Risk Management

Basic Approach

Changes in global circumstances, the globalization of business, and other factors are causing rapid changes in the Terumo Group's business environment. At the same time, risks affecting our business activities are diversifying and growing in complexity. In response to these risks, the Terumo Group is moving forward with the construction of a Group-wide risk management system, an effort that began in fiscal 2015. The Risk Management Regulation provide the guidelines for appropriate risk management based on identification and analysis of risks for the Group as a whole. Our objective in managing risks is to provide the proper environment for supporting bold yet appropriate risk-taking—for all types of risks—by management and ultimately to win stakeholder faith and enhance our corporate value. In an October 2015 address by Terumo's President and CEO, the following two risk management objectives were communicated to all Terumo Group associates.

1. Realization of an organizational culture in which each individual associate is conscious of risk as they perform their job responsibilities
2. Identification of key risks—high priority risks from a Groupwide perspective—followed by development and implementation of appropriate responses

Risk Management System

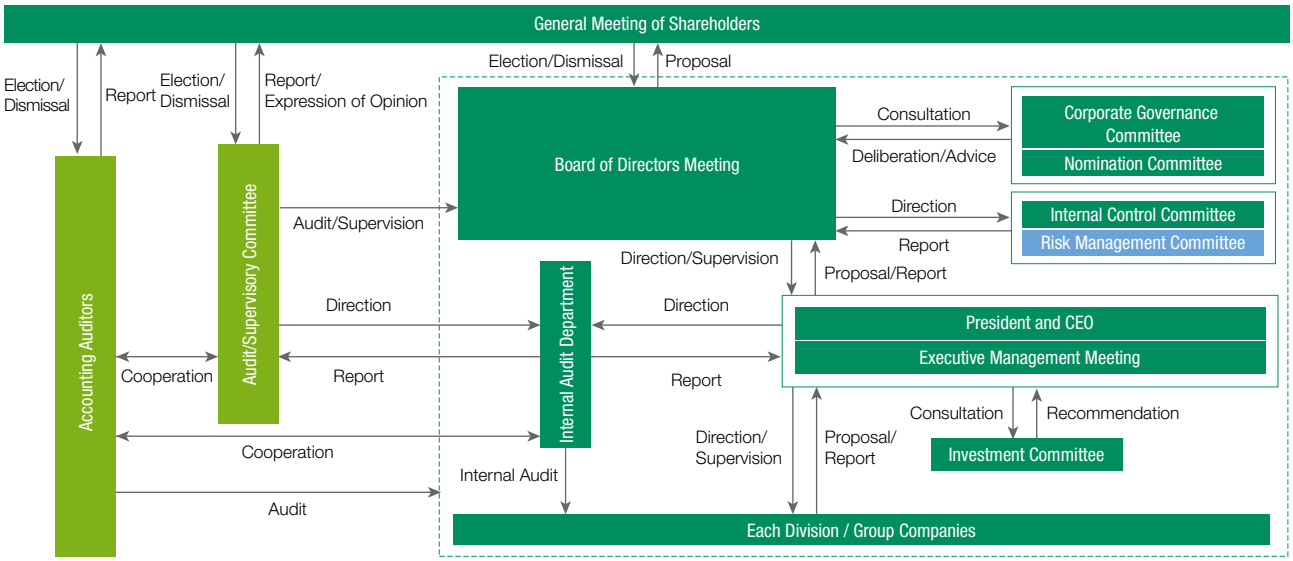
Establishment of Risk Management System

The Risk Management Committee has been established directly under the Board of Directors as an organization charged with overseeing risk management across the entire Group. Chaired by the President and CEO, the committee's membership includes officers at the level of Managing Executive Officer and higher, representatives of relevant departments selected by the committee chair, and the Company's legal counsel. The committee meets twice a year to discuss key risks, and draw up, implement, and monitor risk response measures.

Key risks are designated by assessing risks identified throughout the Group based on predefined criteria. Assessment criteria focus on two key points: 1) whether the risk will significantly impact Terumo customers, and 2) whether the risk will cause serious damage to the Terumo Group's management.

Risk information is gathered from throughout the Group, organized in a database, and shared with department heads and risk managers at subsidiaries. In addition, a system has been established for information to be communicated to management organizations promptly through functional departments and the relevant departments of subsidiaries when a significant issue arises.

Risk Management System



Risk Management Education

Since fiscal 2016, we have been including content emphasizing the importance of risk management in briefings for department heads and conducting participatory workshop training for associates. Through such initiatives, we are working to enhance the level of risk sensitivity among individual managers and associates.

Crisis Response

When a crisis emerges (an identified risk occurs), the Risk Management Regulations stipulate that an internal response is to be organized in accordance with the crisis level. Crisis responses aim to accomplish three things: 1) protect human lives, 2) minimize damage and losses, and 3) maintain the trust of society. For a crisis of the highest level, we establish a crisis response headquarters, led by the Risk Management Committee Chair, with the relevant department heads as the second tier of leadership.

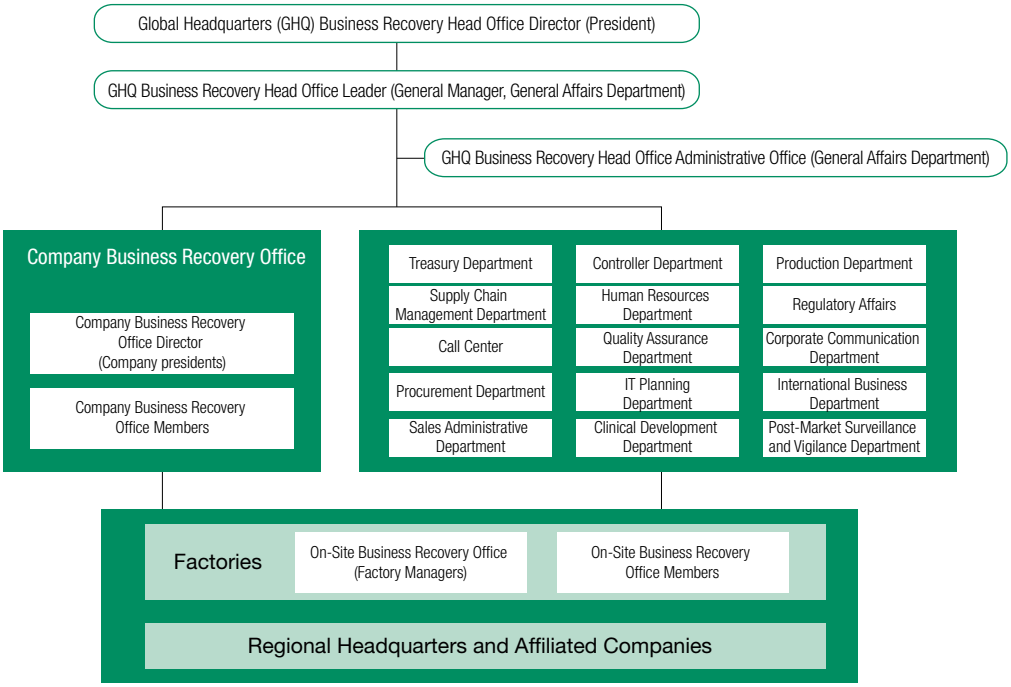
Responses to Major Disasters and Other Emergencies

The Terumo Group provides medical devices, pharmaceuticals, and services that are directly linked to people's lives. Accordingly, we believe that ensuring business continuity in the event of a major natural disaster or some other unforeseen situation is an important social obligation of the Group. We have therefore prepared business continuity plans (BCPs) to prevent our operations from being disrupted even under extreme circumstances and to ensure that operations can be quickly restored and resumed should they be disrupted. We conduct various drills on a regular basis and implement other countermeasures.

If a large-scale disaster strikes, a disaster response headquarters, led by the President and CEO of Terumo Corporation, will be established to swiftly initiate response activities. The disaster response headquarters will ascertain the condition of associates and their families, and gather information on matters such as conditions at suppliers and in disaster-hit areas to assess the current situation, so that response actions can be determined and implemented. At the same time, the disaster response headquarters will embark on efforts to provide the necessary support to disaster-hit areas in a timely manner.

If it becomes apparent that the Terumo Group's supply chain or operations will be temporarily interrupted, the disaster response headquarters will transition to a business recovery mode and begin work to restore normal supply chain/operational functions as quickly as possible.

Business Recovery Organization



Business Continuity Plans

Based on the Terumo Group BCP Standard, the Terumo Group has developed BCPs for its operations around the world based on three policies: 1) fulfill our social responsibilities to ensure that impacts on medical institutions are minimized whenever possible, 2) protect our associates and their families worldwide, and 3) protect our assets.

BCPs have been prepared for factories, functional departments engaged in tasks such as raw material procurement and distribution, and companies. By promoting disaster preparedness in all divisions, we aim to ensure swift and accurate responses in cases of emergencies.

Preparedness Drills

Each Terumo Group location conducts drills, such as the following, on how to respond to large-scale natural disasters. Communication drills are also conducted jointly with Terumo's logistics partners.

- Establishment of a disaster response headquarters following a major earthquake, confirmation of role performance by individual staff, and other BCP-related drills
- Implementation of systems for rapidly ascertaining the condition of associates and their families and drills on its use
- Overall disaster response drills including firefighting, CPR, and rapid evacuation
- Communication via MCA radio under simulated loss of telephone and email

Infectious Disease Countermeasures

Terumo has been designated a specified public institution under Japan's Act on Special Measures for Pandemic Influenza and New Infectious Disease Preparedness and Response. Accordingly, we have developed an operation plan as required and have formulated a BCP that will enable us to continue operating even in the event of an outbreak of a new strain of influenza or other infectious diseases.

In addition, Terumo has prepared its infectious disease response manual to guide efforts to combat the various infectious diseases that are currently spreading around the world and to help halt the spread of such diseases. This manual lays out rules covering everything from infection prevention to the return to work of associates who have been infected in an effort to protect business operations from the impacts of infectious diseases.

Terumo also monitors the status of infectious diseases around the world and issues travel precautions or restricts business travel for its associates, as conditions warrant.

Information Security

Basic Approach

In pursuing business operations, we, at the Terumo Group, take measures to properly protect and ensure information safety with regard to confidential information of the Group as well as information entrusted to the Group by customers and business partners from all manner of threats, including unauthorized access by outside parties; information leaks due to negligence; information manipulation, destruction, and theft; information system malfunctions; and natural disasters. The Terumo Group Global Security Policy has been established as a shared global policy for information security, and region-specific information security rules have been formulated based on this policy.

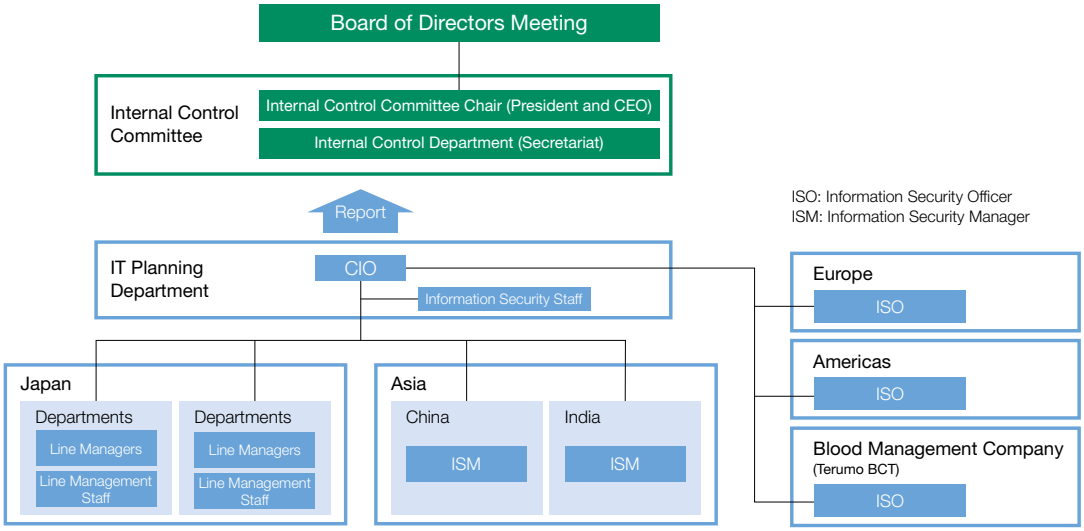
Regarding personal information, we have developed the Personal Information Protection Standard based on Japanese laws and regulations, including the Act on the Protection of Personal Information and Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures. We properly protect and manage all forms of personal information, including national identification numbers, in accordance with these standards. Furthermore, we are promoting global compliance with the General Data Protection Regulation, a new personal information protection regulation implemented by the European Union in May 2018.

Information Security System

Under the direction of the Chief Information Officer (CIO), the Terumo Group develops global information security systems headed by the IT Planning Department. The formulation and enactment of standards and guidelines based on the laws and regulations of countries of operation and the education and training of associates are promoted on a global basis through these systems. In addition, global meetings are held regularly between representatives from Terumo's IT Planning Department and information security divisions of Group companies. These meetings serve as opportunities to share information on cyber risks and other matters and to examine possible measures for strengthening information security.

In Japan, information security managers and management staff are appointed in each department of Terumo and in each Group company, as stipulated by the Terumo Group Global Security Policy and the information security rules. These individuals perform management and provide guidance to ensure that information in their departments is properly managed and protected. Outside of Japan, information security officers are selected for each region and information security managers are put in place at all affiliates to promote appropriate information protection and management throughout the Group.

Global Information Security Management Organization



Measures for Strengthening Information Security

Terumo business locations throughout the world perform self-evaluations of their security status annually, and information security training for associates is conducted on a regional basis once a year. In addition, both internal and external audits are performed to confirm the status of compliance with the internal rules and regulations of the Company.

We have recently seen a rise in the various information security threats needing to be addressed, with such threats including targeted attacks, unauthorized access, and leaks of personal information. To combat such threats, we are implementing measures for strengthening information security to provide for multilayered protection that includes countermeasures for scam emails, monitoring for unauthorized transmissions, and other provisions. Furthermore, we conduct drills using target emails for our associates around the world to raise their awareness of information security.