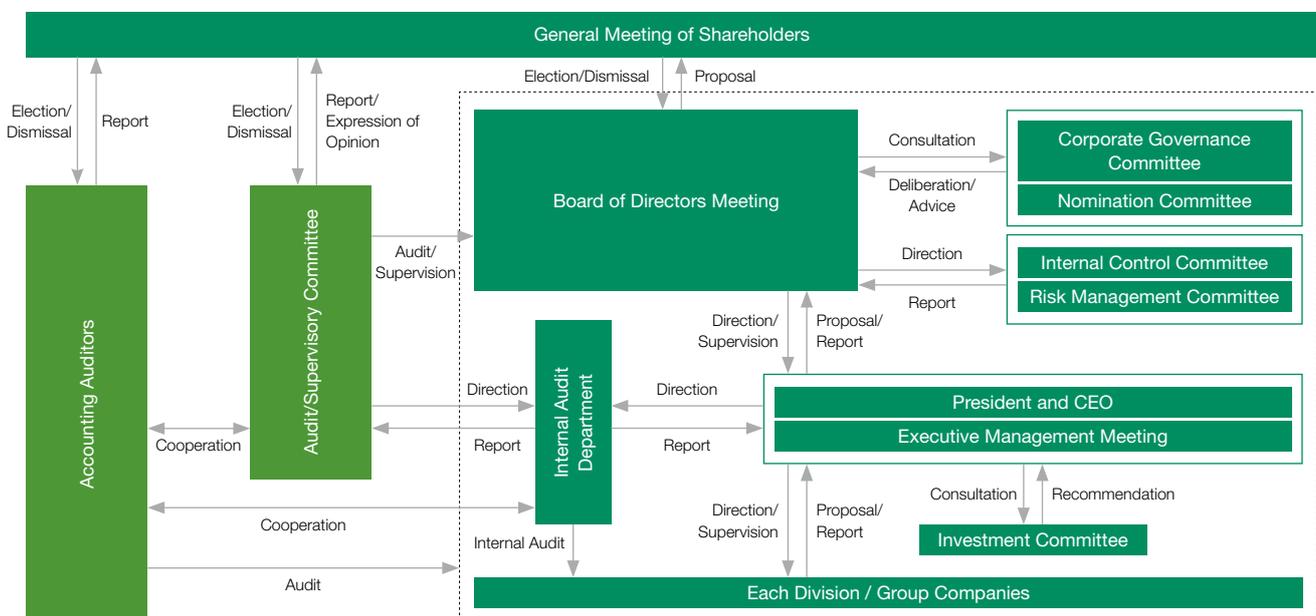


Corporate Governance

Basic Stance on 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 its 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 its 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.

Corporate Governance Structure



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

Corporate Governance Structure

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- to 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 represent the perspectives 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.

Board of Directors

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.

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 the chair, considering the actual situation of possible candidates based on the above standpoint, and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

Audit/Supervisory Committee

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

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 members of the Audit/Supervisory Committee shall elect one of the Committee members to serve as the chair of the Committee.

Corporate Governance Committee

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.

- (a) Basic matters concerning Corporate Governance.
- (b) Important matters concerning the establishment, design, and operation of the Corporate Governance system.
- (c) Matters concerning the compensation structure for directors and executive officers.
- (d) Other matters which the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out for 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 in (c) above shall not violate the provisions of Article 361 of the Companies Act.

Members

- The Committee shall be comprised of members of the Board selected by the Board.
- 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 members 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 the other independent directors elected by a majority vote of the Committee members shall act in the chair's place.

Nomination Committee

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.

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)) 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.

Internal Control Committee

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."

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.

Risk Management Committee

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.

Members

- The Committee shall be comprised of executive officers ranked Managing Executive Officer or above, Internal Control Department managers, and designated person by 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.

Selection of Directors

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 these internal regulations stipulate that independent directors shall be selected from persons with extensive experience in management, international business, the practice of medicine, or other specific areas of expertise.

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 at the General Meeting of Shareholders.

Independent directors shall be subject to the requirements of the Director Independence Standards. The Nomination

The regulations also require the consideration of the diversity of independent directors, including, to the extent possible, their backgrounds, expertise, gender, and other factors 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.

Committee shall discuss and propose the Director Independence Standards for review and approval by resolution of the Board of Directors.

Each director shall concurrently hold officer positions (director, auditor, etc.) with no more than three other listed companies as a condition to serving as a director of Terumo Corporation.

The reasons for selection and the positions concurrently held by each candidate for director shall be disclosed in the Corporate Governance Report, reference materials for the General Meeting of Shareholders, or other documents as appropriate.

Reasons for Appointing Independent Directors and Attendance at Meetings (Fiscal 2017)

Name	Reason for appointment	Attendance at meetings of the Board of Directors and Audit/Supervisory Committee
Ikuo Mori	Mr. Mori has been appointed as an independent director to utilize the insight he has cultivated from his extensive experience as a manager and many years of experience in business overseas, in supervising the management of Terumo Corporation.	Board of Directors: 12/12 (100%)
Ryuzo Ueda	Mr. Ueda has expert knowledge that includes a track record of research in cancer therapy, has served as President of Nagoya City University Hospital and Director-General of Nagoya City Hospital Bureau, and has cultivated extensive experience through the performance of his duties in these organizations. He has been appointed as an independent director to utilize this experience in the supervision of management at Terumo Corporation.	Board of Directors: 12/12 (100%)
Yukiko Kuroda	Ms. Kuroda has extensive experience as a manager, and many years of global experience in organizational and leadership development consulting. She has been appointed as an independent director to utilize the insight she has cultivated from these experiences in the supervision of management at Terumo Corporation.	Appointed on June 22, 2018
Toshihiko Matsumiya	Mr. Matsumiya has extensive knowledge of finance and accounting as a Certified Public Accountant. He has heretofore provided auditing and supervision of the management of Terumo Corporation from an independent perspective.	Board of Directors: 12/12 (100%) Audit/Supervisory Committee: 12/12 (100%)
Masatake Yone	Mr. Yone possesses specialized knowledge and extensive experience as an attorney in Japan and overseas, and has heretofore overseen and supervised the management of Terumo Corporation from an independent perspective.	Board of Directors: 12/12 (100%) Audit/Supervisory Committee: 12/12 (100%)

Evaluation of the Effectiveness of the Board of Directors

For the purpose of further improving effectiveness of the board, the Board of Directors shall conduct a self-evaluation of board effectiveness every year by surveys and other

means with the involvement of outside experts and disclose a summary of the results.

Executive Compensation

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 of profits with shareholders.”

To achieve objective (a), an appropriate balance between

fixed compensation and performance-linked compensation (bonus) shall be set. In order to achieve objective (b), compensation-type stock options have been established.

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

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 the total combined compensation, respectively.

The Corporate Governance Committee shall review the standard amount of compensation and the related target

percentage 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.

Decision Procedure

• Fixed compensation

Within the compensation limit approved at the General Meeting of Shareholders, compensation for directors, excluding 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 Companywide 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, compensation-type stock options shall be awarded by resolution of the Board of Directors.

Remuneration to Directors

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)			Number of directors
		Base	Stock options	Bonuses	
Directors (excluding Audit/Supervisory Committee members and independent directors)	438	211	88	138	9
Audit/Supervisory Committee members (excluding independent directors)	32	32	—	—	2
Independent directors	58	58	—	—	5

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.