

Toward a Platform for Sustainable Management

Management System

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Corporate Governance (Overview)

Basic Stance

- 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 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.

 For more information on the TERUMO Corporate Governance Guideline, please visit Terumo's website.
<http://www.terumo.com/about/governance.html>

Corporate Governance Structure

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.

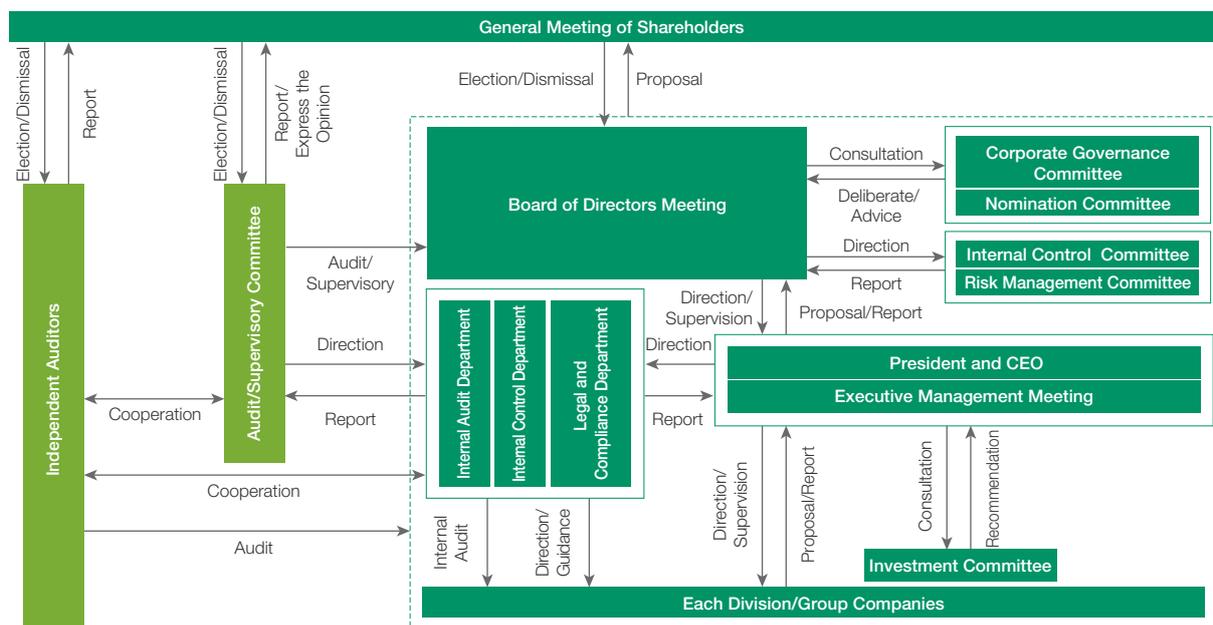
2. Enhance transparency and objectivity in management

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.

To enhance management transparency and objectivity, Terumo has also established the Corporate Governance Committee, Nomination Committee, Internal Control Committee, and Risk Management Committee as discretionary organs.



* Audit/Supervisory Committee members are directors, and have voting rights in the BOD meeting. The majority of Audit/Supervisory Committee is constituted by independent directors.

* Audit/Supervisory Committee serves for the function of auditing and supervising the directors and the BOD.

Compliance (Overview)

Compliance System

At Terumo, the Internal Control Committee, which is responsible for enacting the Internal Control System within the Terumo Group in accordance with the “Internal Control System Design Basic Policy” approved by the Board of Directors, shall deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit/Supervisory Committee. The Chief Legal Officer (CLO) shall be the primary entity implementing the compliance system across the Terumo Group, and under the leadership of the CLO, the compliance officers of the Terumo Group companies who are in charge of promoting compliance related activities, promote a variety of measures including creating related rules, performing training and education, and monitoring to quickly discover and ascertain compliance issues. In the event that any significant compliance violations, etc. occur, a handling team shall be immediately organized under the direction of the chairperson of the Internal Control Committee, and that team shall, in addition to handling and resolving the occurrence, report and make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

 For more information on the Internal Control System Design Basic Policy, please visit Terumo’s website.
<http://www.terumo.com/about/compliance.html>

Compliance with the Code of Conduct for the Terumo Group (SAKURA Rules)

Terumo’s corporate mission, “Contributing to Society through Healthcare,” is the goal not only of the company but of all associates who work for Terumo. We will continue to conduct honest and fair business practices based on strict legal compliance and corporate ethics in order to maintain our position as an ethical healthcare company. To go further toward meeting these social expectations, we established the Code of Conduct for the Terumo Group (SAKURA Rules) in April 2008 to set standards for the conduct of daily business activities for the entire group, including overseas entities. In accordance with this Code, we are striving throughout the Terumo Group to base our actions on social ethics, as well as on compliance with relevant laws and regulations.

The Code of Conduct of the Terumo Group (SAKURA Rules) states that “Each Associate must conduct business activities honestly, act in a manner that demonstrates responsibility for environmental conservation and seek to become a model citizen within the corporate group.” We carry out training on the Code of Conduct tailored to each site and encourage associates to recognize the importance of corporate ethics. As a global company, we also clearly state and promote the need to respect human rights and eliminate discrimination in our Code of Conduct.

 For more information on the Code of Conduct of the Terumo Group (SAKURA Rules), please visit Terumo’s website.
<http://www.terumo.com/about/compliance.html>

| Appropriate Relationships with Public Officials

All Terumo associates observe the “Code of Conduct of the Terumo Group (SAKURA Rules)” and the “Terumo Global Anti-corruption and Anti-bribery Policy” in all dealings with public institutions, related officials and the employees of public medical institutions. These codes aim to ensure that all business is conducted in a transparent, fair, and honest manner. Full compliance is expected under Japan’s Unfair Competition Prevention Act, the US Foreign Corrupt Practices Act, and other anti-bribery laws within the countries and regions where Terumo Group operates.

| Prohibition of Collusion and Cartels

In recent years, the anti-competitive practices such as collusion, action as a cartel, or other kinds of violations of competition laws have been uncovered and subjected to strict punishment. To help ensure that it does not contribute to such activities, Terumo established the “Terumo Group Global Anti-trust Policy” in January 2015. In addition, the Terumo Group conducts cartel prevention training for associates in Japan and overseas in a Group-wide effort to maintain free and fair competition.

| Combating Anti-Social Forces

Avoiding relationships with anti-social forces is one of Terumo’s corporate responsibilities. We, therefore, strictly refuse to become involved in any relationship with anti-social forces and engage in no transactions with companies, other organizations, or individuals with ties to anti-social forces. Furthermore, we work with law enforcement authorities and other agencies to combat anti-social forces.

| Whistle-Blowing System

When we are aware of compliance issues, taking appropriate measures, such as investigation, preventive action, disciplinary action and/or recurrence prevention measure are important. For such actions to be taken, it is necessary to ensure that any associate can report any compliance concern within the company without a fear of retaliation against the report. This is why Terumo established the “Terumo Global Compliance Violations Reporting and Anti-Retaliation Policy”. Under the Policy, Terumo builds and operates a whistle-blowing system in which Group Employees can, upon discovering compliance violations, etc., can report problems out of their usual line of authority. Further, the divisions operating the whistle-blowing system shall report on its status to the President of Terumo Corporation, the Internal Control Committee, and the Audit/Supervisory Committee as appropriate.

| Appropriate Relationships with Healthcare Professionals

Terumo abides by the “Fair Competition Code” of the Japan Fair Trade Council of the Medical Devices Industry, “Code of Practice” of the Japan Pharmaceutical Manufacturers Association, “Promotion Code” of the Japan Federation of Medical Devices Associations, and other industrial regulations to ensure that it follows appropriate promotion practices for medical devices and pharmaceuticals. As there are more and more global business opportunities, we established the “Terumo Global Ethical Interactions with Healthcare Professionals Policy” based on the principles under the codes of ethics of internationally reputable industrial associations, in addition to “Terumo Code of Practice”. We keep developing and improving continuous in-house education for associates in order to promote awareness and thorough understanding of appropriate relationships with Healthcare Professionals. Going forward, we will continue to abide by these guidelines and practices.

| Making the Relationship between Corporate Activities and Medical Institutions Transparent

Terumo has contributed to the development of the life sciences by conducting business activities consistent with “Contributing to Society through Healthcare” — our corporate mission. The development of advanced medical devices and pharmaceuticals requires the efforts of not only individual companies but also cooperation with university and other research and medical institutions. In that connection, funds are paid as compensation, and donations are made for research and other purposes. To ensure a high degree of transparency as it engages in such payments, Terumo abides by not only the Pharmaceutical and Medical Device Act and other relevant laws and regulations but also industry self-regulation provisions based on the Fair Competition Code, Code of Practice, and other business ethics standards. Transparency has long been a concern outside Japan and has gained emphasis in Japan, as well. This is substantiated by developments such as the issuance of guidelines addressing conflicts of interest in industry-academia relationships in medical association and other contexts. Acting in accordance with voluntary industry rules, therefore, Terumo has formulated its Transparency Guideline for the Relationships between Corporate Activities and Medical Institutions and its Transparency Guideline for the Relationships between Corporate Activities and Patient Organizations, and follows their provisions in disclosing payments of funds to medical institutions, medical professionals, and patient organizations.

 For more information on compliance at Terumo, please refer to the following web page.
<http://www.terumo.com/about/compliance.html>

Risk Management

Basic Stance

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, 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 Regulations, which were formulated to address risk throughout the Group, provide the guidelines for appropriate risk management based on identification and analysis of risk for the Group as a whole. Our objective in managing risk is to provide the proper environment for supporting bold, yet appropriate risk taking—for all types of risk—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.

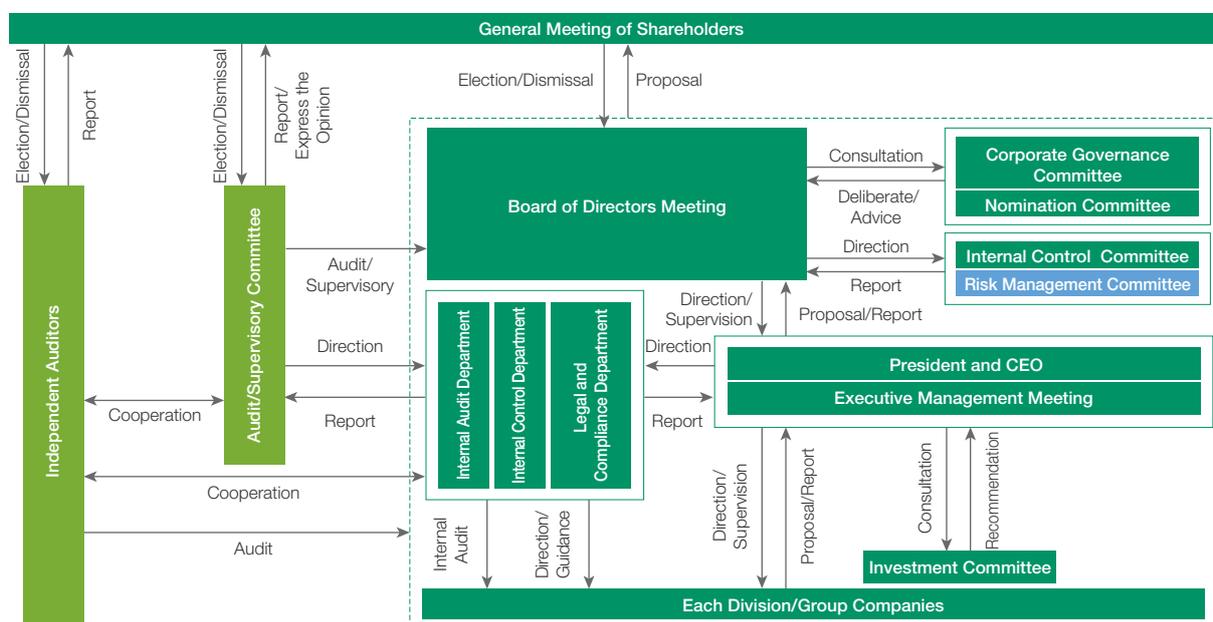
1. Realization of an organizational culture in which each individual associate is conscious of risk as they perform their job responsibilities.
2. Identification of key risks—high priority risks from a companywide perspective—followed by development and implementation of appropriate responses.

Risk Management System

Discussions of Key Risks by the Risk Management Committee

The Risk Management Committee, which has been established directly under the Board of Directors, meets twice a year to discuss key risks, and draw up, implement, and monitor risk response measures. 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.

Risks that have been identified within the Group and assessed as meeting certain criteria are designated "key risks." Assessment criteria focus on two key points: 1) Potential for extraordinary detriment to patients and others; and 2) Potential to cause management disruption.



Establishment of a System for Appropriately Sharing Risk Information

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 the management organization directly through functional departments and the relevant departments of subsidiaries, when a significant issue arises.

Crisis Response

When a crisis emerges, an internal response is 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, a crisis response headquarters, led by the Risk Management Committee Chair, and with relevant department heads as the second tier of leadership, is established.

Risk Education

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

Responding to Major Disasters and Other Emergencies

The number of natural disasters has nearly doubled over the past 30 years and is forecast to continue growing. Disasters have become larger in scale, and it is anticipated that areas throughout the world will be hit by unprecedented catastrophes and suffer enormous damage. The Terumo Group, in preparing for natural disasters, is moving forward with the implementation of measures such as establishing business continuity plans (BCPs) and conducting comprehensive disaster response training.

BCP Preparation

Terumo has prepared business continuity plans (BCPs) for its global operations, based on the following three policies, and is implementing measures for responding to natural disasters.

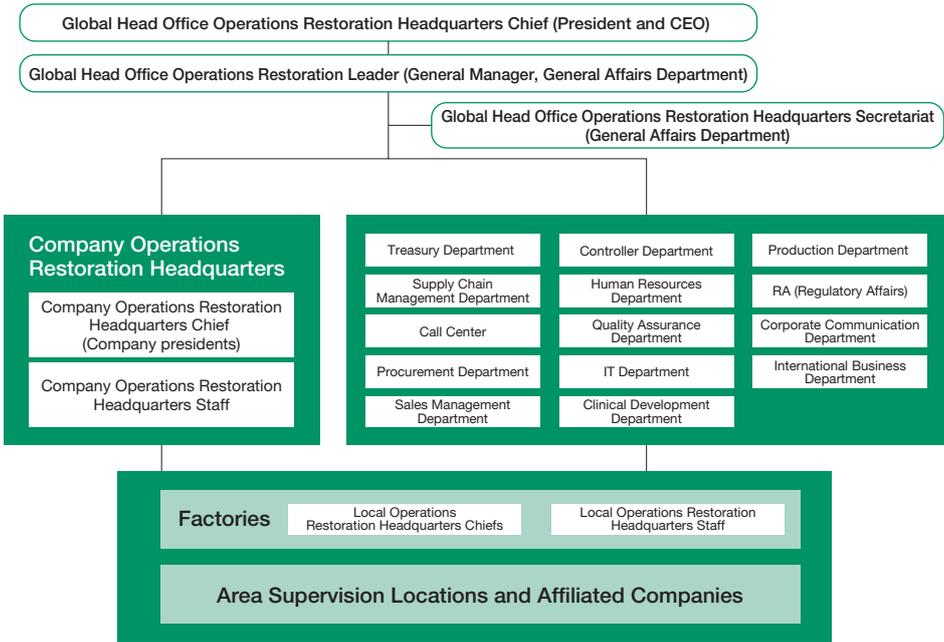
- Meet responsibilities to society, and sustain the provision of medical care
- Protect the lives of associates (employees) and their families
- Protect company assets

BCPs have been prepared not only for our factories but also our functional departments engaged in tasks such as raw material procurement and distribution. Each of these locations is working to enhance its emergency preparedness by implementing steps to minimize disaster-related impacts.

Responding to Large-scale Disasters

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 required human and other support to disaster-hit areas in a timely manner.

If it becomes clear 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.



Disaster Response and BCP Training

Each of the Terumo Group's locations conducts various types of training on how to respond to a large-scale natural disaster. Training is also conducted to ensure the ability to communicate and interact in other ways with Terumo's logistics partners.

Training Examples

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

Measures against Infectious Disease

In recent years, the world has seen the emergence and spread of various infectious diseases. Examples include bird flu, the Zika virus, and dengue fever, and extremely virulent diseases, such as Ebola and Crimean-Congo hemorrhagic fever.

Terumo, therefore, has prepared its Infectious Disease Response Manual to prevent infection and the spread of infection. 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 disease.

Terumo also monitors infectious disease conditions globally and issues travel precautions or restricts business travel for our associates, as conditions warrant.

Furthermore, because 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, we have developed an operation plan as required and have formulated a business continuity plan (BCP) that will enable us to continue operating even with the outbreak of a new strain of influenza or other infectious disease.

Information Security

Basic Policy

In pursuing business operations, we, at the Terumo Group, take measures to properly protect our confidential information and information entrusted to the Terumo Group by customers and business partners from all manner of threats, including, for example, unauthorized access by outside parties; information leaks due to negligence; information manipulation, destruction, and theft; information system malfunctions, and natural disasters.

Regarding personal information, we properly protect and manage all forms of personal information, including national identification numbers, in accordance with 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.

Organization

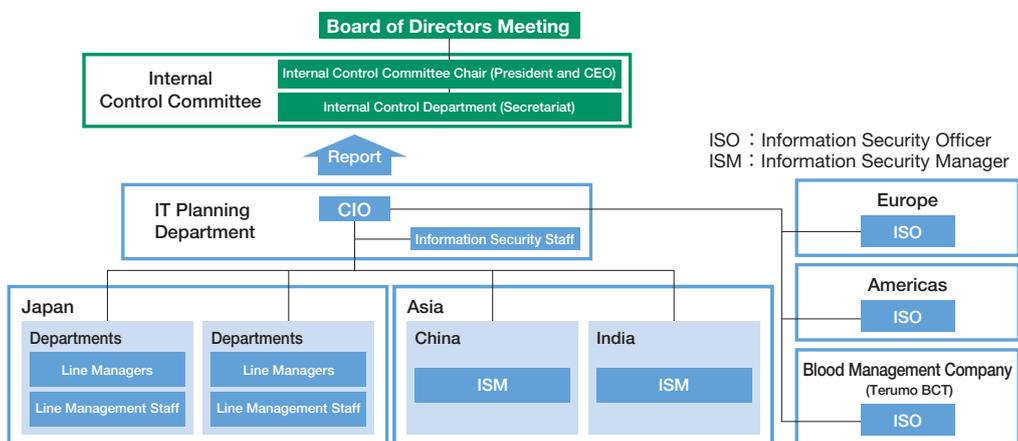
Under the direction of the Chief Information Officer (CIO), the IT Planning Department leads efforts to strengthen Terumo's information security on a global basis.

The Terumo Group Global Security Policy (Concepts) and the Global Information Security Guidelines (Requirements), which have been formulated for uniform application throughout our global operations, serve as the bases for the creation of Information Security Rules (Provisions) at the local level.

Terumo business locations throughout the world perform a self-evaluation of their security status annually, and information security training is conducted on a regional basis once a year.

In fiscal 2016, there were no significant information security lapses within the Terumo Group.

Overview of Global Security Enhancement Organization



New Information Security Regulation Scheme

