjusted Operating Profit

- **Targets of Mid- to Long-term Strategy**
Achieve profit growth that outpaces revenue growth through continuous cost and profit management; high-single-digit growth
Improve adjusted operating margin 2 to 3 percentage points
- **Fiscal 2017 Performance**
+9.5% (YoY)
Adjusted operating margin: +1.3 pts (YoY)

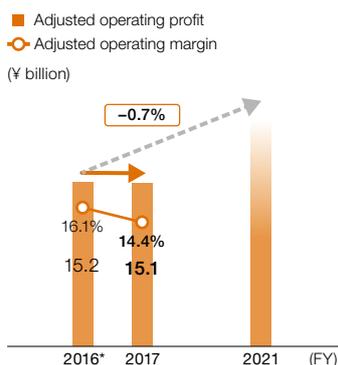
Mid- to Long-term Growth Strategy: Targets and Fiscal 2017 Performance

Revenue



* Figures for fiscal 2016 have been recalculated using IFRS.

Adjusted Operating Profit/ Adjusted Operating Margin



Revenue

- **Targets of Mid- to Long-term Strategy**
Return to growth; mid-single-digit growth
- **Fiscal 2017 Performance**
+10.8% (YoY)

Adjusted Operating Profit

- **Targets of Mid- to Long-term Strategy**
Achieve profit growth that outpaces revenue growth; high-single-digit growth
- **Fiscal 2017 Performance**
-0.7% (YoY)

Cardiac and Vascular Company



We will continue to achieve robust growth by strengthening operational capabilities, honing the advantages of each business, and creating synergies.

Hikaru Samejima

Managing Executive Officer
President, Cardiac and Vascular Company

Fiscal 2017 Highlights

The integration of three overseas businesses acquired in fiscal 2016 proceeded even more smoothly than expected. Also, existing businesses performed steadily, and all businesses in the Cardiac and Vascular Company achieved double-digit revenue growth. As a result, the company as a whole posted year-on-year increases of 23.9% in revenue, to ¥324.0 billion, and 24.2% in adjusted operating profit, to ¥83.6 billion.

Terumo Interventional Systems (TIS) Division

In September 2017, a hurricane damaged our factory in Puerto Rico, which manufactures Angio-Seal vascular closure devices, and production was halted temporarily. However, thanks to efforts to restart production as soon as possible, we were able to resume production in January 2018. In March 2018, we expanded and improved our product lineup by acquiring assets for a large bore vascular closure device from Medeon Biodesign, Inc., of Taiwan.

Neurovascular Division

The MicroVention Worldwide Innovation Center began full-fledged operations in September 2017. In addition to R&D in the neurovascular intervention field, the center uses its development resources to conduct R&D in the peripheral intervention field of the Terumo Interventional Systems Division. The center will accelerate the development of peripheral intervention products to launch them globally.



MicroVention Worldwide Innovation Center

CV Systems Division

After the U.S. Food and Drug Administration (FDA) lifted shipping restrictions, the Ann Arbor Factory in the U.S. resumed shipments of heart-lung machines. Also, we improved profitability.

Vascular Graft Division

We built a globally optimized organization, taking into account the complementarity of the sales regions and product lineups of Bolton Medical, Inc., which we acquired, and Vascutek Ltd., which is the headquarters of the Vascular Graft Division.

Strengthening Operational Capabilities

We began increasing production capacity, which is important for supporting sustained growth. We have decided to invest approximately ¥300.0 billion to construct a new building for manufacturing guidewires on the property of Terumo Yamaguchi Corporation in the period through fiscal 2030. Also, the Vascular Graft Division plans to invest approximately ¥5.0 billion over the next three years in the headquarters of Vascutek and its manufacturing facility in the United Kingdom to increase production of high-value-added frozen elephant trunk devices. Further, we began expanding the Costa Rica factory of MicroVention, Inc.

Mid- to Long-term 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 of Mid- to Long-term Growth 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

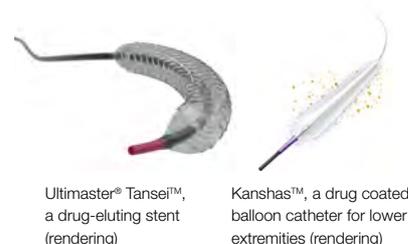
Fiscal 2018 Priorities

In Japan, the government’s revision of National Health Insurance (NHI) reimbursement prices is expected to have a negative effect. Nonetheless, we aim to grow revenues and profits further by leveraging the strengths of respective businesses to capture growth opportunities, strengthening operational capabilities, and creating synergies through coordination among businesses.

Terumo Interventional Systems (TIS) Division

In the access devices field, we will provide value in relation to injection and hemostasis and maintain our position as a global leader. With respect to vascular closure devices, we will use the large bore vascular device assets acquired from Medeon Biodesign to capture demand for transcatheter aortic valve replacement (TAVR) and transcatheter aortic valve implantation (TAVI) and further expand business in this field.

As for therapeutic devices, we launched the Ultimaster Tansei drug-eluting stent in Europe in May 2018. We created this product by improving the usability of the Ultimaster drug-eluting stent, launched in 2014. We are aiming for worldwide sales of ¥22.0 billion from the drug-eluting stent category overall. In the peripheral intervention field, plans call for marketing Kanshas, a drug coated balloon catheter for lower extremities, in Europe in September 2018, followed by Latin America and Asia. Through this product, we aim to capture 10% of Europe’s market over the medium to long term.



Neurovascular Division

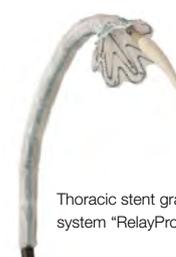
In addition to our products used to treat cerebral aneurysms, which already have a large market share, we will expand and improve our lineup by developing a clot retriever and other products for the ischemic stroke market, which continues to grow strongly. Through these measures, we will establish a position as a leading company for all neurovascular intervention products.

CV Systems Division

In Japan, the United States, and Europe, we plan to bring to market a new oxygenator with integrated arterial filter. We developed this product to lessen the physical burden on patients of the extracorporeal circulation of blood. As a result, we successfully developed a product with the world’s smallest blood priming volume. Also, we aim to develop an oxygenator that reflects demand in emerging countries and become the market leader based on a double brand strategy.

Vascular Graft Division

Based on the new Terumo Aortic business brand unveiled in April 2018, we will concentrate efforts on products for thoracic aortic aneurysm, for which demand is expected to increase. We will boost sales of a thoracic stent graft system in the United States and expand the sales regions of high-value-added frozen elephant trunk devices.



Strengthening Operational Capabilities and Creating Synergies

We will optimize production globally through a range of measures, including the increase of production capacity. At the same time, we will create synergies by coordinating sales and promoting mutual use of technologies.

General Hospital Company



We aim to grow by strengthening our lineup of high-value-added products that cater to the need for improvement in patients' quality of life and efficient delivery of hospital care and by enhancing our services and training programs.

Shoji Hatano

Director and Managing Executive Officer
President, General Hospital Company

Fiscal 2017 Highlights

The company realized the benefits of efforts over the past several years to improve profitability through cost reductions and reform of low-profit businesses. Also, in the fiscal year under review the company increased sales of high-value-added strategic products. In fiscal 2017, the company posted year-on-year increases of 0.6% in revenue, to ¥158.8 billion, and 9.5% in adjusted operating profit, to ¥26.8 billion. The adjusted operating margin improved 1.3 percentage points to 16.8%.

Hospital Systems Division

Results for closed infusion systems, anticancer drug administration systems, and other advanced infusion systems were solid. Further, August 2017 saw the domestic launch of TERUFUSION Infusion Pump Type 28, which is more compact and has a longer battery life than its predecessors, and adoption of this new product increased steadily.

In the surgery field, we began sales of AdSpray, Japan's first sprayable adhesion barrier gel, and proceeded with staged introduction as well as the training of medical professionals. We have designed the product to enable flexible application to the underside or inner parts of organs that are to undergo surgery, regardless of whether the surgery method is a laparoscopic procedure or a laparotomy.

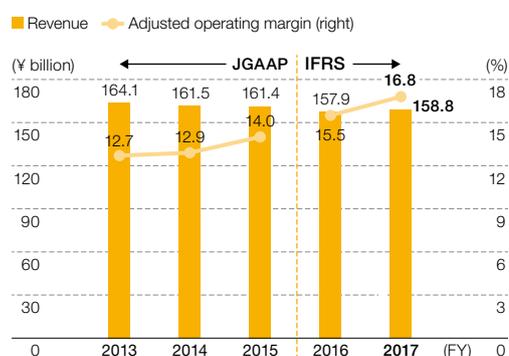
In September 2017, the company launched an ultra-high-concentration nutrient. The product allows those who cannot ingest large quantities of food at once to absorb energy and a variety of nutrients gradually and comfortably. Reflecting favorable evaluation of these features, adoption of the product increased at medical institutions.

Alliance Division

In May 2017, the European Medicines Agency validated the Marketing Authorization Application for a biosimilar* to be formulated by Terumo and began the review procedure. PLAJEX, Terumo's pre-fillable syringes, have been adopted as the primary containers for the biosimilar. This is the first time that an application for approval has been filed overseas for a medicine that is filled in PLAJEX.

* The biosimilar is FKB327, an adalimumab biosimilar candidate of the fully human anti-TNF- α monoclonal antibody referencing Humira[®]. The biosimilar has been developed by Fujifilm Kyowa Kirin Biologics Co., Ltd. Humira[®] is a registered trademark of AbbVie Biotechnology Ltd. In July 2018, the European Medicines Agency's Committee for Medicinal Products for Human Use adopted a positive opinion recommending a marketing authorization for the biosimilar.

Revenue*/Adjusted Operating Margin*



* Net sales and operating margin before amortization of goodwill, etc. under JGAAP



TERUFUSION™
Infusion Pump Type 28



AdSpray™ sprayable
adhesion barrier gel

Mid- to Long-term 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 of Mid- to Long-term Growth Strategy

- Revenue: Shift gears to enhance revenue; mid-single-digit growth
- Adjusted operating profit: Achieve profit growth that outpaces revenue growth through continuous cost and profit management; high-single-digit growth
Improve adjusted operating margin 2 to 3 percentage points

Fiscal 2018 Priorities

Hospital Systems Division

In Japan, we will realize stable growth by further strengthening the advantages of our broad product lineup to deliver value in the form of improved safety in hospital care, enhanced operational efficiency, and realization of early discharges. We will advance the integration of advanced infusion systems with digital health solutions to support the improvement of safety in hospital care as well as the enhancement of operational efficiency. These efforts will mainly focus on the Smart Infusion System (smart pump) equipped with drug libraries that can be integrated with the IT systems of hospitals. In the pain management, surgery, and nutrients fields, the company will concentrate on disseminating, expanding, and improving its lineup of products that support the realization of early discharges, such as pain management drugs and sprayable adhesion barrier gel. As for the diabetes area, we will enter the therapeutic field by launching MEDISAFE WITH, Japan's first insulin patch pump. At the same time, the company will move forward with the marketing of the Continuous Glucose Monitoring devices of U.S. company DexCom, Inc., for which Terumo has obtained exclusive distribution rights in Japan. Further, the company will leverage the comprehensive strengths of the Terumo Group to enhance sales activities. For example, we will collaborate with other companies to advance joint promotions at medical conferences and undertake marketing initiatives focused on specific diseases.

Overseas, we aim to clarify strategies by region and achieve steady growth. With respect to Southeast Asia, we will consider responding to the trend toward promoting domestic production.



MEDISAFE WITH™ insulin patch pump



Smart Infusion System (smart pumps)

Alliance Division

In Japan, we will focus on leveraging material technologies and aseptic filling technologies to win more contract development and manufacturing orders from pharmaceutical companies. Overseas, we will continue concentrating efforts on increasing adoption of packaged pharmaceuticals, such as safety syringes engineered to prevent needle stick injury and PLA-JEX pre-fillable syringes.

Advancing Cost and Profit Management

The company will utilize the strengths of each factory to optimize production globally. We will support sales growth as well as profit improvement by proactively investing in the production increases that are necessary for growth while investing with the aim of enhancing safety and quality and reducing costs.



PLA-JEX® pre-filled syringes

Blood Management Company (Terumo BCT)



We will increase profitability while investing toward sustainable growth.

David Perez

Director and Senior Executive Officer
 President, Blood Management Company
 President and CEO, Terumo BCT*

* As of August 1, 2018

Fiscal 2017 Highlights

- Increased revenue by 10.8% to ¥104.7 billion.
- Decreased adjusted operating profit 0.7%, to ¥15.1 billion, primarily due to the capitalization of development costs under IFRS.
- Achieved double-digit revenue growth in emerging markets including those in Latin America and Asia.
- Increased demand among U.S. customers upgrading their therapeutic apheresis devices to the Spectra Optia Apheresis System.
- Introduced the new Reveos Leukoreduction (LR) Set, that is used for the Reveos Automated Blood Processing system, making the 100-million-unit whole blood market more accessible with our innovative automation technology.
- Launched the Trima Accel Automated Blood Collection System with Version 7 software in Japan, known as Trima Q, to enable blood collections from a broader base of donors and improve the experience for both donors and clinicians.
- Expanded adoption of the THERAKOS® CELLEX® Photopheresis System in additional markets including Brazil and Argentina.



With the introduction of the Reveos® LR Disposable Set, more customers are now automating their whole blood processing



Throughout FY2017, customers across the U.S. upgraded their therapeutic apheresis devices to Spectra Optia®

Fiscal 2018 Priorities

Fiscal 2018 Key Initiatives

Creating value through profitable, sustainable growth with safety and quality at the forefront of everything we do for both customers and patients.

Business Area	Key Initiatives
Blood Center Solutions	Leverage innovation and strategic alliances to enter new markets and expand our offerings.
Therapeutic Systems	Foster physician awareness and implement clinical selling of our treatment protocols; develop clinical evidence for larger indications; and expand our data management solutions.
Cell Therapy Technologies	Apply our expertise in automation to regenerative medicine.
Autologous Biologics	Position our Autologous Biologics products as companion therapies in hospital settings.

Targets of Mid- to Long-term Growth Strategy

- Revenue: Return to growth; mid-single-digit growth
- Adjusted operating profit: Achieve profit growth that outpaces revenue growth; high-single-digit growth

Fiscal 2018 Strategic Priorities

Supporting modest growth in fiscal 2018 while enhancing and expanding access to our offerings for sustainable, long-term growth.

Commercial Excellence

We continue to evolve and enhance the way we implement and service our technologies and will continue those efforts into fiscal 2018. In addition to innovating the way we provide services, we will also optimize our commercialization and sales force efforts. This includes strengthening how we support our customers and increasing clinicians' understanding of our therapies and indications.

Portfolio Management

We have technologies and platforms that our customers have relied on for years. To evolve with our customers' needs, Terumo BCT will target our investments to advance these technologies and create new ones, based on feedback from our customers and target customers worldwide. Our focused portfolio approach will include software solutions and connectivity to ensure our market relevance well into the future.

Innovation and Development

Our design principles guide how we deliver clinically relevant solutions. At our innovation centers, we embrace:

- *Gemba*: customer immersion
- *Jugaad*: frugal innovation
- Reverse innovation

We are committed to working closely with our customers, investing to diversify our product portfolio and develop innovations that become industry standards. We will accelerate these efforts with an affordable and flexible model, which includes increased collaboration with other Terumo companies and strategic alliances.

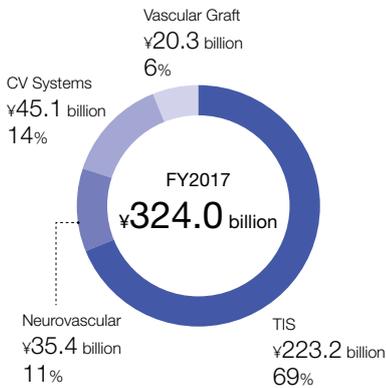
Operational Excellence

We continue to enhance our operations and optimize our cost structure to support growth. In addition to increasing capacity at our facilities in Vietnam and India, we are balancing our global manufacturing efforts to reflect the increases in customer demand. Terumo BCT remains committed to continuous improvement, with a renewed emphasis on quality that delights our customers throughout the world.

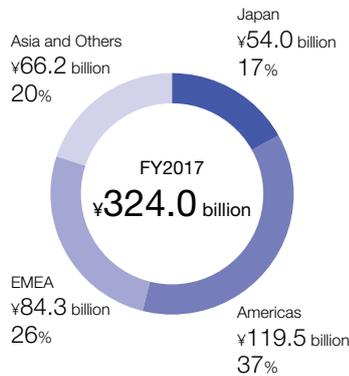
Companies at a Glance

Cardiac and Vascular Company

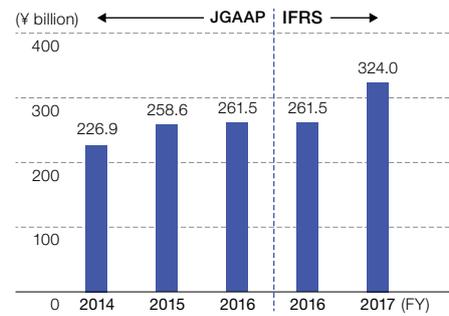
Revenue by Business/
Percentage of Revenue



Revenue by Region/
Percentage of Revenue



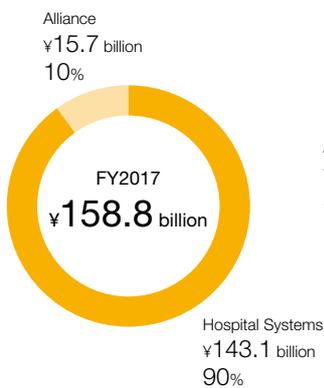
Revenue*



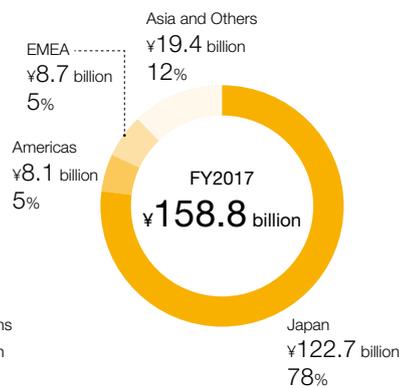
* "Net sales" under JGAAP

General Hospital Company

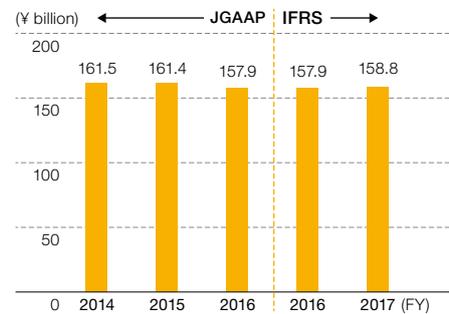
Revenue by Business/
Percentage of Revenue



Revenue by Region/
Percentage of Revenue



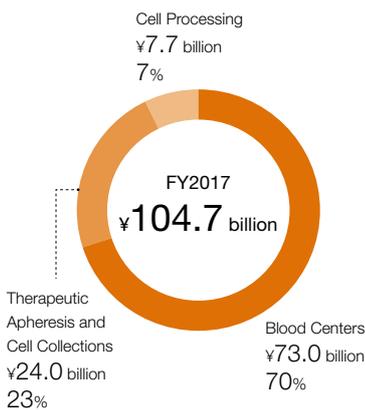
Revenue*



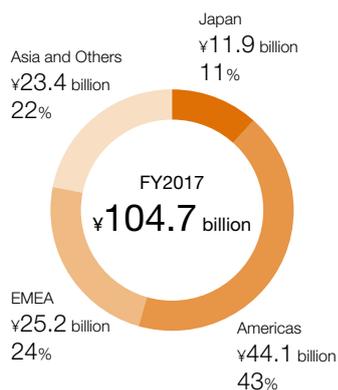
* "Net sales" under JGAAP

Blood Management Company (Terumo BCT)

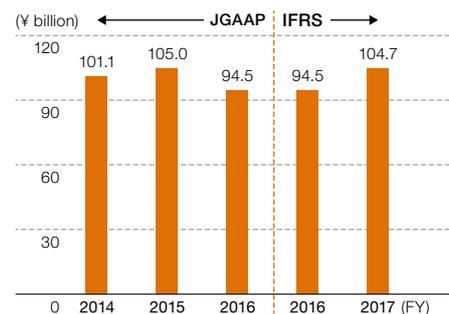
Revenue by Business/
Percentage of Revenue



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	37.8	80.4	56.7	48.4	223.2
Neurovascular	3.1	11.6	10.8	10.0	35.4
CV Systems	10.3	23.3	6.0	5.5	45.1
Vascular Graft	2.8	4.2	10.9	2.4	20.3
Total	54.0	119.5	84.3	66.2	324.0

Adjusted Operating Profit/ Adjusted Operating Margin

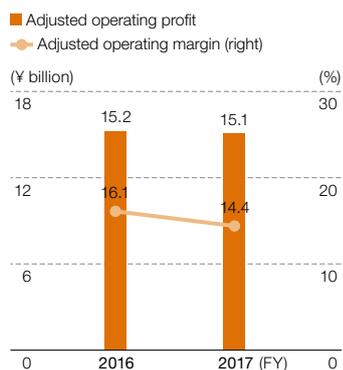


Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Hospital Systems	113.8	6.5	3.7	19.1	143.1
Alliance	8.9	1.6	4.9	0.3	15.7
Total	122.7	8.1	8.7	19.4	158.8

Adjusted Operating Profit/ Adjusted Operating Margin



Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Blood Centers	10.6	22.9	19.3	20.1	73.0
Therapeutic Apheresis and Cell Collections	1.2	14.6	5.2	3.0	24.0
Cell Processing	0.1	6.6	0.7	0.3	7.7
Total	11.9	44.1	25.2	23.4	104.7

R&D and Intellectual Property

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 solving medical challenges with significant social impact.

Basic Concepts

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

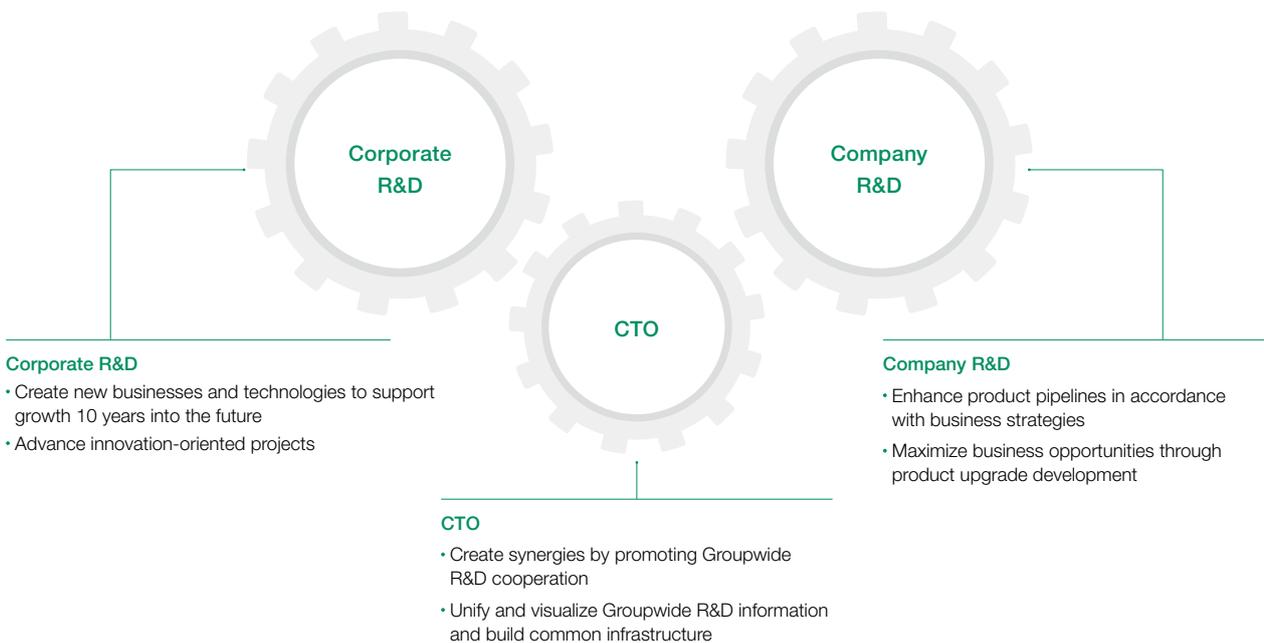
The first is corporate R&D, where mid- to long-term research and development work is performed. With a future horizon of 10 years, corporate R&D aims to create the new businesses and technologies that will support future growth for the Terumo Group. Those working on corporate R&D projects coordinate 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 Group 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 disease, 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 development themes from among the medical care issues that affect society significantly, the Terumo Group gives priority to fields that promise market growth and in which it can realize competitive advantages. In the early stages of R&D, 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.

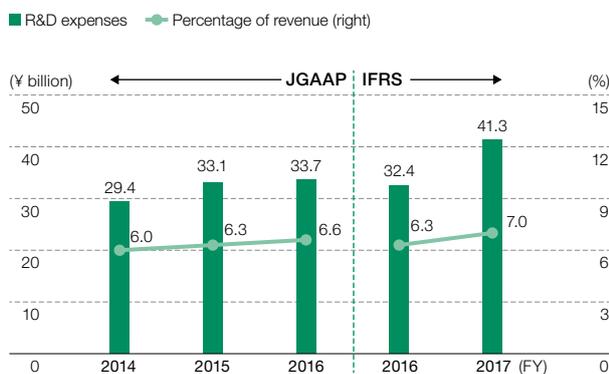
Through such initiatives, the Terumo Group will support its growth in the coming generation while helping to address the medical care issues of tomorrow.

R&D Expenses

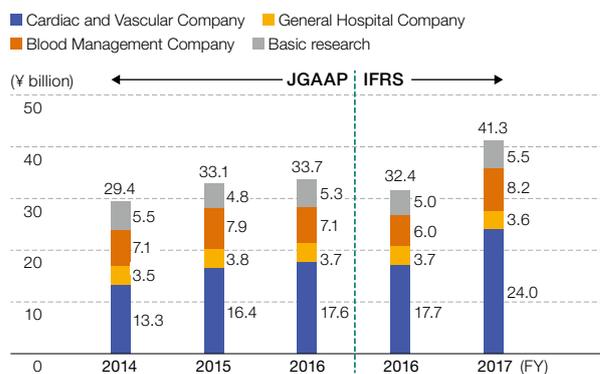
Fiscal 2017 R&D expenses totaled ¥41.3 billion, or about 7.0% of revenue. Of that total, the Cardiac and Vascular Company accounted for ¥24.0 billion; the General Hospital Company, ¥3.6 billion; and the

Blood Management Company, ¥8.2 billion. Basic research expense not allocable to any particular segment totaled ¥5.5 billion.

R&D Expenses/Percentage of Revenue



R&D Expenses by Segment



Terumo Group R&D Sites

(As of March 31, 2018)



R&D News

TOPICS

Merger of Two Silicon Valley Development Bases at a New Base

In January 2018, Terumo integrated the development facilities of its Silicon Valley Lab, which was in northern California in the United States, with the facilities of Terumo's subsidiary Kallia Medical, Inc., and moved both facilities to a new base called Terumo Bay Area Innovation Lab. The new base will accelerate the launch of corporate R&D projects while expanding Kalila Medical's lineup of steerable sheaths for use with ablation systems*. Plans call for the new lab to double its workforce to approximately 50 personnel within the next five years.

In addition to activities at this new lab, Terumo is leveraging Silicon Valley's cluster of medical technology related companies to develop groundbreaking medical devices. In 2013, we invested in a venture fund, and in 2014 on the premises of a hospital, we established the development subsidiary Terumo Medical Innovation, Inc., which investigates new technologies and ideas and conducts early stage product development.

* Catheter ablation is a medical procedure in which a catheter is inserted through such points as the artery in the groin, and parts of the interior of the heart that are causing arrhythmia are cauterized using a high-frequency electric current.

Induction of a Fifth Terumo Fellow

We have made an associate (employee) of U.S. subsidiary MicroVention, Inc., a Terumo Fellow. Associates named as Terumo Fellows possess superior expertise and practical experience in the fields of technology, research, and clinical development, and have made conspicuous contributions to medical settings throughout the world. Since establishing the Terumo Fellows

system in 2016, we have inducted five associates as Terumo Fellows in Japan and overseas. The most recent inductee is Gregory M. Cruise, Ph.D., who has a record of outstanding achievements in the development of coils for treating cerebral aneurysms and embolic beads for treating liver cancer.

Basic Stance on Intellectual Property Management

The Terumo Group strives to create intellectual property that will help to strengthen our 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)*

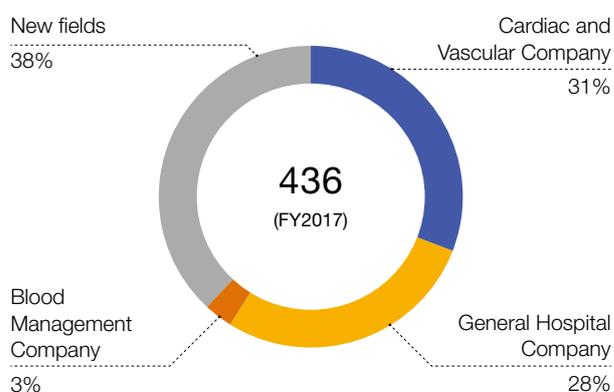
In fiscal 2017, Terumo filed 436 patent applications (filed in the first country), with 62% related to existing businesses, and 38% related to new areas not associated with existing businesses. From these figures, it is evident that Terumo continues to enhance and improve existing products while also actively pursuing investments for future business expansion and new endeavors.

Patent Held (by Segment)*

As of March 31, 2018 (at the end of fiscal 2017), Terumo held 4,645 patents issued in Japan and abroad. Patents related to existing businesses account for relatively high 84% of the total, with patents related to new areas making up the remaining 16%. 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 current operations.

* Does not include patent applications or patents held by overseas subsidiaries.

Patent Applications (by Segment)*



Patents Held (by Segment)*

