Approach to Sustainability

Under the Group mission of “Contributing to Society through Healthcare,” the Terumo Group strives to provide a stable supply of high-quality medical equipment and services to patients and medical settings throughout the world, as well as resolve the various challenges facing healthcare.

To realize this Group mission, Terumo has established its Core Values, which are the values that connect all Terumo associates around the world. Based on the Core Values, the Terumo Group determines priorities for sustainability that must be put into practice in the course of daily business activities. The Group will strive for balance between the realization of a sustainable society and the achievement of its sustainable growth by promoting these priorities, while communicating with patients, medical professionals, and other stakeholders.

Sustainability Priorities

The Terumo Group is working to resolve social issues, including issues in healthcare, and balance the realization of a sustainable society with sustainable growth of the Terumo Group, while taking the United Nations Sustainable Development Goals (SDGs) into account.

<table>
<thead>
<tr>
<th>Core Values</th>
<th>Sustainability Priorities</th>
<th>Related United Nations SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect — Appreciative of others</td>
<td>Ensuring occupational safety and promoting health</td>
<td>3, 8</td>
</tr>
<tr>
<td></td>
<td>Creating workplace environments where diverse associates can demonstrate their skills and abilities</td>
<td>5, 8</td>
</tr>
<tr>
<td>Integrity — Guided by our mission</td>
<td>Promoting compliance</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Reducing the environmental impact of our business operations</td>
<td>7, 13, 15</td>
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<td></td>
<td>Promoting responsible procurement</td>
<td>16</td>
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<td></td>
<td>Building relationships of trust through dialogue with stakeholders</td>
<td>17</td>
</tr>
<tr>
<td>Care — Empathetic to patients</td>
<td>Improving access to healthcare</td>
<td>2, 17</td>
</tr>
<tr>
<td>Quality — Committed to excellence</td>
<td>Ensuring the safety and quality of products and services</td>
<td>3, 12</td>
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<td></td>
<td>Managing supply chains that support stable supply</td>
<td>5, 12, 17</td>
</tr>
<tr>
<td>Creativity — Striving for innovation</td>
<td>Resolving healthcare challenges through innovation</td>
<td>4, 17</td>
</tr>
</tbody>
</table>
Sustainability Management

The purpose of the Corporate Sustainability Department is to coordinate and promote activities throughout the Group. Working together with related departments, committees, and Group companies, the Corporate Sustainability Department sets action policies and priorities related to sustainability, finds ways to disseminate them throughout the Group, and promotes specific initiatives. It also interacts with internal and external stakeholders, sharing information and engaging in discussions, in order to understand the expectations of society for the Terumo Group and reflect them in its initiatives.

Participation in the United Nations Global Compact

In 2012, Terumo became a signatory to the United Nations Global Compact. This action reflects Terumo’s agreement with the Ten Principles of the compact, which relate to human rights, labor practices, the environment, and anticorruption measures. Under the Group mission of “Contributing to Society through Healthcare,” the Terumo Group is striving to practice these principles throughout the course of its business operations.

Human Rights Initiatives

On Human Rights Day on December 10, 2019, we established the Terumo Group Human Rights Policy. This policy was designed as a clear declaration to society of the Terumo Group’s position and responsibilities toward ensuring respect for human rights and as a guide for actions for living up to the expectations of society with this regard. The policy supports and respects the United Nations Guiding Principles on Business and Human Rights. As a company that provides products and services relating to the lives and health of people, the policy identifies the importance of human rights, prioritizing specific themes such as creating safe and worker-friendly environments, complying with fair labor practices, and ensuring the quality and safety of products and services. We also request that our business partners practice respect for human rights based on the Terumo Group Procurement Policy and the Supplier Guidelines. Through this dedication to human rights, the Terumo Group aims to earn widespread trust from society and contribute to the realization of a sustainable society.

For more information on Terumo’s sustainability initiatives, please refer to the website below:
https://www.terumo.com/sustainability/reports/
Mr. Masaichi Nakamura joined Tetsuzo Ota & Co. in 1983. After taking up a position as a partner of Showa Ota & Co., he went on to become an executive director and eventually representative partner and vice president of Ernst & Young ShinNihon LLC. Mr. Nakamura established Masaichi Nakamura CPA Office in 2016, assuming the position of its representative. After assuming concurrent positions as external corporate auditors and outside directors at different companies, he became an independent director at Terumo Corporation in June 2019.

Mr. Soichiro Uno joined Nagashima & Ohno (currently Nagashima, Ohno & Tsunematsu) in 1988. Going on to pass the bar exam in the State of New York, he became a partner at this firm in 2000. In the years that followed, Mr. Uno held concurrent positions as Audit & Supervisory Board member and directors at other companies before becoming an independent director at Terumo Corporation in June 2019.
—— Given that Terumo Corporation is a Company with Audit and Supervisory Committee, what approach do you take toward auditing and supervising management at meetings of the Board of Directors?

Uno:
At meetings of the Audit and Supervisory Committee, we audit and supervise management, particularly decision-making by the Board of Directors and operational execution by directors. In regard to deliberations on proposals raised at Board of Directors meetings, it is important to consider whether decisions on what proposals are raised to the Board of Directors are being made appropriately, whether all directors fully understand proposals, and whether sufficient discussion is taking place at Board meetings.

With regard to the appropriateness of decisions regarding the proposals raised, proposals are given proper attention; it is not the case that directors are unable to fully digest proposals due to their sheer volume. This is true despite the fact that proactive discussions are taking place that look at a multitude of factors, recent examples of which include Groupwide production systems, IT systems, and human resources-related matters.

As for director understanding, pre-meeting explanations are thorough and well prepared, ensuring that directors effectively understand the proposals. At the same time, it feels as those pre-meeting explanations for certain proposals are intentionally simplified to make discussions at meetings of the Board of Directors more dynamic.

When it comes to discussions, the leadership of the Chairman of the Board is contributing to incredibly lively discussions with an atmosphere that is conducive to the free and open exchange of opinions. Sound opinions are exchanged from the specialized points of view of each director, and management displays an attitude that shows they are listening. For this reason, I would judge that discussions at meetings of the Board of Directors are functioning effectively.

—— What is your view on the risks facing Terumo from the perspective of its audit and oversight systems?

Nakamura:
Terumo’s growth is supported by the base formed through the stable earnings of its platform products, which have been forged through an ongoing process of refinement and improvement, and driven by its effective M&A activities. As Terumo has engaged in a number of such activities up until now, the portion of its sales that come from overseas is rising and its product lineup is becoming more diverse, as is its base of associates. These factors are strengths of Terumo, but they also represent risks.

In 2019, Terumo unveiled its Core Values,* which are the values it wants to share with all associates globally, and it has since deployed these values on a global scale. These values have helped foster a sense of solidarity and shared understanding at an increasingly diverse and global Terumo. In addition, Terumo has been focusing on strengthening global operations as a priority task in recent years. These efforts, I believe, are effective measures for mitigating the type of risk of which I speak.

Talking from my specialized perspective as an accountant, large-scale M&A activities entail the recording of large amounts of goodwill. Rather than only focusing on avoiding goodwill impairment risks immediately after an M&A, I would like to see Terumo continue to address these risks through post-merger integration from a medium-term perspective by strengthening global operations.

—— What do you see as the role of the Audit and Supervisory Committee in improving the effectiveness of corporate governance at Terumo?

Nakamura:
The Audit and Supervisory Committee members of a Company with Audit and Supervisory Committee differ from the auditors of a Company with Company Auditor(s) in that they also have voting rights at meetings of the Board of Directors as directors. In addition, they are able to issue orders to internal control divisions and voice opinions regarding the appointment, dismissal, resignation, and compensation of executive directors. It is, of course, important to confront any executive director found to be engaged in misconduct with resolute opposition. However, I also believe that independent directors have a role in preventing misconduct by executive directors under normal circumstances. This role is played through effective coordination with internal control divisions and the application of an objective, overarching perspective. By fulfilling this role, I hope to contribute to the soundness of the executive team.
Uno:

It is hard to compare different companies as the differences in their business models make all-encompassing statements impossible. What I can say is that Terumo has a very clear business model, providing medical devices and other products that support the healthcare industry, as well as unique businesses that only a limited number of employees are privy to. This model makes for low risks of scandals and similarly decreases the need for auditing. Furthermore, the healthcare industry is subject to rigorous regulation. Another characteristic of Terumo is thus that it has high levels of legal and other compliance. However, as Mr. Nakamura stated, the Terumo Group contains a number of overseas subsidiaries acquired through its many global M&A activities. Going forward, I hope to continue promoting efficient coordination between the auditing divisions of Terumo Corporation and those of overseas subsidiaries in conjunction with the Group’s global expansion and future growth will become increasingly more important. This will, therefore, be a task requiring attention going forward.

--- How would you evaluate Terumo’s corporate governance systems? Also, what do you see as issues that will need to be addressed in the future?

Nakamura:

Independent directors on the Board of Directors have a diverse range of insight and experience, making for effective discussions. Meanwhile, the majority of internal directors are executive officers from corporate divisions, as opposed to from business divisions, contributing to strong monitoring functions in the Board of Directors.

As for future issues, as overseas operations come to represent a larger portion of the Company’s overall business, I think it would be a good idea to look at appointing a director who is capable of viewing global management from a perspective outside of Japan. Regarding inside directors, to further enhance monitoring functions in the Board of Directors, it might also be beneficial to implement frameworks for more proactive job rotations in order to endow the executive officers and management-level associates that will serve as candidates for future director positions with a more diverse range of business experience.

--- From the perspective of an independent director, what are Terumo’s strengths?

Nakamura:

This might be a bit abstract, but the Terumo Group’s mission of “Contributing to Society through Healthcare” is highly compatible with the concept of corporate social responsibility. This mission has served to foster a sense of solidarity within the Group, which has provided the foundation supporting its strengths.

Uno:

Medical devices are a field with a lot of potential. Terumo has a number of products that boast high market shares in this field, and this is certainly a strength of its business. I see potential for aggressive business expansion to be advanced in fields in which Terumo specializes as well as fields peripheral to those based on the Company’s strong relationships with medical institutions and healthcare professionals. I look forward to seeing Terumo capitalize on this potential.

Nakamura:

Terumo strengths are underpinned by the strong trust that the healthcare industry has for its products. At the same time, its growth is supported by its swift and flexible responses to the differing market characteristics between regions and business segments. Another factor supporting growth is the fact that it allows the companies welcomed into the Group through M&A activities the freedom to select integration patterns that match the characteristics of their regions, businesses, and management structures while still having in place a Groupwide executive management organization.
— What are your thoughts with regard to your personal role in the Board of Directors?

Nakamura:
I am not satisfied to simply offer technical opinions as a specialist in accounting and auditing at meetings of the Board of Directors, the Audit and Supervisory Committee, and other committees. I therefore endeavor to offer input from a wider variety of perspectives based on my specialized skills. For example, I try to chime in on the appropriateness of discussion processes leading up to decisions, whether decisions are appropriate given changes in the operating environment, and the adequacy of the executive team’s response post decision.

Uno:
As a legal specialist, I believe that I am expected to fulfill the role of confirming whether internal control systems are functioning sufficiently and whether proposals have any serious oversights from a legal perspective. As an officer and legal advisor to other companies, I am in the position to observe a wide variety of companies. Internal control systems can vary a lot by company based on the characteristics of the company and its business, how global it is, its officer team, and whether it has major shareholders. Given that Terumo’s business model is clear, I believe that the Company’s internal control systems are functioning effectively. As the Terumo Group grows more global going forward, I hope to play a role in ensuring it can install efficient controls that function on a Groupwide basis from my perspective as a legal expert.

— In closing, what are your anticipations for Terumo going forward?

Uno:
Before becoming an independent director at Terumo, I had the impression that Terumo was an earnest company. That impression has not changed today. This very serious culture of Terumo permeates everything it does, from the lectures it provides independent directors on the Company and its thorough explanations prior to meetings of the Board of Directors to the discussions that take place therein. I hope this culture will remain a constant at the Company going forward. At the same time, I want Terumo to boldly tackle new business challenges in medical devices and peripheral fields through digitization and other means. I look forward to seeing Terumo, through such ambitious endeavors, fulfill its mission of “Contributing to Society through Healthcare” as a medical device manufacturer that Japan and the entire world can be proud of.

Nakamura:
People gain experience and become wiser with each coming year, but they also become more stubborn and prone to being blinded by preconceptions. Companies are the same. They grow with time, but as their organizations tend to become bloated, they also become rigid and unable to make swift decisions.

Terumo is rapidly approaching its centennial anniversary, at which it could be said to be an “old” company. In its “senior” years, I hope that Terumo will be able to maintain a vibrant “youthful” corporate culture that is receptive toward diversity along with flexible organizations as it grows to become a top global brand while “being a global corporation with unique excellence” as described in its mid- to long-term vision.

* For more information on the Core Values, please refer to the back cover.
Basic Stance on Corporate Governance

- 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.

Corporate Governance Structure

* Audit and Supervisory Committee members are directors, and have voting rights in the Board of Directors meetings. The majority of the Audit and Supervisory Committee is constituted by independent directors. The Audit and Supervisory Committee serves the function of auditing and supervising the directors and the Board of Directors.
Corporate Governance Structure

Terumo adopted the organizational design of a Company with Audit and Supervisory Committee, as described in the Companies Act of Japan, to achieve the following goals, further strengthen its corporate governance framework, and to enhance its medium-to long-term corporate value.

1. Strengthen audit and supervisory functions
   The members of the Audit and Supervisory Committee shall have voting rights in 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 by reflecting opinions of the independent directors, which represent 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 through a shift toward a monitoring-based approach for the Board.

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.

Board of Directors

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.

Members

- 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.

Audit and Supervisory Committee

Roles

- 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.

Members

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

The Company actively appoints independent directors to improve the diversity of the Board of Directors and to ensure highly effective discussions. Support systems are being enhanced to enable independent directors to better incorporate their talents and experience into the oversight of management.

- To assist the independent directors in quickly gaining the understanding necessary of the Company to fulfill their duties as directors, at the time of their appointment we provide opportunities to receive explanations on the Company, its businesses, and its medium-term management plans from the President and business representatives.
- Once appointed, independent directors may take part in an annual training program designed to enable them to continue acquiring the legal and industry knowledge required of directors. In addition, independent directors are given the opportunity to visit and observe workplaces and factories in Japan and overseas in order to develop a better understanding of the Company and its business.
- Explanations of the items on the agenda for discussion at meetings of the Board of Directors are provided to independent directors prior to the meetings to enable them to gain a better understanding of these items and to facilitate more substantial discussions at Board meetings (in principle, explanations will be provided by a representative from a division proposing each item two days prior to the Board meeting).
- All independent directors are provided with tablets to enable the safe and timely sharing of materials pertaining to the Board of Directors meetings as well as other internal information.

Committees

<table>
<thead>
<tr>
<th>Committees</th>
<th>Role/Structure</th>
<th>Chairperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nomination Committee</td>
<td>The Nomination Committee shall, as an advisory body to the Board of Directors, deliberate on the following matters. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.</td>
<td>Independent director</td>
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<tr>
<td></td>
<td>– Matters concerning successors to the positions of President and Chairman of Terumo Corporation, which is one of the most important duties of the Board of Directors</td>
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<td></td>
<td>– Matters concerning the appointment and dismissal of directors and executive officers</td>
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<td></td>
<td>The Committee shall be comprised of directors selected by the Board of Directors. Independent directors shall account for a majority of Committee members.</td>
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<tr>
<td>Remuneration Committee</td>
<td>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.</td>
<td>Independent director</td>
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<tr>
<td></td>
<td>– Matters concerning the remuneration for directors and executive officers (Policy for determining remuneration amount or calculation method thereof)</td>
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<td></td>
<td>– 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</td>
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<tr>
<td></td>
<td>The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee.</td>
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<tr>
<td>Corporate Governance Committee</td>
<td>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. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.</td>
<td>Independent director</td>
</tr>
<tr>
<td></td>
<td>– Basic matters concerning corporate governance</td>
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<tr>
<td></td>
<td>– Important matters concerning the establishment, design, and operation of the corporate governance system</td>
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<tr>
<td></td>
<td>– Other important matters that are highly relevant to corporate governance such as improvement of the system in the field of environment and society and efforts to enhance sustainability</td>
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<tr>
<td></td>
<td>– 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</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee.</td>
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</tr>
<tr>
<td>Internal Control Committee</td>
<td>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.”</td>
<td>President and CEO</td>
</tr>
<tr>
<td></td>
<td>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.</td>
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</tr>
<tr>
<td>Risk Management Committee</td>
<td>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.</td>
<td>President and CEO</td>
</tr>
<tr>
<td></td>
<td>The Committee shall be comprised of executive officers ranked Managing Executive Officer or above, Internal Control Department managers, and a person designated by the chair.</td>
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</table>
Selection of Directors

Policy

In selecting candidates for directors, with the aim of creating an ideal Board of Directors, Terumo considers the diversity of the composition of the Board in order to give the Board relative base strength with broad experience and skills (industry experience, management capability, etc.), which are necessary for the Board to engage in good discussions and decision making.

Candidates for internal 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.”

Internal regulations for appointment of independent directors stipulate that independent directors shall be selected from persons with extensive experience in management, international business, the practice of medicine, or other specific areas of expertise and that these individuals must be able to contribute to management and to improved corporate governance and be able to offer their frank opinions. The regulations also require the consideration of the diversity of independent directors, including, to the extent possible, their backgrounds, expertise, gender, and other characteristics as appropriate.

With regard to independent directors who serve as Audit and 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.

Procedure

The Nomination Committee shall discuss potential candidates for directors and the appropriateness of each director’s reappointment, and present the results of these discussions to the Board of Directors. This process is intended to eliminate arbitrariness and to ensure the sound selection of candidates.

If a situation arises that leads to serious concerns over the performance of a director’s duties, the Nomination Committee may immediately propose to the Board of Directors that necessary measures be taken even during one’s term of office.

Independent directors shall be subject to the requirements of the Director Independence Standards. The Nomination 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 the 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.
Selection and Cultivation of Successor to the President (Succession Plans)

The Board of Directors has established the Nomination Committee as an organization overseeing the process of selecting and cultivating successors to the president in recognition of the fact that the selection of successors to the president is one of the most important duties for the Board of Directors, and the Committee’s activities are monitored by the Board of Directors. The process of selection and cultivation of successors to the president is clearly stated in internal regulations. With regard to selecting a successor to the president, the president shall propose a “Succession Plan” listing more than one candidate and a plan for their cultivation within a specified period of time. The Nomination Committee shall consider the successor candidates in accordance with the procedures stipulated in the internal regulations.

From the point of view of cultivating future successor candidates, the president shall also submit a “Next-Generation Executives’ Development Plan” naming several persons with the potential to become future executives to the Nomination Committee within a specified period of time, and shall thereafter continue to report on the status of these candidates’ cultivation to the Committee as appropriate.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors conducted a self-evaluation concerning its effectiveness during fiscal 2019, for the purpose of further improving effectiveness and functionality of the Board.

The Board evaluation process included anonymous questionnaires completed by each director and individual interviews with certain members of the Board of Directors and the secretariat of the Board. In order to draw out frank opinions and ensure objectivity, the process of collecting questionnaires, conducting individual interviews, and analyzing them were facilitated by outside consultants.

Upon receiving the report from outside consultants, the performance of the Board was discussed and evaluated by the Corporate Governance Committee, of which the majority of the members are independent directors. Subsequently, all members of the Board discussed major findings from the survey and agreed on the actions to take, which will be reflected in the operations of the Board and each committee in fiscal 2020.

Process for Evaluation of the Effectiveness of the Board of Directors at Meetings

1. Self-evaluation of the effectiveness of the Board of Directors in the given fiscal year (questionnaires, individual interviews)
2. Compilation of results by outside consultants
3. Discussion and evaluation by the Corporate Governance Committee
4. Confirmation of results and discussion of priority issues for the next fiscal year by the Board of Directors
5. Reflection of response measures and priority issues in operations of the Board of Directors and committees in the next fiscal year
Fiscal 2018 Evaluation Results and Fiscal 2019 Response Measures

The areas for improvement identified as requiring further attention by the fiscal 2018 evaluation of the effectiveness of the Board of Directors and the measures taken are as follows:

<table>
<thead>
<tr>
<th>Areas for improvement</th>
<th>Measures of Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussion of long-term corporate strategies and directives based future innovations and healthcare industry trends</td>
<td>Strategic discussions in the areas of global manufacturing strategy, global talent management, and Asian market strategy took place. Long-term business portfolios, technology innovations, and monitoring systems pertaining to global governance were discussed as these topics relate to long-term management directives.</td>
</tr>
<tr>
<td>Discussion of Board of Directors composition and diversity and foster shared understanding of policies regarding appointment of directors</td>
<td>Discussions were held centered on the Nomination Committee with regard to the composition of the Board of Directors in fiscal 2020.</td>
</tr>
<tr>
<td>Development of onboarding support systems for independent directors and redefinition of roles</td>
<td>A broader range of education and training opportunities for new independent directors were provided sooner after joining than previously, and these efforts were recognized as enabling new external directors to swiftly begin making contributions to the Board of Directors.</td>
</tr>
</tbody>
</table>

Summary of Results of Fiscal 2019 Evaluation

Based on the following major findings from the evaluation, the Board of Directors concluded that initiatives for improving the Board’s effectiveness have been steadily progressing and that the audit, supervisory, and monitoring functions of the Board are efficient.

- The Board of Directors appropriately delegates authority to management and monitors business risks properly.
- Independent directors attend meetings of advisory committees to the Board of Directors and serve as the chairpersons of these committees, contributing to transparent and effective operation of these committees.
- Internal and independent directors possess a variety of insight and experience, allowing for effective and open discussions at meetings of the Board of Directors.

Areas for Improvement

In addition to the aforementioned results, the Board of Directors identified the following areas to be improved.

- Improvements are needed to the proceedings of Board of Directors meetings to secure sufficient time for discussion as changes in the healthcare industry and progress in digital technologies warrant additional opportunities for discussing medium- to long-term corporate strategies and directives.
- Ongoing improvements are needed in the monitoring functions of the Board of Directors in relation to overseas risk management (production, quality, compliance, etc.).
- Continuous discussion is necessary regarding the ideal composition of the Board of Directors going forward.
- There is a need to clarify the roles of advisory committees and adjust their composition.

In fiscal 2020, the Board of Directors and committees will implement measures regarding areas of improvement, including those listed above, and will discuss and implement measures to further improve the effectiveness and functionality of the Board.

Executive Compensation

Policy and Framework

<table>
<thead>
<tr>
<th>Fixed remuneration</th>
<th>Performance-linked remuneration (bonuses)</th>
<th>Restricted stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate risk-taking by management</td>
<td>Shared awareness of profits with shareholders</td>
<td>Appropriate balance</td>
</tr>
<tr>
<td>Motivation for improving medium- to long-term corporate value</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Policies for Targets and Compensation Types

1. Overall Distribution

| Executive directors (all) | Fixed remuneration 50% | Performance-linked remuneration (bonuses) 30% | Restricted stock 20% |

* The higher the rank of the director (with the President ranked highest), the higher the ratios of performance-linked remuneration (bonuses) and restricted stock to the total amount of remuneration.
2. Performance-Linked Remuneration (Bonuses)

(1) Summary of Purpose and Calculation Method

Performance-linked remuneration (bonuses) is issued for the purpose of motivating directors to achieve sustainable growth and improve annual performance and therefore has been adopted as a performance indicator.

**Companywide Performance Indicators**
(Consolidated revenue, operating profit, and EPS)

**Overseen Department(s)/Individual Performance Indicators**
(Revenue and adjusted operating profit of overseen department(s) and individually set targets)

Bonuses calculated by multiplying evaluation coefficients determined based on above evaluation indicators by standard bonus amount set for each position.

(2) Indicator Targets and Scale of Fluctuation

<table>
<thead>
<tr>
<th>Policy/Target</th>
<th>Scale of fluctuation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Companywide performance indicators</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Accomplishment of initially set target defined as 100% for evaluation coefficient</td>
</tr>
<tr>
<td>Operating profit</td>
<td>Year-on-year increase in three-year moving EPS average growth rate (profit increase rate per share) set as evaluation index for EPS for the purposes of further emphasizing shareholders’ perspective and encouraging pursuit of sustainable profit growth</td>
</tr>
<tr>
<td>EPS</td>
<td>Year-on-year increase in three-year moving EPS average growth rate (profit increase rate per share) set as evaluation index for EPS for the purposes of further emphasizing shareholders’ perspective and encouraging pursuit of sustainable profit growth</td>
</tr>
<tr>
<td><strong>Overseen department(s) / individual performance indicators</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue of overseen department(s)</td>
<td>Accomplishment of initially set target defined as 100% for evaluation coefficient</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>Evaluation coefficient to be adjusted within range of 0% to 150% based on degree of accomplishment of targets in order to provide healthy motivation for improving performance</td>
</tr>
<tr>
<td>Individually set targets</td>
<td>Targets initially set with regard to important measures</td>
</tr>
</tbody>
</table>

(3) Evaluation Index Results (Fiscal 2019)

The evaluation coefficients pertaining to Companywide performance indicators in fiscal 2019 were 89% for revenue, 110% for operating profit, and 129% for EPS, which resulted in an average of 109% for these three coefficients.

<table>
<thead>
<tr>
<th>Evaluation index</th>
<th>Initial forecast</th>
<th>Performance</th>
<th>Evaluation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥635.0 billion</td>
<td>¥631.8 billion*</td>
<td>89%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥109.0 billion</td>
<td>¥113.3 billion*</td>
<td>110%</td>
</tr>
<tr>
<td>EPS</td>
<td>7.8% three-year moving EPS average growth rate (10-year average)</td>
<td>12.0% three-year moving EPS average growth rate</td>
<td>129%</td>
</tr>
</tbody>
</table>

Average for evaluation coefficients pertaining to Companywide performance indicators in fiscal 2019: 109%

*Figures are calculated using foreign exchange rates employed when formulating initial targets.

(4) Policy and Ratios for Evaluation Indicators for Each Director Position (Executive Directors)

- Chairman/CEO: Evaluation based only on Companywide performance indicators
- Directors with business responsibilities: High weight assigned to overseen department(s) / individual performance indicators
- Directors with functions / regional responsibilities: High weight assigned to Companywide performance indicators

<table>
<thead>
<tr>
<th>Director position</th>
<th>Companywide performance indicator weight</th>
<th>Overseen department(s) / individual performance indicator weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman/CEO</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Directors with business responsibilities</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Directors with functions / regional representative</td>
<td>71~80%</td>
<td>29~20%</td>
</tr>
</tbody>
</table>
3. Restricted Stock

In order for executive directors to share the benefits and risks of stock price movements with shareholders and further enhance their desire to contribute to rises in stock prices and to the improvement of corporate value, a restricted stock system was adopted in fiscal 2019. Under the concept “sharing awareness of profits with shareholders over the 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 compensation.

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.

Independent directors shall account for the majority of Remuneration Committee members and the chair shall be elected from among the Committee members who are independent directors.

As approved at the 100th Annual General Meeting of Shareholders held 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, bonuses, and stock options). Thereafter, at the 104th Annual General Meeting of Shareholders held on June 21, 2019, a total annual limit of ¥200 million was set for restricted stock 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 held on June 24, 2015. Thereunder, the procedure for determining remuneration is as follows.

- **Fixed remuneration**
  Within the approved remuneration limit, remuneration for directors, excluding members of the Audit and Supervisory Committee, is decided by resolution of the Board of Directors, and remuneration for Audit and Supervisory Committee members is decided through discussions among the Audit and Supervisory Committee members.

- **Bonuses, restricted stock (stock options)**
  Bonuses and restricted stock (stock options) are approved 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.

### Remuneration to Directors

<table>
<thead>
<tr>
<th>Position</th>
<th>Total value of remuneration (¥ million)</th>
<th>Total compensation by type (¥ million)</th>
<th>Number of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed remuneration</td>
<td>Restricted stock</td>
<td>Bonuses</td>
</tr>
<tr>
<td>Directors (excluding Audit and Supervisory Committee members and independent directors)</td>
<td>512</td>
<td>230</td>
<td>112</td>
</tr>
<tr>
<td>Audit and Supervisory Committee members (excluding independent directors)</td>
<td>41</td>
<td>41</td>
<td>—</td>
</tr>
<tr>
<td>Independent directors</td>
<td>76</td>
<td>76</td>
<td>—</td>
</tr>
</tbody>
</table>

(Reference) Activities by the Board of Directors and Committees in Recent Fiscal Years as Part of the Process for Deciding Remuneration of Directors

<table>
<thead>
<tr>
<th>Date</th>
<th>Organization</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 7, 2019</td>
<td>Remuneration Committee</td>
<td>Discussion on stock options for directors and executive officers living overseas</td>
</tr>
<tr>
<td>January 23, 2020</td>
<td>Remuneration Committee</td>
<td>Discussion on director remuneration composition for fiscal 2020</td>
</tr>
<tr>
<td>February 6, 2020</td>
<td>Board of Directors</td>
<td>Resolution on director remuneration composition for fiscal 2020</td>
</tr>
<tr>
<td>May 14, 2020</td>
<td>Remuneration Committee</td>
<td>Discussion on policies for performance evaluations and director remuneration for fiscal 2020</td>
</tr>
</tbody>
</table>
Holding of Shares in Other Companies for Strategic Purposes

Terumo stipulates the following in its Terumo Corporate Governance Guidelines regarding Securing Shareholders' Rights and Equality.

3. Securing Shareholders' Rights and Equality

(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 rationales for each such holding using a medium- to long-term perspective on an annual basis. Terumo shall disclose holding securities as specified equity securities in the Annual Securities Report unless selling them.
- Terumo shall exercise its voting rights taking into consideration the impact of its voting on the corporate value of Terumo and the company in which Terumo has invested.

For more information on the Terumo Corporate Governance Guidelines, please refer to the website below:
https://www.terumo.com/about/governance/
With the goal of realizing its Group mission of "Contributing to Society through Healthcare," the Terumo Group conducts honest and fair business practices and fosters the high ethical standards expected of a healthcare company.

### Basic Approach

Earning the trust of society is critical for Terumo to continue to fulfill its Group mission of "Contributing to Society through Healthcare." Terumo, together with all of its associates, strives to protect its reputation, which is an invaluable asset, and to further build trust with society. To achieve this, every Terumo associate must make the right decisions and do the right things. The Terumo Group Code of Conduct is a guide to help Terumo associates make the right decisions in their everyday actions.

Terumo makes every effort to ensure that all associates around the world, not only directors and officers, engage in fair business practices, abide by laws and regulations, and follow the highest ethical standards when serving all stakeholders, including the patients and healthcare professionals that use our products, and when practicing social responsibility, always keeping this Code of Conduct in mind. For this purpose, Terumo has established an environment that enables associates to better understand the importance of the Code of Conduct through means such as constantly providing training tailored to each workplace.

### Compliance System

At Terumo, the Internal Control Committee, which is responsible for enacting the Internal Control System of the Terumo Group in accordance with the Internal Control System Design Basic Policy approved by 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 and Supervisory Committee.

Under the leadership of the Chief Legal Officer (CLO) and centered on the Legal and Compliance Department, we create compliance-related rules, perform training and education, and conduct monitoring to quickly discover and ascertain compliance issues through coordination with the compliance officers who are in charge of promoting compliance-related activities at each Group company.

In the event that any significant compliance violations occur, a response team shall be immediately organized under the direction of the Chairman of the Internal Control Committee, and that team shall, in addition to handling and resolving the matter, report and make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

### Compliance Education

Terumo conducts compliance education with the aim of improving compliance awareness among all associates and ensuring understanding of and compliance with relevant laws and regulations.

### Major Compliance Training Programs (Terumo Corporation)

<table>
<thead>
<tr>
<th>Theme</th>
<th>Scope of participation</th>
<th>Format</th>
<th>Subjects</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terumo Group Code of Conduct</td>
<td>All directors, officers, and</td>
<td>E-learning program</td>
<td>Training on the Terumo Group Code of Conduct</td>
<td>Once a year</td>
</tr>
<tr>
<td></td>
<td>associates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antitrust and anti-corruption</td>
<td>All directors, officers, and</td>
<td>E-learning program</td>
<td>Fair transactions and prevention of corruption in business activities</td>
<td>Once a year</td>
</tr>
<tr>
<td></td>
<td>certain associates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interactions with healthcare professionals</td>
<td>Associates in sales branches and Companies</td>
<td>Branch training E-learning program</td>
<td>Maintenance of appropriate relations with healthcare professionals</td>
<td>At least once a month</td>
</tr>
<tr>
<td>Level-based training</td>
<td>Associates at specific levels</td>
<td>Group training</td>
<td>Compliance education as part of training for early-career associates and associates being promoted to mid-level and management positions</td>
<td>Once a year</td>
</tr>
<tr>
<td>Officer training</td>
<td>Officers</td>
<td>Group training</td>
<td>Compliance education</td>
<td>Every two-three months</td>
</tr>
</tbody>
</table>
Major Compliance Initiatives

Whistle-Blowing System
When we encounter any compliance issues, it is important to promptly take the appropriate measures, such as investigation, preventive action, disciplinary action, and/or recurrence prevention. For this reason, we have established the Group Compliance Violations Reporting and Anti-Retaliation Policy, which urges associates to promptly report any compliance-related issues internally while ensuring that they will not suffer any retaliation as a result.

Based on this policy, Terumo has established and operates a whistle-blowing system through which associates can make reports or receive consultation with regard to compliance violations. Through this system, associates can contact internal venues, legal advisors, or external reporting venues operated by independent third-party organizations via email, mail, telephone, or other means. In addition, a whistle-blowing system relating to the Board of Directors was established in July 2017, enabling associates to contact the Audit and Supervisory Committee.

Prevention of Harassment
Terumo’s work regulations in Japan explicitly forbid abuses of power and sexual harassment, regardless of gender orientation or gender identification (members of the LGBT community), as well as activities intended to put individual associates at a disadvantage due to reasons such as pregnancy, or roles as a parent or caregiver. In addition, with clearly indicating our stance toward harassment, we have established a harassment intranet page where associates in Japan will find our Harassment Prevention Guidelines. From fiscal 2017, December–January has been designated as a period for promoting harassment prevention awareness in Japan. Initiatives during this period include the transmission of messages, administration of surveys, and conducting of e-learning programs for all associates. Managers, meanwhile, periodically attend training sessions that provide examples of harassment relevant to daily business activities. These activities are examples of our ongoing efforts to raise harassment prevention awareness.

Furthermore, a new intranet page detailing our efforts to ensure rigorous compliance was established in April 2020. On this page, associates will find information on our stance toward earnestly embracing compliance and concrete examples of compliance violations and countermeasures. This information is designed to facilitate increased understanding and risk sensitivity among associates.

Appropriate Relationships with Healthcare Professionals
Terumo abides by the Fair Competition Code of the Japan Fair Trade Council of the Medical Devices Industry, the Promotion Code of the Japan Federation of Medical Devices Associations, and other industry regulations to ensure that it follows appropriate practices in promoting medical devices and pharmaceuticals to healthcare professionals. We have also established internal rules for this purpose.

Furthermore, the Group Ethical Interactions with Healthcare Professionals Policy was established based on the principles of the codes of ethics of reputable industry associations in the regions in which the Group operates, to guide us in maintaining appropriate relationships with healthcare professionals.
Basic Approach

Products and services powered by digital technologies are on the rise, particularly among technological forerunners in the United States. The healthcare industry is no exception as the digitization trend gains speed on a global basis.

Meanwhile, DX Report: Overcoming of “2025 Digital Cliff” Involving IT Systems and Full-fledged Development of Efforts for DX, which was published by the Ministry of Economy, Trade and Industry, sounds the alarm with regard to the obstacles to digitization in Japan created by the aging of the core systems of domestic companies. The report states that, if these companies are unable to redevelop their core systems by 2025, the digitization trend will be stifled, which would have a negative impact on the Japanese economy. This issue is referred to as the “2025 Digital Cliff.”

The Terumo Group faces issues with this regard in terms of its aging core systems and a lack of consistency in IT infrastructure among bases worldwide. Accordingly, we formulated a roadmap for global IT strategies in 2015. This plan is based on the three pillars of development of global IT foundations, promotion of digitization, and renovation of information security systems.

Efforts for the development of global IT foundations include advancing a project to integrate aged, non-standard core systems into the platform of SAP. Through this project, we aim to upgrade and globally integrate core systems by 2024 in order to consolidate the management of business data and improve the efficiency of operations on a worldwide scale. Meanwhile, the promotion of digitization will be advanced in in-house systems as we seek to acquire artificial intelligence and other state-of-the-art technologies and build digitization promotion frameworks. In regard to the renovation of information security systems, we are drastically redeveloping current information security frameworks to combat the rising cyberattack risks.

In this manner, we are steadily advancing preparations for digitization by redeveloping and integrating existing IT platforms and information security systems on a global level.

Message from the CIO

Embracing IT and promoting digitization on a global scale requires coordination among the entire Terumo Group, including the IT staff of overseas subsidiaries.

The Terumo Group has incorporated a number of overseas subsidiaries through mergers and acquisitions, and the IT infrastructure of these subsidiaries varies by company to company. In 2014, there was no consistency between the IT policies of Group companies due to this situation coupled with a lack of communication between the IT divisions of the head office and those of overseas subsidiaries.

To address this insufficiency, Terumo established the CIO Office in 2015, signaling the start of efforts to develop global IT governance systems. Since then, the CIO Office has played a central role in an ongoing, Groupwide process of discussion on various IT-related issues from short-, medium-, and long-term perspectives at global IT committee meetings held four times a year. At first, there were cases in which consensuses could not be reached, but we were able to meld our various opinions together through the pursuit of synergies, thereby moving toward global IT policies.

Today, we are engaged in initiatives pertaining to the three pillars of our global IT strategies, which pertain to a project to integrate global systems in the platform of SAP, the examination of methods of employing digital technologies, and the renovation of information security systems. These initiatives are being advanced by forming organizations centered on junior and mid-level associates at bases worldwide.

Going forward, we will continue to outpace our peers in our efforts to embrace IT and promote digitization by strengthening IT governance systems in a bid to contribute to development of the Terumo Group.

Katsuya Takeuchi

Executive Officer
Chief Information Officer (CIO)
**Business Risks**

The Company has established the Group Risk Management Policy to guide responses to various internal and external risk factors, and organizational systems and risk factor-specific response measures are put in place accordingly. The major risk factors that could negatively impact the Company’s operating results and financial position are as follows.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes in Government Healthcare Policies</strong></td>
<td>In the healthcare industry, governments in Japan and overseas continue attempts to control health expenditures while implementing system reforms to enhance the quality of healthcare. The Company constantly analyzes the government healthcare policies of the countries in which it operates in order to furnish the necessary responses through coordination between relevant internal divisions and stakeholders. However, large scale amendment in healthcare policies exceeding expectations resulting in rapid changes in the operating environment could affect the Company’s operating results and financial position.</td>
</tr>
<tr>
<td><strong>Stable Supply-Related Risks</strong></td>
<td>Terumo has established business continuity plans (BCPs) pertaining to material procurement in order to develop sustainable value chains that ensure stable supply of high-quality products to medical settings. In addition, Terumo has been enhancing quality control, compliance, environmental health and safety related initiatives, etc. through various actions including development of systems for collaboration with business partners. However, in case malfunction of the stable supply systems continues for an extended period of time exceeding expectations, the Company’s operating results and financial position could be affected.</td>
</tr>
<tr>
<td><strong>Quality-Related Risks</strong></td>
<td>Terumo develops its business on a global scale. For this reason, it is enhancing compliance with legal and regulatory standards and specifications pertaining to pharmaceuticals and medical devices in the countries in which it manufactures and sells its products. It is also reinforcing its quality governance systems globally and developing and constantly improving quality control systems. In addition, internal audits are conducted to verify the status of legal compliance at each production site while quality control-related situations are periodically reviewed. To meet all the required standards, legal or otherwise, rigorous quality and production control provisions are put in place to ensure the quality, efficacy, and safety of its products. However, there are following potential risks which could lead to decrease in sales or rise in quality-related costs, and the Company’s operating results and financial position could be affected as a result. A. Risk of inability to comply in a timely manner with more rigorous legal or regulatory standards which could be newly implemented in the countries. B. Risk of recalls or temporary halts to product shipments due to quality-related issues with its products. C. Need for preventive measures or actions arising from cases in which there would be any medical accident and when Terumo anticipates possibilities that the risks might extend to its products in the future, even if direct involvement of its products is not confirmed.</td>
</tr>
<tr>
<td><strong>Discovery of New Medical Evidence</strong></td>
<td>As time passes in the healthcare industry, research findings can reveal evidence of previously unknown efficacies or risks of treatments, medical devices, or pharmaceuticals. The Company undertakes product development, business alliances, acquisitions, and other business initiatives based on thorough consideration of all potential risks and opportunities that can be predicted beforehand. Moreover, even after an initiative is started, the decision on whether to continue or discontinue the initiative is made based on analyses of new research reports or clinical data. However, should a product be found not to demonstrate the anticipated efficacy, or new issues or adverse effects be discovered with regard to the treatment previously thought to be effective, the Company’s operating results and financial position could be affected.</td>
</tr>
<tr>
<td><strong>Market Price Fluctuations</strong></td>
<td>In the domestic healthcare industry, Japanese government enacts biennial revisions to government reimbursements for drugs, medical treatment, and medical equipment covered by the national health insurance scheme as part of its measures to control health expenditures. In addition, intense competition and innovations in technologies both in Japan and overseas could serve to greatly lower market prices of products. Terumo takes measures to minimize the impacts of such risks through continuous reduction of manufacturing costs and sales expansion of highly value-added products. However, large fluctuations in market prices could adversely affect the Company’s operating results and financial position.</td>
</tr>
<tr>
<td><strong>Exchange Rate Fluctuations</strong></td>
<td>Because Terumo’s headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from the currencies of the respective countries into Japanese yen for the consolidated financial statements and other purposes. Fluctuations in the applied exchange rates could therefore influence conversion of those accounts into yen and result in either gain or loss for the Company. Steps are taken to minimize the impacts of these fluctuations through structural methods, such as by transferring production to overseas factories and importing raw materials, along with flexible utilization of contracts to hedge against exchange rate volatility for trade receivables. However, it is possible that large exchange rate fluctuations could affect the Company’s operating results and financial position.</td>
</tr>
<tr>
<td><strong>Changes in Accounting Policies and Taxation Systems</strong></td>
<td>The Company endeavors to incorporate future changes in accounting standards and taxation systems into business plans and growth strategies to the extent that they can be predicted beforehand. However, should new accounting standards or taxation systems be effective at a timing when it is difficult to acquire information in advance or should additional tax burdens be incurred due to difference in interpretation between tax authorities and the Company, the Company’s operating results and financial position could be affected.</td>
</tr>
</tbody>
</table>
### Capital and Business Alliances, Corporate Acquisitions

Capital and business alliances, corporate acquisitions, and other such measures have been positioned as one of the important strategies for strengthening business fundamentals. In undertaking such measures, the Company analyzes and evaluates the business potentials and takes steps to mitigate the projected risks and to ensure swift and efficient post-merger integration, etc. However, should a capital and business alliance, corporate acquisition, or other such measure fail to produce the expected benefits, the Company’s operating results and financial position could be affected.

### Risks Pertaining to Impairment Losses, Valuation Losses, and Business Reorganizations

Based on its mid- to long-term growth strategies, the Company pursues efficient utilization of management resources in its businesses and maximum return on investments. However, should the Company be unable to achieve the anticipated growth; impairment losses be recorded on goodwill, tangible or intangible assets; or losses might be incurred due to sale or liquidation of businesses, the Company’s operating results and financial position could be affected.

### Information Security- and IT System Management-Related Risks

The Company implements email countermeasures, unauthorized communication monitoring, and other initiatives to reinforce its security measures in order to protect information and IT systems through multiple layers of defense against external threats. Measures for protecting against internal threats include establishment of the global information security standards and rules, implementation of ongoing associate training, and measures to update or replace aged systems. However, should these security precautions fail to function, there might be risks of unauthorized access, leaks of personal or confidential information, or system failures, the Company’s operating results and financial position could be affected.

### Legal Proceedings

Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of Legal and Compliance, Intellectual Property, and other respective divisions as well as system of internal control. The management structure is also in place to ensure that the Board of Directors and the Audit and Supervisory Committee review situations as needed. However, if the Company were to be sued by a third party for damages, or an injunction against sales or any other major legal action were to be taken, the Company’s operating results and financial position could be affected.

### Pandemics, Epidemics, and Large-Scale Natural Disasters

Terumo has established Group BCP Policy to facilitate the implementation of proactive and reactive measures against global pandemics and epidemics as well as against earthquakes, hurricanes, and other natural disasters. In addition, various drills are carried out on a regular basis. However, the Company’s operating results and financial position could be affected if the impacts of such events exceed the projected scale. Against impacts due to the global COVID-19 pandemic, Terumo implemented following three basic policies for business activities, which have been formulated based on Group Mission, Core Values and Group BCP Policy:

- Secure associates health and safety
- Stable supply to sustain healthcare
- Proactive contribution to infection prevention and treatment

Furthermore, on April 1, 2020, the Company began implementing a number of measures to maintain flexible operations and to respond to the rapidly changing situations from the perspective of group-wide crisis management. These measures are to strengthen company management, such as securing financial health (liquidity), assessing performance and forecasts in a faster cycle, detailed expenditure management and discipline.

### Risks Related to the Environmental Health and Safety, and Compliance

In regard to compliance with laws pertaining to occupational health and safety, anticorruption, antitrust, and appropriate promotions targeting healthcare professionals as well as measures for addressing climate change and other environment issues, the Company implemented management systems that conform to international standards, pursues ongoing improvements to its activities and systems, and conducts education for associates. However, if these measures were unable to function sufficiently due to substantial changes to the laws of relevant countries or other factors impacting the Company or its stakeholders, there might be risks of serious legal violation or loss of trust in society and the Company’s operating results and financial position could be affected.

### Economic and Geopolitical Risks

Terumo supplies products to various countries. It is possible that economic recessions, subsequent contractions in demand, acts of terrorism, wars, or other unpredictable political changes could occur in the Company’s business domain. The company constantly reviews the political and economic situations of the countries, and in case of emergency, takes necessary actions keeping safety of human lives always as the top priority. However, the Company’s operating results and financial position could be affected if the impacts of such changes exceed the projected scale.

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**Disclaimer**

Performance and other forward-looking statements contained in materials disclosed by the Company are based on the information available as of March 31, 2020, and on judgments assumed to be rational. The Company does not promise the outlook projected. Actual performance may differ from projections based on a variety of factors. Material factors that may impact performance include economic conditions affecting the Company’s business domain, foreign exchange rate fluctuations, and competition.
Directors, Audit and Supervisory Committee Members, and Executive Officers

(As of September 1, 2020)

**Takayoshi Mimura**
Chaiman of the Board

- Apr. 1977 Joined Terumo Corporation
- Jun. 2003 Director and Executive Officer
- Jun. 2004 Director and Senior Executive Officer
- Jun. 2007 Director and Managing Executive Officer
- Apr. 2008 Group President of General Hospital Business Group, responsible for Domestic Sales Dept.
- Jun. 2009 Regional Representative, China and Asia
- Jun. 2010 Director and Senior Managing Executive Officer
- Aug. 2011 President and CEO, Terumo (China) Holding Co., Ltd.
- Apr. 2017 Chairman of the Board (present)

**Shinjiro Sato**
President and CEO

- Feb. 1999 Joined Arthur Andersen Business Consulting (currently PwC Japan Group)
- Jun. 2004 Joined Terumo Corporation
- Jun. 2010 Executive Officer, General Manager of Strategic Planning Dept.
- Oct. 2011 Group President of Cardiac and Vascular Business Group (currently President, Cardiac and Vascular Company)
- Jun. 2012 Senior Executive Officer
- Jun. 2014 Director and Senior Executive Officer
- Apr. 2015 Director and Managing Executive Officer
- Apr. 2017 President and CEO (present)

**Toshiaki Takagi**
Director and Senior Managing Executive Officer

- Apr. 1981 Joined Terumo Corporation
- Jun. 2008 Executive Officer
- Jun. 2009 General Manager of R&D Headquarters
- Jun. 2010 Director and Senior Executive Officer
- Jul. 2015 Chief Quality Officer (CQO)
- Apr. 2016 Director and Managing Executive Officer
- Apr. 2017 Responsible for Production Dept. (present) and Procurement Dept.
- Apr. 2018 Director and Senior Managing Executive Officer, responsible for Intellectual Property Dept. and Terumo Medical Pranex (present)
- [Executive Officer in charge of] Intellectual Property Dept.

**Shoji Hatano**
Director and Managing Executive Officer

- Apr. 1983 Joined Terumo Corporation
- Oct. 2011 General Manager of Strategic Planning Dept.
- Jun. 2012 Senior Executive Officer, General Manager of Strategic Planning Dept., responsible for Corporate Communication Dept. and Design Planning Dept.
- Apr. 2015 Managing Executive Officer
- Apr. 2016 President, General Hospital Company
- Jun. 2016 Director and Managing Executive Officer (present)
- Jan. 2017 Division President, Hospital Systems Division, General Hospital Company

**Kyo Nishikawa**
Director and Senior Executive Officer

- Apr. 1982 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)
- Apr. 2002 Human Resources Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
- Apr. 2008 General Manager, Hong Kong Branch, Mizuho Corporate Bank, Ltd.
- Apr. 2010 Executive Officer, Terumo Corporation
- Mar. 2012 General Manager, International Business Division Regional Representative, Eastern Europe, Russia, Middle East and Africa
- Jun. 2010 Executive Officer, Mizuho Corporate Bank, Ltd.
- Jun. 2012 Managing Director and BOD Chairman, Terumo Europe N.V.
- Apr. 2018 Senior Executive Officer (present)
- Apr. 2020 [Supervising Executive Officer for] Corporate Affairs Dept., Legal and Compliance Dept., Japanese Sales Management Dept., Terumo Call Center, Procurement Dept. (present) [Executive Officer in charge of] Corporate Communication Dept., Investor Relations Dept., Strategic Branding Dept., Corporate Sustainability Dept., Design Planning Dept., Environmental Management Dept. (present)
- Apr. 2020 [Supervising Executive Officer for] India and Asia Pacific Region (present) [Executive Officer in charge of] Global Human Resources Dept., Diversity Promotion Dept. (present)
Yoshihiro Kimura  
Independent Director  
Director  
Audit and Supervisory Committee Member  
Apr. 1978 Joined Terumo Corporation  
Apr. 2004 Managing Director, Terumo Europe N.V.  
Mar. 2011 Chairman, Terumo Penpol Private Ltd.  
Apr. 2014 Advisor  
Jun. 2017 Director (Audit and Supervisory Committee Member) (present)  

Yukiko Kuroda  
Independent Director  
Managing Director and Founder, People Focus Consulting Co., Ltd.  
Apr. 1986 Joined Sony Corporation  
Jan. 1991 President, People Focus Consulting Co., Ltd.  
Jun. 2010 Outside Audit & Supervisory Board Member, Astellas Pharma Inc.  
Mar. 2011 Outside Director, CAC Co., Ltd. [currently CAC Holdings Corporation] (present)  
Apr. 2012 Founder and Director, People Focus Consulting Co., Ltd. (present)  
Jun. 2013 External Director, Manubeni Corporation  
Jun. 2015 Outside Director, Mesi Chemicals, Inc. (present)  
Jun. 2018 Outside Director, Seven Bank, Ltd. (present)  
Independent Director, Terumo Corporation (present)  

Hidenori Nishi  
Independent Director  
Apr. 1975 Joined Kagome Co., Ltd.  
Jun. 2000 Director, Kagome Co., Ltd.  
Jun. 2005 Director and Managing Executive Officer, Kagome Co., Ltd.  
Jun. 2008 Director and Senior Managing Executive Officer, Kagome Co., Ltd.  
Apr. 2009 Representative Director and President, Kagome Co., Ltd.  
Jan. 2014 Representative Director and Chairman, Kagome Co., Ltd.  
Jun. 2014 Independent Director, NAGASE & CO., LTD.  
Mar. 2016 Chairman of the Board, Kagome Co., Ltd.  
Jun. 2019 Independent Director, FUJI OIL HOLDINGS INC. (present)  
Jun. 2020 Independent Director, Terumo Corporation (present)  

Ryuzo Ueda  
Independent Director  
Professor, Dept. of Tumor Immunology, Aichi Medical University  
Apr. 1969 Clinical Fellow, Nagoya University School of Medicine  
Sep. 1976 Visiting Research Fellow, Memorial Sloan Kettering Cancer Center, New York  
Apr. 2003 President, Nagoya City University Hospital  
Apr. 2010 Professor Emeritus, Nagoya City University (present)  
Apr. 2012 Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine (present)  
Jun. 2015 Independent Director, Terumo Corporation (present)  
May 2016 Visiting Professor, Nagoya City University (present)  
Jun. 2018 Board Chairman, Research Foundation for Oriental Medicine (present)  
Nov. 2018 Designated Professor, Nagoya University Graduate School of Medicine (present)  

Masaichi Nakamura  
Independent Director  
Certified Public Accountant  
May 1999 Partner of Showa Ota & Co.  
Aug. 2008 Executive Director of Ernst & Young ShinNihon LLC  
Jul. 2014 Representative Partner and Vice President of Ernst & Young ShinNihon LLC  
Sep. 2016 Representative of Masaichi Nakamura CPA Office (present)  
Jun. 2017 External Corporate Auditor, Sumitomo Heavy Industries, Ltd. (present)  
Outside Director (Audit and Supervisory Committee Member), SCICA Corporation (present)  
Jun. 2019 Independent Director (Audit and Supervisory Committee Member), Terumo Corporation (present)  

Soichiro Uno  
Independent Director  
Audit and Supervisory Committee Member  
Lawyer  
Apr. 1988 Joined Nagashima & Ohno (currently Nagashima, Ohno & Tsunematsu), admitted to the bar in Japan  
Nov. 1993 Passed the bar exam in the State of New York, USA  
Jan. 2000 Partner, Nagashima Ohno & Tsunematsu (present)  
Jun. 2004 Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (present)  
Jun. 2018 Director (Audit & Supervisory Committee Member), Dream Incubator Inc. (present)  
Jun. 2019 Independent Director (Audit and Supervisory Committee Member), Terumo Corporation (present)  

Directors (Audit and Supervisory Committee Members)
Executive Officers

Kazuki Kitabatake  
Managing Executive Officer  
Division President, Neurovascular Division, Cardiac and Vascular Company  
President and CEO, MicroVention, Inc.

Hikaru Samejima  
Managing Executive Officer  
President, General Hospital Company  
Division President, Hospital Systems Division, General Hospital Company

Toshihiko Osada  
Managing Executive Officer  
President, Cardiac and Vascular Company  
Division President, Interventional Systems Division, Cardiac and Vascular Company

Tsunosuke Tomita  
Senior Executive Officer  
Group Manager, General Hospital Products Group, Hospital Systems Division, General Hospital Company

Toshihiko Osada  
Managing Executive Officer  
President, Cardiac and Vascular Company  
Division President, Interventional Systems Division, Cardiac and Vascular Company

Hikaru Samejima  
Managing Executive Officer  
President, General Hospital Company  
Division President, Hospital Systems Division, General Hospital Company

Tsuyoshi Tomita  
Senior Executive Officer  
Group Manager, General Hospital Products Group, Hospital Systems Division, General Hospital Company

Kenichi Ikeda  
Executive Officer  
General Manager, Sales Promotion (Japan), Hospital Systems Division, General Hospital Company

Hiroaki Kasukawa  
Executive Officer  
Chief Technology Officer (CTO)  
R&D Promotion Dept.

Katsuya Takeuchi  
Executive Officer  
Chief Information Officer (CIO)  
General Manager, IT Dept.

Tetsuya Kumei  
Senior Executive Officer  
Division President, Alliance Division, General Hospital Company  
General Manager, Business Planning, General Hospital Company

Kazunori Hirose  
Senior Executive Officer  
Chief Manufacturing Officer (CMO)  
General Manager, Production Dept.  
Procurement Dept.  
Supply Chain Management Dept.

Kosuke Matsumoto  
Executive Officer  
General Manager, Japanese Sales Management Dept.  
Terumo Call Center

Masanori Hoshino  
Executive Officer  
President and Chief Manufacturing Officer, Terumo Yamaguchi Corp.

Hiroshi Nagumo  
Executive Officer  
President and CEO, Terumo Americas Holdings, Inc.  
Regional Representative, Latin America

Takanori Shibazaki  
Senior Executive Officer  
Regional Representative, China  
President and CEO, Terumo (China) Holdings Co., Ltd.

Kazunobu Handa  
Executive Officer  
General Manager, Corporate Affairs Dept.

Miho Mizuguchi  
Executive Officer  
Chief Legal Officer (CLO)  
General Manager, Legal and Compliance Dept.

Keiji Takeda  
Executive Officer  
General Manager, Human Resources Dept.  
Health Management

Hiroaki Kasukawa  
Executive Officer  
Chief Technology Officer (CTO)  
R&D Promotion Dept.

Antoinette Gawin  
Executive Officer  
President, Blood and Cell Technologies Company  
President and CEO, Terumo BCT Holding Corp.

Paul Holbrook  
Executive Officer  
Division President, Vascular Graft Division, Cardiac and Vascular Company  
President and CEO, Vascutek Ltd.

Probir Das  
Executive Officer  
Regional Representative, India and Asia Pacific  
Chairman and Managing Director, Terumo Asia Holdings Pte., Ltd.

Kazuhisa Senshu  
Executive Officer  
Chief Clinical and Regulatory Affairs Officer (CRAO)  
General Manager, Clinical Development Dept.  
Regulatory Affairs  
Promotional Activities Control Dept.

Norimasa Kunimoto  
Executive Officer  
Regional Representative, Eastern Europe, Russia, Middle East and Africa  
Managing Director and BOD Chairman, Terumo Europe N.V.

Antoinette Gawin  
Executive Officer  
President, Blood and Cell Technologies Company  
President and CEO, Terumo BCT Holding Corp.

Tomoko Manabe  
Executive Officer  
General Manager, Terumo Medical Pranex

Kenichi Ikeda  
Executive Officer  
General Manager, Sales Promotion (Japan), Hospital Systems Division, General Hospital Company

Probi Das  
Executive Officer  
Regional Representative, India and Asia Pacific  
Chairman and Managing Director, Terumo Asia Holdings Pte., Ltd.

Toshio Nakashima  
Executive Officer  
Chief Quality Officer (CQO)  
General Manager, Quality Assurance Dept.  
Post-Market Surveillance and Vigilance Dept.

Robert DeRyke  
Executive Officer  
Division President, Cardiovascular Division, Cardiac and Vascular Company  
President and CEO, Terumo Cardiovascular Systems Corp.

Toshio Nakashima  
Executive Officer  
Chief Quality Officer (CQO)  
General Manager, Quality Assurance Dept.  
Post-Market Surveillance and Vigilance Dept.

James Rushworth  
Executive Officer  
Chief Commercial Officer (CCO), Interventional Systems Division, Cardiac and Vascular Company  
President and CEO, Terumo Medical Corp.

Itaru Sakaguchi  
Senior Executive Officer  
Chief Operations Officer (COO), Interventional Systems Division, Cardiac and Vascular Company

Masanori Hoshino  
Executive Officer  
President and Chief Manufacturing Officer, Terumo Yamaguchi Corp.

Naoki Muto  
Executive Officer  
Chief Accounting and Financial Officer (CAFO)  
Controller Dept.  
Treasury Dept.  
Tax Dept.

Kosuke Matsumoto  
Executive Officer  
General Manager, Japanese Sales Management Dept.  
Terumo Call Center

Kazunobu Handa  
Executive Officer  
General Manager, Corporate Affairs Dept.

Fumihisa Hirose  
Executive Officer  
General Manager, Strategic Planning Dept.

Kazuhisa Senshu  
Executive Officer  
Chief Clinical and Regulatory Affairs Officer (CRAO)  
General Manager, Clinical Development Dept.  
Regulatory Affairs  
Promotional Activities Control Dept.

Keiji Takeda  
Executive Officer  
General Manager, Human Resources Dept.  
Health Management

Tomoko Manabe  
Executive Officer  
General Manager, Terumo Medical Pranex

Probi Das  
Executive Officer  
Regional Representative, India and Asia Pacific  
Chairman and Managing Director, Terumo Asia Holdings Pte., Ltd.

Takeshi Kuroo  
Executive Officer  
Senior Vice President, Surgical Business, Cardiac and Vascular Company  
General Manager, HeartSheet Business Dept., Cardiac and Vascular Company

Robert DeRyke  
Executive Officer  
Division President, Cardiovascular Division, Cardiac and Vascular Company  
President and CEO, Terumo Cardiovascular Systems Corp.