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(Securities Code: 4543)  
May 31, 2018

**To Our Shareholders:**

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

**NOTICE OF CONVOCATION OF  
THE 103RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 103rd Annual General Meeting of Shareholders of Terumo Corporation (the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing (by mail) or electronically (via the Internet). Please review the attached Reference Documents for the Annual General Meeting of Shareholders and exercise your voting rights by 5:45 p.m. on Thursday, June 21, 2018.

**Exercise of voting rights in writing (by mail)**

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

**Exercise of voting rights electronically (via the Internet)**

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

Voting website: <https://evote.tr.mufg.jp/>

**Disclosure on the Internet**

The following are posted on the Company’s website in accordance with law and Article 15 of the Company’s Articles of Incorporation and thus are not included in the documents attached to this notice of convocation.

The following are subject to audits by the Accounting Auditor or the Audit/Supervisory Committee.

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

The Company’s website: <http://www.terumo.co.jp/>

**1. Date and Time:** Friday, June 22, 2018, at 2:00 p.m. (The reception desk opens at 1:00 p.m.)

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

**3. Meeting Agenda:**

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements, and Audit Report concerning Consolidated Financial Statements by the Accounting Auditor and the Audit/Supervisory Committee for the 103rd Term (from April 1, 2017, to March 31, 2018)
  2. Non-consolidated Financial Statements for the 103rd Term (from April 1, 2017, to March 31, 2018)

**Matters to be resolved:**

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

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

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

# **Reference Documents for the Annual General Meeting of Shareholders**

## **Proposals and References**

### **Proposal 1: Appropriation of Surplus**

It is proposed that the surplus be appropriated as follows:

#### **Matters concerning year-end dividends**

The Company considers the distribution of an appropriate amount of profit to shareholders to be one of the principal responsibilities of management and pays dividends in accordance with a policy of stably and steadily increasing dividends even after the adoption of the International Financial Reporting Standards (IFRS)\* with a target payout ratio of 30% over the medium- to long-term.

Accordingly, it is proposed that a year-end dividend of 27 yen per share be paid out as described below. As a result, the annual dividends for the year, including the interim dividend of 23 yen, will amount to 50 yen per share, an increase of 8 yen from the previous year.

\* As stated on page 12 of this notice of convocation, the Company adopted the International Financial Reporting Standards (IFRS) beginning with the year-end settlement of accounts for the fiscal year ended March 31, 2018.

- (1) Type of dividend property  
Cash
- (2) Allocation of dividend property and total amount thereof  
27 yen per share of common stock of the Company  
Total amount of dividends: 9,549,746,262 yen
- (3) Effective date of dividends from surplus  
Monday, June 25, 2018

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

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

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

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

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

No.	Name	Attribute	Current positions and responsibilities at the Company	Number of years in office	Ratio of attendance at the Board of Directors' meetings
1	Takayoshi Mimura	Reappointed	Chairman of the Board	15	12/12
2	Shinjiro Sato	Reappointed	President and CEO	4	12/12
3	Toshiaki Takagi	Reappointed	Director and Senior Managing Executive Officer/Chief Quality Officer (CQO)/Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., Environmental Management Dept., Production Dept., Procurement Dept., Intellectual Property Dept. and Terumo Medical Pranex	8	12/12
4	Shoji Hatano	Reappointed	Director and Managing Executive Officer/ President, General Hospital Company/Division President, Hospital Systems Division, General Hospital Company	2	12/12
5	David Perez	Reappointed	Director and Senior Executive Officer/ President, Blood Management Company/ President and CEO, Terumo BCT Holding Corporation	4	12/12
6	Ikuo Mori	Reappointed Independent	Independent Director	4	12/12
7	Ryuzo Ueda	Reappointed Independent	Independent Director	3	12/12
8	Yukiko Kuroda	Newly appointed Independent	—	—	—

Notes:

- 1 The number of shares of the Company held by each candidate for director shown on the following pages includes shares held through the Terumo Director Shareholding Association. The number of shares of the Company held indicated is as of April 30, 2018.
- 2 The number of years in office denotes the number of years since each candidate assumed the office of Director of the Company until the conclusion of this Annual General Meeting of Shareholders.
- 3 The Company appointed Mr. Ikuo Mori and Dr. Ryuzo Ueda as independent directors/auditors as defined by the Tokyo Stock Exchange and submitted notifications of their appointment to the Exchange. If their reelection is approved, the Company intends to continue their appointment as independent directors/auditors. In addition, the Company intends to appoint Ms. Yukiko Kuroda as such independent director/auditor and submit notification of her appointment to said exchange if her election is approved as originally proposed.
- 4 In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with Mr. Ikuo Mori and Dr. Ryuzo Ueda to apply the statutory limit with respect to liability under Article 423, Paragraph 1 of the aforementioned law. If their reelection is approved, the Company intends to renew the liability limitation contracts with them. The maximum amount of liability under the contracts shall be the amount prescribed in Article 425, Paragraph 1 of the Companies Act. In addition, the Company intends to enter into such a liability limitation contract with Ms. Yukiko Kuroda if her election is approved as originally proposed.
- 5 No material conflict of interest exists between the Company and any of the candidates for director.

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

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
2	Shinjiro Sato (July 19, 1960)	<p>April 1984      Joined Toa Nenryo Kogyo K.K. (currently JXTG Nippon Oil &amp; Energy Corporation)</p> <p>February 1999      Joined Arthur Andersen Business Consulting (currently PwC Japan Group)</p> <p>June 2004      Joined the Company</p> <p>June 2010      Executive Officer, General Manager of Strategic Planning Dept.</p> <p>October 2011      Group President of Cardiac and Vascular Business Group (currently President, Cardiac and Vascular Company)</p> <p>June 2012      Senior Executive Officer</p> <p>June 2014      Director and Senior Executive Officer</p> <p>April 2015      Director and Managing Executive Officer</p> <p>April 2017      President and CEO (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Shinjiro Sato previously served in positions including General Manager of Strategic Planning Dept. and as President of Cardiac and Vascular Company. Since 2017 he has been serving as President and CEO of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge, he is promoting the Company's management and business operations and is leading improvement of the Terumo Group's performance worldwide. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	10,662

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	Toshiaki Takagi (March 24, 1958)	<p>April 1981    Joined the Company</p> <p>April 2004    Factory Manager of Ashitaka Factory</p> <p>April 2008    Factory Manager of Ashitaka Factory and Suruga Factory</p> <p>June 2008    Executive Officer</p> <p>June 2009    General Manager of R&amp;D Headquarters</p> <p>June 2010    Director and Senior Executive Officer</p> <p>June 2013    Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., and Environmental Management Dept. (present)</p> <p>April 2015    Responsible for Terumo Call Center</p> <p>July 2015    Chief Quality Officer (CQO) (present)</p> <p>April 2016    Director and Managing Executive Officer</p> <p>April 2017    Responsible for Production Dept. and Procurement Dept. (present)</p> <p>April 2018    Director and Senior Managing Executive Officer Responsible for Intellectual Property Dept. and Terumo Medical Pranex (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Toshiaki Takagi previously served in positions including Factory Manager and General Manager of R&amp;D Headquarters of the Company. Since 2018, he has been serving as Director and Senior Managing Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as Chief Quality Officer (CQO), in business operations he is contributing to enhancement of the global quality assurance system. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	12,725
4	Shoji Hatano (July 27, 1959)	<p>April 1983    Joined the Company</p> <p>June 2009    Executive Officer General Manager of Secretarial Office, General Manager of Corporate Communication Dept.</p> <p>October 2011    General Manager of Strategic Planning Dept.</p> <p>June 2012    Senior Executive Officer General Manager of Strategic Planning Dept., responsible for Corporate Communication Dept. and Design Planning Dept.</p> <p>April 2015    Managing Executive Officer</p> <p>July 2015    Vice President, General Hospital Company (concurrent position)</p> <p>January 2016    Senior Vice President, General Hospital Company</p> <p>April 2016    President, General Hospital Company (present)</p> <p>June 2016    Director and Managing Executive Officer (present)</p> <p>January 2017    Division President, Hospital Systems Division, General Hospital Company (present)</p> <p>■ Reasons for selection of the candidate for director Mr. Shoji Hatano previously served in positions including General Manager of Corporate Communication Dept. and Strategic Planning Dept. of the Company. Since 2016 he has been serving as Director and Managing Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as the President of General Hospital Company, in business operations he is further promoting the business-led global management structure. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	5,623



No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
5	David Perez (August 16, 1959)	<p>October 1981    Joined Kendall Healthcare Group, Ltd.  December 1989    Joined Caremark/Coram Healthcare Corporation  September 1995    Joined Haemonetics Corporation  May 1997         Joined Urotherapy Corporation  May 1999         Joined Gambro BCT, Inc. (currently Terumo BCT, Inc.)  April 2011        President and CEO, Terumo BCT Holding Corporation (present)  August 2011      President, Blood Management Company (present)  June 2012        Senior Executive Officer  June 2014        Director and Senior Executive Officer (present)</p> <p>■ Reasons for selection of the candidate for director  Mr. David Perez previously served as CEO of an American medical equipment company and then joined the Terumo Group. Since 2014 he has been serving as Director and Senior Executive Officer of the Company and has contributed to enhancement of corporate value. Based on his wealth of business experience and knowledge and as President and CEO, Terumo BCT Holding Corporation and President of Blood Management Company, in business operation he is further promoting the business-led global management structure. Through fair and precise management oversight as a director, he is expected to continue to lead further development of the Terumo Group. Therefore, the Company proposes his reelection for the position of director.</p>	-
6	Ikuo Mori (August 19, 1947) <Candidate for independent director>	<p>April 1970        Joined Fuji Heavy Industries Ltd. (currently SUBARU CORPORATION)  June 2002        Corporate Vice President, Chief General Manager of Europe Region and Chief General Manager of Asia Pacific Region, Subaru Sales &amp; Marketing Division, Fuji Heavy Industries Ltd.  April 2005        Corporate Senior Vice President, Chief General Manager of Subaru Overseas Sales &amp; Marketing Division  June 2006        Corporate Executive Vice President, Chief General Manager of Subaru Overseas Sales &amp; Marketing Division  June 2006        President and Chief Executive Officer, Representative Director of the Board  June 2011        Chairman and Chief Executive Officer, Representative Director of the Board  June 2012        Senior Corporate Advisor  June 2014        Advisor, Fuji Heavy Industries Ltd.  Independent Director of the Company (present)</p> <p>■ Reasons for selection of the candidate for independent director  Mr. Ikuo Mori has a wealth of experience as a corporate manager and insight cultivated through his overseas business experience over many years. The Company proposes his election for the position of independent director because the Company wishes him to utilize his experience and insight in the management of the Company. For these reasons, the Company deems that Mr. Mori will duly execute his duties as an independent director.</p>	2,463

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	Ryuzo Ueda (September 20, 1944) <Candidate for independent director>	<p>April 1969 Clinical Fellow, Nagoya University School of Medicine</p> <p>September 1976 Visiting Research Fellow, Memorial Sloan Kettering Cancer Center, New York</p> <p>September 1980 Senior Research Staff, Laboratory of Chemotherapy, Aichi Cancer Center Research Institute</p> <p>April 1988 Chief, Laboratory of Chemotherapy, Aichi Cancer Center Research Institute</p> <p>September 1995 Professor, Second Department of Internal Medicine, Nagoya City University Medical School</p> <p>April 2003 President, Nagoya City University Hospital</p> <p>April 2008 Director-General, Nagoya City Hospital Bureau</p> <p>April 2010 Professor Emeritus, Nagoya City University (present) Senior Advisor to the Board, Nagoya City University Adjunct Professor, Nagoya City University Graduate School of Medical Sciences</p> <p>April 2012 Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine (present)</p> <p>January 2013 Councilor, Aichi Medical University</p> <p>June 2015 Independent Director of the Company (present)</p> <p>May 2016 Visiting Professor, Nagoya City University (present)</p> <p>■ Reasons for selection of the candidate for independent director Dr. Ryuzo Ueda has expert knowledge, as attested by his research achievements in the field of cancer treatment, and a wealth of experience gained through the execution of his duties in positions including the President of the Nagoya City University Hospital and the Director-General of the Nagoya City Hospital Bureau. The Company proposes his election for the position of independent director because the Company wishes him to utilize his knowledge and experience in the management of the Company. For these reasons, the Company deems that Dr. Ueda will duly execute his duties as an independent director.</p>	1,199
8	Yukiko Kuroda (September 24, 1963) <Candidate for independent director> <New election >	<p>April 1986 Joined Sony Corporation</p> <p>January 1991 President, People Focus Consulting</p> <p>June 2010 Outside Audit &amp; Supervisory Board Member, Astellas Pharma Inc.</p> <p>March 2011 Outside Director, CAC Co., Ltd. (currently CAC Holdings Corporation) (present)</p> <p>April 2012 Founder and Director, People Focus Consulting (present)</p> <p>June 2013 External Director, Marubeni Corporation</p> <p>June 2015 Outside Director, Mitsui Chemicals, Inc. (present)</p> <p>■ Reasons for selection of the candidate for independent director Ms. Yukiko Kuroda has a wealth of experience as a corporate manager and insight cultivated through long years of consulting experience for human resources and organizations on a global basis. The Company proposes her election for the position of independent director because the Company wishes her to utilize her experience and insight in the management of the Company. For these reasons, the Company deems that Ms. Kuroda will duly execute her duties as an independent director.</p>	-

**Proposal 3: Election of 1 Substitute Director Who Serves as an Audit/Supervisory Committee**

**Member**

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

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

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

Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
<p>Koichi Sakaguchi (September 10, 1950)</p> <p>&lt;Candidate for substitute independent director who serves as an Audit/Supervisory Committee Member&gt;</p>	<p>April 1979 Admitted to the bar in Japan September 2000 Judge, Tokyo District Court April 2006 Judge (Department Manager), Mito District Court August 2012 Judge (General Manager), Kawagoe Branch, Saitama District/Family Court (Chief Judge) September 2013 Director, Akita District/Family Court November 2015 Registered as attorney-at-law Joined KATO Sogo Law Office (currently Ginga Law Office) (present) June 2016 Substitute Independent Director (Audit/Supervisory Committee Member) of the Company (present) External Corporate Auditor, Morinaga &amp; Co., Ltd. (present)</p>	<p>-</p>
	<p>■ Reasons for selection of the candidate for substitute independent director who serves as an Audit/Supervisory Committee Member The Company proposes election of Mr. Koichi Sakaguchi for the position of substitute independent director who serves as an Audit/Supervisory Committee Member as the Company wishes him to utilize the legal knowledge he has gained, in the course of his lengthy career as a lawyer and a judge, in improving the audit system of the Company. For these reasons, the Company deems that Mr. Sakaguchi will duly execute his duties as an independent director who serves as an Audit/Supervisory Committee Member.</p>	

Notes:

- 1 Liability limitation contract with the substitute independent director who serves as an Audit/Supervisory Committee Member  
In accordance with Article 427, Paragraph 1 of the Companies Act, the Company intends to enter into a contract with Mr. Koichi Sakaguchi to apply the statutory limit with respect to liability under Article 423, Paragraph 1 of the aforementioned law. The maximum amount of liability under the contract shall be the amount prescribed in Article 425, Paragraph 1 of the Companies Act.
- 2 No material conflict of interest exists between the Company and Mr. Koichi Sakaguchi.

### **Adoption of International Financial Reporting Standards (IFRS)**

Terumo Group has adopted International Financial Reporting Standards (hereinafter referred to as “IFRS”) for its consolidated financial statements from the fiscal year ended March 31, 2018, with the aim of improving the international comparability of financial information in capital markets and improving the accuracy of business management and strengthening governance by global unification of rules. Figures for the previous year are also restated according to IFRS to conduct comparative analysis.

### **Main differences between Japanese Generally Accepted Accounting Principles (JGAAP) and IFRS (presented items)**

- “Revenue” under IFRS is equivalent to “Net sales” under Japanese Generally Accepted Accounting Principles (hereinafter referred to as “JGAAP”).
- Under JGAAP, items presented in “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary loss” are presented as “Finance income” or “Finance costs” for financial items in IFRS, and other items are displayed in “Other income,” “Other expenses” and “Share of the profit (loss) of investments accounted for using the equity method.” Therefore, the range of “Operating profit” varies between JGAAP and IFRS. IFRS also eliminates the concept of “Ordinary income.”

### **Main differences between JGAAP and IFRS (recognition and measurement)**

Under JGAAP, goodwill was amortized using a straight-line method over the period for which goodwill is expected to have an effect, and goodwill amortization expense was recorded as “Selling, general and administrative expenses.” However, under IFRS, goodwill is not amortized.

### **Adjusted operating profit**

Terumo Group discloses adjusted operating profit that is not defined by the IFRS which is the accounting standard adopted by Terumo Group as additional information. The adjusted operating profit is operating profit net of amortization of acquired intangible assets as a result of M&As, and temporary gains and losses. It is an index used for business management and to understand the performance of each business for the Group’s sustainable growth in a medium- to long-term. The Group deems it useful information to assess its performance. Moreover, the index enables easier comparisons of performance with competitors as a similar approach is applied by foreign competitors.

## **Business Report**

(From April 1, 2017, to March 31, 2018)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

Terumo Group is striving to achieve sustainable growth based on its Mid- to Long-term Growth Strategy that was announced in December 2016 and covers the following five years. In fiscal 2017, Terumo promoted “Strengthen Global Operations,” “Accelerate Strategic Development” and “Leverage Group’s Comprehensive Strength” as key measures.

As for efforts for “Strengthen Global Operations,” Terumo integrated operations such as development, production and sales for the “Angio-Seal” small bore vascular closure device, for which the asset acquisition was concluded in January 2017, into the TIS (Terumo Interventional Systems) business. Production at the Puerto Rico factory temporarily stopped from late September due to the effects of the hurricane, but every effort was made for early recovery, resuming production in November and shipping the following January. In order to strengthen the production operations for intervention systems products whose demand continues to expand globally, Terumo decided to invest about 30.0 billion yen until fiscal 2030 to construct a new building on the property of Terumo Yamaguchi Corporation. In the Vascular Graft business, Terumo decided to invest about 5.0 billion yen over approximately the next three years to expand production facilities at Vascutek Ltd., a subsidiary in Scotland, U.K., in order to increase production of high value-added open stent grafts.

For “Accelerate Strategic Development,” Terumo established the “Corporate R&D Center” in April 2017 and started activities aimed at creating new businesses and technologies to support growth over the next decade. In September Terumo opened a center in California, the United States to integrate the Neurovascular business’s headquarters, research and development, and production functions. The center also develops peripheral intervention products for the TIS business and will accelerate the research and development of therapeutic devices with a view to launching the products globally. In March 2018, Terumo Corporation entered into an agreement with Taiwanese Medeon Biodesign, Inc. to acquire assets related to the large bore vascular closure devices developed by the same company, and expansion of the lineup of vascular access devices was promoted to support a series of interventional procedures from puncture to vascular closure.

In “Leverage Group’s Comprehensive Strength,” Terumo further promoted global collaboration in terms of functions centered on CXO. In addition, Terumo newly created Chief Human Resources Officer (CHRO) position in order to execute global human resources strategy. In November 2017, Global Leadership Meeting was held in Japan in which the leaders and other associates of the Terumo Group gathered from each region of the world. Furthermore, Terumo also enhanced collaboration across businesses both in development and sales functions, by promoting personnel rotation across organizations and businesses.

Revenue for the period under review was 587.8 billion yen, an increase of 14.3% year on year. Sales were brisk for Cardiac and Vascular Company’s businesses, centering on the TIS business and the Neurovascular business, and overseas, the Blood Management Company’s sales also grew. Operating profit increased 23.7% year on year to 108.6 billion yen thanks to revenue growth in the profitable Cardiac and Vascular Company and gross margin improvement by promoting high value added products and cost reductions at the General Hospital Company. Profit for the year attributable to owners of the parent increased 66.0% year on year to 91.3 billion yen thanks to a temporary decrease in corporate income tax expenses in the United States.

## Assets and Income

(Millions of yen, unless otherwise stated)

Item	Japanese Generally Accepted Accounting Principles (JGAAP)		International Financial Reporting Standards (IFRS)		
	100th term Fiscal 2014 From April 1, 2014 to March 31, 2015	101st term Fiscal 2015 From April 1, 2015 to March 31, 2016	102nd term Fiscal 2016 From April 1, 2016 to March 31, 2017		103rd term Fiscal 2017 From April 1, 2017 to March 31, 2018
Net sales/Revenue	489,506	525,026	514,164	514,164	587,775
Operating income/Operating profit	67,456	81,703	76,578	87,777	108,552
Ordinary income	70,730	73,090	68,552	-	-
Income before income taxes/Profit before tax	64,046	76,920	74,981	74,881	106,630
Net income/Profit for the year	38,470	50,630	54,114	54,891	91,201
Profit for the year attributable to owners of the parent	38,470	50,676	54,225	55,003	91,295
Net income per share/Basic earnings per share (yen)	101.33	135.14	150.15	152.31	259.12
Total net assets/Total equity	573,523	511,544	489,554	491,522	550,435
Total assets	992,073	901,685	1,020,879	1,022,262	1,078,981
ROE (Return on equity/Return on equity attributable to owners of the parent) (%)	7.2	9.3	10.8	11.1	17.5
ROA (Return on assets) (%)	4.2	5.4	5.6	5.8	8.7

(Reference) Adjusted operating profit 102nd term 104,643 million yen 103rd term 124,929 million yen

Notes:

- The Company has adopted IFRS from the 103rd term (current term). For the 102nd term (previous term) converted figures based on IFRS are also shown for reference purposes.
- Where classifications show the “/” symbol in “Item”, it refers to “JGAAP/IFRS”.
- Net income per share and basic earnings per share are calculated based on the average number of shares outstanding during the period less treasury stock.
- ROE is calculated as follows.  
JGAAP: Profit attributable to owners of parent ÷ shareholders' equity (term average) x 100  
IFRS: Profit for the year attributable to owners of the parent ÷ equity attributable to owners of the parent (term average) x 100
- ROA is calculated as follows.  
JGAAP: Profit attributable to owners of parent ÷ total assets (term average)  
IFRS: Profit attributable to owners of the parent ÷ total assets (term average)
- Provisional accounting treatment concerning the business combination was finalized during the 103rd term, and the finalized treatment was reflected to relevant figures of the 102nd term that was based on JGAAP. The figures on the 102nd term (JGAAP-based) that were retrospectively adjusted are unaudited.

## Sales by Geographic Segment

(Millions of yen)

Item	102nd term Fiscal 2016 From April 1, 2016 to March 31, 2017		103rd term Fiscal 2017 From April 1, 2017 to March 31, 2018		Change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Japan	187,000	36.4	188,856	32.1	1.0
Europe	95,013	18.5	118,216	20.1	24.4
Americas	139,698	27.1	171,636	29.2	22.9
Asia & Others	92,451	18.0	109,065	18.6	18.0
Total	514,164	100.0	587,775	100.0	14.3

## Cardiac and Vascular Company

In the TIS business in Japan, sales were brisk for access devices, VISICUBE, intravascular ultrasound system, the AltaView, intravascular ultrasound catheter and the Azur, peripheral embolization coil, along with brisk overseas sales of the Angio-Seal, vascular closure device. In the Neurovascular business, sales were brisk for coils for treatment of cerebral aneurysms using hydrogel and suction catheters. In addition, sales also increased in the CV Systems business and the Vascular Graft business.

As a result, revenue in the Cardiac and Vascular Company totaled 324.0 billion yen, an increase of 23.9% year on year.

### Principal products

Item	Principal products
TIS (catheters) business	Guide wires for angiography, angiographic catheters, introducer sheath, vascular closure devices, PTCA balloon catheters, coronary artery stents, stents used in the treatment of peripheral artery disease, intravascular ultrasound system, etc.
Neurovascular business	Coils and stents for the treatment of cerebral aneurysms, etc.
CV Systems business	Oxygenators, heart-lung machines, etc.
Vascular Graft business	Vascular grafts, stent grafts



## General Hospital Company

In Japan, sales were steady for infusion systems that are expected to contribute to improved safety of treatment and operational efficiency in hospitals, analgesics aimed at alleviating pain, and sprayable adhesion barrier gel used to prevent complications after surgery. However, revenue declined reflecting intensified competition of commodity-type products such as syringes and IV solutions. Overseas, revenue increased because of strong sales of profitable business for pharmaceutical companies and infusion systems in Asia, while continuing to review of low-margin businesses in Europe and Americas.

As a result, revenue in the General Hospital Company was 158.8 billion yen, an increase of 0.6% year on year.

### Principal products

Item	Principal products
Hospital Systems business	Infusion pumps, syringe pumps, infusion sets, syringes, IV solutions, analgesics, nutrients, adhesion barrier, blood glucose monitoring systems, digital blood pressure monitors, digital thermometers, etc.
Alliance business	Contract manufacturing of prefilled syringe products, products for pharmaceutical companies (prefillable syringes, needles for pharma packaging business, etc.)

## Blood Management Company

In the field of blood center, sales of automated blood component collection systems in developed markets such as Europe and the United States, and sales of blood bags in emerging countries such as Latin America and Asia were brisk. In the field of therapeutic apheresis, sales were strong in North America and Japan due to replacement demand for new products.

As a result, revenue in the Blood Management Company increased 10.8% year on year to 104.7 billion yen.

### Principal products

Item	Principal products
Blood Management business	Blood bags, automated blood component collection system, automated blood component processing system, centrifugal apheresis system, pathogen reduction technology system, cell expansion system, etc.

## **Research and Development**

### **Cardiac and Vascular Company**

In order to respond to more complicated treatments for angina pectoris and myocardial infarction, Terumo advanced the development of next-generation products for the existing Ultimaster drug-eluting stents. Terumo plans to launch the products in May 2018 in Europe and in the second half of fiscal 2018 in Japan. In the field of oxygenators, in which the Company has a top-level share of the global market, Terumo focused on developing new products for oxygenators with integrated arterial filters. In order to reduce the physical burden on patients caused by extracorporeal circulation of blood, the new oxygenator is designed to realize the world's smallest priming volume. The product is planned to be released in Japan, the United States, and Europe in fiscal 2018. Terumo is also working on the development of oxygenators which meet the needs of emerging countries. In peripheral intervention products, Terumo has been developing drug-coated balloon catheters for use in the treatment of lower extremity peripheral arterial disease. With the aim of improving issues with existing products, Terumo is using its proprietary coating technology in which drug is expected not to easily fall off before the applied drug reaches the lesion, and is promptly transferred to vascular tissue when the balloon is expanded. The product is planned to be in the European market in fiscal 2018.

### **General Hospital Company**

Terumo launched a sprayable adhesion barrier gel, AdSpray, the first of its kind in Japan. AdSpray is used to reduce adhesion formation around the injured area after surgery. The design is such that AdSpray allows easy access to the desired area with flexibility, regardless of whether it is at the far side of an organ or deep within it, and regardless of the surgical method, be it laparotomy or laparoscopic surgery. In November 2017, Terumo acquired approval for the manufacturing and sales of MEDISAFE WITH, Japan's first insulin patch pump. MEDISAFE WITH has a tube-free design enabling patients to go about their daily activities as usual. Terumo is currently preparing to launch the product in 2018.

### **Blood Management Company**

TACSI (Terumo Automated Centrifuge & Separator Integration), an automated blood component processing system, was officially adopted for blood centers in Japan for the first time. The system is designed to efficiently achieve consistent, high-quality centrifugal separation of whole blood, and the Company plans to successively introduce the systems in blood centers throughout Japan from fiscal 2018. In the United States, Terumo started clinical trials of Mirasol Pathogen Reduction Technology (PRT) System. The clinical trial will be carried out with a fund from the U.S. Department of Health and Human Services through the Biomedical Advanced Research and Development Authority for a clinical trial of pathogen reduction in platelet preparation using Mirasol.

### **Other**

In January 2018 Terumo opened a new development facility, Terumo Bay Area Innovation Lab, in northern California, the United States. Terumo relocated and integrated the Silicon Valley Lab research and development facilities, which were established in 2015 in northern California in the United States, and subsidiary Kalila Medical, Inc., and plans to expand operations within the next five years by employing up to 50 people, about twice the current number. Through the integration, Terumo aims to accelerate the launch of corporate R&D projects to create new businesses and technologies that will support growth over the next decade, while expanding the lineup of Kalila's steerable sheaths for use with ablation systems.

## **(2) Issues to be Addressed**

Medtech market in Japan is expected to continue growing owing to the growing population of the elderly and a resulting increase in chronic disease. Meanwhile, amid mounting financial pressure from ballooning healthcare expenditure, the emphasis in healthcare is increasingly shifting to value and efficiency. Overseas, as a result of industry consolidation through acquisitions, etc., mega-competitors are emerging and a trend toward concentration and oligopoly is imminent. In view of such business environments, the Group has promoted its 5-year Mid- to Long-term Growth Strategy announced in December 2016. With the mid- to long-term vision “Being a Global Corporation with Unique Excellence,” Terumo strives to earn the trust of medical settings globally as a top brand, and to secure that trust with the total quality of products, services, and supply. The three basic strategies to realize this vision are “Win in selected strategic markets,” “Offer comprehensive value in Japan,” and “Accelerate innovation.” In the global market, Terumo will focus on growing segments and segments where Terumo has a competitive advantage, such as intervention, neurovascular, D&D (drug & device), and therapeutic apheresis, and in Japan, its home market, the Company will focus on providing products and services as a leading medical device manufacturer that contributes to the enhancement of patients’ quality of life and improve efficiency of healthcare. Terumo will reinforce internal development capabilities to support future growth while promoting collaboration with external parties, and in doing so it will strive to create innovation with value and contribute to solving healthcare challenges with significant social impact.

The Cardiac and Vascular Company aims to be recognized globally as a top brand in the cardiac and vascular business area. To accomplish this, first, Terumo aims to be within the top three players in each market in which it participates, and gain world-class trust for overall quality.

Under the vision of “contributing to improving hospital care quality and efficiency and drug delivery innovation through our unique technologies and services,” the General Hospital Company aims to shift gears to enhance sales and achieve sustainable growth.

The Blood Management Company aims to return to a growth trajectory by expanding the product portfolio, creating innovation, promoting diversification, and also developing infrastructure in emerging countries and pursuing improvements in global operations.

From a medium- to long-term perspective, Corporate R&D aims to create innovation to resolve healthcare challenges with significant social impact, by promoting corporate-wide collaboration across the boundaries of our companies and businesses.

In addition to strengthening internal development capabilities, Terumo will also seek out new technologies and ideas through collaboration with external parties.

The three companies will conduct activities toward each vision based on the corporate-wide growth strategy. Through these initiatives, Terumo will strive to achieve the financial targets for fiscal 2018, and sustainable and profitable growth far into the future.

## Forecast of Consolidated Results

(Millions of yen)

	Fiscal year ended March 31, 2018 <b>Results</b>	Fiscal year ending March 31, 2019 <b>Forecast</b>	Change	Change (%)
Revenue	587,775	608,000	20,224	3.4
Adjusted operating profit	124,929	128,500	3,570	2.9
Adjusted operating profit ratio	21.3%	21.1%	-	-
Operating profit	108,552	114,500	5,947	5.5
Operating profit ratio	18.5%	18.8%	-	-
Profit for the year attributable to owners of the parent	91,295	83,500	(7,795)	(8.5)

Actual rate for fiscal year ended March 31, 2018: USD 1 = JPY 111, EUR 1 = JPY 130

Assumed rate for fiscal year ending March 31, 2019: USD 1 = JPY 105, EUR 1 = JPY 130

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

### (3) Principal Business

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

### (4) Capital Investment

Capital investment in the fiscal year ended March 31, 2018, amounted to 43.6 billion yen on a construction basis. Principal items are as follows:

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

### (5) Financing

The Company issued Series 8 and Series 9 domestic unsecured straight bonds and used a syndicated loan for financing, to repay the short-term loans payable for acquiring overseas companies and businesses.

### (6) Principal Lenders (as of March 31, 2018)

Lender	Outstanding borrowings (Billions of yen)
Mizuho Bank, Ltd.	58.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>1</sup>	44.0
Development Bank of Japan Inc.	20.0
Mitsubishi UFJ Trust and Banking Corporation <sup>2</sup>	5.4
Mizuho Trust & Banking Co., Ltd.	5.4
Syndicated loan <sup>3</sup>	59.9

Notes:

- 1 The Bank of Tokyo-Mitsubishi UFJ, Ltd., changed its trade name to MUFG Bank, Ltd., as of April 1, 2018.
- 2 Due to the split of Mitsubishi UFJ Trust and Banking Corporation, the loans payable to said company were transferred to MUFG Bank, Ltd., as of April 16, 2018.
- 3 The syndicated loan is managed by Mizuho Bank, Ltd., and MUFG Bank, Ltd.

### (7) Employees (as of March 31, 2018)

#### 1) The Group

Number of employees*	Increase from the previous fiscal year-end
23,319	878

\*The above number of employees represents the number of full-time employees and does not include the number of persons on loan from the Group to outside the Group, dispatched workers, etc.

#### 2) The Company

Number of employees <sup>1</sup>	Increase from the previous fiscal year-end	Average age <sup>2</sup>	Average service years <sup>2</sup>
4,781	48	41.7	18.4

Notes:

- 1 The above number of employees represents the number of full-time employees and does not include the number of persons on loan from the Company to outside the Company, dispatched workers, etc.
- 2 In calculating the average age and the average service years, only the permanent employees of the Company were taken into account.

**(8) Principal Offices, Factories and Significant Subsidiaries (as of March 31, 2018)****1) Terumo Corporation**

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

**2) Significant Subsidiaries**

Company name	Location	Capital	The Company's percentage of equity participation (%)	Principal business
Terumo Europe N.V.	Belgium	EUR 288,664 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company and General Hospital Company
Terumo Americas Holding, Inc.	United States	USD 3,855,592 thousand	100	Supervision of subsidiaries in the Americas
Terumo Medical Corporation	United States	USD 272,016 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company and General Hospital Company
MicroVention, Inc.	United States	USD 489,598 thousand	100	Manufacturing and sales of products for Cardiac and Vascular Company
Terumo BCT Holding Corporation	United States	USD 1,352,360 thousand	100	Supervision of subsidiaries under Terumo BCT Group
Terumo BCT, Inc.	United States	USD 951,863 thousand	100	Manufacturing and sales of products for Blood Management Company
Terumo (China) Holding Co., Ltd.	China	CNY 1,160,493 thousand	100	Supervision of subsidiaries in China
Terumo Asia Holdings Pte. Ltd.	Singapore	SGD 30,127 thousand	100	Supervision of sales subsidiaries in Asia (other than China)

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

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

Not applicable.



## 2. Overview of the Company

### (1) Status of Shares (as of March 31, 2018)

1) Number of Shares Authorized	1,519,000,000 shares
2) Number of Shares Issued	379,760,520 shares
3) Number of Shareholders	27,346
4) Major Shareholders (10 largest shareholders)	

Shareholder name	Number of shares held	Percentage of shares held
	thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,238	15.1
Japan Trustee Services Bank, Ltd. (Trust Account)	28,265	8.0
The Dai-ichi Life Insurance Company, Limited	20,259	5.7
Meiji Yasuda Life Insurance Company	13,568	3.8
STATE STREET BANK AND TRUST COMPANY 505223	11,342	3.2
Mizuho Bank, Ltd.	9,215	2.6
Terumo Foundation for Life Sciences and Arts	7,360	2.1
JP MORGAN CHASE BANK 385632	6,935	2.0
STATE STREET BANK WEST CLIENT – TREATY 505234	6,655	1.9
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,908	1.7

#### Notes:

- 1 Although the Company holds 26,066 thousand shares of treasury stock, the Company is not included in the major shareholders. Treasury stock is excluded from the calculation of the percentage of shares held.
- 2 Of the number of shares held by The Dai-ichi Life Insurance Company, Limited, 3,000 thousand shares are shares concerning retirement benefit trust contributed by The Dai-ichi Life Insurance Company. (The shareholder of record is “Trust & Custody Services Bank, Ltd. as trustee for The Dai-ichi Life Insurance Company Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” The Dai-ichi Life Insurance Company, Limited is authorized to give directions concerning exercise of the voting rights for these shares.)
- 3 Of the number of shares held by Mizuho Bank, Ltd., 6,518 thousand shares are shares concerning retirement benefit trust contributed by Mizuho Bank. (The shareholder of record is “Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” Mizuho Bank, Ltd. is authorized to give directions concerning exercise of the voting rights for these shares.)

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

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

### (3) Company Directors

#### 1) Directors (as of March 31, 2018)

Position at the Company	Name	Responsibilities and significant concurrent positions
Chairman of the Board	Takayoshi Mimura	
President and CEO	Shinjiro Sato	
Director and Managing Executive Officer	Toshiaki Takagi	Chief Quality Officer (CQO) Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., Environmental Management Dept., Production Dept. and Procurement Dept.
Director and Managing Executive Officer	Shoji Hatano	President, General Hospital Company Division President, Hospital Systems Division, General Hospital Company
Director and Senior Executive Officer	Hideo Arase	Regional Representative, India and Asia Pacific Managing Director, Terumo Asia Holdings Pte., Ltd.
Director and Senior Executive Officer	David Perez	President, Blood Management Company President and CEO, Terumo BCT Holding Corporation
Independent Director	Ikuo Mori	
Independent Director	Ryuzo Ueda	Visiting Professor, Professor Emeritus, Nagoya City University Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine
Director (Audit/Supervisory Committee Member)	Yoshihiro Kimura	
Independent Director (Audit/Supervisory Committee Member)	Toshihiko Matsumiya	Representative, Toshihiko Matsumiya Certified Public Accountant Office External Corporate Auditor, Mitsubishi Research Institute, Inc. External Corporate Auditor, Daiichi Jitsugyo Co., Ltd.
Independent Director (Audit/Supervisory Committee Member)	Masatake Yone	Lawyer (partner in Mori Hamada & Matsumoto Law Firm) Independent Director (Audit/Supervisory Committee Member), GCA Corporation External Corporate Auditor, BANDAI NAMCO Entertainment Inc.

#### Notes:

- No material conflict of interest exists between the Company and the aforementioned corporations where Independent Directors Dr. Ryuzo Ueda, Mr. Toshihiko Matsumiya, and Mr. Masatake Yone concurrently hold positions.
- The Company has submitted notifications to the Tokyo Stock Exchange of the appointment of Independent Directors Mr. Ikuo Mori, Dr. Ryuzo Ueda, and Mr. Toshihiko Matsumiya as independent directors/auditors as defined by the Tokyo Stock Exchange.
- Independent Director Mr. Masatake Yone satisfies the criteria for serving as an independent director/auditor as defined by the Tokyo Stock Exchange. However, in accordance with the rule of the firm that he serves, the Company has not submitted notification of the appointment of him as an independent director/auditor.
- Independent Director Mr. Toshihiko Matsumiya is a certified public accountant and has considerable financial and accounting knowledge.
- After the end of the fiscal year ended March 31, 2018, there were the following changes in directors.
  - Mr. Toshiaki Takagi assumed the position as Director and Senior Managing Executive Officer as of April 1, 2018.
  - Mr. Hideo Arase assumed the position as Director and Corporate Advisor as of April 1, 2018.

## 2) Outline of the liability limitation contracts

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

## 3) Remuneration to Directors

Category	Number of persons	Amount paid (Millions of yen)
Directors (excluding Audit/Supervisory Committee Members)	12	469
Directors (Audit/Supervisory Committee Members)	4	59
Total (of which independent officers)	16 (5)	529 (58)

Notes:

- 1 The above includes directors who left their posts during the fiscal year ended March 31, 2018.
- 2 The amount of remuneration includes stock-based compensation stock options in the form of stock acquisition rights allotted to directors (excluding independent directors, Audit/Supervisory Committee Members, and non-executive directors) amounting to 88 million yen.

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

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

## 5) Independent Directors

Principal activities in the fiscal year ended March 31, 2018

Name	Position	Main activities
Ikuo Mori	Independent Director	Attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2018; provided opinions, as necessary, based mainly on his wealth of experience in management.
Ryuzo Ueda	Independent Director	Attended 12 out of 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2018; provided opinions, as necessary, based mainly on his expert medical knowledge and experience in hospital management.
Toshihiko Matsumiya	Independent Director (Audit/Supervisory Committee Member)	Attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2018; provided opinions, as necessary, based mainly on his expert knowledge and deep insight as a certified public accountant.
Masatake Yone	Independent Director (Audit/Supervisory Committee Member)	Attended 12 out of 12 meetings of the Board of Directors and 12 out of 12 meetings of the Audit/Supervisory Committee held in the fiscal year ended March 31, 2018; provided opinions, as necessary, based mainly on his expert knowledge and deep insight as a lawyer.

#### **(4) Accounting Auditor**

**1) Accounting Auditor's Name**  
KPMG AZSA LLC

**2) Remuneration etc.**

The Company and its subsidiaries paid the remuneration etc. indicated below to the Accounting Auditor. Regarding the amount of remuneration etc. in i) in the following table, the Audit/Supervisory Committee conducted necessary review of the Accounting Auditor's audit plan, evaluation and analysis of audit results for the fiscal year ended March 31, 2018, the status of performance of duties of accounting audit, and appropriateness of the basis of calculation of the estimated amount of remuneration, judged them appropriate and thus gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

	Amount paid (millions of yen)
i) Remuneration etc. for the Accounting Auditor for the fiscal year ended March 31, 2018	130
ii) Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	143

Notes:

- 1 Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Law are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration etc. for the Accounting Auditor for the fiscal year ended March 31, 2018.
- 2 KPMG AZSA LLC is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International") and all the Company's significant subsidiaries are audited by other member firms affiliated with KPMG International.

**3) Non-audit Services**

The Company entrusts the Accounting Auditor with provision of advisory concerning International Financial Reporting Standards (IFRS) and so on, and pays fees to the Accounting Auditor.

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

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

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

## **(5) Corporate Governance**

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

### **TERUMO Corporate Governance Guideline**

#### **1. General Provisions**

##### **(1) Basic stance on the Corporate Governance**

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

##### **(2) Establishment, revision and abolition of the Guideline**

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

#### **2. Corporate Governance Structure**

##### **(1) Organizational design**

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

###### **[1] Strengthen audit and supervisory functions**

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

###### **[2] Enhance transparency and objectivity in management**

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

###### **[3] Expedite decision-making process**

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

##### **(2) Board of Directors**

###### **[1] Roles**

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

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

[2] Members

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

(3) Audit/Supervisory Committee

[1] Roles

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

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

[2] Members

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

(4) Corporate Governance Committee

[1] Roles

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

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

The deliberations of the Committee shall be reported to the Board of Directors as appropriate. In this regard, however, those matters related to the Audit/Supervisory Committee members in (c) above shall not violate the provisions of Article 361 of the Companies Act.

[2] Members

- The Committee shall consist of a maximum of six (6) directors selected by the Board of Directors from among the directors.
- Terumo shall have independent directors account for at least half of the Members of the Committee.
- At least one of the Representative Directors shall be a member of the Committee.
- The member of the Corporate Governance Committee shall elect one of the independent directors serving on the Committee to serve as the chair of the Committee. However, if the chair is unable to act, one of other independent directors elected by a majority vote of the Committee members shall act in the chair’s place.

(5) Nomination Committee

[1] Roles

The Nomination Committee shall deliberate on the matters concerning successors to the President and Chairman of Terumo Corporation, which is one of the most important corporate governance duties for the Board, as well as the matters concerning the appointment and dismissal of directors and executive officers.

[2] Members

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

(6) Internal Control Committee

[1] Roles

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

[2] Members

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

(7) Risk Management Committee

[1] Roles

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

[2] Members

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

(8) Selection of Directors

[1] Policy

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

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

[2] Procedure

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

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

Independent directors shall be subject to the requirements of the Director Independence Standards. The 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 positions concurrently held by each candidate for director shall be disclosed in the Corporate Governance Report, Reference Materials for the General Meeting of Shareholders or other documents as appropriate.

#### (9) Executive Compensation

##### [1] Policy and framework

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

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

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

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

##### [2] Target proportions

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

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

##### [3] Decision procedure

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

#### (10) Training Policy

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

##### • Internal directors

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

##### • Independent directors

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



#### (11) Board Evaluation

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

### 3. Securing Shareholders' Rights and Equality

#### (1) Securing Shareholders' Rights

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

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

#### (2) General Meeting of Shareholders

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

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

#### (3) Basic Strategy for Capital Policy

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

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

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

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

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

(5) Related Party Transactions

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

- Transactions with a risk of conflict of interest

Any transaction between Terumo and one or more of its directors that may involve an actual or potential conflict of interest shall be reviewed and approved by the Board of Directors in accordance with the Companies Act, the Board shall adopt such a Board regulation. In addition, Terumo reviews on an annual basis if there exist any transaction between Terumo and one or more of its director or a party related to one or more directors (including an affiliate company of the director or the director's related party).

- Transactions with third parties

The Board of Directors established the "Code of Conduct for the Terumo Group," which all Terumo Group associates are required to follow, The Code demands fairness and transparency in all transactions between Terumo and third parties, including customers, suppliers and shareholders. Violations of these principles should be addressed by company management through the relevant lines of reporting. Terumo's whistleblower system shall be available for violations that cannot be addressed through the relevant lines of reporting.

**4. Collaboration with Stakeholders other than Shareholders**

(1) Code of Conduct

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

The Code of Conduct is strictly followed by Terumo associates. In order to embed the Code of Conduct within the Terumo Group, digital signboards shall be installed within the office premises with information about the Code. Additionally, the Legal and Compliance Department shall follow up at least once per year to make sure that all associates within the Terumo Group throughout the world read the Code and promise to respect it.

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

(2) Sustainability

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

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

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

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

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

(4) Whistle-blowing System (Compliance Hotline)

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

## **5. Appropriate Disclosure**

### **(1) Disclosure Policy**

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

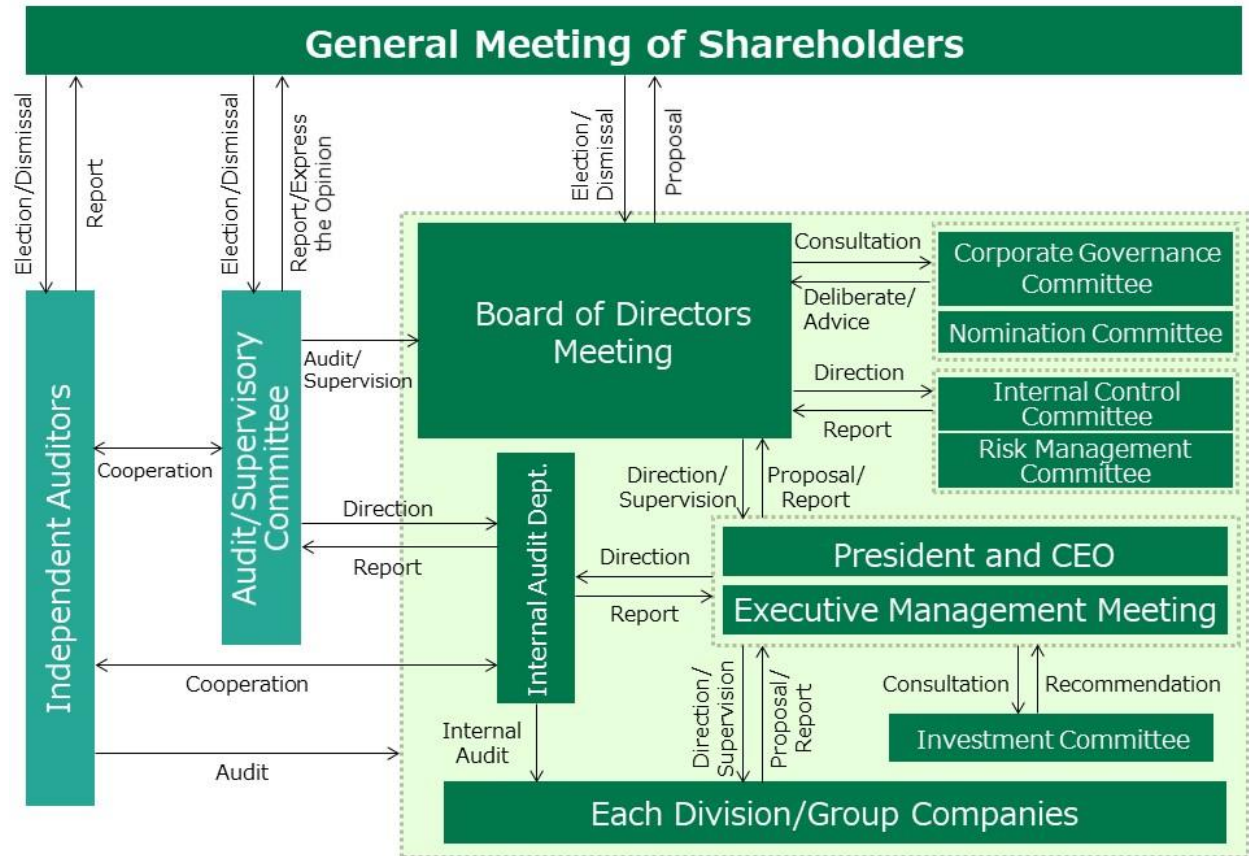
### **(2) Dialogue Policy**

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

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

End

**Corporate Governance Structure**



### Director Independence Standards

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

(1) Terumo Group officials

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

(2) Shareholders

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

(3) Business partners

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

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

(4) Parties related to personnel exchange

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

(5) Major lenders

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

(6) Outside experts, etc.

A person to whom any of the following apply:

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

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

(7) Relatives

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

(8) Past implications

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

(9) Others

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

End

## TERUMO IR Policy

### 1. Basic Policy

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

### 2. Information Disclosure Method

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

### 3. Forward-Looking Statements

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

### 4. Policy for Dialogue with Shareholders and Investors

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

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

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

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

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

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

- [4] Measures for appropriate and effective feedback

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



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

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

End

## **(6) Systems to Ensure the Appropriateness of Operations**

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

### **Internal Control System Design Basic Policy**

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

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

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

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

### **3. Terumo Risk Management Regulations and system**

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

### **4. System for ensuring efficient director performance of duties**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

End

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

The overview of the status of operation of systems to ensure the appropriateness of operations during fiscal 2017 is stated below.

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

The Company carried out training and education of Group Employees regarding the “Code of Conduct for the Terumo Group.” At quarterly meetings of the Internal Control Committee, important policies related to compliance were deliberated. The Chief Legal Officer (CLO) is working to improve compliance systems through coordination with Compliance Officers of Group companies and reports the status of responses to serious issues to the Internal Control Committee. After reviewing the whistle-blowing system, the Company provided another point of external contact for whistle-blowing, in addition to a corporate lawyer. In addition, an Audit/Supervisory Committee Member has been designated as a point of contact for whistle-blowing in the event that any compliance violations, etc., by the Company’s directors are found.

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

The Company has enacted the “Terumo Group Document Management Policy,” and is striving to communicate the rules for document storage throughout the Group. The Company is implementing appropriate management of confidential work information and personal information in accordance with the “Terumo Group Global Security Policy” and the “Personal Information Protection Standard.” The Disclosure panel of the Internal Control Committee reviews information subject to legal and timely information disclosure. In addition, the Company has enacted the “Terumo Group Social Media Policy” and the “Terumo Group Guidelines on the Use of Social Media,” and thereby is managing outgoing information in an appropriate fashion.

### **3. Terumo Risk Management Regulations and system**

In line with the “Risk Management Regulation,” the Company has revised the “Risk Management Guideline” so that risk assessment and responses can be made more efficiently and speedily. The Risk Management Committee (which meets twice a year) is working to mitigate risks through improvement of the risk management system and establishment of risk countermeasures. In addition, educational opportunities in the form of workshops have been provided to increase associates’ awareness of risks.

### **4. System for ensuring efficient director performance of duties**

The Company ensures efficient performance of duties by directors through meetings of the Board of Directors (12 times), the Executive Management Meeting (14 times), and the Market Product Strategy Meeting (6 times). The Company revised the “Department Job Description Regulations” to establish the Group companies’ policies and functions for operation of organizations.

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

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

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

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

Code of Conduct. As part of the efforts to improve the whistle-blowing system, efforts to provide contacts independent of the Company's management are under way.

**7. Operating status concerning internal audit**

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

**(8) Basic Policies regarding the Company's Control**

\* As stated on Page 1 of this notice of convocation, the Company's Basic Policies regarding the Company's Control are posted on the Company's website.

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**Remarks**

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

# Consolidated Financial Statements

## Consolidated Statements of Financial Position

Fiscal Year 2017 (As of March 31, 2018)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	167,832	Trade and other payables	67,515
Trade and other receivables	121,402	Bonds and borrowings	47,436
Other current financial assets	659	Other current financial liabilities	407
Inventories	112,064	Current tax liabilities	15,970
Current tax assets	530	Provisions	198
Other current assets	8,421	Other current liabilities	47,483
<b>Total current assets</b>	<b>410,912</b>	<b>Total current liabilities</b>	<b>179,013</b>
<b>Non-current assets</b>		<b>Non-current liabilities</b>	
Property, plant and equipment	179,196	Bonds and borrowings	288,776
Goodwill and intangible assets	442,660	Other non-current financial liabilities	15,452
Investments accounted for using the equity method	5,710	Deferred tax liabilities	24,124
Other non-current financial assets	13,815	Retirement benefit liabilities	10,063
Deferred tax assets	23,356	Provisions	82
Other non-current assets	3,328	Other non-current liabilities	11,032
<b>Total non-current assets</b>	<b>668,068</b>	<b>Total non-current liabilities</b>	<b>349,532</b>
		<b>Total liabilities</b>	<b>528,545</b>
		<b>EQUITY</b>	
		Share capital	38,716
		Capital surplus	52,445
		Treasury stock	(101,546)
		Retained earnings	588,932
		Other components of equity	(28,240)
		Total equity attributable to the owners of the parent	550,307
		Non-controlling interests	128
		<b>Total equity</b>	<b>550,435</b>
<b>Total Assets</b>	<b>1,078,981</b>	<b>Total liabilities and equity</b>	<b>1,078,981</b>

## Consolidated Statements of Profit or Loss

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount
Revenue	587,775
Cost of sales	268,442
<b>Gross profit</b>	<b>319,333</b>
Selling, general and administrative expense	212,363
Other income	4,764
Other expenses	3,180
<b>Operating profit</b>	<b>108,552</b>
Finance income	1,089
Finance costs	2,792
Share of the profit (loss) of investments accounted for using the equity method	(218)
<b>Profit before tax</b>	<b>106,630</b>
Income tax expenses	15,429
<b>Profit for the year</b>	<b>91,201</b>
<b>Attributable to:</b>	
Owners of the parent	91,295
Non-controlling interests	(94)
<b>Total profit for the year</b>	<b>91,201</b>



## Consolidated Statements of Changes in Equity

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

	(Millions of yen)							
	Equity attributable to the owners of the parent							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2017	38,716	52,478	(108,225)	513,578	(5,126)	491,421	101	491,522
Profit for the year	—	—	—	91,295	—	91,295	(94)	91,201
Other comprehensive income	—	—	—	—	(23,520)	(23,520)	(14)	(23,534)
Total comprehensive income	—	—	—	91,295	(23,520)	67,774	(108)	67,666
Acquisition of treasury stock	—	—	(6)	—	—	(6)	—	(6)
Disposal of treasury stock	—	—	109	(19)	(90)	0	—	0
Dividends	—	—	—	(15,839)	—	(15,839)	—	(15,839)
Transfer from other components of equity to retained earnings	—	—	—	(50)	50	—	—	—
Changes in shares of subsidiaries due of capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	447	447	—	447
Conversion of convertible bonds	—	(33)	6,576	(33)	—	6,509	—	6,509
Total transaction with owners of the Company	—	(33)	6,679	(15,942)	406	(8,889)	135	(8,753)
Balance at March 31, 2018	38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheet

Fiscal Year 2017 (As of March 31, 2018)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>262,362</b>	<b>Current liabilities</b>	<b>216,552</b>
Cash and deposits	89,829	Notes payable-trade	1,633
Notes receivable-trade	448	Accounts payable-trade	27,539
Accounts receivable-trade	83,112	Electronically recorded obligations-operating	11,707
Merchandise and finished goods	31,431	Short-term loans payable	92,147
Work in process	4,202	Current portion of long-term loans payable	40,000
Raw materials and supplies	10,679	Lease obligations	59
Prepaid expenses	1,072	Accounts payable-other	14,295
Deferred tax assets	5,618	Accrued expenses	3,245
Short-term loans receivable	27,061	Income taxes payable	13,147
Other	9,389	Deposits received	417
Allowance for doubtful accounts	(483)	Provision for bonuses	6,055
		Provision for directors' bonuses	138
		Notes and accounts payable-facilities	6,097
		Other	68
<b>Noncurrent assets</b>	<b>764,713</b>	<b>Noncurrent liabilities</b>	<b>293,913</b>
Property, plant and equipment	90,061	Bonds payable	50,000
Buildings	34,176	Convertible bond-type bonds with subscription rights to shares	93,544
Structures	1,404	Long-term loans payable	149,498
Machinery and equipment	18,877	Lease obligations	138
Vehicles	53	Long-term guarantee deposited	324
Tools, furniture and fixtures	7,765	Provision for directors' retirement benefits	3
Land	18,104	Other	403
Lease assets	197		
Construction in progress	9,481	<b>Total liabilities</b>	<b>510,465</b>
Intangible assets	14,103	<b>(Net assets)</b>	
Leasehold right	876	<b>Shareholders' equity</b>	<b>513,941</b>
Software	13,091	Capital stock	38,716
Goodwill	27	Capital surplus	52,103
Customer Relationships	81	Legal capital surplus	52,103
Other	26	Retained earnings	<b>524,667</b>
Investments and other assets	660,549	Legal retained earnings	3,297
Investment securities	7,251	Other retained earnings	521,369
Stocks of subsidiaries and affiliates	595,238	Reserve for reduction entry	600
Investments in capital of subsidiaries and affiliates	10,842	General reserve	82,900
Long-term loans receivable from subsidiaries and affiliates	29,510	Retained earnings brought forward	437,869
Long-term prepaid expenses	3,287	Treasury stock	(101,546)
Deferred tax assets	6,643	<b>Valuation and translation adjustments</b>	<b>2,005</b>
Other	7,775	Valuation difference on available-for-sale securities	2,012
		Deferred gains or losses on hedges	(6)
		<b>Subscription rights to shares</b>	<b>664</b>
		<b>Total net assets</b>	<b>516,610</b>
<b>Total assets</b>	<b>1,027,076</b>	<b>Total liabilities and net assets</b>	<b>1,027,076</b>

**Non-consolidated Statement of Income**  
Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>292,893</b>
<b>Cost of sales</b>		<b>147,797</b>
<b>Gross profit</b>		<b>145,095</b>
<b>Selling, general and administrative expenses</b>		<b>73,987</b>
<b>Operating income</b>		<b>71,108</b>
<b>Non-operating income</b>		<b>16,968</b>
Interest income	1,085	
Dividends income	13,962	
Royalty income	1,376	
Other	543	
<b>Non-operating expenses</b>		<b>2,656</b>
Interest expenses	1,507	
Sales discounts	445	
Foreign exchange losses	239	
Other	464	
<b>Ordinary income</b>		<b>85,420</b>
<b>Extraordinary income</b>		<b>53</b>
Gain on sales of noncurrent assets	53	
<b>Extraordinary loss</b>		<b>259</b>
Loss on disposal of noncurrent assets	259	
<b>Income before income taxes</b>		<b>85,214</b>
<b>Income taxes</b>		<b>20,731</b>
Income taxes-current	20,745	
Income taxes-deferred	(14)	
<b>Profit</b>		<b>64,483</b>

## Non-consolidated Statement of Changes in Net Assets

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward	
					Reserve for reduction entry	Reserve for special depreciation		
Balance at the beginning of current period	38,716	52,103	52,103	3,297	649	82,900	389,228	476,075
Changes of items during the period								
Dividends from surplus							(15,839)	(15,839)
Profit							64,483	64,483
Acquisition of treasury stock								
Disposal of treasury stock							(19)	(19)
Conversion of convertible bond-type bonds with subscription rights to shares							(33)	(33)
Reversal of reserve for reduction entry					(49)		49	–
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	–	–	(49)	–	48,641	48,591
Balance at the end of current period	38,716	52,103	52,103	3,297	600	82,900	437,869	524,667

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(108,225)	458,670	1,706	(559)	1,146	307	460,124
Changes of items during the period							
Dividends from surplus		(15,839)					(15,839)
Profit		64,483					64,483
Acquisition of treasury stock	(6)	(6)					(6)
Disposal of treasury stock	109	90					90
Conversion of convertible bond-type bonds with subscription rights to shares	6,576	6,542					6,542
Reversal of reserve for reduction entry		–					–
Net changes of items other than shareholders' equity			306	552	858	356	1,215
Total changes of items during the period	6,679	55,270	306	552	858	356	56,485
Balance at the end of current period	(101,546)	513,941	2,012	(6)	2,005	664	516,610