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(Securities Code: 4543)
June 5, 2017

To Our Shareholders:

Shinjiro Sato
President and CEO
TERUMO CORPORATION
44-1, Hatagaya 2-chome, Shibuya-ku,
Tokyo, Japan

NOTICE OF CONVOCATION OF THE 102ND ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 102nd Annual General Meeting of Shareholders of Terumo Corporation (the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing (by mail) or electronically (via the Internet). Please review the attached Reference Documents for the Annual General Meeting of Shareholders and exercise your voting rights by 5:45 p.m. on Monday, June 26, 2017.

Exercise of voting rights in writing (by mail)

Please indicate whether you are for or against each of the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us.

Exercise of voting rights electronically (via the Internet)

Please access the website for exercising voting rights designated by the Company, and follow the on-screen guidance. Please vote for or against each of the proposals by the voting deadline indicated above.

Disclosure on the Internet

The following are posted on the Company’s website in accordance with law and Article 15 of the Company’s Articles of Incorporation and thus are not included in the documents attached to this notice of convocation. The following are subject to audits by the Accounting Auditor or the Audit/Supervisory Committee.

- 1) Matters concerning Stock Acquisition Rights Issued by the Company
- 2) Basic Policies regarding the Company’s Control *
- 3) Notes to Consolidated Financial Statements
- 4) Notes to Non-consolidated Financial Statements

* At the meeting of the Board of Directors held on May 10, 2017, a decision was made to revise the Basic Policies regarding the Company’s Control, which is currently posted on the Company’s website, at the conclusion of this Annual General Meeting of Shareholders. (refer to Page 48)

1. Date and Time: Tuesday, June 27, 2017, at 2:00 p.m. (The reception desk opens at 1:00 p.m.)

2. Place: Fuji Banquet Room, 2nd floor, Meiji Kinenkan
2-2-23 Moto-Akasaka, Minato-ku, Tokyo

3. Meeting Agenda:

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements, and Audit Report concerning Consolidated Financial Statements by the Accounting Auditor and the Audit/Supervisory Committee for the 102nd Term (from April 1, 2016, to March 31, 2017)
 2. Non-consolidated Financial Statements for the 102nd Term (from April 1, 2016, to March 31, 2017)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of 8 Directors (Excluding Directors Who Serve as Audit/Supervisory Committee Members)
Proposal 3: Election of 3 Directors Who Serve as Audit/Supervisory Committee Members
Proposal 4: Election of 1 Substitute Director Who Serves as an Audit/Supervisory Committee Member

4. Exercise of voting rights: If you exercise your voting rights both in writing on the Voting Rights Exercise Form and via the Internet, only the exercise of voting rights via the Internet will be valid. In addition, if you exercise your voting rights multiple times via the Internet, only the last vote will be valid.

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Please note that no one other than the shareholders with voting rights, such as an agent or an accompanying person, is permitted to enter the venue even if such a person brings a Voting Rights Exercise Form with him/her.
- We would appreciate it if you could come ahead of time to avoid last-minute congestion.
- If any revisions are made to the Reference Documents for the Annual General Meeting of Shareholders, Business Report, Non-consolidated Financial Reports, or Consolidated Financial Reports, they will be posted on the Company's website in Japanese at <http://www.terumo.co.jp/>
- Please note that we will be in light clothing at the meeting. We encourage everyone attending the meeting to wear light clothing, too.
- Taking into consideration the equality among shareholders who will attend the General Meeting of Shareholders and those who are unable to attend, we have decided that we will no longer provide gifts at the General Meeting of Shareholders. We request your understanding on this matter.

Reference Documents for the Annual General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

Matters concerning year-end dividends

The Company considers the distribution of an appropriate amount of profit to shareholders to be one of the principal responsibilities of management and pays dividends in accordance with a policy of stably and steadily increasing dividends with a target payout ratio of 30% over the medium- to long-term.

Accordingly, it is proposed that a year-end dividend of 22 yen per share be paid out as described below. As a result, the annual dividends for the year, including the interim dividend of 20 yen, will amount to 42 yen per share, an increase of 3 yen from the previous year.

- (1) Type of dividend property
Cash
- (2) Allocation of dividend property and total amount thereof
22 yen per share of common stock of the Company
Total amount of dividends: 7,743,538,000 yen
- (3) Effective date of dividends from surplus
Wednesday, June 28, 2017

Proposal 2: Election of 8 Directors (Excluding Directors Who Serve as Audit/Supervisory Committee Members)

The terms of office of all of the 12 directors (excluding directors who serve as Audit/Supervisory Committee Members) will expire at the conclusion of this Annual General Meeting of Shareholders. The election of 8 directors (excluding directors who serve as Audit/Supervisory Committee Members) is proposed.

The opinion of the Audit/Supervisory Committee on the selection of directors is outlined below.

Regarding selection of directors who are not Audit/Supervisory Committee Members, the Corporate Governance Committee deliberated on whether each candidate is suitable for the position of director based on attributes, such as knowledge, experience, achievements, and capability, and one independent director who serves as an Audit/Supervisory Committee Member participated in the deliberation. Based on the results of deliberation by the Corporate Governance Committee, the Audit/Supervisory Committee discussed and concluded that each of the candidates is suitable for the position of director.

The candidates for directors (excluding directors who serve as Audit/Supervisory Committee Members) are as indicated below.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Takayoshi Mimura (June 18, 1953)	<p>April 1977 Joined the Company</p> <p>June 2002 Executive Officer</p> <p>June 2003 Director and Executive Officer</p> <p>June 2004 Director and Senior Executive Officer</p> <p>June 2007 Director and Managing Executive Officer</p> <p>April 2008 Group President of General Hospital Business Group Responsible for Domestic Sales Dept.</p> <p>June 2009 Regional Representative, China and Asia</p> <p>April 2010 Regional Representative, China</p> <p>June 2010 Director and Senior Managing Executive Officer</p> <p>August 2011 President and CEO, Terumo (China) Holding Co., Ltd.</p> <p>April 2014 Responsible for Terumo Call Center</p> <p>April 2017 Chairman of the Board (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Takayoshi Mimura previously served in positions including Group President of General Hospital Business Group and Regional Representative, China. Since 2017 he has been serving as Chairman of the Board of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge, he is appropriately overseeing the Company's management by convening and conducting meetings of the Board of Directors as the chairperson thereof and is contributing to the enhancement of the Terumo brand through external activities. Through these roles, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	20,067

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
2	Shinjiro Sato (July 19, 1960)	<p>April 1984 Joined Toa Nenryo Kogyo K.K. (currently JXTG Nippon Oil & Energy Corporation)</p> <p>February 1999 Joined Arthur Andersen Business Consulting (currently PwC Japan Group)</p> <p>June 2004 Joined the Company</p> <p>June 2010 Executive Officer, General Manager of Strategic Planning Dept.</p> <p>October 2011 Group President of Cardiac and Vascular Business Group (currently President, Cardiac and Vascular Company)</p> <p>June 2012 Senior Executive Officer</p> <p>June 2014 Director and Senior Executive Officer</p> <p>April 2015 Director and Managing Executive Officer</p> <p>April 2017 President and CEO (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Shinjiro Sato previously served in positions including General Manager of Strategic Planning Dept. and as President of Cardiac and Vascular Company. Since 2017 he has been serving as President and CEO of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge, he is promoting the Company's management and business operations and is leading improvement of the Terumo Group's performance worldwide. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	8,435

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	Toshiaki Takagi (March 24, 1958)	<p>April 1981 Joined the Company</p> <p>April 2004 Factory Manager of Ashitaka Factory</p> <p>April 2008 Factory Manager of Ashitaka Factory and Suruga Factory</p> <p>June 2008 Executive Officer</p> <p>June 2009 General Manager of R&D Headquarters</p> <p>June 2010 Director and Senior Executive Officer Responsible for Intellectual Property Dept. and Terumo Medical Pranex</p> <p>June 2013 Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., and Environmental Management Dept. (present)</p> <p>April 2015 Responsible for Terumo Call Center</p> <p>July 2015 Chief Quality Officer (CQO) (present)</p> <p>April 2016 Director and Managing Executive Officer (present)</p> <p>April 2017 Responsible for Production Dept. and Procurement Dept. (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Toshiaki Takagi previously served in positions including Factory Manager and General Manager of R&D Headquarters of the Company. Since 2016, he has been serving as Director and Managing Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as Chief Quality Officer (CQO), in business operations he is contributing to enhancement of the global quality assurance system. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	12,239
4	Shoji Hatano (July 27, 1959)	<p>April 1983 Joined the Company</p> <p>June 2009 Executive Officer General Manager of Secretarial Office, General Manager of Corporate Communication Dept.</p> <p>October 2011 General Manager of Strategic Planning Dept.</p> <p>June 2012 Senior Executive Officer General Manager of Strategic Planning Dept., responsible for Corporate Communication Dept. and Design Planning Dept.</p> <p>April 2015 Managing Executive Officer</p> <p>July 2015 Vice President, General Hospital Company (concurrent position)</p> <p>January 2016 Senior Vice President, General Hospital Company</p> <p>April 2016 President, General Hospital Company (present)</p> <p>June 2016 Director and Managing Executive Officer (present)</p> <p>January 2017 Division President, Hospital Systems Division, General Hospital Company (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Shoji Hatano previously served in positions including General Manager of Corporate Communication Dept. and Strategic Planning Dept. of the Company. Since 2016 he has been serving as Director and Managing Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as the President of General Hospital Company, in business operations he is further promoting the business-led global management structure. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	5,157

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
5	Hideo Arase (March 19, 1955)	<p>April 1977 Joined the Company</p> <p>July 2006 Managing Director, Terumo Europe N.V.</p> <p>June 2008 Executive Officer</p> <p>June 2009 Director and Executive Officer</p> <p> Group President of Cardiac and Vascular Business Group</p> <p> Responsible for Legal Dept.</p> <p>June 2010 Director and Senior Executive Officer (present)</p> <p>October 2011 Responsible for Brazilian Business Promotion</p> <p>June 2012 Regional Representative, Americas</p> <p> President and CEO, Terumo Americas Holding, Inc.</p> <p>April 2014 Regional Representative, Latin America</p> <p>April 2015 Regional Representative, India and Asia Pacific (present)</p> <p> Managing Director, Terumo Asia Holdings Pte., Ltd. (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Hideo Arase previously served in positions including Group President of Cardiac and Vascular Business Group and CEO of subsidiaries in Europe and the U.S. Since 2010 he has been serving as Director and Senior Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as Regional Representative of India and Asia Pacific, in business operation he is promoting regional business strategies and playing a leading role in improvement of financial performance. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	18,283
6	David Perez (August 16, 1959)	<p>October 1981 Joined Kendall Healthcare Group, Ltd.</p> <p>December 1989 Joined Caremark/Coram Healthcare Corporation</p> <p>September 1995 Joined Haemonetics Corporation</p> <p>May 1997 Joined Urotherapy Corporation</p> <p>May 1999 Joined Gambro BCT, Inc. (currently Terumo BCT, Inc.)</p> <p>April 2011 President and CEO, Terumo BCT Holding Corporation (present)</p> <p>August 2011 President, Blood Management Company (present)</p> <p>June 2012 Senior Executive Officer</p> <p>June 2014 Director and Senior Executive Officer (present)</p> <p>■ Reasons for selection of the candidate for director Mr. David Perez previously served as CEO of an American medical equipment company and then joined the Terumo Group. Since 2014 he has been serving as Director and Senior Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as President and CEO, Terumo BCT Holding Corporation and President of Blood Management Company, in business operation he is further promoting the business-led global management structure. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	-

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	Ikuo Mori (August 19, 1947) <Candidate for independent director>	<p>April 1970 Joined Fuji Heavy Industries Ltd. (currently SUBARU CORPORATION)</p> <p>June 2002 Corporate Vice President, Chief General Manager of Europe Region and Chief General Manager of Asia Pacific Region, Subaru Sales & Marketing Division, Fuji Heavy Industries Ltd.</p> <p>April 2005 Corporate Senior Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division</p> <p>June 2006 Corporate Executive Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division</p> <p>June 2006 President and Chief Executive Officer, Representative Director of the Board</p> <p>June 2011 Chairman and Chief Executive Officer, Representative Director of the Board</p> <p>June 2012 Senior Corporate Advisor</p> <p>June 2014 Advisor, Fuji Heavy Industries Ltd. Independent Director of the Company (present)</p> <p>■ Reasons for selection of the candidate for independent director Mr. Ikuo Mori has a wealth of experience as a corporate manager and insight cultivated through his overseas business experience over many years. The Company proposes his election for the position of independent director because the Company wishes him to utilize his experience and insight in the management of the Company. For these reasons, the Company deems that Mr. Mori will duly execute his duties as an independent director.</p>	1,964

Mr. Ikuo Mori will have served as an independent director for three years at the conclusion of this Annual General Meeting of Shareholders.

Mr. Ikuo Mori attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2017.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
8	Ryuzo Ueda (September 20, 1944) <Candidate for independent director>	<p>April 1969 Clinical Fellow, Nagoya University School of Medicine</p> <p>September 1976 Visiting Research Fellow, Memorial Sloan Kettering Cancer Center, New York</p> <p>September 1980 Senior Research Staff, Laboratory of Chemotherapy, Aichi Cancer Center Research Institute</p> <p>April 1988 Chief, Laboratory of Chemotherapy, Aichi Cancer Center Research Institute</p> <p>September 1995 Professor, Second Department of Internal Medicine, Nagoya City University Medical School</p> <p>April 2003 President, Nagoya City University Hospital</p> <p>April 2008 Director-General, Nagoya City Hospital Bureau</p> <p>April 2010 Professor Emeritus, Nagoya City University (present) Senior Advisor to the Board, Nagoya City University Adjunct Professor, Nagoya City University Graduate School of Medical Sciences</p> <p>April 2012 Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine (present)</p> <p>January 2013 Councilor, Aichi Medical University</p> <p>June 2015 Independent Director of the Company (present)</p> <p>May 2016 Visiting Professor, Nagoya City University (present)</p> <p>■ Reasons for selection of the candidate for independent director Dr. Ryuzo Ueda has expert knowledge, as attested by his research achievements in the field of cancer treatment, and a wealth of experience gained through the execution of his duties in positions including the President of the Nagoya City University Hospital and the Director-General of the Nagoya City Hospital Bureau. The Company proposes his election for the position of independent director because the Company wishes him to utilize his knowledge and experience in the management of the Company. For these reasons, the Company deems that Dr. Ueda will duly execute his duties as an independent director.</p>	829

Dr. Ryuzo Ueda will have served as an independent director for two years at the conclusion of this Annual General Meeting of Shareholders.

Dr. Ryuzo Ueda attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2017.

Notes:

1. The number of shares of the Company held by each candidate for director includes shares held through the Terumo Director Shareholding Association. The number of shares of the Company held indicated is as of April 30, 2017.
2. The Company appointed Mr. Ikuo Mori and Dr. Ryuzo Ueda as independent directors/auditors as defined by the Tokyo Stock Exchange and submitted notifications of their appointment to the Exchange. If their reelection is approved, the Company intends to continue their appointment as independent directors/auditors.
3. In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with Mr. Ikuo Mori and Dr. Ryuzo Ueda to apply the statutory limit with respect to liability under Article 423, Paragraph 1 of the aforementioned law. If their reelection is approved, the Company intends to renew the liability limitation contracts with them. The maximum amount of liability under the contracts shall be the amount prescribed in Article 425, Paragraph 1 of the Companies Act.
4. No material conflict of interest exists between the Company and any of the candidates for director.

Proposal 3: Election of 3 Directors Who Serve as Audit/Supervisory Committee Members

The terms of office of all of the 3 directors who serve as Audit/Supervisory Committee Members will expire at the conclusion of this Annual General Meeting of Shareholders.

Accordingly, the election of 3 directors who will serve as Audit/Supervisory Committee Members is proposed.

The Audit/Supervisory Committee has already given consent to the submission of this proposal.

The candidates for directors who serves as Audit/Supervisory Committee Members are as indicated below.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Yoshihiro Kimura (June 29, 1955) <New election>	<p>April 1978 Joined the Company</p> <p>July 1998 General Manager of Operations Dept.</p> <p>April 2004 Managing Director, Terumo Europe N.V.</p> <p>July 2006 General Manager of Controller Dept.</p> <p>July 2008 General Manager of Logistics Dept.</p> <p>March 2011 Chairman, Terumo Penpol Pvt Limited.</p> <p>April 2014 Executive Officer and General Manager of Internal Audit Dept.</p> <p>April 2016 Advisor (present)</p> <p>April 2017 Audit/Supervisory Committee Office (present)</p> <p>■ Reasons for selection of the candidate for director who serves as an Audit/Supervisory Committee Member</p> <p>Mr. Yoshihiro Kimura previously served in positions including the General Manager of Controller Dept. of the Company and as the representative of subsidiaries in Europe and India. Since 2014 he served as the General Manager of Internal Audit Dept. and has contributed to enhancement of corporate value. (moved to the Audit/Supervisory Committee Office since April 2017)</p> <p>Based on his wealth of business experience and knowledge, through fair and precise oversight of global Group management as a director who serves as an Audit/Supervisory Committee member, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his election for the position of director who serves as an Audit/Supervisory Committee Member.</p>	7,480

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
2	Toshihiko Matsumiya (October 3, 1947) <Candidate for independent director who serves as an Audit/Supervisory Committee Member>	<p>April 1971 Joined Pioneer Corporation</p> <p>July 1972 Joined Ryutsu Giken K.K.</p> <p>October 1979 Joined Deloitte Haskins & Sells (currently Deloitte Touche Tohmatsu LLC)</p> <p>March 1983 Registered as Certified Public Accountant</p> <p>November 1987 Toronto, Canada Office, Deloitte Haskins & Sells</p> <p>July 1991 Partner at Deloitte Haskins & Sells (currently Deloitte Touche Tohmatsu LLC)</p> <p>October 2011 Representative, Toshihiko Matsumiya Certified Public Accountant Office (present)</p> <p>June 2012 Audit and Supervisory Board Member (External) of the Company External Corporate Auditor, Daiichi Jitsugyo Co., Ltd. (present)</p> <p>December 2012 External Corporate Auditor, Mitsubishi Research Institute, Inc. (present)</p> <p>June 2015 Independent Director (Audit/Supervisory Committee Member) of the Company (present)</p> <p>■ Reasons for selection of the candidate for independent director who serves as an Audit/Supervisory Committee Member Mr. Toshihiko Matsumiya has specialist knowledge and a wealth of experience as a certified public accountant. The Company selected Mr. Matsumiya as a candidate for independent director who serves as an Audit/Supervisory Committee Member because the Company wishes him to utilize his knowledge and experience in the management of the Company. For these reasons, the Company deems that Mr. Matsumiya will duly execute his duties as an independent director who serves as an Audit/Supervisory Committee Member.</p>	2,137

Mr. Toshihiko Matsumiya will have served as an independent director for two years at the conclusion of this Annual General Meeting of Shareholders.

Mr. Toshihiko Matsumiya attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2017.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	Masatake Yone (July 8, 1954) <Candidate for independent director who serves as an Audit/Supervisory Committee Member>	<p>April 1981 Admitted to the bar in Japan</p> <p>1985 Worked at Sullivan & Cromwell, LLP, New York</p> <p>1986 Worked at Freshfields, Bruckhaus Deringer London</p> <p>March 1987 Admitted to the bar in the State of New York</p> <p>July 1987 Joined Mori Sogo Law Firm (currently Mori Hamada & Matsumoto Law Firm)</p> <p>January 1989 Partner in Mori Sogo Law Firm (present)</p> <p>April 2000 Lecturer in the Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>March 2008 Independent Director, GCA Savvian Group Corporation (currently GCA Corporation) (present)</p> <p>April 2011 Vice President of Daini Tokyo Bar Association</p> <p>June 2011 External Corporate Auditor, NAMCO BANDAI Games Inc. (currently BANDAI NAMCO Entertainment Inc.) (present)</p> <p>June 2013 Audit and Supervisory Board Member (External) of the Company</p> <p>June 2015 Independent Director (Audit/Supervisory Committee Member) of the Company (present)</p> <p>■ Reasons for selection of the candidate for independent director who serves as an Audit/Supervisory Committee Member Mr. Masatake Yone has expert knowledge and a wealth of experience as a lawyer in Japan and abroad. The Company selected Mr. Yone as a candidate for independent director who serves as an Audit/Supervisory Committee Member because the Company wishes him to utilize his knowledge and experience in the management of the Company. For these reasons, the Company deems that Mr. Yone will duly execute his duties as an independent director who serves as an Audit/Supervisory Committee Member.</p>	-

Mr. Masatake Yone will have served as an independent director for two years at the conclusion of this Annual General Meeting of Shareholders.

Mr. Masatake Yone attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2017.

Notes:

1. The number of shares of the Company held by each candidate for director includes shares held through the Terumo Director Shareholding Association. The number of shares of the Company held indicated is as of April 30, 2017.
2. The Company appointed Mr. Toshihiko Matsumiya as an independent director/auditor as defined by the Tokyo Stock Exchange and submitted a notification of his appointment to the Exchange. If his reelection is approved, the Company intends to continue his appointment as an independent director/auditor.
3. Mr. Masatake Yone satisfies the criteria for serving as an independent director/auditor as defined by the Tokyo Stock Exchange. However, in accordance with the rule of the firm that he serves, the Company has not submitted notification of the appointment of him as an independent director/auditor.
4. No material conflict of interest exists between the Company and any of the candidates for directors.

Proposal 4: Election of 1 Substitute Director Who Serves as an Audit/Supervisory Committee Member

In order to ensure that the number of incumbent directors who serve as Audit/Supervisory Committee Member does not fall short of that required by laws and regulations, the Company requests the approval of shareholders for the election of 1 substitute director who serves as an Audit/Supervisory Committee Member.

The Audit/Supervisory Committee has already given consent to the submission of this proposal.

The candidate for substitute director who serves as an Audit/Supervisory Committee Member is as indicated below.

Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
Koichi Sakaguchi (September 10, 1950) <Candidate for substitute independent director who serves as an Audit/Supervisory Committee Member>	April 1979 Admitted to the bar in Japan September 2000 Judge, Tokyo District Court April 2006 Judge (Department Manager), Mito District Court August 2012 Judge (General Manager), Kawagoe Branch, Saitama District/Family Court (Chief Judge) September 2013 Director, Akita District/Family Court November 2015 Registered as attorney-at-law Joined KATO Sogo Law Office (currently Ginga Law Office) (present) June 2016 Substitute Independent Director (Audit/Supervisory Committee Member) of the Company (present) External Corporate Auditor, Morinaga & Co., Ltd. (present)	-

■ Reasons for selection of the candidate for substitute independent director who serves as an Audit/Supervisory Committee Member

The Company proposes election of Mr. Koichi Sakaguchi for the position of substitute independent director who serves as an Audit/Supervisory Committee Member as the Company wishes him to utilize the legal knowledge he has gained, in the course of his lengthy career as a lawyer and a judge, in improving the audit system of the Company. For these reasons, the Company deems that Mr. Sakaguchi will duly execute his duties as an independent director who serves as an Audit/Supervisory Committee Member.

Notes:

1. Liability limitation contract with the substitute independent director who serves as an Audit/Supervisory Committee Member

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company intends to enter into a contract with Mr. Koichi Sakaguchi to apply the statutory limit with respect to liability under Article 423, Paragraph 1 of the aforementioned law. The maximum amount of liability under the contract shall be the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

2. No material conflict of interest exists between the Company and Mr. Koichi Sakaguchi.

Business Report

(From April 1, 2016, to March 31, 2017)

1. Overview of the Group

(1) Business Progress and Results

In the fiscal year ended March 31, 2017, the following trends were evident in the global healthcare market. The healthcare industry overseas underwent reorganization, including the acquisition and sale of businesses by major medical device companies, resulting in greater concentration and oligopoly and emergence of mega-competitors. Meanwhile, in Japan, National Health Insurance (NHI) reimbursement prices were revised in April 2016. There is a growing need for medical cost efficiency, including the trial introduction of cost-benefit analysis to achieve a more focused and efficient allocation of fiscal resources.

In this environment, the Terumo Group announced its Mid- to Long-term Growth Strategy with a five-year horizon in December 2016. Furthermore, the company announced a new management team to take the reins from April 1, 2017, with Takayoshi Mimura as Chairman of the Board and Shinjiro Sato as President and CEO. They both will work to ensure the vigorous implementation of the Mid- to Long-term Growth Strategy.

Through acquisitions overseas, Terumo obtained new technologies that can contribute to acceleration of growth and widened the product ranges. In July 2016, Terumo acquired Sequent Medical, Inc., which commercialized a new aneurysm embolization device for cerebral aneurysm treatment for the first time in the world. In January 2017, Terumo acquired the vascular closure device business and other assets, including Angio-Seal vascular closure device that has the largest market share in the world, from St. Jude Medical, Inc. and Abbott Laboratories, both of the United States. In March 2017, the Company acquired Bolton Medical, Inc., a company in the United States that develops and manufactures stent graft systems for aortic aneurysm treatment.

Under the “TERUMO Corporate Governance Guideline”, Terumo reviews the economic rationality and objectives of the holding of shares in other companies for strategic purposes from a medium- to long-term perspective. In February 2017, Terumo and Olympus Corporation agreed to sell mutually cross-held shares. In accordance with this agreement, Terumo sold all its stake in Olympus and conducted a share buyback of 44.2 billion yen, including Terumo shares sold by Olympus. Terumo and Olympus will continue coordinating in both development and marketing in an effort to enhance corporate value.

Net sales totaled 514.2 billion yen, a decrease of 2.1% year on year. Although sales were brisk for Cardiac and Vascular Company's businesses, centering on the TIS (Terumo Interventional Systems) business and the Neurovascular business, performance companywide was mainly hindered by the yen's appreciation in value against major currencies as well as the impact of the NHI reimbursement price revisions in Japan. These impacts were partially offset by the improvement in production costs and other factors. However, operating income decreased 6.3% year on year to 76.6 billion yen and ordinary income decreased 6.2% to 68.6 billion yen. Extraordinary items included an extraordinary income of 15.7 billion yen owing to the sale of shares in Olympus and an extraordinary loss of 7.0 billion yen in line with the termination of a contract for the joint development of a bioresorbable scaffold with Arterial Remodeling Technologies (ART) based in France. As a result, profit attributable to owners of the parent increased 7.0% year on year to 54.2 billion yen.

Assets and Income

(Millions of yen, unless otherwise stated)

Item	99th term Fiscal 2013 From April 1, 2013 to March 31, 2014	100th term Fiscal 2014 From April 1, 2014 to March 31, 2015	101st term Fiscal 2015 From April 1, 2015 to March 31, 2016	102nd term Fiscal 2016 From April 1, 2016 to March 31, 2017
Net sales	467,359	489,506	525,026	514,164
Operating income	65,288	67,456	81,703	76,578
Ordinary income	63,802	70,730	73,090	68,552
Profit attributable to owners of parent	34,096	38,470	50,676	54,225
Net income per share (yen)	89.78*	101.33	135.14	150.15
Total net assets	496,245	573,523	511,544	489,554
Total assets	832,814	992,073	901,685	1,021,405

* Net income per share for the 99th term is the figure adjusted by the ratio of share split effective April 1, 2014 for comparison.

Sales by Geographic Segment

(Millions of yen)

	101st term Fiscal 2015 From April 1, 2015 to March 31, 2016		102nd term Fiscal 2016 From April 1, 2016 to March 31, 2017		Change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Japan	187,210	35.7	187,000	36.4	(0.1)
Europe	101,802	19.4	95,013	18.5	(6.7)
Americas	143,462	27.3	139,698	27.1	(2.6)
Asia & Others	92,550	17.6	92,451	18.0	(0.1)
Total	525,026	100.0	514,164	100.0	(2.1)

Net Sales

Net sales amounted to 514.2 billion yen, a decrease of 2.1% year on year, because of the National Health Insurance (NHI) reimbursement price revision in Japan and the negative impact of foreign exchange rates, despite robust performance of Cardiac and Vascular Company's businesses centering on the TIS business and the Neurovascular intervention business.

Operating Income

Operating income decreased 6.3% year on year to 76.6 billion yen, as the effects of revisions to NHI reimbursement prices and of foreign exchange rates were partially offset by an improvement in production costs.

Ordinary Income

Ordinary income decreased 6.2% year on year to 68.6 billion yen.

Profit attributable to owners of parent

Profit attributable to owners of parent increased 7.0% year on year to 54.2 billion yen.

Cardiac and Vascular Company

In the TIS business, sales of access devices and the Ultimaster drug-eluting stent were brisk. Terumo enriched the lineup of Ultimaster in Japan and began sales of Ultimaster in France, Brazil and South Korea in the year under review. The Neurovascular business posted a double-digit rate of sales growth (excluding the impact of foreign currency exchange) led by stents used for cerebral aneurysm treatment. In the CV Systems business, after inspections, the United States Food and Drug Administration (FDA) lifted all shipping restrictions on the Ann Arbor Factory of US-based Terumo Cardiovascular Systems Corporation (TVCS). TVCS is now preparing for the resumption of shipping of heart-lung machines. In the Vascular Graft business, sales of high-value-added products were solid, including Thoraflex Hybrid surgical graft, which is a combination of artificial vascular graft and stent graft technologies.

Furthermore, the vascular closure devices business, which Terumo completed acquiring in January 2017 and integrated into the TIS business, contributed to sales. These positive factors muted the negative impact from revisions to NHI reimbursement prices and a rise in the yen's value against major currencies. Consequently, sales totaled 261.5 billion yen, an increase of 1.1% year on year.

Principal products

TIS business	Guide wires for angiography, angiographic catheters, PTCA balloon catheters, vascular closure devices, coronary stents, etc.
Neurovascular business	Devices for the treatment of cerebral aneurysms, etc.
CV Systems business	Oxygenators, heart-lung machines, etc.
Vascular Graft business	Artificial vascular grafts, stent grafts

Note: Starting October 1, 2014, earnings at consolidated subsidiaries Harvest Technologies Corporation and Harvest Technologies GmbH are posted under the Blood Management Company reporting segment, as opposed to under the Cardiac and Vascular Company reporting segment.

General Hospital Company

In Japan, sales were strong for closed infusion systems, which are expected to contribute to prevention of infections and medical safety, and for products used in pain management after surgery and for cancer patients and peritoneal dialysis. However, sales in Japan were marginally lower reflecting the negative impact from revisions to NHI drug reimbursement prices and the transfer of contrast agent sales.

Overseas, sales were brisk for highly profitable business for pharmaceutical companies, along with intravenous catheters in Asia. However, overseas sales decreased because of downsizing of low-profit businesses mainly in Europe and Latin America coupled with the negative impact from foreign currency exchange. As a result, sales were 157.9 billion yen, a decline of 2.1% year on year.

Principal products

General Hospital Products business	Infusion sets, intravenous catheters, infusion pumps, syringe pumps, syringes, needles, vacuum blood collection tubes, etc.
D&D business	Prefilled syringes, pain management-related products, infusion solution, nutrient solution for total parenteral nutrition, nutritional supplements, CAPD system, etc.
DM and Consumer Healthcare business	Blood glucose monitoring system, digital thermometers, blood pressure monitors, etc.

Blood Management Company

In the field of therapeutic apheresis, sales of therapeutic apheresis products for removing pathogenic substances and cells from patients' blood were brisk. In the blood center business, sales were strong in China and Latin America. However, overall sales in the blood center business decreased owing to the negative impact from the revisions to selling prices on products shipped to blood centers in the United States implemented in the second half of the previous fiscal year, along with a negative impact from foreign exchange. As a result, sales in the Blood Management Company as a whole decreased 10.1% year on year to 94.5 billion yen.

Principal products

Blood Management business	Blood bags, automated blood component collection system, automated blood component processing system, centrifugal apheresis system, cell expansion system, etc.
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Note: Starting October 1, 2014, earnings at consolidated subsidiaries Harvest Technologies Corporation and Harvest Technologies GmbH are posted under the Blood Management Company reporting segment, as opposed to under the Cardiac and Vascular Company reporting segment.

Research and Development

Cardiac and Vascular Company

- Terumo expanded the range of Ultimaster drug-eluting stents in Japan and commenced sales of 4.0-mm-diameter stents in August 2016 and stents with a 2.25-mm diameter in February 2017. While monitoring the market trend, we will continue to improve current products as well as develop next-generation ones.
- In February 2017 Terumo launched the VISICUBE intravascular ultrasound system and the AltaView intravascular ultrasound catheter. Besides offering higher image resolution and faster image acquisition and processing, this console is lighter and offer improved operability, resulting in less time required for exam preparation, diagnosis, and image analysis.

General Hospital Company

- Terumo received manufacturing and sales approval for a sprayable adhesion barrier gel, AdSpray, the first of its kind in Japan. AdSpray is used to reduce adhesion formation around the injured area after surgery. The design is such that AdSpray allows easy access to the desired area with flexibility, regardless of whether it is at the far side of an organ or deep within it, and regardless of the surgical method, be it laparotomy or laparoscopic surgery. Sales will start in fiscal 2017.
- In February 2017, Terumo launched the Acelio Bag for Intravenous Injection 1000mg, which is the only acetaminophen antipyretic analgesic available in Japan in this format. To improve ease of use, drug is filled in soft plastic bags instead of glass vials.

Blood Management Company

- Terumo developed a TACSI (Terumo Automated Centrifuge & Separator Integration) system for blood centers in Japan, the first such system for the Japanese market, and started pilot operation. This system efficiently achieves uniform, high-quality processing of whole blood. We will continue our efforts to expand its use.
- In the U.S., the Department of Health and Human Services awarded Terumo a subsidy through the Biomedical Advanced Research and Development Authority (BARDA) for a clinical trial of pathogen reduction in platelets using the Mirasol Pathogen Reduction Technology (PRT) System. Mirasol is expected to reduce the risk of pathogen infections via blood transfusions. Terumo aims to begin sales of Mirasol in the U.S. and is working to introduce this system in other countries and regions, as one aspect of ongoing efforts to help enhance the safety in blood transfusions.

Other

- In the field of regenerative medicine, in May 2016 Terumo launched HeartSheet autologous skeletal myoblast sheets, the world's first cellular and tissue-based product for severe heart failure resulting from ischemic heart disease which has been developed in cooperation with Osaka University. In August 2016, Osaka University and Terumo received the Annual Merit Award from the Minister of Health, Labor and Welfare for Collaborative Achievement between Industry, Academia and Government in recognition of their contribution to the development of cooperation between industry, academia, and government.

(2) Issues to be Addressed

Medtech market is expected to continue growing owing to the growing population of the elderly and a resulting increase in chronic disease. Meanwhile, amid mounting financial pressure from ballooning healthcare expenditure, the emphasis in healthcare is shifting to value and efficiency. Overseas, as a result of industry consolidation through M&A, mega-competitors are emerging and a trend toward concentration and oligopoly is imminent. In view of such changes in the business environment, the Group has formulated its 5-year Mid- to Long-term Growth Strategy. Based on the corporate mission, “Contributing to Society through Healthcare,” we strive to enhance overall quality in our product, supply, and service, in order to offer value needed in the medical settings around the world as we aim to be recognized as a top brand in each of our business fields.

1) Mid- to Long-term Growth Strategy

(1) Win in selected strategic markets

By capitalizing on our products indispensable for advanced healthcare and our unique technology, we will select growing segments and segments where Terumo has a competitive advantage. In the global market, we will focus on intervention, neurovascular, drug and device (enhancing added value through combination of drugs and medical devices), and therapeutic apheresis.

(2) Offer comprehensive value in Japan

In Japan, our home market, we will leverage our strong brand as a leading medical device manufacturer, a diversified product portfolio, wide ranging access to Japan’s healthcare needs, and an established distribution network, we will offer products and services that contribute to the enhancement of patients’ quality of life and improve efficiency of healthcare.

(3) Accelerate innovation

We will reinforce in-house development by utilizing globally spread innovation centers and a wide range of core technologies cultivated through R&D, while promoting collaboration with external parties. By doing this, we will aim to generate innovation with value which will contribute to solving healthcare challenges with significant social impact.

Management indicators for the Mid- to Long-term Growth Strategy

(Assumed exchange rate: USD 1 =JPY 105, EUR 1 =JPY 115)

Growth	Profitability	Efficiency
Faster revenue growth than market growth	Faster profit growth than revenue growth	Maintain ROE* 10%+

* Excluding foreign currency translation adjustment balance related to the assets from acquisition included in net assets

2) Growth Strategy by Company

Cardiac and Vascular Company

The vision of the Cardiac and Vascular Company is to be recognized globally as a “Top brand” among cardiac and vascular companies. To accomplish this, first, we aim to be within the top three players in each market where we participate. For this purpose, we will enhance overall quality, including product, supply, and service, and offer value needed in medical settings around the world through the initiatives described below.

(1) Evolve a balanced “Advanced and Platform” model

The Cardiac and Vascular Company has a balanced portfolio consisting of “platform” products that are support devices, such as access devices, and “advanced” products that are therapeutic devices, such as drug-eluting stents and coils and stents for the treatment of cerebral aneurism. Leveraging these strengths, we will offer solutions through combination of these two types of devices and enrich product lines so as to realize sustainable and profitable growth.

(2) Further develop global frontiers

We will prioritize investment in markets with significant growth opportunities, namely, large markets such as the U.S. and China, and emerging markets such as India. By expanding product offerings and strengthening our operations in these markets, we aim to enhance our presence and increase sales in the global market.

(3) Leverage synergies across four businesses

We will pursue maximization of synergy across the four businesses (TIS, Neurovascular, CV Systems, and Vascular Graft) through utilization of technologies and sales channels, optimization of R&D and production, and collaboration in projects in adjacent markets.

(4) Gain a competitive edge through innovation

Through faster development, closer to the market, by development organizations in Japan and overseas that possess core technology, we will swiftly deliver innovation with value to the healthcare field.

(5) Strengthen operational capabilities and infrastructure

We will work to establish a platform to accelerate growth by pursuing strategic investment in R&D and production facilities and by strengthening global headquarters function of each business. In May 2017, TIS Mastery Center opened in Ashitaka Factory (Fujinomiya-shi, Shizuoka Prefecture), a hub for development and production of interventional systems. We will improve the workplace environment to facilitate exchange and collaboration among associates engaged in development and production to spur innovation.

General Hospital Company

The vision of the General Hospital Company is to contribute to improving hospital care quality and efficiency and contribute to drug delivery innovation. The General Hospital Company will shift gears to enhance sales and achieve sustainable growth. We will provide products and services that meet the needs of hospitals and pharmaceuticals companies through the initiatives described below.

(1) Establish a healthcare platform

- We will work to expand the hospital business in Japan by offering comprehensive value. We will seek to establish a healthcare platform that contributes to improved safety and higher operational efficiency by delivering comprehensive product offerings, including infusion and syringe pumps, closed infusion systems, and anticancer drug infusion system.
- We will widen lineups of products that contribute to early discharge and improved patient's quality of life, such as items for pain management and a sprayable adhesion barrier gel.

(2) Be the best partner for pharmaceutical companies

- We will seek to deliver new value through collaboration with pharmaceutical companies to expand B2B business in the global market. We will focus on development of prefilled syringes suitable for biologics and expansion of the contract manufacturing business, leveraging our sophisticated aseptic filling technologies.
- We aim to generate new markets by expanding application of specialized delivery devices for drugs with added value, such as intradermal injection device. We will also expand lineups of products with added value to expand the business where unmet needs exist.

In order to promote the growth strategy, the General Hospital Company reorganized its three divisions into two divisions: Hospital Systems and Alliance. While the Hospital Systems division aims to achieve stable growth in Japan, the Alliance division, as a growth driver, will focus on expansion of B2B business targeting pharmaceutical companies in Japan and overseas.

Blood Management Company

The Blood Management Company will return to a growth trajectory by further increasing the product competitiveness of three of its business segments: Blood Centers, Therapeutic Systems, and Cell Processing. By doing so, we will contribute to improving safety of blood transfusions as well as offering diverse treatment options.

(1) Blood Centers

- For our apheresis collection systems, which have a more than 50% share of the global market, we will focus on expanding the sales of our next-generation platform and further reinforce our current position in the market going forward.
- Through clinical trials in the U.S., we will globally promote the adoption of pathogen reduction technologies, which enhance the safety of blood transfusions.
- At our factory in Vietnam, we will promote the production expansion and cost reduction of disposable products, such as blood bags, in an effort to enhance the profitability of our products.

(2) Therapeutic Systems

- Mainly catering to patients with autoimmune diseases, we will focus on expanding the adoption of therapeutic apheresis, with a view to further reinforcement of our position in a global market where our share already exceeds 50%.

(3) Cell Processing

- Against the backdrop of widening application of regenerative medicine, we will aim to increase the adoption of our cell expansion systems that enable efficient automated cell culture, by enhancing our proposals to research institutes.
- In the point-of-care cell injectable therapy field, we will focus on popularizing therapies that use platelet rich plasma and bone marrow aspirate concentrate (stem cells) collected from the patient and that are performed in the operating room and at the patient's bedside.

3) Corporate R&D

- From a medium- to long-term perspective, we will promote innovation through company-wide collaboration, across the boundaries of our three companies and businesses.
- As the aging population leads to an increase in chronic disease, we will work to resolve healthcare challenges with significant social impact and aim to provide the optimum medical treatment for patients.
- In order to meet the challenges as yet unresolved in medical settings, we will promote investment in venture companies and collaboration with research institutions in Japan and overseas, in addition to utilizing our own technologies.
- We will make aggressive investments in order to tackle these initiatives. We anticipate a double-digit rate of increase in R&D expenses. In addition to strengthening our in-house development, we will also actively carry out external investment to innovate through collaboration with outside parties.

The three companies will conduct activities, leveraging their respective strengths, based on the corporate-wide growth strategy. Through these initiatives, Terumo will strive to achieve the financial targets for fiscal 2017, the first year of the Mid- to Long-term Growth Strategy, and sustainable and profitable growth far into the future.

Forecast of Consolidated Results

(Millions of yen)

	102nd term Fiscal 2016 (Results) From April 1, 2016 to March 31, 2017	103rd term Fiscal 2017 (Forecast) From April 1, 2017 to March 31, 2018	Change	Change (%)
Net sales	514,164	575,000	60,835	11.8
Operating income	76,578	82,000	5,421	7.1
Operating income ratio	14.9%	14.3%	—	—
Ordinary income	68,552	79,500	10,947	16.0
Profit attributable to owners of parent	54,225	53,000	(1,225)	(2.3)

Note: The information disclosed by the Company contains forecasts of financial performance and other forward-looking statements. Such statements are based on information currently available to the Company and certain assumptions deemed reasonable and do not represent the Company's assurance as to their realization. It should be noted that actual results may differ from these forecasts due to various factors, which include, but are not limited to, changes in economic conditions surrounding the Company's business fields, foreign currency exchange rate fluctuations, and the state of competition.

(3) Principal Business

The Group manufactures and sells medical products and equipment, including pharmaceuticals, regenerative medicine, various disposable medical devices, and medical systems. Principal products are listed on Pages 16-18.

(4) Capital Investment

Capital investment in the fiscal year ended March 31, 2017 amounted to 39.1 billion yen on a construction basis. Principal items are as follows:

- 1) Main facilities construction completed
Ashitaka Factory: Production facilities for medical devices
- 2) Main facilities under construction
MicroVention, Inc.: New wing of Head Office

(5) Financing

The Company issued Series 5 unsecured straight bonds amounting to 10,000 million yen, Series 6 unsecured straight bonds amounting to 10,000 million yen, and Series 7 unsecured straight bonds amounting to 10,000 million yen, all of whose payment dates are April 19, 2016.

(6) Principal Lenders (as of March 31, 2017)

Lender	Outstanding borrowings (Billions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	123.8
Mizuho Bank, Ltd.	38.3
Development Bank of Japan Inc.	20.0
Mitsubishi UFJ Trust and Banking Corporation	7.1
Mizuho Trust & Banking Co., Ltd.	7.1
Syndicated loan	12.0

Note: The syndicated loan is managed by Mizuho Bank, Ltd.

(7) Employees (as of March 31, 2017)**1) The Group**

Number of employees	Increase from the previous fiscal year-end
22,441	1,744

2) The Company

Number of employees	Decrease from the previous fiscal year-end	Average age	Average service years
4,733	168	41.5	18.4

Note: The number of employees indicated is the number of full-time employees.

(8) Principal Offices, Factories and Significant Subsidiaries (as of March 31, 2017)**1) Terumo Corporation**

Head Office	44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo
Tokyo Office	Shinjuku-ku, Tokyo
R&D Center	Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture
Factories	Fujinomiya Factory (Fujinomiya-shi, Shizuoka Prefecture) Ashitaka Factory (Fujinomiya-shi, Shizuoka Prefecture) Kofu Factory (Showa-cho, Nakakoma-gun, Yamanashi Prefecture) ME Center (Nagaizumi-cho, Suntou-gun, Shizuoka Prefecture)
Sales Offices in Japan	Branch Offices Sapporo, Tohoku, Niigata, Utsunomiya, Matsumoto, Saitama, Higashi-Kanto, Tokyo, Yokohama, Shizuoka, Nagoya, Kanazawa, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Shikoku, Fukuoka, Kagoshima, Okinawa
Overseas Offices	Branch Office Dubai

2) Significant Subsidiaries

Company name	Location	Capital	The Company's percentage of equity participation (%)	Principal business
Terumo Europe N.V.	Belgium	EUR 288,664 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company and General Hospital Company
Terumo Americas Holding, Inc.	U.S.A.	USD 3,855,592 thousand	100	Supervision of subsidiaries in the Americas
Terumo Medical Corporation	U.S.A.	USD 257,139 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company and General Hospital Company
MicroVention, Inc.	U.S.A.	USD 209,639 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company
Terumo BCT Holding Corporation	U.S.A.	USD 1,352,360 thousand	100	Supervision of subsidiaries under Terumo BCT Group
Terumo BCT, Inc.	U.S.A.	USD 951,863 thousand	100	Manufacturing and sales of products for Blood Management Company
Terumo (China) Holding Co., Ltd.	China	CNY 1,160,493 thousand	100	Supervision of subsidiaries in China
Terumo Asia Holdings Pte. Ltd.	Singapore	SGD 30,127 thousand	100	Supervision of sales subsidiaries in Asia (other than China)

Note: The Company's percentage of equity participation includes indirect ownership by subsidiaries.

(9) Other Significant Matters concerning the Group's Current Situation

1) Significant borrowings

In accordance with the resolution of the Board of Directors made on February 9, 2017, the Company concluded a syndicated loan contract on March 29, 2017, for which Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. act as arrangers and The Bank of Tokyo-Mitsubishi UFJ, Ltd. acts as an agent, and made a borrowing on April 28, 2017.

- i) Purpose and usage: Fund for acquisition of St. Jude Medical's vascular closure device business and acquisition of stock of Kalila Medical, Inc. (an affiliate company of Abbott)
- ii) Lenders: Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., etc.
- iii) Loan amount: 620 million US dollars, base rate + spread
48.0 billion yen, fixed rate
- iv) Loan execution date: April 28, 2017
- v) Due date: April 30, 2024
- vi) Collateral asset: None
- vii) Financial covenants: After the financial closing at March 31, 2017, the amount of net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at 75% or more of whichever is higher, the amount of net assets on the consolidated balance sheet at the end of the fiscal year immediately prior to the fiscal year in question or the amount of net assets on the consolidated balance sheet at March 31, 2016.
In the two consecutive fiscal years after the financial closing at March 31, 2017, the amount of ordinary income/loss on the consolidated statement of income for each fiscal year shall not be a negative figure for two consecutive years. The first judgment related to compliance with this covenant shall be executed for the fiscal year ending March 31, 2018 and the fiscal year immediately prior to that fiscal year.
- viii) Other: The risk of foreign exchange fluctuations and the risk of interest rate fluctuations are hedged.

2) Issuance of bonds

In accordance with the resolution of the Board of Directors made on March 30, 2017, the Company issued unsecured straight bonds whose payment date is April 26, 2017 under the following terms and conditions.

Terumo Corporation Series 8 Unsecured Straight Bonds (with inter-bond pari passu clause) (3-year bonds)

- i) Total amount of issue: 10,000,200,000 yen
- ii) Issue price: 100.002 yen per face value 100 yen
- iii) Interest rate: 0.001% per annum
- iv) Payment date: April 26, 2017
- v) Maturity date: April 24, 2020
- vi) Redemption method: Redemption of 100% of the principal in a lump sum
- vii) Usage of the fund: To be used for repayment of borrowings by May 31, 2017

Terumo Corporation Series 9 Unsecured Straight Bonds (with inter-bond pari passu clause) (10-year bonds)

- i) Total amount of issue: 10,000,000,000 yen
- ii) Issue price: 100 yen per face value 100 yen
- iii) Interest rate: 0.255% per annum
- iv) Payment date: April 26, 2017
- v) Maturity date: April 26, 2027
- vi) Redemption method: Redemption of 100% of the principal in a lump sum
- vii) Usage of the fund: To be used for repayment of borrowings by May 31, 2017

2. Overview of the Company

(1) Status of Shares (as of March 31, 2017)

1) Number of Shares Authorized	1,519,000,000 shares
2) Number of Shares Issued	379,760,520 shares
3) Number of Shareholders	35,057
4) Major Shareholders (10 largest shareholders)	

Shareholder name	Number of shares held	Percentage of shares held
	thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,739	13.0
Japan Trustee Services Bank, Ltd. (Trust Account)	23,536	6.7
The Dai-ichi Life Insurance Company, Limited	20,259	5.8
Meiji Yasuda Life Insurance Company	13,568	3.9
STATE STREET BANK AND TRUST COMPANY 505223	9,516	2.7
Mizuho Bank, Ltd.	9,215	2.6
Terumo Foundation for Life Sciences and Arts	7,360	2.1
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,545	1.9
JP MORGAN CHASE BANK 385632	6,524	1.9
STATE STREET BANK WEST CLIENT – TREATY 505234	5,817	1.7

- Notes: 1. Although the Company holds 27,781 thousand shares of treasury stock, the Company is not included in the major shareholders. Treasury stock is excluded from the calculation of the percentage of shares held.
2. Of the number of shares held by The Dai-ichi Life Insurance Company, Limited, 3,000 thousand shares are shares concerning retirement benefit trust contributed by The Dai-ichi Life Insurance Company. (The shareholder of record is “Trust & Custody Services Bank, Ltd. as trustee for The Dai-ichi Life Insurance Company Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” The Dai-ichi Life Insurance Company, Limited is authorized to give directions concerning exercise of the voting rights for these shares.)
3. Of the number of shares held by Mizuho Bank, Ltd., 6,518 thousand shares are shares concerning retirement benefit trust contributed by Mizuho Bank. (The shareholder of record is “Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” Mizuho Bank, Ltd. is authorized to give directions concerning exercise of the voting rights for these shares.)

(2) Matters concerning Stock Acquisition Rights Issued by the Company

*As mentioned on Page 1 on the Convocation Notice, the full text of this item is posted on the Company’s website.

(3) Company Officers

1) Directors (as of March 31, 2017)

Position at the Company	Name	Responsibilities and significant concurrent positions
President and CEO	Yutaro Shintaku	
Director and Executive Vice President	Hiroshi Matsumura	Responsible for Public Relations, General Affairs Dept., Diversity Promotion Dept., Japanese Sales Management Dept.
Director and Senior Managing Executive Officer	Takayoshi Mimura	Regional Representative, China
Director and Managing Executive Officer	Shinjiro Sato	President, Cardiac and Vascular Company
Director and Managing Executive Officer	Toshiaki Takagi	Chief Quality Officer (CQO) Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., Environmental Management Dept., Terumo Call Center
Director and Managing Executive Officer	Shoji Hatano	President, General Hospital Company Division President, Hospital Systems Division, General Hospital Company
Director and Senior Executive Officer	Hideo Arase	Regional Representative, India and Asia Pacific Managing Director, Terumo Asia Holdings Pte., Ltd.
Director and Senior Executive Officer	Kuniko Shoji	Chief Clinical and Regulatory Affairs Officer (CRAO) General Manager of Regulatory Affairs Dept., responsible for Clinical Development Dept.
Director and Senior Executive Officer	David Perez	President, Blood Management Company President and CEO, Terumo BCT Holding Corporation
Independent Director	Mari Matsunaga	Representative, Mari Matsunaga Office. Independent Director, MS&AD Insurance Group Holdings, Inc. Independent Director, BRAINS Network Co., Ltd. Independent Director, ROHTO Pharmaceutical Co., Ltd.
Independent Director	Ikuo Mori	
Independent Director	Ryuzo Ueda	Visiting Professor, Professor Emeritus, Nagoya City University Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine
Director (Audit/Supervisory Committee Member)	Kenji Sekine	
Independent Director (Audit/Supervisory Committee Member)	Toshihiko Matsumiya	Representative, Toshihiko Matsumiya Certified Public Accountant Office External Corporate Auditor, Mitsubishi Research Institute, Inc. External Corporate Auditor, Daiichi Jitsugyo Co., Ltd.
Independent Director (Audit/Supervisory Committee Member)	Masatake Yone	Lawyer (partner in Mori Hamada & Matsumoto Law Firm) Independent Director (Audit/Supervisory Committee Member), GCA Corporation External Corporate Auditor, BANDAI NAMCO Entertainment Inc.

Notes: 1. No material conflict of interest exists between the Company and the aforementioned corporations where Independent Directors Ms. Mari Matsunaga, Dr. Ryuzo Ueda, Mr. Toshihiko Matsumiya, and Mr. Masatake Yone concurrently hold positions.

2. The Company has submitted notifications to the Tokyo Stock Exchange of the appointment of Independent Directors Ms. Mari Matsunaga, Mr. Ikuo Mori, Dr. Ryuzo Ueda, and Mr. Toshihiko Matsumiya as independent directors/auditors as defined by the Tokyo Stock Exchange.
3. Independent Director Mr. Masatake Yone satisfies the criteria for serving as an independent director/auditor as defined by the Tokyo Stock Exchange. However, in accordance with the rule of the firm that he serves, the Company has not submitted notification of the appointment of him as an independent director/auditor.
4. Independent Director Mr. Toshihiko Matsumiya is a certified public accountant and has considerable financial and accounting knowledge.
5. After the end of the fiscal year ended March 31, 2017, there were the following changes in directors.
 - Mr. Yutaro Shintaku retired from his position as President and CEO as of March 31, 2017 and assumed the position as Director and Corporate Advisor as of April 1, 2017.
 - Mr. Hiroshi Matsumura retired from his position as Director and Executive Vice President as of March 31, 2017 and assumed the position as Director and Corporate Advisor as of April 1, 2017.
 - Mr. Takayoshi Mimura assumed the position as Chairman of the Board as of April 1, 2017.
 - Mr. Shinjiro Sato assumed the position as President and CEO as of April 1, 2017.
 - Ms. Kuniko Shoji assumed the position as Director and Corporate Advisor as of April 1, 2017.

2) Outline of the liability limitation contracts

The Company has concluded a liability limitation contract with each of its non-executive directors and independent directors with regard to his/her liability under Article 423, Paragraph 1 of the Companies Act, in accordance with the provision of Article 427, Paragraph 1 of the aforementioned law. The maximum amount of liability under the contract shall be the amount prescribed in Article 425, Paragraph 1 of the Companies Act for either a non-executive director or an independent director.

3) Remuneration to Directors

Category	Number of persons	Amount paid (Millions of yen)
Directors (excluding Audit/Supervisory Committee Members)	15	588
Directors (Audit/Supervisory Committee Members)	3	58
Total (of which independent officers)	18 (5)	646 (68)

- Notes: 1. The above includes directors who left their posts during the fiscal year ended March 31, 2017.
2. The amount of remuneration includes stock-based compensation stock options in the form of stock acquisition rights allotted to directors (excluding independent directors, Audit/Supervisory Committee Members, and non-executive directors) amounting to 103 million yen.

4) Whether full-time Audit/Supervisory Committee Members are appointed or not and reasons therefor

The Company has appointed Mr. Kenji Sekine as a full-time Audit/Supervisory Committee Member in order to strengthen audit and supervisory functions of the Audit/Supervisory Committee and to enable information gathering from directors (excluding Audit/Supervisory Committee Members), sharing of information at important internal meetings, and sufficient collaboration between the Audit/Supervisory Committee and the Internal Audit Department, the Legal and Compliance Department, and the Internal Control Department.

5) Independent Officers

Principal activities in the fiscal year ended March 31, 2017

Name	Position	Main activities
Mari Matsunaga	Independent Director	Attended 10 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2017; provided opinions, as necessary, based mainly on her wealth of experience in development of new products and services.
Ikuo Mori	Independent Director	Attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2017; provided opinions, as necessary, based mainly on his wealth of experience in management.
Ryuzo Ueda	Independent Director	Attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2017; provided opinions, as necessary, based mainly on his expert medical knowledge and experience in hospital management.
Toshihiko Matsumiya	Independent Director (Audit/Supervisory Committee Member)	Attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2017; provided opinions, as necessary, based mainly on his expert knowledge and deep insight as a certified public accountant.
Masatake Yone	Independent Director (Audit/Supervisory Committee Member)	Attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2017; provided opinions, as necessary, based mainly on his expert knowledge and deep insight as a lawyer.

(4) Accounting Auditor

1) Accounting Auditor's Name

KPMG AZSA LLC

2) Remuneration etc.

The Company and its subsidiaries paid the remuneration etc. indicated below to the Accounting Auditor. Regarding the amount of remuneration etc. in i) in the following table, the Audit/Supervisory Committee conducted necessary review of the Accounting Auditor's audit plan, evaluation and analysis of audit results for the fiscal year ended March 31, 2017, the status of performance of duties of accounting audit, and appropriateness of the basis of calculation of the estimated amount of remuneration, judged them appropriate and thus gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

	Amount paid (millions of yen)
i) Remuneration etc. for the Accounting Auditor for the fiscal year ended March 31, 2017	107
ii) Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	161

- Notes: 1. Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Law are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration etc. for the Accounting Auditor for the fiscal year ended March 31, 2017.
2. KPMG AZSA LLC is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International") and all the Company's significant subsidiaries are audited by other member firms affiliated with KPMG International.

3) Non-audit Services

The Company entrusts the Accounting Auditor with provision of financial and tax due diligence for M&A, support for business continuity planning (BCP) and advisory concerning International Financial Reporting Standards (IFRS) and pays fees to the Accounting Auditor.

4) Policy regarding Determination of Dismissal or Non-reappointment of the Accounting Auditor

In the event that any of the items of Article 340, Paragraph 1, of the Companies Act is deemed to fit the Accounting Auditor, the Audit/Supervisory Committee may dismiss the Accounting Auditor, provided all the Audit/Supervisory Committee Members consent to such dismissal.

Regarding reappointment of the Accounting Auditor, the Audit/Supervisory Committee performs comprehensive evaluation of the Accounting Auditor's eligibility, independence, the status of audit quality control, the status of performance of duties, etc. every year. If the Audit/Supervisory Committee judges that the Accounting Auditor should not be reappointed, the committee determines the content of a proposal concerning non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

(5) Corporate Governance

Aspiring to continue to be an enterprise earning the trust of society, the Company has established the “TERUMO Corporate Governance Guideline” stated below by the resolution of the Board of Directors.

TERUMO Corporate Governance Guideline

1. General Provisions

(1) Basic stance on the Corporate Governance

- Terumo’s corporate mission is “Contributing to Society through Healthcare”. Guided by its mission, Terumo provides valuable products and services to achieve sustainable growth, maximize long-term corporate value and meet the expectations of its worldwide stakeholders, including its customers, shareholders, associates, business partners and communities.
- To embody its corporate mission, Terumo articulated Five Statements, i.e. open management, enhanced value, safety and reliability, respect for our associates, and corporate citizenship. These statements govern the actions and decisions made by all Terumo associates.
- Based on its corporate mission and the Five Statements, Terumo has established this Guideline for Corporate Governance. It is intended to promote the creation of frameworks for corporate governance that realize timely decision-making while maintaining transparency and objectivity in management.
- Terumo continuously strives to earn the understanding and trust of its internal and external stakeholders by recognizing its accountability to its stakeholders and promoting dialog and other means of communication with its shareholders.
- Informed by Corporate Governance Code, Terumo has developed a global platform for its activities as a good corporate citizen.
- Terumo strives diligently to foster a corporate culture of “a highly motivating and challenging workplace with open and candid communication,” because Terumo believes a culture of this nature is essential to effective corporate governance.

(2) Establishment, revision and abolition of the Guideline

The Corporate Governance Committee shall be responsible for drafting and preparing the initial draft of this Guideline and for proposing subsequent major revisions or abolition of the Guideline. Adoption, major revision and abolition of the Guideline shall be decided by resolution of the Board of Directors.

2. Corporate Governance Structure

(1) Organizational design

Terumo adopted the organizational design of a “Company with an Audit/Supervisory Committee” to achieve the following initiatives, further strengthen its corporate governance framework, and to enhance its mid- and long-term corporate value.

[1] Strengthen audit and supervisory functions

The members of the Audit/Supervisory Committee shall have voting rights in the meetings of the Board of Directors.

[2] Enhance transparency and objectivity in management

By increasing the proportion of independent directors on the Board, transparency and objectivity in decision-making will be enhanced at the Board level reflecting opinions of the independent directors which representing the perspective of shareholders and other stakeholders.

[3] Expedite decision-making process

By promoting the appropriate delegation of the Board’s authority by way of the executive officer system, Terumo will further expedite its decision-making process and business development.

(2) Board of Directors

[1] Roles

- The Board shall strive for optimal decision-making of basic management policies with the goal of maximizing corporate value.
- To expedite decision-making processes, the Board may delegate certain duties or responsibilities which are executed based on basic management policies decided at the Board to directors and/or executive officers. The Board shall monitor the execution of any such duties or responsibilities so delegated.

- The Board shall oversee the nomination process of the President’s successor as one of its important obligations for maintaining and improving corporate governance and sound management.

[2] Members

- The Board shall consist of no more than 15 persons, excluding the Audit/Supervisory Committee Members.
- Terumo shall strive to have independent directors account for approximately twenty percent (20%) or more of the Board membership.
- Considering that, from the standpoint of corporate governance, the execution of business operations and supervisory oversight should be separated, the Chairman shall serve as the chair, in principle; provided, however, that if no Chairman has been appointed, the Nomination Committee shall propose a candidate for chair, considering the actual situation of possible candidates based on the above standpoint and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

(3) Audit/Supervisory Committee

[1] Roles

The Audit/Supervisory Committee shall audit and supervise the execution of duties by Directors and executive officers to ensure the appropriate, reasonable, and efficient operation of the Terumo Group. To fulfill its audit and supervisory duties, the Audit/Supervisory Committee may provide direct instructions to the Internal Control, Internal Audit and Legal and Compliance Departments. Such activities of the Committee shall include any of the following:

- Attend, provide objective and fair opinions and exercise voting rights at Board of Directors meetings.
- Attend and provide objective and fair opinions at other important Terumo Group meetings.
- Prepare audit reports.
- Establish and revise audit policies, methods for investigating and reviewing the Company’s operations and assets, and other matters related to exercising the authority of the Audit/Supervisory Committee.

[2] Members

- The Audit/Supervisory Committee shall consist of no more than five (5) directors.
- Terumo shall have independent directors represent a majority of Committee membership.
- The member of the Audit/Supervisory Committee shall elect one of the Committee members to serve as the chair of the Committee.

(4) Corporate Governance Committee

[1] Roles

The Corporate Governance Committee shall, as an advisory body to the Board of Directors, discuss the matters listed below and provide advice to the Board with the goals of maintaining and improving the Terumo Group’s business integrity and corporate governance practices.

- Basic matters concerning Corporate Governance.
- Important matters concerning the establishment, design and operation of the Corporate Governance system.
- Matters concerning the selection and dismissal of directors and executive officers.
- Matters concerning the compensation structure for directors and executive officers.
- Other matters which the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out the purposes of the Committee.

The deliberations of the Committee shall be reported to the Board of Directors as appropriate. In this regard, however, those matters related to the Audit/Supervisory Committee in (c) and (d) above shall not violate the provisions of Articles 344-2 and 361 of the Companies Act. With regard to matters concerning successors to the President and Chairman, the Nomination Committee shall conduct deliberations.

[2] Members

- The Committee shall consist of a maximum of six (6) directors selected by the Board of Directors from among the directors.
- Terumo shall have independent directors account for at least half of the Members of the Committee.
- At least one of the Representative Directors shall be a member of the Committee.

- The member of the Corporate Governance Committee shall elect one of the independent directors serving on the Committee to serve as the chair of the Committee. However, if the chair is unable to act, one of other independent directors elected by a majority vote of the Committee members shall act in the chair's place.

(5) Nomination Committee

[1] Roles

The Nomination Committee shall deliberate on the matters concerning successors to the President and Chairman of Terumo Corporation. This is one of the most important corporate governance duties for the Board.

[2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors (at least three (3) but not more than five (5) independent directors) shall account for a majority of the members of the Committee.
- The Chair shall be elected from among the independent directors by a two-thirds majority vote of the Committee members.

(6) Internal Control Committee

[1] Roles

The Internal Control Committee shall design and operate the Terumo Group's internal control systems in accordance with the Company's "Internal Control System Design Basic Policy."

[2] Members

- The Committee shall be comprised of Terumo Corporation's Representative Directors, Directors ranked Managing Executive Officer or above, Expert Panels Chairpersons, Internal Control Department Managers, and external legal counsels.
- Audit/Supervisory Committee members may attend and speak at the meetings of the Committee.
- The Chair shall be the President and Representative Director.

(7) Risk Management Committee

[1] Roles

The Risk Management Committee shall design and operate the Terumo Group's risk management system based on risk identification, assessment, analysis and prioritization across the entire organization.

[2] Members

- The Committee shall be comprised of executive officers ranked Managing Executive Officer or above, Internal Control Department Managers, and designated person from the chair.
- Audit/Supervisory Committee members may attend and speak at the meetings of the Committee.
- The Chair shall be the President and Representative Director.

(8) Selection of Directors

[1] Policy

Candidates for directors shall be selected according to the internal regulations, which stipulate the eligibility criteria, including "a candidate shall have the management judgment capacities and management oversight capacities from stakeholders' standpoint."

One of such internal regulations stipulate that independent directors shall be selected from persons with extensive experiences in management, international business, the practice of medicine or other specific areas of expertise. The regulations also require the consideration of the diversity of independent directors, including, to the extent possible, their backgrounds, expertise, gender and others as appropriate. With regard to independent directors who serve as Audit/Supervisory Committee members, the regulations stipulate that independent directors should ideally be selected from persons who play leading roles in the fields of law or accounting with at least one candidate coming from each such field.

[2] Procedure

The Corporate Governance Committee shall discuss and propose potential candidates for directors and propose appropriate candidates to the Board of Directors. This process is intended to eliminate arbitrariness and to ensure the sound selection of candidates.

In order to assist shareholders in the exercise of voting rights of shareholders by allowing them to better understand the candidates, each candidate shall be required to state their aspirations prior to the election in the General Meeting of Shareholders.

Independent directors shall be subject to the requirements of the Director Independence Standards. The Corporate Governance Committee shall discuss and propose the Director Independence Standards for review and approval by resolution of the Board of Directors.

Each director shall concurrently hold officer positions (director, auditor, etc.) with no more than three other listed companies as a condition to serving as a director of Terumo Corporation.

The reasons for selection and positions concurrently held by each candidate for director shall be disclosed in the Corporate Governance Report, Reference Materials for the General Meeting of Shareholders or other documents as appropriate.

(9) Executive Compensation

[1] Policy and framework

To provide appropriate motivation to enhance mid-to long-term corporate value, the compensation for executive directors and executive officers shall be determined focusing on "(a) appropriate risk-taking by the management" and "(b) sharing awareness on profits with shareholders."

To achieve the objective described in paragraph (a) above, an appropriate balance between fixed compensation and performance-linked compensation (bonus) shall be set.

In order to achieve the objective described in paragraph (b) above, the compensation-type stock options have been established.

Compensation of other non-executive directors shall be composed only of fixed compensation.

[2] Target proportions

Compensation for executive directors shall consist of fixed compensation, bonuses and stock options, the target percentages of which shall be 50%, 30% and 20% of total combined compensation, respectively.

The Corporate Governance Committee shall review the standard amount of compensation and related target percentages of each compensation component in light of relevant information obtained from outside research organizations that review data from comparable companies. This process is intended to secure transparency and objectivity in the establishment of compensation for executive directors.

[3] Decision procedure

- Fixed compensation: Within the compensation limit approved at the General Meeting of Shareholders, compensation for directors, excluding the Audit/Supervisory Committee members, shall be decided by resolution of the Board of Directors, and compensation for Audit/Supervisory Committee members shall be decided by deliberation among Audit/Supervisory Committee members.
- Bonuses: Within the aforementioned compensation limit, bonuses shall be determined by resolution of the Board of Directors in light of relevant factors, including company-wide performance as indicated by sales, operating profit and operating margin, and an evaluation of the performance of each director's business operation.
- Stock options: Within the aforementioned compensation limit, the compensation-type stock options shall be awarded by resolution of the Board of Directors.

(10) Training Policy

Terumo Corporation shall provide each director with opportunities to obtain relevant training such that each may fully assume their duties and acquire the knowledge required for fulfilling their roles, legal obligations and duties as a director.

• Internal directors

At the time of election, briefings by the head of the legal division shall be arranged to provide each director with the requisite knowledge of his or her obligations as a director. Opportunities for external training may also be recommended and provided if appropriate to assist the director with acquiring the requisite knowledge. After the election, relevant books and opportunities for participation in external training sessions shall be arranged as necessary to afford each director the opportunity to update his or her knowledge necessary for his or her service as a director.

• Independent directors

Briefings shall be arranged to afford each independent director the opportunity to obtain the information about Terumo's business, organization and operations necessary to fulfill his or her duties as a director. External training sessions and other information shall be made available if additional knowledge is required or updating is necessary.

(11) Board Evaluation

For the purpose of further improving effectiveness of the board, the Board of Directors shall conduct the self-evaluation of board effectiveness every year by survey sheets and other means with the involvement of outside experts and disclose a summary of the results.

3. Securing Shareholders' Rights and Equality

(1) Securing Shareholders' Rights

In the light of the importance of the shareholders' rights, Terumo shall not take any action intended to jeopardize the exercise of shareholders' rights.

- Terumo will strive to ensure that shareholders are allowed to exercise their minority rights under the Companies Act in an efficient manner. This shall include their: (a) rights to review the shareholder register and the minutes of the Board of Directors meetings; (b) rights to propose at the General Meeting of Shareholders; and (c) rights to demand an injunction or file a derivative action against directors' illegal conduct. Terumo shall include the procedures for exercising such rights in its Stock Holding Rules.
- The Board of Directors shall review the agenda of the General Meeting of Shareholders after the conclusion of such meeting. When a considerable number of votes were cast against an agenda item, even if it was finally approved, the Board of Directors shall analyze the reasons for the opposition and why so many opposing votes were cast. The Board shall discuss how to react, including how Terumo may engage in a dialogue with the shareholders. If a dialogue with shareholders occurs, the details of the dialogue shall be reported to the Board of Directors.
- The Board of Directors may make a decision about a capital policy, which may cause a change of control or significant dilution of the value of shares owned by the current shareholders, only after careful analysis of its necessity and rationale. The Board's analysis shall be based on the understanding that such policy could harm to the interests of the current shareholders. The Board shall promptly disclose any such decision it makes and explain clearly to the shareholders and investors. The disclosure shall include an appropriate explanation of the action and the reasons for it. The Board shall consider the matter from the viewpoint of the Company's stakeholders and, to the extent possible, place the highest weight on the opinions and views of the independent directors.

(2) General Meeting of Shareholders

Terumo recognizes that the General Meeting of Shareholders is the Company's highest decision-making forum and affords an opportunity to have a constructive dialogue with its shareholders. Accordingly, Terumo shall provide its shareholders with an adequate environment, from the viewpoint of the shareholders, to facilitate the exercise of their rights at the General Meeting of Shareholders.

- The date of the General Meeting of Shareholders should be established on a day that is not a peak day and morning hours should be avoided so that as many shareholders as possible may attend the meeting.
- A notice of meeting shall be disseminated approximately three (3) weeks prior to the date of a General Meeting of Shareholders. Contents of a notice of meeting shall be published on the TD net and the Company's website after the Board of Directors has established the date of the Meeting and before the notice of meeting is disseminated. Any other information which may be reasonably necessary to assist the shareholders in the exercise of their voting and other rights at the Meeting shall be properly provided.
- Terumo shall strive to provide an environment that facilitates the exercise of voting rights, which environment shall include an electronic voting platform for the electronic exercise of the voting rights. In addition, Terumo shall provide an English language translation of the notice of meeting to ensure equality of access to information about the meeting among Japanese shareholders and international shareholders alike.

(3) Basic Strategy for Capital Policy

Terumo strives to enhance corporate value by pursuing investment opportunities aimed at delivering return in excess of capital cost.

Terumo seeks to raise its ROE and increase its EPS by improving its asset efficiency through the enhancement of business operations and by optimizing its capital structure, while paying due attention to financial soundness of Terumo's balance sheet.

Terumo strives for stable and sustainable improvement of returns for its shareholders.

(4) Holding of Shares in Other Companies for Strategic Purposes

- Terumo may hold shares of other companies with a view to creating business opportunities and/or enhancing corporate value.
- The Board of Directors shall verify the economic, strategic and other rationale for each such holding using a medium- to long-term perspective. The Board of Directors shall review the status of each material holding on an annual basis.
- Terumo shall exercise its voting rights taking into consideration the impact of its voting on the corporate value of each of Terumo and the company in which Terumo has invested.

(5) Related Party Transactions

In order not to damage the interests of Terumo and its common shareholders, nor to raise such concern in the transaction between Terumo and its directors or their third parties, Terumo shall establish a framework as follows.

- Transactions with a risk of conflict of interest
Any transaction between Terumo and one or more of its directors that may involve an actual or potential conflict of interest shall be reviewed and approved by the Board of Directors in accordance with the Companies Act, the Board shall adopt such a Board regulation. In addition, Terumo reviews on an annual basis if there exist any transaction between Terumo and one or more of its director or a party related to one or more directors (including an affiliate company of the director or the director's related party).
- Transactions with third parties
The Board of Directors established the "Code of Conduct for the Terumo Group", which all Terumo Group associates are required to follow, The Code demands fairness and transparency in all transactions between Terumo and third parties, including customers, suppliers and shareholders. Violations of these principles should be addressed by company management through the relevant lines of reporting. Terumo's whistleblower system shall be available for violations that cannot be addressed through the relevant lines of reporting.

(6) Takeover Defense Measures

With the approval of the Terumo shareholders provided at a General Meeting of Shareholders, Terumo adopted the "Policy for Large-scale Acquisitions of Terumo Shares (Takeover Defense Measures)". Terumo recognizes that it needs to assess prudently the impact of a large-scale takeover or a proposal in relation thereto on the corporate value and interests of the shareholders. Accordingly, the Board of Directors shall assess, examine and negotiate as it applies the Takeover Defense Measures and consider any advice it receives from independent experts. The Board shall form an independent committee comprised of independent directors to avoid any arbitrary decisions by the Board of Directors in respect of matters covered under the Takeover Defense Measures Policy. The independent committee shall have the power to make a decision whether the anti-takeover measures should be triggered or not and other related matters. The Board of Directors shall formally authorize the decision.

Any revision of the Policy requires the approval of the shareholders at a General Meeting of Shareholders so as to properly reflect the wishes of the shareholders. If the Policy is revised, the details of the revision shall be made public on the Company's website and by other appropriate means.

Note: At the meeting of the Board of Directors held on May 10, 2017, a decision was made to revise the Basic Policies regarding the Company's Control (refer to Page 48) at the conclusion of this Annual General Meeting of Shareholders and not to renew the above-mentioned Company's "Policy for Large-Scale Acquisitions of Terumo Shares (Takeover Defense Measures)." Thus, the takeover defense measures will expire at the conclusion of this Annual General Meeting of Shareholders. In line with this, the above "(6) Takeover Defense Measures" will be deleted after the conclusion of this Annual General Meeting of Shareholders.

4. Collaboration with Stakeholders other than Shareholders

(1) Code of Conduct

Terumo has established and implemented the "Code of Conduct for the Terumo Group" by resolution of its Board of Directors. The Code of Conduct includes fundamental principles that articulate Terumo's corporate values, including appropriate collaboration with stakeholders, respect for their values and sound business ethics.

The Code of Conduct is strictly followed by Terumo associates. In order to embed the Code of Conduct within the Terumo Group, digital signboards shall be installed within the office premises with

information about the Code, Additionally, the Legal and Compliance Department shall follow up at least once per year to make sure that all associates within the Terumo Group throughout the world read the Code and promise to respect it..

The Board of Directors shall require that the Code of Conduct be reviewed and revised as necessary to ensure that it remains up to date and applicable to the then current environment. Any revisions shall be reviewed and approved by resolution of the Board of Directors.

(2) Sustainability

Terumo strives to develop and deliver high-quality, market leading products and services using cutting edge development plans that are informed by the corporate vision: "Innovating at the Speed of Life". Terumo believes that delivery of high quality medical devices and services that satisfy this concept will lead to the advancement of healthcare and the enhancement of patients' quality of life. In these ways, Terumo will be able to contribute to the sustainability of society. Terumo also believes that delivery of such products and services will make Terumo more competitive and allow it to expand its revenue and profit, thereby contributing to Terumo's sustainable growth.

To contribute to building a sustainable society, a society on which Terumo's continuous growth relies, Terumo will actively address challenges such as the protection of human rights, the protection of human safety and welfare, the reduction of environmental impacts, the conservation of biodiversities and the eradication of corruption. In doing so Terumo will act as a good corporate citizen and follow the appropriate international framework, including the United Nations Global Compact, ISO14001 and ISO45001 so that Terumo may live up to the trust and the expectations of regional societies and other stakeholders, and continue its business operations.

Compliance is essential to the sustainability of Terumo's business. The Legal and Compliance Department shall manage the Terumo Group's compliance system as a part of Terumo's overall internal control system. The Risk Management Committee shall direct Terumo's efforts to evaluate the potential risks regarding the sustainability of the Company's business and the Board of Directors shall develop and operate a risk management system to address such risks.

(3) Securing Diversity as a Part of the Corporate Culture

At the Terumo Group, we strive to promote respect for each individual and each different culture. Associates are not allowed to discriminate on the basis of race, nationality, gender, religion, or disability, and violations of human rights of any kind are not permitted. Terumo believes that the diversity of its associates is a powerful engine that will drive its current and future growth. By striving to accept a wide range of differing values and promoting mutual recognition of diversity, Terumo aims to be a place where differing ideas and knowledge can intermingle and thereby generate new value. Having established its Diversity Promotion Department, Terumo works to develop its corporate environment, corporate culture and awareness where diverse associates are able to demonstrate their full potential. Under the leadership of top management, Terumo actively promotes the appointment of female and international associates, including at the management level.

(4) Whistle-blowing System (Compliance Hotline)

Terumo established a program designed to encourage its associates to raise issues and report concerns about potential violations of laws, regulations and the "Code of Conduct for the Terumo Group". The program features a compliance hotline and other methods of communication and dialogue designed for the early detection and appropriate resolution of the issues raised. Terumo Group associates and external legal professionals with appropriate expertise shall be appointed to monitor and coordinate activities intended to address any items disclosed by a whistle-blower. Terumo shall take appropriate measures to ensure the anonymity of whistle-blowers and shall follow a no-retaliation policy with respect to whistle-blowers. Reports of whistle-blowing activities shall be reported to the Internal Control Committee, the Board of Directors and the Audit/Supervisory Committee on a regular basis or as needed. Issues raised through whistle-blowers that could have broad applicability within the Terumo Group shall be shared with other relevant locations, departments and/or business units, as the case may be. Terumo will strive to implement appropriate measures to prevent the recurrence of the violations and to enhance the awareness of compliance matters within the Terumo Group. Terumo endeavors to expand the whistle-blowing system and its operation because it considers such system to be an important tool for reducing violations of law and policy, thereby contributing to Terumo's sustainable growth.

5. Appropriate Disclosure

(1) Disclosure Policy

Terumo is committed to disclosing information to its stockholders, investors, customers and others in accordance with the requirements set out in the Financial Instruments and Exchange Law and the Timely Disclosure Rules of the Tokyo Stock Exchange based on the principles of transparency, fairness and consistency. Terumo also endeavors to disclose, in a timely and proactively manner, any appropriate information that may help foster a better understanding of the Company.

(2) Dialogue Policy

Terumo will strive to engage in constructive dialogue with its shareholders and investors. Terumo will further enhance its transparency and work to develop and maintain the trust of its stakeholders through information disclosure and dialogue.

Terumo's policy on disclosure and dialogue with shareholders and investors is included in the "IR Policy" found on the Company's website.

End

Director Independence Standards

If any of the following criteria apply, a person shall not qualify as an “independent director” (referred to as an external director with no risk of conflicting interests with general shareholders) of Terumo Corporation and shall be excluded from the candidates for election as such.

(1) Terumo Group officials

- [1] Executive directors, executive officers, Audit/Supervisory Committee members, and other employees (collectively referred to as the "executive directors, etc." hereinafter) of the Company or any of its direct or indirect subsidiaries (collectively referred to as the "Group" hereinafter)
- [2] Persons who were executive directors, etc. in the Terumo Group at any point in the past ten (10) years

(2) Shareholders

- [1] Holders of large numbers of shares of Terumo stock (owning ten percent (10%) or more of voting rights; the same shall apply hereinafter.)
- [2] When the shareholder referenced in [1] above is a corporate or institutional shareholder, the executive directors, etc. of said company, its parent company and key subsidiaries (collectively referred to as the "company, etc." hereinafter)
- [3] Executive directors, etc. of the companies or other legal entities in which Terumo Corporation or one of its subsidiaries is currently a major shareholder

(3) Business partners

Executive directors, etc. of the companies, etc. to which any of the following criteria apply:

- [1] A major client of the Terumo Group (where two percent (2%) or more of annual consolidated sales of the Terumo Group are attributable to the client)
- [2] The Terumo Group is the major client (where the Terumo Group paid two percent (2%) or more of the annual consolidated sales)
- [3] Organizations (for example, foundations, public interest associations, non-profit corporations, etc.) that received donations or subsidies from the Terumo Group exceed a certain amount (average of JPY 10M per year in the past three (3) business years or thirty percent (30%) of total annual expenses of said organization, whichever is larger in amount)

(4) Parties related to personnel exchange

Executive directors, etc. of the companies, etc. which have accepted directors (regardless of full-time or part-time) from the Terumo Group

(5) Major lenders

Executive directors, etc. of the companies, etc. that are financial institutions that are lenders to the Terumo Group if the balance of debts exceeds two percent (2%) of the Terumo Group's consolidated total assets

(6) Outside experts, etc.

A person to whom any of the following apply:

- [1] Presently the accounting auditor, certified public accountant who is an accounting advisor, or partners or employees of the auditing firms for the Terumo Group
- [2] The Terumo Group's accounting auditor, certified public accountant who was an accounting advisor, or partners or employees of the auditing firms and were engaged in auditing the Terumo Group on site
- [3] Lawyers, certified public accountants, tax accountants or other consultants that are not otherwise covered under either [1] or [2] above and have received from the Terumo Group on average of JPY 10 million or more in cash or other property benefits per year over the past three (3) years in addition to the executive compensation
- [4] Law firms, audit firms, tax accountant corporations, consulting firms or other professional advisory firms that are not otherwise covered under either [1] or [2] above, and partners, associates or employees of the firms for which the Terumo Group is their major client (i.e., where the average of

two percent (2%) or more of the consolidated total sales in the past three (3) years are attributable to the Terumo Group)

(7) Relatives

Relatives (referred to as a spouse, relatives within second degree, or relatives living together) who apply to one of the criteria set forth in [1] - [6] above

(8) Past implications

A person covered under [2] above at any time during the past five (5) years or covered under any of [3] - [6] above in the past three (3) years

(9) Others

Any other person not otherwise covered under any of [1] - [8] above, who due to other circumstances, may have an actual conflict of interest

End

TERUMO IR Policy

1. Basic Policy

To earn trust widely, Terumo is committed to disclosing information to shareholders, investors and other stakeholders on the basis of transparency, fairness and continuity. Terumo will strive to disclose information in compliance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules adopted by the Tokyo Stock Exchange, and to make timely and proactive efforts to disclose such information as Terumo considers useful for understanding the Company. Terumo will strive to engage in constructive dialogue with shareholders and investors. Through information disclosure and dialogues with its shareholders and investors, Terumo will further enhance its transparency as a company and strive to maintain the trust of its stakeholders.

2. Information Disclosure Method

Terumo will use the Timely Disclosure Network System (TD net) of the Tokyo Stock Exchange, press releases, and postings on its Company's website to disclose information in a manner designed to reach a wide range of stakeholders in a timely and appropriate manner.

3. Forward-Looking Statements

Among the information that Terumo discloses, forecasts of financial performance and future projections contain potential risks and uncertainty because they are forecasts based on projections made by Terumo using the limited information available at the time of disclosure. Accordingly, it should be noted that actual results may differ from such forecasts and projections due to a variety of factors. Factors affecting actual results may include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuations of foreign exchange rates, and the state of competition.

4. Policy for Dialogue with Shareholders and Investors

- [1] Appointing a member of management or a director who is responsible for supervising the overall dialogue with shareholders

By way of a resolution of the Board of Directors, Terumo shall appoint an officer who will be responsible for supervising and facilitating the overall dialogue with the shareholders in order to maintain the consistency and uniformity of the information disclosed.

- [2] Measures to ensure positive cooperation between internal departments with the aim of supporting the dialogue

Terumo shall strive to develop and enhance its in-house systems for providing prompt, accurate and fair disclosure of information. In particular, the Disclosure Subcommittee, acting under the supervision of the Internal Control Committee, will endeavor to provide consistent and uniform disclosure of any corporate information with potentially significant impact on management. Such disclosure shall be made in strict compliance with all relevant laws and regulations. The Disclosure Subcommittee shall evaluate and consider matters of disclosure. The Disclosure Subcommittee shall be comprised of the department heads of the Corporate Communication Department, the Strategic Planning Department, the Secretarial Office, Internal Control Department and the Legal and Compliance Department. In addition, regular meetings will be held with business and disclosing divisions to enhance the contents and improve the accuracy of information disclosed.

- [3] Enhancement of measures to promote opportunities for dialogue aside from individual meetings

In order to deepen the understanding of Terumo, business strategy briefings and plant tours may be organized for institutional investors and facility tours are organized for shareholders. Terumo will also participate in conferences for institutional investors held in Japan and other parts of the world as well as briefings for individual investors organized by securities companies to enhance dialogue. In addition, Terumo will make other materials, including its financial results briefings, available on its website in order to provide such information in a timely and appropriate manner to as many shareholders and investors as possible.

- [4] Measures for appropriate and effective feedback

Evaluation and opinions acquired through meetings with shareholders, investors and analysts are compiled periodically and shared with the management team. In addition, the President or officer supervising the dialogue with the shareholders shall report to the Board of Directors on their visits to overseas institutional investors to ensure that they have the opportunity to gain an understanding of how the Company is evaluated in the capital markets.

[5] Measures to control insider information when engaging in dialogue

As a general rule, the President, officer supervising the dialogue, the department head and staff of the disclosing division will conduct Terumo's dialogues with its investors. In case of a dialogue led by officers other than those listed in the preceding sentence, either the officer supervising the dialogue, the department head or staff of the disclosing division will attend such meeting. By securing multiple participants in the dialogue, the Company will work to prevent unauthorized or inappropriate disclosure of its information. Terumo establishes a silent period to prevent the leakage of any material information about the Company's actual financial performance and to ensure fairness. In principle, the silent period shall begin four (4) weeks prior to the date of the expected announcement of the Company's actual financial performance and conclude on the date when both the final announcement of financial statements of a fiscal year and the quarterly announcements take place. During this period, Terumo refrains from commenting on its financial performance or answering questions in relation to such performance.

End

(6) Systems to Ensure the Appropriateness of Operations

The Company has established the “Internal Control System Design Basic Policy” stated below by the resolution of the Board of Directors.

Internal Control System Design Basic Policy

1. System to ensure that the duties of Directors and Employees are performed in compliance with laws and ordinances and the Articles of Incorporation.

- 1) Carry out continuous training and education of directors, executive officers, employees, and all other equivalent personnel in the Group (hereafter "Group employees") regarding the “Code of Conduct for the Terumo Group” in order to ensure penetration and thorough understanding that compliance to laws and ordinances and practice of corporate ethics (hereafter "compliance") is the foundation of the corporation's existence and business activities.
- 2) The Internal Control Committee, which is responsible for enacting the Internal control system within the Group in accordance with this Basic policy and the Board of Directors, shall deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit/Supervisory Committee.
- 3) The Chief Legal Officer (hereafter “CLO”) shall be the primary entity implementing the compliance system across the Group, and under the leadership of the CLO, promote a variety of measures by creating related rules, performing training and education, collecting employee oaths, and coordinating with compliance officers to quickly discover and ascertain problems.
- 4) In accordance with the provisions of the Financial Instruments and Exchange Act, in order to ensure the reliability of financial reporting, make efforts to establish a system to ensure the effectiveness of internal control of the Group, and regularly assess its effectiveness.
- 5) Build and operate a whistle-blowing system in which Group employees can, upon discovering compliance violations, etc., can report problems out of their usual line of authority and have the assurance that employees making reports will not be treated disadvantageously. Further, the divisions operating the whistle-blowing system shall report on its status to the Audit/Supervisory Committee as necessary.
- 6) In the event that significant compliance violations, etc. occur, a handling team shall be immediately created under the direction of the Chairman of Internal Control Committee, and that team shall, in addition to handling and resolving the occurrence, report or make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures. In the event that in handling it is recognized that there has been a violation of Employment Rules by a Group Employee, discipline shall be strictly rendered in accordance with related disciplinary procedures.
- 7) The Internal Audit Department shall audit to confirm the operation and effectiveness of the above activities, and shall report and make proposals to the Internal Control Committee regarding audit results while also confirming that measures to improve relevant areas are completed.

2. System for managing information (preservation, reading, security, disclosure, and etc.) related to Terumo director performance of duties.

- 1) In accordance with the "Document Management Standard," information related to director performance of duties shall be recorded and saved in documents or electronic media (hereafter "Documentation").
- 2) The period that records must be kept shall be the period established by the Document Management Standard, according to Documentation type and importance.
- 3) Board of Directors, and The Audit/Supervisory Committee or Audit/Supervisory Committee members selected by the Audit/Supervisory Committee (hereafter "Selected Audit/Supervisory Committee members") shall be able to view the Documentation at all times.
- 4) For information security and protection of personal information, confidential work information and personal information shall be appropriately and safely stored and managed under the direction of the Chief Information Officer (hereafter “CIO”) and in accordance with the "Information Security Standard," "Personal Information Protection Standard," and other related regulations.
- 5) The Disclosure panel of the Internal Control Committee, which is responsible for the Group's legal and timely information disclosure procedures, shall promote timely and appropriate information disclosure.
- 6) The Internal Audit Department shall audit to confirm the operation and effectiveness of the activities established by the above clauses, and shall report or make proposals to the Internal Control Committee regarding audit results while also confirming that measures to improve relevant areas are completed.

3. Terumo Risk Management Regulations and system

- 1) Established by decision of the Board of Directors, the Risk Management Committee is chaired by the President and Representative Director, and promotes the establishment of a risk management system throughout the Group based on the Risk Management Regulations set forth by the Board of Directors.
- 2) In addition to the previous item 1), the expert department dealing with separate risks categories including business, quality, product safety, disasters, and environment etc., shall perform enlightenment training and education in accordance with their respective regulations and manuals, etc.
- 3) The Risk Management Committee shall, taking into account the priority of risks which have serious effect on Group management, deliberate and determine a Risk management policy consisting of such items as preventive measures, continuous enlightenment training and education, and emergency handling of occurrences.
- 4) The Internal Control Department shall regularly or appropriately ascertain and identify risks related to the Group, analyze and evaluate those risks for their likelihood of occurrence and level impact, and then report and make proposals to the Risk Management Committee.
- 5) The Internal Audit Department shall audit to confirm the operation and effectiveness of the activities established by the above clauses, and shall report and make proposals to the Risk Management Committee regarding audit results while also confirming that measures to improve relevant areas are completed.

4. System for ensuring efficient director performance of duties

- 1) In order to increase the Group's corporate value and benefit to shareholders, the Executive Management Meeting, Market Product Strategy Meeting, and other deliberated or specialized bodies composed of the directors and executive officers shall offer support, leadership, and oversight to business departments for efficient and rapid performance of duties toward achievement of the mid-term management plan and annual plans approved by the Board of Directors.
- 2) Make decisions rapidly and efficiently based on the "Regulations on Proposals to Official Meeting Bodies and on Corporate Authorization System," which clarify company decision-making.
- 3) Based on the "Department Job Description Regulations." and other several regulations, execution for the duties systematically and effectively.
- 4) The Internal Audit Department shall audit to confirm the operation and effectiveness of the activities established by the above clauses, and shall report and make proposals to the Internal Control Committee regarding audit results while also confirming that measures to improve relevant areas are completed.

5. System for ensuring appropriate work within a group composed of the Company, its parent company, and its subsidiaries.

- 1) Group companies shall report execution of duties in accordance with Terumo Group Company Management Regulations and other several regulations, in a timely and appropriate manner.
- 2) The Internal Control Department shall provide leadership and support to Group companies in building risk management systems, in accordance with the Risk management policy established by the Risk Management Committee.
- 3) Group companies shall perform decision-making according to importance as prescribed by the Regulations on Proposals to Official Meeting Bodies and on Corporate Authorization System.
- 4) The CLO shall, in accordance with the "Code of Conduct for the Terumo Group" and related regulations, closely coordinate with the compliance officers of Group companies to promote compliance enlightenment training and education
- 5) The Internal Audit Department shall audit to confirm the operation and effectiveness of the activities established by the above clauses, and shall report and make proposals to the Internal Control Committee regarding audit results while also confirming that measures to improve relevant areas are completed.

6. Items relating to directors and employees who assist with the duties of the Terumo Audit/Supervisory Committee

- 1) The Audit/Supervisory Committee Office, consisting of two or more dedicated employees (hereafter "dedicated employees") shall be established as an organization to assist the Audit/Supervisory Committee.
- 2) The Board of Directors may assign Director with Special Assignment (Audit/Supervision) from among directors who are not Audit/Supervisory Committee members, who will have the duty to assist the Audit/Supervisory Committee in audits and supervision.

7. Items related to independence of a Director with Special Assignment (Audit/Supervision) and dedicated employees from directors who are not Audit/Supervisory Committee members

- 1) Submitting a proposal for election of a Director with Special Assignment (Audit/Supervision) to Shareholders meeting, shall require the prior approval of the Audit/Supervisory Committee. In the election of a Director with Special Assignment (Audit/Supervision), candidates' experience, knowledge, and behavior, etc. shall be carefully considered in light of the important role they will play as participants in audit/supervisory functions.
- 2) Selection, performance evaluation, salary, placement, and discipline of dedicated employees shall require the prior approval of the Audit/Supervisory Committee. In the selection of dedicated employees, candidates' experience, knowledge, and behavior, etc. shall be carefully considered in light of the important role they will play as participants in audit/supervisory functions.

8. Items for ensuring the effectiveness of direction given from the Audit/Supervisory Committee to a Director with Special Assignment (Audit/Supervision) and Dedicated employees

Director with Special Assignment (Audit/Supervision) and dedicated employees shall perform their duties according to the direction and mandates of the Audit/Supervisory Committee and Selected Audit/Supervisory Committee members, and shall not receive direction or mandates from directors who are not Audit/Supervisory Committee members, or any other Group employees.

9. System for Group employees (hereafter "reporting personnel," and this includes those receiving reports as well) to report to the Audit/Supervisory Committee

- 1) In addition to legal items, directors or employees shall make timely and appropriate reports to the Audit/Supervisory Committee or Selected Audit/Supervisory Committee members according to Bylaw on Reports by Directors and Employees to Audit/Supervisory Committee.
- 2) The Audit/Supervisory Committee or Selected Audit/Supervisory Committee members shall regularly receive reports on the operation status of, and content of incidents reported under, the internal reporting system established at the Group companies, and shall give direction and advice as appropriate.

10. System for ensuring that reporting personnel do not receive disadvantageous treatment by reason of making reports

- 1) Group directors and employees, in the event that a report has been made to the Audit/Supervisory Committee or Audit/Supervisory Committee member(s), shall prohibit any human resources-related or other type of detrimental treatment of the reporting person by reason of the person having made a report, and directors and employees shall thoroughly communicate this prohibition to all Group employees.
- 2) The Audit/Supervisory Committee or Selected Audit/Supervisory Committee members may require from directors disclosure and explanation of the reasons regarding the placement, performance evaluation, or discipline, etc. of a reporting person.

11. Items regarding policy for prepayment or reimbursement procedures for expenses related to performing Audit/Supervisory Committee duties, and processing of expenses or liabilities relating to performance of other duties

- 1) The Audit/Supervisory Committee or Selected Audit/Supervisory Committee members may invoice the Group for expenses related to performance of their duties, as established by laws and ordinances.
- 2) The Audit/Supervisory Committee and Selected Audit/Supervisory Committee members may obtain the services of external experts when such are deemed necessary to the performance of their duties. Further, the expenses associated with obtaining these services shall be applicable under 1) above.

12. System for ensuring that other audits of the Audit/Supervisory Committee are performed effectively

- 1) The Representative Director shall regularly hold meetings to exchange opinions with Audit/Supervisory Committee.
- 2) Selected Audit/Supervisory Committee members may attend important meetings such as Executive Management Meeting.
- 3) In addition to regular reporting meetings with internal audit departments and with external auditors, the Audit/Supervisory Committee or Selected Audit/Supervisory Committee members shall hold meetings as necessary with these departments or bodies.

End

(7) Status of Operation of Systems to Ensure the Appropriateness of Operations

The overview of the status of operation of systems to ensure the appropriateness of operations during fiscal 2016 is stated below.

1. System to ensure that the duties by Directors and Employees are performed in compliance with laws and ordinances and the Articles of Incorporation.

The Company carried out training and education of Group Employees regarding the “Code of Conduct for the Terumo Group”. At quarterly meetings of the Internal Control Committee, important policies related to compliance were deliberated. The Chief Legal Officer (CLO) is working to improve compliance systems through coordination with Compliance Officers of Group companies and reports the status of responses to serious issues to the Internal Control Committee. The Company revised “Guidelines for Responding to Serious Issues” and “Terumo Global Anti-Corruption and Anti-Bribery Policy,” and established “Terumo Global Compliance Violations Reporting and Anti-Retaliation Policy” in an effort to improve internal control systems.

2. System for managing information (preservation, reading, security, disclosure, etc.) related to Terumo director performance of duties.

The Company has enacted the "Terumo Group Document Management Policy," and is striving to communicate the rules for document storage throughout the Group. The Company is implementing appropriate management of confidential work information and personal information in accordance with the "Terumo Group Global Security Policy" and the "Personal Information Protection Standard." The Disclosure panel of the Internal Control Committee reviews information subject to legal and timely information disclosure.

3. Terumo Risk Management Regulations and system

The Company has revised the “Risk Management Regulation” and “Risk Management Guideline”. The Risk Management Committee (which meets twice a year) is working to mitigate risks through improvement of the risk management system and establishment of risk countermeasures.

4. System for ensuring efficient director performance of duties

The Company ensures efficient performance of duties by directors through meetings of the Board of Directors (12 times), the Executive Management Meeting (25 times), and the Market Product Strategy Meeting (6 times). The Company revised the “Department Job Description Regulations" to establish the Group companies’ policies and functions for operation of organizations.

5. System for ensuring appropriate work within a group composed of the Company, its parent company and its subsidiaries

The reporting system has been established in accordance with the “Terumo Group Company Management Regulations” and other regulations. The status of operation is monitored in accordance with the “Regulations on Proposals to Official Meeting Bodies and on Corporate Authorization System”. The Company has established the “Department Job Description" to establish key subsidiaries’ policies and functions for operation of organizations.

6. System to assist the Company’s Audit/Supervisory Committee with its duties and matters concerning reporting

The Company has put in place a system to assist the Audit/Supervisory Committee with its duties, including the establishment of the Audit/Supervisory Committee Office, which is independent from directors. Audit/Supervisory Committee Members confirm the reports made pursuant to the “Regulations on Reports by Directors or Employees to the Audit/Supervisory Committee,” the “Audit/Supervisory Committee Regulations,” and the internal reporting system. The Company has thoroughly communicated to all Group employees that any person who makes internal reports shall not receive any detrimental treatment through the training and education on the Terumo Group’s Code of Conduct.

7. Operating status concerning internal audit

In accordance with the “Internal Audit Charter,” the Internal Audit Department performs internal audits of the Company’s departments and Group companies from the viewpoints of effectiveness and efficiency of operations, compliance, and reliability of financial reporting, as necessary, and reports the audit results to the President and Representative Director, the Audit/Supervisory Committee or selected Audit/Supervisory Committee Members, and the Internal Control Committee.

(8) Basic Policies regarding the Company’s Control

* As stated on Page 1 of this notice of convocation, the Company’s Basic Policies regarding the Company’s Control are posted on the Company’s website. At the meeting of the Board of Directors held on May 10, 2017, a decision was made to revise the Basic Policies regarding the Company’s Control at the conclusion of this Annual General Meeting of Shareholders and not to renew the Company’s “Policy for Large-Scale Acquisitions of Terumo Shares (Takeover Defense Measures),” which constitutes the details of Basic Policies regarding the Company’s Control. Thus, the takeover defense measures will expire at the conclusion of this Annual General Meeting of Shareholders.

Remarks

Amounts and numbers of shares stated in this business report are rounded down to the nearest unit, while net income per share, amounts indicated in billions of yen, and percentage figures are rounded to the nearest unit.

Consolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

Consolidated Balance Sheet

Fiscal Year 2016 (As of March 31, 2017)

(Millions of yen)

Account item	Amount	Account item	Amount
(Assets)		(Liabilities)	
Current assets	349,183	Current liabilities	248,389
Cash and deposits	105,388	Notes and accounts payable-trade	38,451
Notes and accounts receivable-trade	109,508	Short-term loans payable	120,000
Merchandise and finished goods	69,765	Current portion of long-term loans payable	7,853
Work in process	9,367	Lease obligations	231
Raw materials and supplies	27,579	Income taxes payable	9,688
Deferred tax assets	17,501	Deferred tax liabilities	23
Other	11,503	Provision for bonuses	6,317
Allowance for doubtful accounts	(1,430)	Provision for directors' bonuses	190
		Notes and accounts payable-facilities	7,059
		Asset retirement obligations	72
		Other	58,502
Noncurrent assets	668,052	Noncurrent liabilities	283,462
Property, plant and equipment	183,122	Bonds payable	30,000
Buildings and structures	63,310	Convertible bond-type bonds with subscription rights to shares	100,135
Machinery, equipment and vehicles	53,359	Long-term loans payable	80,578
Land	22,471	Lease obligations	230
Lease assets	1,780	Deferred tax liabilities	47,501
Construction in progress	30,445	Provision for directors' retirement benefits	14
Other	11,754	Retirement benefit liability	6,803
Intangible assets	454,717	Asset retirement obligations	84
Goodwill	217,334	Other	18,113
Customer relationships	85,338	Total liabilities	531,851
Developed technology	105,581		
Other	46,463	(Net assets)	
Investments and other assets	30,212	Shareholders' equity	440,680
Investment securities	12,463	Capital stock	38,716
Deferred tax assets	6,727	Capital surplus	50,928
Retirement benefit assets	757	Retained earnings	459,261
Other	10,263	Treasury stock	(108,225)
Deferred assets	4,169	Accumulated other comprehensive income	48,464
		Valuation difference on available-for-sale securities	1,706
		Deferred gains (losses) on hedges	(560)
		Foreign currency translation adjustment	56,257
		Accumulated adjustment for retirement benefit	(8,938)
		Subscription rights to shares	307
		Non-controlling interests	101
		Total net assets	489,554
Total assets	1,021,405	Total liabilities and net assets	1,021,405

Consolidated Statement of Income

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
Net sales		514,164
Cost of sales		236,164
Gross profit		278,000
Selling, general and administrative expenses		201,421
Operating income		76,578
Non-operating income		2,057
Interest income	497	
Dividends income	203	
Royalty income	137	
Other	1,218	
Non-operating expenses		10,083
Interest expenses	1,205	
Sales discounts	438	
Foreign exchange losses	4,100	
Equity in losses of affiliates	559	
Loss on disposal of inventories	848	
Structural reform-related expenses	703	
Amortization of business commencement expenses	1,111	
Other	1,115	
Ordinary income		68,552
Extraordinary income		16,442
Gain on sales of noncurrent assets	366	
Gain on sales of investment securities	15,792	
Subsidy income	284	
Extraordinary loss		10,012
Loss on disposal of noncurrent assets	1,652	
Restructuring loss	1,375	
Loss on valuation of investment securities	2,178	
Loss on valuation of other investments	4,805	
Income before income taxes		74,981
Income taxes		20,867
Income taxes-current	25,640	
Income taxes-deferred	(4,772)	
Profit		54,114
Loss attributable to non-controlling interests		(111)
Profit attributable to owners of parent		54,225

Consolidated Statement of Changes in Net Assets

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	38,716	50,928	419,573	(64,040)	445,178
Changes of items during the period					
Dividends from surplus			(14,518)		(14,518)
Profit attributable to owners of parent			54,225		54,225
Purchase of treasury stock				(44,227)	(44,227)
Disposal of treasury stock			(18)	41	22
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	39,688	(44,185)	(4,497)
Balance at the end of current period	38,716	50,928	459,261	(108,225)	440,680

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated adjustment for retirement benefit	Total accumulated other comprehensive income			
Balance at the beginning of current period	16,308	(13)	63,182	(13,403)	66,074	183	109	511,544
Changes of items during the period								
Dividends from surplus								(14,518)
Profit attributable to owners of parent								54,225
Purchase of treasury stock								(44,227)
Disposal of treasury stock								22
Net changes of items other than shareholders' equity	(14,601)	(547)	(6,925)	4,465	(17,609)	124	(7)	(17,493)
Total changes of items during the period	(14,601)	(547)	(6,925)	4,465	(17,609)	124	(7)	(21,990)
Balance at the end of current period	1,706	(560)	56,257	(8,938)	48,464	307	101	489,554

Non-consolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

Non-consolidated Balance Sheet

Fiscal Year 2016 (As of March 31, 2017)

(Millions of yen)

Account item	Amount	Account item	Amount
(Assets)		(Liabilities)	
Current assets	177,364	Current liabilities	234,156
Cash and deposits	25,606	Notes payable-trade	1,796
Notes receivable-trade	446	Accounts payable-trade	30,018
Accounts receivable-trade	77,522	Electronically recorded obligations-operating	8,324
Merchandise and finished goods	30,987	Short-term loans payable	155,781
Work in process	3,749	Lease obligations	63
Raw materials and supplies	9,515	Accounts payable-other	14,436
Prepaid expenses	1,288	Accrued expenses	2,302
Deferred tax assets	5,765	Income taxes payable	7,963
Short-term loans receivable	13,131	Deposits received	401
Other	9,823	Provision for bonuses	5,893
Allowance for doubtful accounts	(474)	Provision for directors' bonuses	190
		Notes and accounts payable-facilities	6,068
		Asset retirement obligations	72
		Other	842
Noncurrent assets	717,623	Noncurrent liabilities	200,706
Property, plant and equipment	87,943	Bonds payable	30,000
Buildings	33,240	Convertible bond-type bonds with subscription rights to shares	100,135
Structures	1,318	Long-term loans payable	69,640
Machinery and equipment	18,544	Lease obligations	120
Vehicles	59	Long-term guarantee deposited	318
Tools, furniture and fixtures	7,396	Provision for directors' retirement benefits	14
Land	18,017	Other	478
Lease assets	183	Total liabilities	434,863
Construction in progress	9,182		
Intangible assets	10,175	(Net assets)	
Leasehold right	882	Shareholders' equity	458,670
Software	9,145	Capital stock	38,716
Goodwill	29	Capital surplus	52,103
Customer Relationships	90	Legal capital surplus	52,103
Other	27	Retained earnings	476,075
Investments and other assets	619,504	Legal retained earnings	3,297
Investment securities	6,922	Other retained earnings	472,778
Stocks of subsidiaries and affiliates	541,160	Reserve for reduction entry	649
Investments in capital of subsidiaries and affiliates	16,323	General reserve	82,900
Long-term loans receivable from subsidiaries and affiliates	35,676	Retained earnings brought forward	389,228
Long-term prepaid expenses	2,148	Treasury stock	(108,225)
Deferred tax assets	6,863	Valuation and translation adjustments	1,146
Other	10,409	Valuation difference on available-for-sale securities	1,706
		Deferred gains or losses on hedges	(559)
		Subscription rights to shares	307
Total assets	894,987	Total net assets	460,124
		Total liabilities and net assets	894,987

Non-consolidated Statement of Income

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
Net sales		277,347
Cost of sales		150,420
Gross profit		126,926
Selling, general and administrative expenses		72,199
Operating income		54,727
Non-operating income		20,733
Interest income	711	
Dividends income	17,913	
Royalty income	1,682	
Other	426	
Non-operating expenses		5,968
Interest expenses	825	
Sales discounts	438	
Loss on disposal of inventories	816	
Foreign exchange losses	3,537	
Other	350	
Ordinary income		69,492
Extraordinary income		15,930
Gain on sales of noncurrent assets	137	
Gain on sales of investment securities	15,792	
Extraordinary loss		8,540
Loss on disposal of noncurrent assets	1,556	
Loss on valuation of investment securities	2,178	
Loss on valuation of other investments	4,805	
Income before income taxes		76,881
Income taxes		11,287
Income taxes-current	16,940	
Income taxes-deferred	(5,653)	
Profit		65,593

Non-consolidated Statement of Changes in Net Assets

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward	
					Reserve for reduction entry	Reserve for special depreciation		
Balance at the beginning of current period	38,716	52,103	52,103	3,297	696	82,900	338,125	425,019
Changes of items during the period								
Dividends from surplus							(14,518)	(14,518)
Net income							65,593	65,593
Purchase of treasury stock								
Disposal of treasury stock							(18)	(18)
Reversal of reserve for reduction entry					(46)		46	—
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	(46)	—	51,102	51,056
Balance at the end of current period	38,716	52,103	52,103	3,297	649	82,900	389,228	476,075

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(64,040)	451,799	16,308	5	16,313	183	468,296
Changes of items during the period							
Dividends from surplus		(14,518)					(14,518)
Net income		65,593					65,593
Purchase of treasury stock	(44,227)	(44,227)					(44,227)
Disposal of treasury stock	41	22					22
Reversal of reserve for reduction entry		—					—
Net changes of items other than shareholders' equity			(14,601)	(564)	(15,166)	124	(15,042)
Total changes of items during the period	(44,185)	6,870	(14,601)	(564)	(15,166)	124	(8,171)
Balance at the end of current period	(108,225)	458,670	1,706	(559)	1,146	307	460,124