The status of corporate governance at Terumo Corporation is as detailed below.

**I. Basic Stance on Corporate Governance, Capital Structure, Company Profile, and Other Basic Information**

1. Basic Stance

   Terumo’s Group 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 guide it in the accomplishment of its Group mission, Terumo has articulated the Core Values, which represent the values and beliefs on which all Terumo associates worldwide should base their actions, as follows:

   - Respect – Appreciative of others
   - Integrity – Guided by our mission
   - Care – Empathetic to patients
   - Quality – Committed to excellence
   - Creativity – Striving for innovation

   Based on its Group mission and the Core Values, Terumo has established these guidelines, which are intended to promote timely decision making while helping maintain transparency and objectivity in management.

   Terumo continuously strives to earn the understanding and trust of its internal and external stakeholders by exercising accountability toward its stakeholders and promoting dialog and other means of communication with its shareholders.

   Informed by Japan’s 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.

   A diagram of Terumo’s corporate governance structure is shown as an attachment.

[Reasons why each general provision of the Corporate Governance Code is not implemented]

Terumo implements each of the basic principles of the Corporate Governance Code.

[Disclosure under each general provision of the Corporate Governance Code]

Terumo has formulated the TERUMO Corporate Governance Guidelines to achieve sustainable growth and high corporate value over the long-term, based on its group missions and the Core Values. It is posted on the company website.

https://www.terumo.com/about/governance/index.html

The following subset of items requiring disclosure under the Corporate Governance Code are disclosed in the TERUMO Corporate Governance Guidelines.

- **Principle 1-4:** Corporate Governance Guidelines “3. Securing Shareholders’ Rights and Equality (4) Holding of Shares in Other Companies for Strategic Purposes”
- **Principle 1-7:** Corporate Governance Guidelines “3. Securing Shareholders’ Rights and Equality (6) Related Party Transactions”
- **Principle 2-6:** Corporate Governance Guidelines “3. Securing Shareholders’ Rights and Equality (5) Function as Asset Owner of Corporate Pension Fund”
- **Principle 3-1(ii):** Corporate Governance Guidelines “1. General Provisions” and Overall Policy
- **Principle 3-1(iii):** Corporate Governance Guidelines “2. Corporate Governance Structure (11) Executive Remuneration”
- **Principle 3-1(iv):** Corporate Governance Guidelines “2. Corporate Governance Structure (9) Selection/dismissal of Directors”
- **Principle 4-1(1):** Corporate Governance Guidelines “2. Corporate Governance Structure (2) Board of Directors”
- **Principle 4-9:** Corporate Governance Guidelines “2. Corporate Governance Structure (9) Selection/dismissal of Directors” and Appendix 2
- **Principle 4-11(1):** Corporate Governance Guidelines “2. Corporate Governance Structure (2) Board of Directors” and “(9) Selection/dismissal of Directors”
- **Principle 4-11(2):** Corporate Governance Guidelines “2. Corporate Governance Structure (9) Selection/Dismissal of Directors”
- **Principle 4-11(3):** Corporate Governance Guidelines “2. Corporate Governance Structure (13) Board Evaluation”
- **Principle 4-14(2):** Corporate Governance Guidelines “2. Corporate Governance Structure (12) Training Policy”
- **Principle 5-1:** Corporate Governance Guidelines “5. Appropriate Disclosure” and Appendix 3

**Principle 1-4:** 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 verifies the economic, strategic and other rationales for each such holding using a medium- to long-term perspective on an annual basis. Terumo discloses holding securities as specified equity securities in the Annual Securities Report unless selling them. Terumo exercises 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.

Terumo has continued to reduce its holding of such shares. In fiscal 2019, Terumo sold the shares of one company, and aggregate market value held at the end of March 2020 was 7,973 million yen. Terumo currently has collaborative relationships with the companies issuing shares that it holds for strategic purposes, and has judged the holding of these shares to be fully justified.

- **Principle 3-1:** “Substantial Disclosure of Information”

(i) In addition to posting the company’s goals (group mission), management strategy, and management plans in the Corporate Policy and Top Management Message on the company website, Terumo strives to share information widely with all of its shareholders and investors through disclosure in its Terumo Report, financial results presentations, and other investor relations activities.

* Group Mission and Core Values: https://www.terumo.com/about/mission-and-corevalues/index.html
(v) Explanation with respect to the individual appointment and nominations of directors.
Reasons for selection of individual directors are described in the Notice of Convocation of the 105th Annual General Meeting of Shareholders.
https://www.terumo.com/investors/stocks/shareholders_meeting/index.html

- Principle 4-11: “Prerequisites for Ensuring Effectiveness of the Board of Directors”
  (3) Evaluation of the Overall Effectiveness of the Board of Directors and Summary of Results
  [Board evaluation process]

We conducted self-evaluation of board effectiveness in 2019 in order to further improve board effectiveness. All board members answered anonymous self-assessment surveys, and we conducted interviews with certain members of the Board of Directors and the Secretary of the Board. In order to maintain objectiveness of the board evaluation process, we used a third-party company to collect all survey sheets, and conduct interviews and analysis.

After reviewing the findings of the analysis, the Corporate Governance Committee, of which a majority of members is independent directors, discussed and proposed major opportunities and action plans to the board in order to enhance board effectiveness.

[2018 Board evaluation results and actions]
In our 2018 board evaluation process, we discovered the following development areas and we took the following actions:

<table>
<thead>
<tr>
<th>Development Area</th>
<th>Actions executed in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to discuss long-term corporate strategy to meet future innovations and healthcare business trends.</td>
<td>We conducted strategic discussions in the areas of global manufacturing strategy, global talent management and Asia market strategy. We also discussed long-term business portfolio, technology innovations and a monitoring system in terms of global governance.</td>
</tr>
<tr>
<td>Discuss board composition and diversity and share Terumo’s understandings of the policy about the appointment of the Board members.</td>
<td>The Nomination Committee discussed board composition and the selection process and criteria to select a new board member for 2020.</td>
</tr>
<tr>
<td>Onboarding process and education for independent directors.</td>
<td>Developed onboarding process for the newly assigned board, which accelerate new board members’ earlier participation in board discussions.</td>
</tr>
</tbody>
</table>

[2019 Board evaluation results]
There has been significant progress made in order to improve board effectiveness, and we confirmed that the board has evidenced significant effectiveness as a monitoring board.

- The board appropriately delegates authority to management, and the board monitors business risks properly
- All committee operations are transparent and independent where all independent directors attend. In addition, the chair of each committee is an independent director
- Independent directors possess a variety of experience which enables effective and open board discussions

[Development opportunities]
We concluded that we shall continue to work on opportunities including:

- There are more opportunities for the board to spend time discussing longer term strategy regarding issues such as market dynamic changes in healthcare industry and digital disruption in society
- Continue to maintain rigid monitoring of global risk management including manufacturing, quality issues and compliance
- Continued discussion regarding board composition to align with future corporate strategy
- Clearer definition of the role of each committee

We continue to take necessary actions to meet those opportunities through board and committees’ discussions to further enhance board effectiveness.

2. Capital Structure

| Percentage of shares held by foreign nationals | More than 30% |

**[Major Shareholders]**

<table>
<thead>
<tr>
<th>Name or Title</th>
<th>Number of Shares Held</th>
<th>Percentage of Total Shares Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan Ltd. (Trust Account)</td>
<td>114,778,600</td>
<td>15.26%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>68,010,800</td>
<td>9.04%</td>
</tr>
<tr>
<td>The Dai-ichi Life Insurance Company, Limited</td>
<td>40,519,600</td>
<td>5.39%</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>27,136,400</td>
<td>3.61%</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY 505223</td>
<td>19,440,249</td>
<td>2.58%</td>
</tr>
<tr>
<td>Mizuho Bank, Ltd</td>
<td>15,736,000</td>
<td>2.09%</td>
</tr>
<tr>
<td>TERUMO LIFE SCIENCE FOUNDATION</td>
<td>14,720,444</td>
<td>1.96%</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385632</td>
<td>13,034,784</td>
<td>1.73%</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. (Securities Investment Trust Account)</td>
<td>11,893,800</td>
<td>1.58%</td>
</tr>
<tr>
<td>Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>11,579,520</td>
<td>1.54%</td>
</tr>
</tbody>
</table>

Controlling shareholders (excluding the parent company) ———

Parent company None

Supplementary Explanation

Major shareholders as of March 31, 2020.
Terumo holds 7,236 thousand shares of treasury stock in addition to those listed above.

3. Company Profile

<table>
<thead>
<tr>
<th>Stock exchange and market segment</th>
<th>Tokyo Stock Exchange, First Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year-end</td>
<td>March</td>
</tr>
<tr>
<td>Industry type</td>
<td>Precision instruments</td>
</tr>
<tr>
<td>No. of employees as of the end of the previous fiscal year (consolidated basis)</td>
<td>1,000 employees or more</td>
</tr>
<tr>
<td>Revenue in the previous fiscal year (consolidated basis)</td>
<td>¥100 billion to less than ¥1 trillion</td>
</tr>
<tr>
<td>No. of consolidated companies in the previous fiscal year</td>
<td>100 to less than 300</td>
</tr>
</tbody>
</table>

4. Guidelines on Measures to Protect Minority Shareholders When Engaging in Transactions, etc. with Controlling Shareholders

5. Other Special Circumstances that could have a Material Impact on Corporate Governance
II. Status of the Business Administration Organization and Corporate Governance Structure in Relation to Decision-Making, Execution, and Supervision

1. Matters Concerning Institutional Structure, Organizational Operation, etc.

| Organizational Form | Company with Audit and Supervisory Committee |

[Directors]

| Maximum number of directors in the Articles of Incorporation | 20 |
| Term of directors in the Articles of Incorporation | 1 year |
| Chairman of the Board | Chairman of the Board |
| No. of directors | 11 |
| Appointment of external directors | Appointed |
| No. of external directors | 5 |
| No. of external directors who are designated as independent directors | 4 |

| Relationship to Company (1) Update |

<table>
<thead>
<tr>
<th>Name</th>
<th>Attribute</th>
<th>Relationship to company*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryuzo Ueda</td>
<td>Academic</td>
<td></td>
</tr>
<tr>
<td>Yukiko Kuroda</td>
<td>From another company</td>
<td></td>
</tr>
<tr>
<td>Hidenori Nishi</td>
<td>From another company</td>
<td></td>
</tr>
<tr>
<td>Masaichi Nakamura</td>
<td>CPA</td>
<td></td>
</tr>
<tr>
<td>Soichiro Uno</td>
<td>Attorney</td>
<td></td>
</tr>
</tbody>
</table>

* Options for relationship to company
* Enter a blank circle (●) for each of the options that currently and mostly recently apply to the individual, and enter a blank triangle (▲) for each option that was applicable in the past.
* Enter a black circle (●) for each of the options that currently and mostly recently apply to a close relative, and enter a black triangle (▲) for each option that was applicable in the past.

a. Executive of Terumo Corporation or its subsidiaries
b. Executive of the parent company of Terumo Corporation or a non-executive director
c. Executive of a fellow subsidiary company of Terumo Corporation
d. A party whose major client or supplier is Terumo Corporation or an executive thereof
e. Major client of Terumo Corporation or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other tangible goods from Terumo Corporation besides executive remuneration.
g. Major shareholder of Terumo Corporation (or an executive of the major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of Terumo Corporation (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company which engages in mutual appointment of External Directors/Audit & Supervisory Board Members with Terumo Corporation (the director himself/herself only)
j. Executive of a company or organization that receives a donation from Terumo Corporation (the director himself/herself only)
k. Others.
<table>
<thead>
<tr>
<th>Name</th>
<th>Audit and Supervisory Committee Member</th>
<th>Independent Director</th>
<th>Supplementary Explanation of the Relationship</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryuzo Ueda</td>
<td></td>
<td></td>
<td>Mr. Ueda is employed as a professor at Aichi Medical University, with which Terumo Corporation has transactions. He also served as president of Nagoya City University Hospital from April 2003 to June 2007, and currently serves as visiting professor and professor emeritus. The value of transactions Terumo Corporation has engaged in with each of these universities comprises less than 0.1% of Terumo’s revenue.</td>
<td>&lt; Reasons for Appointment &gt; Mr. Ueda has expert knowledge which includes a track record of research in cancer therapy, has served as President of Nagoya City University Hospital and Director-General of Nagoya City Hospital Bureau, and has cultivated extensive experience through the performance of his duties in these organizations. He has been appointed as an external director to utilize this experience in the supervision of management at Terumo Corporation.</td>
</tr>
<tr>
<td>Yukiko Kuroda</td>
<td></td>
<td></td>
<td>Ms. Kuroda serves as Founder and Director of People Focus Consulting. She serves concurrently as Outside Director of CAC Holdings Corporation, Mitsui Chemicals, Inc., and Seven Bank, Ltd.</td>
<td>&lt; Reasons for Designation as an Independent Director &gt; Ms. Kuroda meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. She has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.</td>
</tr>
<tr>
<td>Hidenori Nishi</td>
<td></td>
<td></td>
<td>Mr. Nishi serves concurrently as Outside Director of FUJI OIL HOLDINGS INC.</td>
<td>&lt; Reasons for Appointment &gt; Mr. Nishi has the extensive experience as a manager, and many years of experience in overseas and marketing business. He is therefore expected to utilize the insight he has cultivated from these experiences in the supervision of management at Terumo Corporation.</td>
</tr>
</tbody>
</table>

< Reasons for Designation as an Independent Director > Mr. Nishi meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. He has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.
Mr. Nakamura serves as the Representative of Masaichi Nakamura Certified Public Accountant Office. He serves concurrently as External Corporate Auditor of Sumitomo Heavy Industries, Ltd., and Outside Director (Audit & Supervisory Committee Member) of SCSK Corporation.

< Reasons for Appointment >
Mr. Nakamura has extensive knowledge of finance and accounting as a Certified Public Accountant. He has been appointed as an Audit and Supervisory Committee member to audit and supervise the management of Terumo Corporation from the independent perspective.

< Reasons for Designation as an Independent Director >
Mr. Nakamura meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. He has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.

Mr. Uno serves as Partner in the Nagashima Ohno & Tsunematsu Law Firm. He serves concurrently as Audit & Supervisory Board Member of SoftBank Group Corporation, and Director (Audit & Supervisory Committee Member) of Dream Incubator Inc.

< Reasons for Appointment >
Mr. Uno possesses specialized knowledge and extensive experience as an attorney in Japan and overseas. He has been appointed as an Audit and Supervisory Committee member to audit and supervise the management of Terumo Corporation from the independent perspective. Mr. Uno meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange and has been judged to pose no risk of giving rise to a conflict of interest with general shareholders, but has not been designated as an independent director, in accordance with the rules of his law firm.

[Audit and Supervisory Committee]

<table>
<thead>
<tr>
<th>Committee Member Composition and Committee Chair Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Committee Members (No.)</strong></td>
</tr>
<tr>
<td>Audit and Supervisory Committee</td>
</tr>
</tbody>
</table>

Employees who assist with the duties of the Audit and Supervisory Committee: Appointed

Matters Concerning Independence of such Employees from Executive Directors

In the Internal Control System Design Basic Policy approved by the Board of Directors (please see "IV. Matters Concerning the System of Internal Controls, 1. Basic Stance on Internal Control Systems and Status of Establishment"), The Audit and Supervisory Committee Office, consisting of dedicated employees (hereafter "dedicated employees") shall be established as an organization to assist the Audit and Supervisory Committee. Matters related to independence of dedicated employees from directors who are not Audit and Supervisory Committee members are set forth in the Internal Control System Design Basic Policy as follows.

- Selection, performance evaluation, salary, placement, and discipline of dedicated employees shall require the prior approval of the Audit and 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 and supervisory functions.

Cooperation Among the Audit and Supervisory Committee, Accounting Auditors, and the Internal Audit Department

In regard to cooperation with the accounting auditors, Audit and Supervisory Committee members meet regularly and otherwise as needed with the accounting auditors, receiving reports on the progress of audits, and actively sharing views and information. The Audit and Supervisory Committee members also perform other activities, such as regularly receiving reports on internal controls, to ensure that systems enabling the performance of fair audits are in place. The Audit and Supervisory Committee holds regular meetings with the Internal Audit Department to receive reports on internal audits and internal controls, and provide direction as needed.
Discretionary committees corresponding to a nominating committee and a remuneration committee

Status of Establishment of Discretionary Committees, Committee Member Composition, and Committee Chair (Chairman) Profile

<table>
<thead>
<tr>
<th>Committee Name</th>
<th>Total Committee Members (No.)</th>
<th>Full-time Committee Members (No.)</th>
<th>Internal Directors (No.)</th>
<th>External Directors (No.)</th>
<th>External Experts (No.)</th>
<th>Others (No.)</th>
<th>Committee Chair (Chairman)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nomination Committee</td>
<td>7</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>External director</td>
</tr>
<tr>
<td>Remuneration Committee</td>
<td>7</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>External director</td>
</tr>
</tbody>
</table>

Supplementary Explanation

[Nomination Committee]

(1) Roles
The Nomination Committee shall, as an advisory body to the Board of Directors, deliberate on the matters concerning successors to the president and chairman of Terumo Corporation, which is one of the most important corporate governance duties of the Board, as well as the matters concerning the appointment and dismissal of directors and executive officers. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.

(2) Members
- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- The chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. However, if the chair is unable to act, one of the other independent directors elected by a majority vote of the Committee members shall act in the chair’s place.

(3) Activities in fiscal 2019
The committee held 4 meetings in fiscal 2019. Each committee member attended the committee as follows:
- Ikuo Mori (Independent Director) 4/4 (attendance rate of 100%)
- Ryuzo Ueda (Independent Director) 4/4 (attendance rate of 100%)
- Yukiko Kuroda (Independent Director) 4/4 (attendance rate of 100%)
- Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 3/3 (attendance rate of 100%)

*This refers to the meetings he attended after he assumed office on June 21, 2019.

Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 3/3 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
- Takayoshi Mimura (Chairman of the Board) 4/4 (attendance rate of 100%)
- Shinjiro Sato (President and CEO) 4/4 (attendance rate of 100%)

The Secretarial Office serves as the secretariat of the Committee.

[Remuneration Committee]

(1) Roles
The Remuneration Committee shall, as an advisory body to the Board of Directors, deliberate on 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. The deliberations of the Committee shall be reported to the Board of Directors as appropriate. In this regard, however, matters related to the remuneration for Audit and Supervisory Board members shall not violate the provisions of Article 361 of the Companies Act.
- Matters concerning the remuneration for directors and executive officers (Policy for determining remuneration amount or calculation method thereof)
- 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

(2) Members
- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- At least one of the representative directors shall be a member of the Committee.
- The chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. 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.

(3) Activities in fiscal 2019
The committee held 3 meetings in fiscal 2019. Each committee member attended the committee as follows:
- Ikuo Mori (Independent Director) 3/3 (attendance rate of 100%)
- Ryuzo Ueda (Independent Director) 3/3 (attendance rate of 100%)
- Yukiko Kuroda (Independent Director) 3/3 (attendance rate of 100%)
- Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 2/2 (attendance rate of 100%)

*This refers to the meetings he attended after he assumed office on June 21, 2019.

Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 2/2 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
Incentives

Independent Directors

(1) Purpose, summary of calculation method
Performance-linked remuneration (bonuses)

To achieve the objective described in (a) above, we will set an appropriate balance between fixed remuneration and performance-linked remuneration (remuneration-type stock options could be granted for overseas residents).

To achieve the objective described in (b) above, restricted stocks have been adopted determined focusing on (a) appropriate risk-taking by the management and (b) the same profit awareness as shareholders.

To provide appropriate motivation to enhance corporate value over the medium- to long-term, the remuneration for executive directors shall be

Basic policy and composition

The Audit and Supervisory Committee. The Audit and Supervisory Committee members may number up to five, over half of whom must be independent directors, and at least one-third of the Board of Directors should be independent directors. Independent directors must meet the requirement in the Director Independence Standards established by Terumo. “A Notification of Independent Director Appointment” has been submitted to the Tokyo Stock Exchange for all independent directors except one (Mr. Uno, external audit and supervisory board member). Notification was not submitted for this director, in accordance with the rules of the firm in which he serves.

Attendance of independent directors who serve as Audit and Supervisory Committee Members at Board of Directors meetings and Audit and Supervisory Committee meetings in the previous fiscal year was as follows:

Ikuo Mori: 12/13 (attendance rate of 92%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
Ryuzo Ueda: 13/13 (attendance rate of 100%)
Yukiko Kuroda: 13/13 (attendance rate of 100%)
Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 2/2 (attendance rate of 100%)
Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 2/2 (attendance rate of 100%)
Takayoshi Mimura (Chairman of the Board) 3/3 (attendance rate of 100%)
Shinjiro Sato (President and CEO) 3/3 (attendance rate of 100%)
Takayoshi Mimura (Chairman of the Board) 4/4 (attendance rate of 100%)
Shinjiro Sato (President and CEO) 4/4 (attendance rate of 100%)
The Secretarial Office serves as the secretariat of the Committee.

[Independent Directors]

Based on the Corporate Governance Guideline established by the Board of Directors, the board may have up to 15 directors, excluding members of the Audit and Supervisory Committee. The Audit and Supervisory Committee members may number up to five, over half of whom must be independent directors, and at least one-third of the Board of Directors should be independent directors. Independent directors must meet the requirement in the Director Independence Standards established by Terumo. “A Notification of Independent Director Appointment” has been submitted to the Tokyo Stock Exchange for all independent directors except one (Mr. Uno, external audit and supervisory board member). Notification was not submitted for this director, in accordance with the rules of the firm in which he serves.

Attendance of independent directors at Board of Directors meetings in the previous fiscal year was as follows:

Ikuo Mori: 13/13 (attendance rate of 100%)
Ryuzo Ueda: 12/13 (attendance rate of 92%)
Yukiko Kuroda: 13/13 (attendance rate of 100%)
Masaichi Nakamura: Board of Directors meetings: 10/10 (attendance rate of 100%);
Audit and Supervisory Committee meetings: 8/9 (attendance rate of 89%)
The Secretarial Office serves as the secretariat of the Committee.

Performance-linked system of remuneration introduced; stock option system introduced and others

Other Matters Concerning Independent Directors

Supplementary Explanation

Incentives

Basic policy and composition

To provide appropriate motivation to enhance corporate value over the medium- to long-term, the remuneration for executive directors shall be determined focusing on (a) appropriate risk-taking by the management and (b) the same profit awareness as shareholders.

To achieve the objective described in (a) above, we will set an appropriate balance between fixed remuneration and performance-linked remuneration (bonuses). To achieve the objective described in (b) above, restricted stocks have been adopted (remuneration-type stock options could be granted for overseas residents).

Performance-linked remuneration (bonuses)

(1) Purpose, summary of calculation method
Annual bonuses are a form of remuneration aimed at motivating directors to achieve sustainable growth and annual performance; therefore,
Purpose-aligned evaluation factors are adopted. Evaluation factors consist of company-wide factors (revenue, operating profit and earnings per share (EPS)) and the performance factors for each director’s business operations (revenue and adjusted operating profit of the department(s) they oversee and other targets set for each director). The amounts of bonuses are calculated by multiplying (a) the evaluation index determined based on above evaluation factors by (b) the standard bonus amount set for each position.

(2) Company-wide factors and fluctuation range
Target of sales revenue and operating profit should be a planned target at the beginning of each annual year. When the target is achieved at 100%, evaluation index should be 100%. To motivate directors for sound business performance improvement, evaluation index fluctuates between 0% to 150% according to an achievement rate. With regard to EPS, for the purpose of further sharing awareness on profits with shareholders and aiming sustainable growth with profitability, year-on-year percentage increase of moving average for 3 years (profit increase rate per each share) should be the evaluation factor. When such percentage increase is the same as average decade increase of rate of moving average for 3 years, evaluation index should be 100%. Evaluation index fluctuates between 0% to 150% same as the sales revenue and operating profit.

(3) Performance factor for each director’s business operation and fluctuation range
Sales revenue and adjusted operating profit of department in charge should be a planned target at the beginning of each annual year. When the target is achieved at 100%, evaluation index should be 100%. To motivate directors for sound business performance improvement, evaluation index fluctuates between 0% to 150% according to an achievement rate. With regard to other targets set for each director, especially for important items, target plan is set forth at the beginning of each annual year and evaluation index results in 0% to 100% based on achievement results at the end of the year.

(4) Policy and ratio for setting evaluation factors for each director’s position
With regard to evaluation factors, ratio of company-wide factor and performance factor for each director’s business operation is as below. For Chairman and CEO, only company-wide factor is used as evaluation factor. For director who is responsible for his/her business, ratio of performance factor for each director’s business operation is a little high. For director who is responsible for certain function or local area, ratio of company-wide factor is a little higher than director who is responsible for his/her business.
- Chairman and CEO: company-wide factor 100%, performance factor for each director 0%
- Director responsible for the business: company-wide factor 70%, performance factor for each director 30%
- Director responsible for certain function or local area: company-wide factor 71-80%, performance factor for each director 29-20%

[Restricted Stock]
In order for executive directors to share benefits and risks of stock price movement with shareholders and further enhance their desire to contribute to rises in stock prices and improvement of corporate value, restricted stock has been adopted since FY 2019. Under the concept “sharing awareness on profits with shareholders for a long term”, directors may not transfer to a third-party or otherwise dispose of restricted stock allotted to them for thirty years (or until their retirement from position of director if earlier). Furthermore, if directors commit fraud or violate laws during their term as director, all or part of their allotted stock will be acquired by the Company without consideration.

[Director Remuneration]

Disclosure of remuneration of individual directors
Individual remuneration is not disclosed.

Disclosure of remuneration of directors is provided for public viewing through annual securities report and business reports posted on the corporate website, and other means. The details of remuneration are as follows (The number of people is the total number).

- Internal directors (6) Total remuneration: ¥512 million (base remuneration: ¥230 million; restricted stock: ¥112 million; bonuses: ¥169 million)
- Internal director (audit and supervisory committee member (1)) Total remuneration: ¥41 million (base remuneration)
- Internal directors (7) Total remuneration: ¥76 million (base remuneration)

The total consolidated remuneration of Director Takayoshi Mimura and Shinjiro Sato is disclosed in the official annual securities report.

[Takayoshi Mimura] Total remuneration: ¥147 million (base remuneration: ¥60 million; restricted stock: ¥37 million; bonuses: ¥49 million)
[Shinjiro Sato] Total remuneration: ¥180 million (base remuneration: ¥73 million; restricted stock: ¥45 million; bonuses: ¥61 million)

A policy has been established.

Disclosed Details of the Policy on Determining the Amount of Remuneration and the Method of Calculation

[Target Proportions]
Remuneration for executive directors shall consist of fixed remuneration, bonuses, and restricted stock, the target percentages of which shall be 50%, 30%, and 20% of total combined remuneration, respectively. For higher ranked directors (CEO is the top), the ratios of bonuses and restricted stock to the total amount of remuneration are higher.

[Determining Procedure]
The Remuneration Committee, as an advisory body to the Board of Directors, deliberates on the standard amount of fixed remuneration, bonuses and restricted stocks (stock options) for directors (excluding Audit and Supervisory Committee members) by position and the basic design of the remuneration system in light of information that includes information on comparable standards used at other companies provided by an outside research organization.
As approved by the 100th Annual General Meeting of Shareholders on June 24, 2015, a total annual limit of ¥700 million was set for remuneration of directors other than Audit and Supervisory Committee members (fixed remuneration, bonus and stock options). Thereafter, at the 104th Annual
General Meeting of Shareholders on June 21, 2019, a total annual limit of ¥200 million was set for restricted stocks remuneration. A maximum annual limit of ¥100 million was also approved for remuneration of directors who serve as Audit and Supervisory Committee members at the 100th Annual General Meeting of Shareholders on June 24, 2015. Thereunder, the procedure for determining remuneration is as follows.

Fixed remuneration: Within the remuneration limit approved at the General Meeting of Shareholders, remuneration for directors, excluding members of the Audit and Supervisory Committee, shall be decided by resolution of the Board of Directors, and remuneration for Audit and Supervisory Committee members shall be decided through discussions among the Audit and Supervisory Committee members.

Bonuses, restricted stock (stock options): Amounts of bonuses and restricted stock (stock options) are decided by resolution of the Board of Directors, within the director remuneration limit mentioned above, after taking business results, the business environment, and other factors for each year into consideration.

[Support System for External Directors]

While external directors are not allocated dedicated staff, the Secretarial Office staff support external directors other than Audit and Supervisory Committee members, and Audit and Supervisory Committee Office staff support external directors who serves as Audit and Supervisory Committee members.

[Status of Persons who have retired from Representative Director and President, etc.]

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/ Position</th>
<th>Description of Tasks</th>
<th>Form and Conditions of Services (Full-time/ Part-time, Remuneration, etc.)</th>
<th>Date of Retirement as President, etc.</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Total number of Consultants, Advisors, etc. who have formerly served as Representative Director and President, etc.: 0 person

Others

Currently, the Company has no consultants, advisors, etc. who have formerly served as Representative Director and President, etc.

2. Matters Concerning Decisions on Execution of Duties, Audits and Supervision, Nominations, Remuneration, and Other Functions (Overview of the Current Corporate Governance Structure)

<<Nature of Corporate Organization >>
Terumo adopted the organizational design of a “company with Audit and Supervisory Committee” in order to enhance the functions of audit and supervision over the Board of Directors and Directors, further strengthen its corporate governance framework, and to enhance its mid- and long-term corporate value.

In addition, the Company has established the Nomination Committee, Remuneration Committee, Corporate Governance Committee, Internal Control Committee, and Risk Management Committee as discretionary bodies that serve to enhance the transparency and objectivity of management.

1. Board of Directors
   [1] Roles
   - The Board shall strive for optimal decision-making regarding 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 by 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.

   - The Board shall consist of no more than 15 persons, excluding the Audit and Supervisory Committee members.
   - Terumo shall strive to have independent directors account for at least one-third 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] Activities
The Board of Directors held 13 meetings in fiscal 2019. Each Director attended the meetings as follows:

- Takayoshi Mimura 13/13 (attendance rate of 100%)
- Shinjiro Sato 13/13 (attendance rate of 100%)
- Toshiaki Takagi 13/13 (attendance rate of 100%)
- Shoji Hatano 13/13 (attendance rate of 100%)
- Kyo Nishikawa 10/10 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
- Ikuo Mori 13/13 (attendance rate of 100%)
- Ryuzo Ueda 12/13 (attendance rate of 92%)
- Yukihiro Kuroda 13/13 (attendance rate of 100%)
- Yoshihiro Kimura 13/13 (attendance rate of 100%)
- Masaichi Nakamura 10/10 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
- Soichiro Uno 10/10 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 21, 2019.
2. Advisory Committees to the Board (Nomination Committee, Remuneration Committee, Corporate Governance Committee)
   Please refer to II. 1 [Discretionary Committees]

3. Internal Control Committee
   [1] Roles
   Positioned under the Board of Directors, 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.”

   • The Committee shall be comprised of Terumo Corporation’s representative directors, directors ranked managing executive officer or above,
     expert panel chairpersons, Internal Control Department managers, and external legal counsels.
   • Audit and Supervisory Committee members may attend and speak at the meetings of the Committee.
   • The chair shall be the president and representative director.

4. Risk Management Committee
   [1] Roles
   Positioned under the Board of Directors, 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.

   • 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 and Supervisory Committee members may attend and speak at the meetings of the Committee.
   • The chair shall be the president and representative director.

<<Audits and Supervision by the Audit and Supervisory Committee >>
The Audit and 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 and 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 the 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 and Supervisory Committee.

<<Accounting Audits >>
Name of the audit firm:
KPMG AZSA LLC

Number of years as continuing audit firm:
17 years

Names of CPAs who performed audit duties and the number of years as continuing auditor:
Hideaki Koyama, Designated Limited Liability Partner and Managing Partner, one year
Yukihiko Ishiguro, Designated Limited Liability Partner and Managing Partner, five years
Mayuka Katsuki, Designated Limited Liability Partner and Managing Partner, three years

Composition of personnel assisting with audit duties:
CPAs: 5
Others: 15

3. Reasons for Choosing the Current Corporate Governance Structure
Terumo adopted the organizational design of a "Company with an Audit and 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 and 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.
### Supplementary Explanation

<table>
<thead>
<tr>
<th>Status of Initiatives to Make Shareholders Meetings More Stimulating and Ensure Smooth Exercise of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuance of early notification of convocation of General Shareholders Meeting</strong></td>
</tr>
<tr>
<td>Terumo sends the convocation notice for the Shareholders Meeting out two to three weeks in advance. Terumo also takes steps to ensure the smooth exercise of voting rights in order to disclose information rapidly, such as disclosing the convocation notice on the website, after a resolution for convocation has been passed by the Board of Directors and other legal procedures have been completed, before sending the notice out.</td>
</tr>
<tr>
<td><strong>Scheduling General Shareholders Meeting to avoid peak days</strong></td>
</tr>
<tr>
<td>Peak days for shareholder meetings are avoided and meetings are held in the afternoon, rather than in the morning as many are, in order to enable participation by a greater number of shareholders.</td>
</tr>
<tr>
<td><strong>Allowing electronic exercise of voting rights</strong></td>
</tr>
<tr>
<td>Terumo has computerized the exercise of voting rights in order to make it more convenient for individual and institutional investors.</td>
</tr>
<tr>
<td><strong>Participating in an electronic voting platform and taking other steps to improve the environment for exercise of voting rights by institutional investors</strong></td>
</tr>
<tr>
<td>Terumo uses the electronic platform for exercising voting rights operated by Investor Communications Japan (ICJ, Inc.), in which the Tokyo Stock Exchange maintains an investment interest, as the method for exercising voting rights.</td>
</tr>
<tr>
<td><strong>Provision of convocation notices in English</strong></td>
</tr>
<tr>
<td>An English version of the convocation notice is posted on Terumo’s website.</td>
</tr>
<tr>
<td><strong>Other</strong></td>
</tr>
<tr>
<td>Terumo makes an effort to make shareholders meeting more stimulating by using video and narration to present business reports.</td>
</tr>
</tbody>
</table>

### 2. Status of Investor Relations Activities

<table>
<thead>
<tr>
<th>Status of Investor Relations Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formulation and disclosure of a policy on disclosure</strong></td>
</tr>
<tr>
<td>Terumo has formulated an IR Policy and has posted this on the website.</td>
</tr>
<tr>
<td><strong>Holding of regular briefings for individual investors</strong></td>
</tr>
<tr>
<td>Briefings are held as appropriate.</td>
</tr>
<tr>
<td><strong>Holding regular briefings for analysts and institutional investors</strong></td>
</tr>
<tr>
<td>Briefings at which the President and CEO is present are held biannually. Chief Accounting and Financial Officer (CAFO) also attends the briefings for the first and third quarters, which are held as teleconferences.</td>
</tr>
<tr>
<td><strong>Posting of IR materials on the corporate website</strong></td>
</tr>
<tr>
<td>The following materials are posted on the corporate website: Financial information, material other than financial information for which timely disclosure is required, IR Policy, status of corporate governance, status of compliance, earnings reports and presentations as well as video and audio transmissions and Q&amp;A for such presentations, Terumo Reports, notice of convocation of the Shareholders Meeting, Articles of Incorporation.</td>
</tr>
<tr>
<td><strong>Establishment of a department (contact) to handle IR</strong></td>
</tr>
<tr>
<td>The Investor Relations Department handles investor relations.</td>
</tr>
<tr>
<td><strong>Others</strong></td>
</tr>
<tr>
<td>Briefings to individual shareholders at which the President and CEO is present are held at each Osaka and Nagoya once a year.</td>
</tr>
</tbody>
</table>
## 3. Status of Efforts to Ensure Respect for Stakeholder Perspectives

### Supplementary Explanation

| Rules on respecting stakeholder perspectives established through internal rules, etc. | Terumo has established the “Core Values” and the “Terumo Group Code of Conduct”. The Core Values are the common values shared by every associate around the world as a foundation for behavior in performing activities to achieve our Group Mission of "Contributing to Society through Healthcare." And the Code of Conduct shows the standards of conduct which all associates should comply, and it guides all associates to doing the right things with holding themselves to the highest ethical standards. |
| Implementaiton of environmental conservation, CSR, and other activities | Terumo has established the Environmental Management Department, and the Department is continually working to reduce the environmental burden associated with the business activities. Furthermore, in April 2018, Terumo established the Corporate Sustainability Department and promotes overall efforts to contribute to the sustainable development of both the environment, society and the Terumo Group, including addressing medical challenges based on our group mission. Among these efforts, the main contents are described in the Sustainability Report and posted on our website (in both English and Japanese version). |
| Formulation of a policy on the provision of information to stakeholders | Terumo has formulated an IR Policy stating its position on timely disclosure of information. This is posted on the corporate website. |
| Other efforts | The Terumo Call Center was established to provide a venue for direct communication with customers.  

**<Policy on Diversity and Inclusion>**

In the Terumo Group, we believe that active utilization of the diversity in our associates in terms of race, nationality, gender, and other aspects is a powerful engine that will drive our current and future growth. We are pursuing a group-wide effort led by the Diversity Promotion Department to ensure an environment in which there is mutual respect for the differing values and “diversity” of others and be a company where differing ideas and knowledge can intermingle, creating new value.

Terumo’s top management sends some messages to associates about the importance and significance of diversity management, and they are uploaded on the company intranet website to promote further understanding of associates.

**<Policy and Promotion of Active Participation by Female Associates>**

Terumo's top management has made commitments to promoting active participation by female associates as one of the ways to realize diversity management. We are aiming for a ratio of women in managerial positions of 8% or more by the end of March 2022 (Scope: Terumo Corporation in Japan). We are forging ahead to create an environment that will enable women to manifest their talents to the maximum extent, and level up their skills and raise awareness as the managerial position to foster an environment for decision-making that encompasses a diverse range of perspectives.

We are establishing and coordinating various systems to support a diverse range of work styles, and are providing support woman to create a career plan that enables them to raise children while continuing to pursue their career. Specifically speaking, we are offering work resumption seminars for both women and their superiors where they can talk about how to create a career plan that enables them to care for children while continuing to pursue their career, and also doing lecture meeting to learn about various changes in mind and body care at the women’s life each stage and to learn how to face work etc.

We are supporting the growth of motivated women to provide various opportunities to think of their careers in the long term and diverse options of working styles.

Terumo is also actively encouraging men to take child care leave. With this encouragement, the number of male associates taking child care leave has also grown recently. This is an opportunity, not only for themselves taking the leave, but also for everybody of the workplace to review a way of the work to be able to give result.

We are promoting to create the environment and culture helps associates with varied personalities to be more active, which also include the flexible way of work helping associates balance their work with child care and family care.

Among these efforts, the main contents are described in the Sustainability Report and posted on our website (in both English and Japanese version). |
IV Matters Concerning the System of Internal Controls

1. Basic Stance on Internal Control Systems and Status of Establishment

The Board of Directors has passed a resolution of revision on the following “Internal Control System Design Basic Policy” based on the Companies Act, and is working to establish a system of internal controls for the Terumo Group.

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) Set forth in the “Terumo Group Code of Conduct” that correct behavior, requiring compliance to laws and ordinances, industry codes, internal rules, and acting according to a high sense of ethics, is indispensable for the practice of the corporate mission; and build a system to perform continuous training and education of directors, executive officers, and employees of Terumo Corporation (hereafter “the Company”), and all other equivalent personnel in the group (hereafter “Group Employees”) regarding this Code of Conduct.

   2) Establish the “Group Internal Control System Policy”, and as the entity responsible for enacting the group Internal Control Committee, establish the Internal Control Committee, which is chaired by the President and Representative Director. That committee shall build a system to 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 and Supervisory Committee or Audit and Supervisory Committee members selected by the Audit and Supervisory Committee (hereafter “Selected Audit and Supervisory Committee members”).

   3) In accordance with the provisions of the Financial Instruments and Exchange Act, build a system to ensure the reliability of financial reporting.

2. System for retention and management of information related to director performance of duties

   1) Establish the “Group Document Management Policy” and build a system to record and retain, as documents or electronic media, information related to director performance of duties, according to document type and importance.

   2) Establish the “Document Management Standard Manual: Handling Manual for minutes of important meetings,” and build a system to retain the minutes of important official meeting bodies of the Company.

   3) The Directors and Audit and Supervisory Committee or Selected Audit and Supervisory Committee members (hereafter “Audit and Supervisory Committee etc.”), shall build a system in which this documentation can be viewed at any time.

3. Risk management regulations and other systems

   1) Establish the “Group Risk Management Policy,” and, as the entity responsible for enacting the Group-wide risk management system, establish a Risk Management Committee, chaired by the President and Representative Director to build a system to report regularly regarding the status of these activities to the Board of Directors and Selected Audit and Supervisory Committee members.

   2) Build a system for the departments from which business, quality, product safety, disasters, and environment etc.-related risk originate to perform proactive management; and for departments with expertise regarding those risk categories to support and control these risk management activities, taking into account the prioritization of risks which have critical impact on corporate management.

4. System for ensuring efficient director performance of duties

   1) Toward achievement of the Mid- to Long-term Growth Strategy and annual plans approved by the Board of Directors, the Executive Management Meeting, Market Product Strategy Meeting, and other specialized bodies composed of the directors and executive officers shall be enacted to build a system in which support, leadership, and oversight is provided to business departments for prompt, appropriate, and efficient performance of duties.

   2) Establish the “Group Policy on Corporate Authorization System” to build a system to promptly and efficiently perform corporate decision-making.

   3) Establish the “Group Department Job Description Policy” and other several regulations to provide for the policies of organizational operations and roles of departments performing duties.

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

   1) Establish the “Group Companies Management Policy” and other several regulations, to build a system that brings about consistency in the entire group regarding business strategy, allocation of resources, coordination of business fields, risk management, and compliance, while providing support for each group company to voluntarily promote healthy management as a member of the Terumo Group.

   2) Build a system for risk management at each group company, based on the “Group Risk Management Policy”.

   3) Based on the “Group Policy on Corporate Authorization System,” build a system in which decision-making is performed at each group company by the approving entity appropriate to the importance of the matter, and which requires that matters of particular importance are approved by the Company or discussed in the Executive Management Meeting or Board of Directors meeting of the Company.

   4) Establish the “Terumo Group Code of Conduct” as the common group code of conduct, and build a system to disseminate and perform continuous training regarding it to each group company.

   5) Establish the “Group Policy of Group Policy Management” to build a system for each relevant department to institute group policy regarding important group-wide themes, and disseminate them to each group company.

   6) Support, promote, and monitor the status of enactment of compliance systems throughout the entire group.

   7) Build an internal reporting system for when Group Employees become aware of compliance violations etc., in which employees can make reports outside their usual line of authority and are assured that they will not be treated disadvantageously.

6. Internal audit system

   1) The Internal Audit Department shall report directly to the President and Representative Director, and conduct and report regarding audits according to the direction of the President. Simultaneously, a system shall be built for reporting to the Board of Directors and Selected Audit and Supervisory Committee members.

   2) Build a group internal audit system in which the internal audit departments of each region and important subsidiary, and the Internal Audit Department of the headquarters, coordinate.

   3) Build a system to audit the operational status and effectiveness of the provisions of preceding items 1 through 5, report and make suggestions regarding the results thereof and issues for improvement to the Internal Control Committee or Risk Management Committee, and also confirm the completion of improvements regarding these issues.

7. Items regarding employees who assist the duties of the Audit and Supervisory Committee

   The Audit and Supervisory Committee Office, consisting of dedicated employees (hereafter "Dedicated Employees") shall be established as an organization to assist the Audit and Supervisory Committee.

8. Items related to independence of Dedicated Employees belonging to the Audit and Supervisory Committee Office from directors who are not Audit and Supervisory Committee members

   Selection, performance evaluation, salary, placement, and discipline of Dedicated Employees shall require the prior consent of the Audit and 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 and supervisory functions.

9. Items for ensuring the effectiveness of direction given from the Audit and Supervisory Committee to Dedicated Employees
10. System for Group Employees and those receiving reports from such employees (hereafter jointly referred to as "Reporting Personnel,") to report to the Audit and Supervisory Committee
1) In addition to legal items, Reporting Personnel shall make timely and appropriate reports to the Audit and Supervisory Committee etc. according to the "Group Policy on Reports by Directors, Executive Officers and Employees to Audit and Supervisory Committee".
2) The Audit and Supervisory Committee etc. shall regularly receive reports on the operation status of, and content of incidents reported under, the internal reporting system established at each group company, and shall give direction and advice as appropriate.

11. System for ensuring that Reporting Personnel are not treated disadvantageously by reason of making reports
1) In the event that a report has been made by a Group Employee, whether directly or indirectly, to the Audit and Supervisory Committee etc., any human resources-related or other type of disadvantageous treatment by reason of the person having made a report shall be prohibited, and this prohibition shall be thoroughly disseminated to all Group Employees.
2) The Audit and Supervisory Committee or its members may require from directors disclosure and explanation of the reasons regarding the placement, performance evaluation, or discipline, etc. of a reporting person.

12. Items regarding policy for prepayment or reimbursement procedures for expenses related to performing Audit and Supervisory Committee duties, and processing of expenses or liabilities related to performance of other duties
1) The Audit and Supervisory Committee etc. may invoice the Company for expenses related to performance of their duties, as established by laws and ordinances.
2) The Audit and Supervisory Committee etc. 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.

13. System for ensuring that other audits of the Audit and Supervisory Committee are performed effectively
1) The Representative Director shall regularly hold meetings to exchange opinions with Audit and Supervisory Committee.
2) Selected Audit and 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 and Supervisory Committee etc. shall hold meetings as necessary with these departments or bodies.

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 2019 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 "Terumo Group Code of Conduct". 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 whistle-blowing system was established as an inside window and an outside window consisting a legal adviser and an outside receptionist, and receive reports widely. Audit and Supervisory Committee member was also as a window for the director's compliance matters.

2. System for managing information (preservation, reading, security, disclosure, etc.) related to Terumo director performance of duties
Based on "Group Document Management Policy," the Company 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 "Group Information Security Policy" and "Personal Information Protection Standard." The Disclosure panel of the Internal Control Committee reviews information subject to legal and timely information disclosure. Based on "Group Social Media Policy" and "Group guidelines on the Use of Social Media", the company manages the outside sending information appropriately.

3. Risk Management Regulations and system
Based on the "Group Risk Management Policy" and "Group Risk Management Guideline", the company plans for efficiency and standardization of risk evaluation and correspondence. The Risk Management Committee (2 times) discussed risk mitigation and reduction. Risk management training of the workshop form which had improvement of the risk sensitivity of the associate for its object is being performed.

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 (13 times), the Executive Management Meeting (18 times), and the Market Product Strategy Meeting (6 times). The Company make decisions rapidly based on the "Group Policy on Corporate Authorization System".

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 "Group Company Management Policy" and "Group Department Job Description Policy". The status of operation is monitored. Based on "Group Policy of Group Management Policy", the Company reviews and maintains observance matters applying to the group.

6. System to assist the Company’s Audit and Supervisory Committee with its duties and matters concerning reporting
The Company has put in place a system to assist the Audit and Supervisory Committee with its duties, including the establishment of the Audit and Supervisory Committee Office, which is independent from directors. Audit and Supervisory Committee Members share the reports made pursuant to the "Group Policy on Reports by Directors, Executive Officers and Employees to Audit and Supervisory Committee," the "Audit and Supervisory Committee Regulations," and the whistle-blowing 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 Code of Conduct".

2. Basic Stance on Combating Anti-Social Forces and Status of Establishing a System for That

1) Basic Stance on Combating Anti-Social Forces
Avoiding relationships with anti-social forces is one of Terumo's corporate responsibilities. We, therefore, vehemently refuse to become involved in any relationship with anti-social forces and engage in no transactions with companies, other organizations, or individuals with ties to anti-social forces. Furthermore, we work with law enforcement authorities and other agencies to combat anti-social forces.

2) Status of Efforts to Combat Anti-Social Forces
- The Corporate Affairs Department coordinates responses to inappropriate demands by anti-social forces, and the prevention of such inappropriate demands has been made the specific responsibility of a designated associate within the Corporate Affairs Department.
- We have established a system for cooperating with law enforcement authorities, Tokubouren (NPO assisting companies in combating corporate blackmailers), legal advisers, and others, and acting on their advice and guidance.
- We have established a system for properly sharing information on anti-social forces with the groups mentioned above, and centrally managing it in
• We have prepared the Manual for Combating Anti-Social Forces and are promoting thorough understanding of its contents among everyone working at Terumo.
• We provide executives and associates with relevant information in a timely manner, conduct training, and take the steps, as well, to promote awareness of the importance of combating anti-social forces.
V. Other

1. Adoption of Takeover Defense Measures

| Adoption of takeover defense measures | Not Adopted |

**Supplementary Explanation**

1. Basic policy regarding persons who control decisions on the Company’s financial and business policies

The Company does not reject the notion that the transfer of managerial control may vitalize business and the economy. However, in the event of any attempt to make a large-scale purchase of shares, in principle it should be left to the judgment of the Company’s shareholders whether such a purchase is to be accepted. At the same time, the Company acknowledges that the prudent judgment of shareholders is essential for determining the impact of such large-scale purchase of shares and related proposals that have a bearing on corporate value and shareholders’ common interests, considering the business, business plans, past investment behavior, and other information concerning the purchaser. Accordingly, the Company considers that necessary and sufficient information, opinions, proposals, etc. should be provided to the Company’s shareholders by both the large-scale purchaser and the Company’s Board of Directors, as well as necessary and sufficient time to review such information.

In accordance with this basic policy, the Board of Directors of the Company intends to implement allowable measures under the Financial Instruments and Exchange Law, the Japanese Companies Act, other regulations, and the articles of incorporation, such as requesting to provide necessary and sufficient information, timely disclosure, and others, in order to secure the Company’s corporate value and shareholders’ common interests.

2. Other Matters Concerning the Corporate Governance Structure

**Outline of the system for timely disclosure:**

The internal system for ensuring timely disclosure of corporate information about Terumo is as follows:

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.

2. System for Timely Disclosure

   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 Investor Relations Department, the Corporate Communication Department, the Strategic Planning Department, the Secretarial Office, Internal Control Department, and the Legal and Compliance Department.

3. Information Disclosure Method

   Terumo will use the Timely Disclosure Network System (TDnet) 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.
A diagram of Terumo’s corporate governance structure is shown below.

- Audit and Supervisory Committee members are directors and have voting rights in meetings of the Board of Directors.
- The majority of Audit and Supervisory Committee is comprised of independent directors.
- The Audit and Supervisory Committee audits and supervises the directors and the Board of Directors.