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## Terumo Corporation

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 (<https://www.terumo.com/>)

The status of corporate governance at Terumo Corporation is as detailed below.

## I. Basic Stance on Corporate Governance, Capital Structure, Company Profile, and Other Basic Information

### 1. Basic Stance Update

Terumo's group mission is "Contributing to Society through Healthcare". Guided by its mission, Terumo provides valuable products and services, to achieve sustainable growth, maximize long-term corporate value and meet the expectations of its worldwide stakeholders, including its customers, shareholders, associates, business partners and communities. To achieve its group mission, Terumo articulated the Core Values which are the values and beliefs that all Terumo associates globally have to own for their action, as follows:

- Respect – Appreciative of others
- Integrity – Guided by our mission
- Care – Empathetic to patients
- Quality – Committed to excellence
- Creativity – Striving for innovation

Based on its group mission and the Core Values, Terumo has established the Guidelines 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, and strives diligently to foster a culture of this kind.

A diagram of Terumo's corporate governance structure is shown as an attachment.

### [Reasons why each general provision of the Corporate Governance Code is not implemented]

Terumo implements each of the basic principles of the Corporate Governance Code.

### [Disclosure under each general provision of the Corporate Governance Code] Update

Terumo has formulated the TERUMO Corporate Governance Guidelines to achieve sustainable growth and high corporate value over the long-term, based on its group missions and the Core Values. It is posted on the company website.

<https://www.terumo.com/about/governance/index.html>

The following subset of items requiring disclosure under the Corporate Governance Code are disclosed in the TERUMO Corporate Governance Guidelines.

- Principle 1-4: Corporate Governance Guidelines "3. Securing Shareholders' Rights and Equality (4) Holding of Shares in Other Companies for Strategic Purposes"
- Principle 1-7: Corporate Governance Guidelines "3. Securing Shareholders' Rights and Equality (6) Related Party Transactions"
- Principle 2-6: Corporate Governance Guidelines "3. Securing Shareholders' Rights and Equality (5) Function as Asset Owner of Corporate Pension Fund"
- Principle 3-1(ii): Corporate Governance Guidelines "1. General Provisions" and Overall Policy
- Principle 3-1(iii): Corporate Governance Guidelines "2. Corporate Governance Structure (11) Executive Remuneration"
- Principle 3-1(iv): Corporate Governance Guidelines "2. Corporate Governance Structure (9) Selection/dismissal of Directors"
- Principle 4-1(1): Corporate Governance Guidelines "2. Corporate Governance Structure (2) Board of Directors"
- Principle 4-9: Corporate Governance Guidelines "2. Corporate Governance Structure (9) Selection/dismissal of Directors" and Appendix 2
- Principle 4-11(1): Corporate Governance Guidelines "2. Corporate Governance Structure (2) Board of Directors" and "(9) Selection/dismissal of Directors"
- Principle 4-11(2): Corporate Governance Guidelines "2. Corporate Governance Structure (9) Selection/dismissal of Directors"
- Principle 4-11(3): Corporate Governance Guidelines "2. Corporate Governance Structure (13) Board Evaluation"
- Principle 4-14(2): Corporate Governance Guidelines "2. Corporate Governance Structure (12) Training Policy"
- Principle 5-1: Corporate Governance Guidelines "5. Appropriate Disclosure" and Appendix 3

#### ■ Principle 1-4: 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 verifies the economic, strategic and other rationales for each such holding using a medium- to long-term perspective on an annual basis. Terumo discloses holding securities as specified equity securities in the Annual Securities Report unless selling them. Terumo exercises 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.

Terumo currently has collaborative relationships with the companies issuing shares that it holds for strategic purposes, and has judged the holding of these shares to be fully justified.

#### ■ Principle 3-1: "Substantial Disclosure of Information"

(i) In addition to posting the company's goals (group mission), management strategy, and management plans in the Corporate Policy and Top Management Message on the company website, Terumo strives to share information widely with all of its shareholders and investors through disclosure in its Annual Report, financial results presentations, and other investor relations activities.

- Group Mission and Core Values: <https://www.terumo.com/about/mission-and-corevalues/index.html>
- Top Management Message: <https://www.terumo.com/investors/management/message/index.html>

(v) Explanation with respect to the individual appointment and nominations of directors.

Reasons for selection of individual directors are described in the Notice of Convocation of the 103rd Annual General Meeting of Shareholders.

[https://www.terumo.com/investors/stocks/shareholders\\_meeting/index.html](https://www.terumo.com/investors/stocks/shareholders_meeting/index.html)

■ Principle 4-11: “Prerequisites for Ensuring Effectiveness of the Board of Directors”

(3) Evaluation of the Overall Effectiveness of the Board of Directors and Summary of Results

For the purpose of further improving effectiveness and functionality of the Board, the Company conducted a self-evaluation of Board effectiveness using survey sheets and other means. The Company retained outside consultants, who gave support in counting and analyzing the survey. As a result of this evaluation, the Board concluded that the audit/supervisory and monitoring function of the Board are efficient and the Board effectiveness has been sufficiently ensured.

1. Actions based on the result of last year’s survey: executive training

In last year’s survey, the Board recognized that enhanced executive training is needed for each director to exercise the maximum of their ability for the purpose of further improvement of corporate value. Based on this result, the Company reviewed training contents and improved them to systematized training program which covers the matters that the Board members and executive officers should learn. In this year’s survey, the Board evaluated that the new training program is so meaningful that the Company should implement this program on a continuous basis.

2. Result of this year’s survey: Board function and operation

The Company has been continuously working on Board function and operation improvement by prioritizing the Board agenda, reviewing roles and responsibilities of the Board and other means. In addition to the above, the board evaluated that further open and candid culture of the board under new management team started FY2017 leads to the Board effectiveness improvement and the Board discussion activation. It was also recognized that the Board needs to take actions for further activating the Board continuously such as increasing its diversity for contributing sustainable growth of the Company.

3. Result of this year’s survey: Discussion on strategy

In FY2015, the Board members shared the understanding that there still be a room for the Board to improve the way of discussing mid- and long-term strategy. Based on this result, in FY2016, the Company enriched the fulfilling discussion about management strategies which center on setting mid- and long-term growth strategy. Furthermore, through this year’s survey, the Board identified several important issues to be discussed strategically and set them as annual discussion themes of the Board. The Board will continue making efforts to enable productive discussion focusing important issues with sufficient discussion time.

The Board will consider concrete countermeasures regarding issues to be addressed, including the matters pointed out above, and will discuss and implement measures to further improve the effectiveness and functionality of the Board. The Board will follow up regarding the progress and results of those improvements as part of the Board evaluation in the next year.

2. Capital Structure

Percentage of shares held by foreign nationals	20-30%
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[Major Shareholders] Update

Name or Title	Number of Shares Held	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,166,000	14.89
Japan Trustee Services Bank, Ltd. (Trust Account)	26,740,000	7.22
The Dai-ichi Life Insurance Company, Limited	20,259,800	5.47
Meiji Yasuda Life Insurance Company	13,568,200	3.66
STATE STREET BANK AND TRUST COMPANY 505223	10,284,857	2.78
Mizuho Bank, Ltd	9,215,000	2.49
Terumo Foundation for Life Sciences and Arts	7,360,222	1.99
SSBTC CLIENT OMNIBUS ACCOUNT	6,371,678	1.72
JP MORGAN CHASE BANK 385632	5,975,434	1.61
Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,789,760	1.56

Controlling shareholders (excluding the parent company)	————
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Parent company	None
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Supplementary Explanation Update

Major shareholders as of September 30, 2018.  
Terumo holds 9,170 thousand shares of treasury stock in addition to those listed above.

### 3. Company Profile

Stock exchange and market segment	Tokyo Stock Exchange, First Section
Fiscal year-end	March
Industry type	Precision instruments
No. of employees as of the end of the previous fiscal year (consolidated basis)	1,000 employees or more
Revenue in the previous fiscal year (consolidated basis)	¥100 billion to less than ¥1 trillion
No. of consolidated companies in the previous fiscal year	50 to less than 100

### 4. Guidelines on Measures to Protect Minority Shareholders When Engaging in Transactions, etc. with Controlling Shareholders

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### 5. Other Special Circumstances that could have a Material Impact on Corporate Governance

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## II. Status of the Business Administration Organization and Corporate Governance Structure in Relation to Decision-Making, Execution, and Supervision

### 1. Matters Concerning Institutional Structure, Organizational Operation, etc.

Organizational Form	Company with an Audit/Supervisory Committee
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#### [Directors]

Maximum number of directors in the Articles of Incorporation	20
Term of directors in the Articles of Incorporation	1 year
Chairman of the Board	Chairman of the Board
No. of directors	11
Appointment of external directors	Appointed
No. of external directors	5
No. of external directors who are designated as independent directors	4

#### Relationship to Company (1)

Name	Attribute	Relationship to company*												
		a	b	c	d	e	f	g	h	i	j	k		
Ikuo Mori	From another company													
Ryuzo Ueda	Academic								○					
Yukiko Kuroda	From another company													
Toshihiko Matsumiya	CPA													
Masatake Yone	Attorney													

\* Options for relationship to company

\* Enter a blank circle (○) for each of the options that currently and mostly recently apply to the individual, and enter a blank triangle (△) for each option that was applicable in the past.

\* Enter a black circle (●) for each of the options that currently and mostly recently apply to a close relative, and enter a black triangle (▲) for each option that was applicable in the past.

- Executive of Terumo Corporation or its subsidiaries
- Executive of the parent company of Terumo Corporation or a non-executive director
- Executive of a fellow subsidiary company of Terumo Corporation
- A party whose major client or supplier is Terumo Corporation or an executive thereof
- Major client of Terumo Corporation or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other tangible goods from Terumo Corporation besides executive remuneration.
- Major shareholder of Terumo Corporation (or an executive of the major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of Terumo Corporation (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company which engages in mutual appointment of External Directors/Audit & Supervisory Board Members with Terumo Corporation (the director himself/herself only)
- Executive of a company or organization that receives a donation from Terumo Corporation (the director himself/herself only)
- Others.

Relationship to Company (2)

Name	Audit/Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Ikuo Mori		○	—	<p>&lt; Reasons for Appointment &gt;            Mr. Mori has been appointed as an external director to utilize the insight he has cultivated from extensive experience as a manager and many years of experience in business overseas, in supervising the management of Terumo Corporation.</p> <p>&lt; Reasons for Designation as an Independent Director &gt;            Mr. Mori meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. He has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.</p>
Ryuzo Ueda		○	<p>Mr. Ueda is employed as a professor at Aichi Medical University, with which Terumo Corporation has transactions. He also served as president of Nagoya City University Hospital from April 2003 to June 2007, and currently serves as visiting professor and professor emeritus. The value of transactions Terumo Corporation has engaged in with each of these universities comprises less than 0.1% of Terumo's revenue.</p>	<p>&lt; Reasons for Appointment &gt;            Mr. Ueda has expert knowledge which 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 external director to utilize this experience in the supervision of management at Terumo Corporation.</p> <p>&lt; Reasons for Designation as an Independent Director &gt;            Mr. Ueda meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. He has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.</p>
Yukiko Kuroda		○	<p>Ms. Kuroda serves as Founder and Director of People Focus Consulting. She serves concurrently as Outside Director of CAC Holdings Corporation, and as Outside Director of Mitsui Chemicals, Inc.</p>	<p>&lt; Reasons for Appointment &gt;            Ms. Kuroda has the extensive experience as a manager, and many years of global experience in organization and leadership development consulting. She has been appointed as an external director to utilize the insight she has cultivated from these experiences in the supervision of management at Terumo Corporation.</p> <p>&lt; Reasons for Designation as an Independent Director &gt;            Ms. Kuroda meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. She has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.</p>
Toshihiko Matsumiya	○	○	<p>Mr. Matsumiya serves as the Representative of Toshihiko Matsumiya Certified Public Accountant Office. He serves concurrently as External Corporate Auditor for Daiichi Jitsugyo Co., Ltd., and as External Corporate Auditor for Mitsubishi Research Institute, Inc.</p>	<p>&lt; Reasons for Appointment &gt;            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 the independent perspective.</p> <p>&lt; Reasons for Designation as an Independent Director &gt;            Mr. Matsumiya meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange. He has been judged to pose no risk of giving rise to a conflict of interest with general shareholders and has therefore been designated as an independent director.</p>

Masatake Yone	○		Mr. Yone serves as Partner in the Mori, Hamada & Matsumoto Law Firm. He serves concurrently as Independent Director of GCA Corporation, and External Corporate Auditor for BANDAI NAMCO Entertainment Inc.	< Reasons for Appointment > 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 the independent perspective. Mr. Yone meets all requirements for designation as an independent director under the rules of the Tokyo Stock Exchange and has been judged to pose no risk of giving rise to a conflict of interest with general shareholders, but has not been designated as an independent director, in accordance with the rules of his law firm.
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## [Audit/Supervisory Committee]

### Committee Member Composition and Committee Chair Profile

	Total Committee Members (No.)	Full-time Members (No.)	Internal Directors (No.)	External Directors (No.)	Committee Chair (Chairman)
Audit/Supervisory Committee	3	1	1	2	Internal director
Directors and employees who assist with the duties of the Audit/Supervisory Committee	Appointed				

### Matters Concerning Independence of such Directors and Employees from Executive Directors

In the Internal Control System Design Basic Policy approved by the Board of Directors (please see "IV. Matters Concerning the System of Internal Controls, 1. Basic Stance on Internal Control Systems and Status of Establishment"), 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. Matters related to independence of dedicated employees from directors who are not Audit/Supervisory Committee members are set forth in the Internal Control System Design Basic Policy as follows.

- 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.

### Cooperation Among the Audit/Supervisory Committee, Accounting Auditors, and the Internal Audit Department Update

In regard to cooperation with the accounting auditors, Audit/Supervisory Committee members meet regularly and otherwise as needed with the accounting auditors, receiving reports on the progress of audits, and actively sharing views and information. The Audit/Supervisory Committee members also perform other activities, such as regularly receiving reports on internal controls, to ensure that systems enabling the performance of fair audits are in place. The Audit/Supervisory Committee holds regular meetings with the Internal Audit Department to receive reports on internal audits and internal controls, and provide direction as needed.

## [Discretionary Committees]

Discretionary committees corresponding to a nominating committee and a remuneration committee

Established

Status of Establishment of Discretionary Committees, Committee Member Composition, and Committee Chair (Chairman) Profile

[Update](#)

	Committee Name	Total Committee Members (No.)	Full-time Committee Members (No.)	Internal Directors (No.)	External Directors (No.)	External Experts (No.)	Others (No.)	Committee Chair (Chairman)
Discretionary committee corresponding to a nominating committee	Nomination Committee	7	0	2	5	0	0	External director
Discretionary committee corresponding to a remuneration committee	Remuneration Committee	7	0	2	5	0	0	External director

Supplementary Explanation

[Update](#)

The Nomination Committee deliberates on the matters concerning successors to the president and chairman, which is one of the most important duties for the Board of Directors from the perspective of corporate governance, as well as the matters concerning the appointment and dismissal of directors and executive officers. The majority of the members of the Nomination Committee are independent external directors, and an independent external director chairs the committee.

To heighten the fairness of the Board of Directors and management transparency, the Remuneration Committee deliberates and advises on the remuneration for directors and executive officers (Policy for determining remuneration amount or calculation method thereof). The majority of the members of the Remuneration Committee are independent external directors, and an independent external director chairs the committee.

To heighten the fairness of the Board of Directors and management transparency, the Corporate Governance Committee deliberates and advises on the Corporate Governance policy, the enhancement of the corporate governance structure and on other important matters relevant to Corporate Governance. The majority of the members of the Corporate Governance Committee are independent external directors, and an independent external director chairs the committee.

## [Independent Directors]

Number of Independent Directors

4

Other Matters Concerning Independent Directors

Based on the Corporate Governance Guideline established by the Board of Directors, the board may have up to 15 directors, excluding members of the Audit/Supervisory Committee. The Audit/Supervisory Committee members may number up to five, over half of whom must be independent directors, and 20% or more of the Board of Directors should be independent directors. Independent directors must meet the requirement in the Director Independence Standards established by Terumo. "A Notification of Independent Director Appointment" has been submitted to the Tokyo Stock Exchange for all independent directors except one (Mr. Yone, external audit/supervisory board member). Notification was not submitted for this director, in accordance with the rules of the firm in which he serves.

Attendance of independent directors at Board of Directors meetings in the previous fiscal year was as follows:

Ikuo Mori: 12/12 (attendance rate of 100%)

Ryuzo Ueda: 12/12 (attendance rate of 100%)

Attendance of independent directors who serve as Audit/Supervisory Committee Members at Board of Directors meetings and Audit/Supervisory Committee meetings in the previous fiscal year was as follows:

Toshihiko Matsumiya: Board of Directors meetings: 12/12 (attendance rate of 100%);  
Audit/Supervisory Committee meetings: 12/12 (attendance rate of 100%)

Masatake Yone: Board of Directors meetings: 12/12 (attendance rate of 100%);  
Audit/Supervisory Committee meetings: 12/12 (attendance rate of 100%)

## [Incentives]

Status of incentives provided to directors

Performance-linked system of remuneration introduced; stock option system introduced

Supplementary Explanation

[Update](#)

The remuneration of directors (excluding non-executive directors) consists of a fixed monthly amount of remuneration plus a performance-linked remuneration consisting of bonuses and stock options. This system was implemented to provide explicit motivation to increase corporate value over the long-term and to give directors a shared awareness of benefits from the same perspective as shareholders. A total annual allocation of ¥700



million for remuneration of directors, including bonuses and stock options, was approved at the 100th Annual General Meeting of Shareholders held on June 24, 2015. Remuneration through bonuses and stock options on shares are determined by resolution of the Board of Directors, after taking business results, the business environment, and other factors for each year into consideration. The level of remuneration is deliberated by the Remuneration Committee, and the Audit/Supervisory Committee verifies this as part of its supervision functions. Terumo has also formulated the Rules on Holding Own Company Shares, which specify the target number of shares that may be held by the executive officer's position and promotes the holding of shares by directors and others, in addition to these measures.

Persons granted stock options

Internal directors, others

#### Supplementary Explanation

Remuneration in stock options on shares was introduced as one way to address the recognized need to increase the percentage of performance-linked remuneration. The awarding of stock options was expanded from directors (excluding non-executive directors) to executive officers not serving concurrently as directors to provide more explicit motivation to increase corporate value over the long-term and give officers a shared awareness of benefits from the same perspective as shareholders.

### [Director Remuneration]

Disclosure of remuneration of individual directors

Individual remuneration is not disclosed.

#### Supplementary Explanation

Disclosure of remuneration of directors is provided for public viewing through annual securities report and business reports posted on the corporate website, and other means. The details of remuneration are as follows (The number of people is the total number).

[Internal directors (9)] Total remuneration: ¥438 million (base remuneration: ¥211 million; stock options: ¥88 million; bonuses: ¥138 million)

[Internal director (audit/supervisory committee member (2))] Total remuneration: ¥32 million (base remuneration)

[External directors (5)] Total remuneration: ¥58 million (base remuneration)

The total consolidated remuneration of Director Takayoshi Mimura, Shinjiro Sato and David Perez is disclosed in the official annual securities report.

[Takayoshi Mimura] Total remuneration: ¥114 million (base remuneration: ¥45 million; stock options: ¥27 million; bonuses: ¥41 million) [Shinjiro Sato]

Total remuneration: ¥138 million (base remuneration: ¥54 million; stock options: ¥33 million; bonuses: ¥50 million)

[David Perez] Total remuneration: ¥312 million (base remuneration: ¥85 million; stock options: ¥5 million; bonuses: ¥66 million; long-term incentive: ¥155 million)

Policy on determining the amount of remuneration and the method of calculation Update

A policy has been established.

#### Disclosed Details of the Policy on Determining the Amount of Remuneration and the Method of Calculation

The composition of director remuneration is as follows.

- Directors other than those listed below: Fixed (base) remuneration, bonuses, and stock options
- Non-executive directors, external directors, and directors who serve as Audit/Supervisory Committee members: Fixed remuneration only

As approved by the 100th Annual General Meeting of Shareholders on June 24, 2015, a total annual limit of ¥700 million was set for remuneration of directors other than Audit/Supervisory Committee members (including director bonuses). A maximum annual limit of ¥100 million was also approved for remuneration of directors who serve as Audit/Supervisory Committee members. The procedure for determining remuneration is as follows.

Fixed remuneration: Within the remuneration limit approved at the 100th Annual General Meeting of Shareholders, remuneration for directors, excluding members of the Audit/Supervisory Committee, is decided by resolution of the Board of Directors, and remuneration for Audit/Supervisory Committee members is decided through discussions among the Audit/Supervisory Committee members.

Bonus and stock options: Bonus and stock option amounts are approved by resolution of the Board of Directors, within the director remuneration limit mentioned above, after taking business results, the business environment, and other factors for each year into consideration.

The standard amount of fixed remuneration, bonus, and stock options for directors (excluding Audit/Supervisory Committee members) by position is determined by the Remuneration Committee in light of information that includes information on comparable standards used at other companies provided by an outside research organization.

### [Support System for External Directors]

While external directors are not allocated dedicated staff, the Secretarial Office staff support external directors other than Audit/Supervisory Committee members, and Audit/Supervisory Committee Office staff support external directors who serves as Audit/Supervisory Committee members.

### [Status of Persons who have retired from Representative Director and President, etc.]

Name, etc., of Consultants, Advisors, etc. who have formerly served as Representative Director and President, etc.

Name	Title/ Position	Description of Tasks	Form and Conditions of Services (Full-time/ Part-time, Remuneration, etc.)	Date of Retirement as President, etc.	Term
—	—	—	—	—	—



Total number of Consultants, Advisors, etc. who have formerly served as Representative Director and President, etc.

0 person

Others

Currently, the Company has no consultants, advisors, etc. who have formerly served as Representative Director and President, etc.

## 2. Matters Concerning Decisions on Execution of Duties, Audits and Supervision, Nominations, Remuneration, and Other Functions (Overview of the Current Corporate Governance Structure) Update

<<Nature of Corporate Organization >>

Terumo adopted the organizational design of a “company with an Audit/Supervisory Committee” in order to enhance the functions of audit and supervision over the Board of Directors and Directors, further strengthen its corporate governance framework, and to enhance its mid- and long-term corporate value.

In addition, the Company has established the Nomination Committee, Remuneration Committee, Corporate Governance Committee, Internal Control Committee, and Risk Management Committee as discretionary bodies that serve to enhance the transparency and objectivity of management.

### 1. Board of Directors

#### [1] Roles

- The Board shall strive for optimal decision-making regarding basic management policies with the goal of maximizing corporate value.
- To expedite decision-making processes, the Board may delegate certain duties or responsibilities which are executed based on basic management policies decided by the Board to directors and/or executive officers. The Board shall monitor the execution of any such duties or responsibilities so delegated.
- The Board shall oversee the nomination process of the President’s successor as one of its important obligations for maintaining and improving corporate governance and sound management.

#### [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 at least one-third of the Board membership.
- Considering that, from the standpoint of corporate governance, the execution of business operations and supervisory oversight should be separated, the Chairman shall serve as the chair, in principle; provided, however, that if no Chairman has been appointed, the Nomination Committee shall propose a candidate for chair, considering the actual situation of possible candidates based on the above standpoint and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

### 2. Nomination Committee

#### [1] Roles

The Nomination Committee shall, as an advisory body to the Board of Directors, deliberate on the matters concerning successors to the President and Chairman of Terumo Corporation, which is one of the most important corporate governance duties of the Board, as well as the matters concerning the appointment and dismissal of directors and executive officers. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.

#### [2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- The Chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. 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.

### 3. Remuneration Committee

#### [1] Roles

The Remuneration Committee shall, as an advisory body to the Board of Directors, deliberate on the matters listed below and provide advice to the Board with the goals of maintaining and improving the Terumo Group’s business integrity and corporate governance practices. The deliberations of the Committee shall be reported to the Board of Directors as appropriate. In this regard, however, matters related to the remuneration for Audit/Supervisory Board members shall not violate the provisions of Article 361 of the Companies Act.

- Matters concerning the remuneration for directors and executive officers (Policy for determining remuneration amount or calculation method thereof)
- 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.

#### [2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- At least one of the Representative Directors shall be a member of the Committee.
- The Chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. 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.

### 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. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.

- Basic matters concerning Corporate Governance.
- Important matters concerning the establishment, design and operation of the Corporate Governance system.
- Other important matters which are highly relevant to Corporate Governance such as an improvement of corporate system in the field of environment and society and efforts to enhance sustainability.
- 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.

#### [2] 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 Chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members.

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. 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.

#### 6. 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.

#### <<Audits and Supervision by the Audit/Supervisory Committee >>

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.

#### <<Accounting Audits >>

Terumo has retained KPMG AZSA LLC as its audit firm pursuant to the Companies Act and pursuant to the Financial Instruments and Exchange Act. KPMG AZSA LLC performs the appropriate accounting audits pursuant to laws and regulations, as necessary. The audit firm and the personnel from the audit firm tasked with performing audits of Terumo Corporation have no vested interest in the Company.

Names of CPAs who performed audit duties and the number of years as continuing auditor:

Toshihiro Otsuka, Designated Limited Liability Partner and Managing Partner, five years  
Yukihiko Ishiguro, Designated Limited Liability Partner and Managing Partner, four years  
Mayuka Katsuki, Designated Limited Liability Partner and Managing Partner, two years

Composition of personnel assisting with audit duties:

CPAs: 6

Others: 16

### 3. Reasons for Choosing the Current 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.

### III. Status of Implementation of Measures Concerning Shareholders and Other Interested Parties

#### 1. Status of Initiatives to Make Shareholders Meetings More Stimulating and Ensure Smooth Exercise of Voting Rights

	Supplementary Explanation
Issuance of early notification of convocation of General Shareholders Meeting	Terumo sends the convocation notice for the Shareholders Meeting out approximately three weeks in advance. Terumo also takes steps to ensure the smooth exercise of voting rights in order to disclose information rapidly, such as disclosing the convocation notice on the Web, after a resolution for convocation has been passed by the Board of Directors and other legal procedures have been completed, before sending the notice out.
Scheduling General Shareholders Meeting to avoid peak days	Peak days for shareholder meetings are avoided and meetings are held in the afternoon, rather than in the morning as many are, in order to enable participation by a greater number of shareholders.
Allowing electronic exercise of voting rights	Terumo has computerized the exercise of voting rights in order to make it more convenient for individual and institutional investors.
Participating in an electronic voting platform and taking other steps to improve the environment for exercise of voting rights by institutional investors	Terumo uses the electronic platform for exercising voting rights operated by Investor Communications Japan (ICJ, Inc.), in which the Tokyo Stock Exchange maintains an investment interest, as the method for exercising voting rights.
Provision of convocation notices in English	An English version of the convocation notice is posted on Terumo's website.
Other	Terumo makes an effort to make shareholders meeting more stimulating by using video and narration to present business reports.

#### 2. Status of Investor Relations Activities

	Supplementary Explanation	Personal Explanation by the Representative
Formulation and disclosure of a policy on disclosure	Terumo has formulated an IR Policy and has posted this on the website.	
Holding of regular briefings for individual investors	Briefings are held as appropriate.	No
Holding regular briefings for analysts and institutional investors	Briefings at which the President and CEO is present are held biannually. The executive officer in charge of IR also attends the briefings for the first and third quarters, which are held as teleconferences.	Yes
Posting of IR materials on the corporate website	The following materials are posted on the corporate website: Financial information, material other than financial information for which timely disclosure is required, IR Policy, status of corporate governance, status of compliance, earnings reports and presentations as well as video and audio transmissions and Q&A for such presentations, Annual Reports, notice of convocation of the Shareholders Meeting, Articles of Incorporation.	
Establishment of a department (contact) to handle IR	The Corporate Communication Department handles investor relations.	

### 3. Status of Efforts to Ensure Respect for Stakeholder Perspectives Update

	Supplementary Explanation
Rules on respecting stakeholder perspectives established through internal rules, etc.	The Core Values were established in April 2019 to continually earn the trust of the global market and serve as a foundation for its ongoing growth. These were printed in a format that would enable them to be carried around and distributed to employees to ensure that all employees are mindful of them. In addition, Terumo Group Code of Conduct also was revised in conjunction with its establishment.
Implementation of environmental conservation, CSR, and other activities	Terumo has established the Environmental Management Department, and the Department is continually working to reduce the environmental burden associated with the business activities. Furthermore, in April 2018, Terumo established the Corporate Sustainability Department and promotes overall efforts to contribute to the sustainable development of both the environment, society and the Terumo Group, including addressing medical challenges based on our group mission. Among these efforts, the main contents are described in the Sustainability Report and posted on our website (in both English and Japanese version).
Formulation of a policy on the provision of information to stakeholders	“Respect – Appreciative of others” and “Integrity – Guided by our mission” are all explicitly stated in the Core Values mentioned above. Terumo has also formulated an IR Policy stating its position on timely disclosure of information. This is posted on the corporate website.
Other efforts	<p>The Terumo Call Center was established to provide a venue for direct communication with customers.</p> <p>&lt;Policy on Diversity and Inclusion&gt;            In the Terumo Group, we believe that active utilization of the diversity in our associates in terms of race, nationality, gender, and other aspects is a powerful engine that will drive our current and future growth. We are pursuing a group-wide effort led by the Diversity Promotion Department to ensure an environment in which there is mutual respect for the differing values and “diversity” of others and be a company where differing ideas and knowledge can intermingle, creating new value.</p> <p>&lt;Promoting Active Participation by Female Associates &gt;            As a first step in channeling mutual recognition of diversity into corporate growth, Terumo's top management has made a commitment to promoting active participation by female associates. A goal of having at least 7% women in management positions in April 2020 has been established for Terumo and its group companies in Japan, and we are working toward this. We are forging ahead to create an environment that will enable women to manifest their talents to the maximum extent, and are increasing the number of women in management positions to foster an environment for decision-making that encompasses a diverse range of perspectives.</p> <p>We are establishing and coordinating various systems to support a diverse range of work styles, and are providing support to women who wish to escalate their careers by providing opportunities to think their career plan in a long span, such as lecture meeting to learn about various changes in mind and body care at the women's life stage and to learn how to face work and how to self-manage. And offering work resumption seminars for both women and their superiors where they can talk about how to create a career plan that enables them to raise children while continuing to pursue their career. In this way, we are providing various opportunities to think of their careers in the long term and also preparing diverse options of working styles.</p> <p>Terumo is also actively encouraging men to take child care leave. With this encouragement, the number of male associates taking child care leave has also grown recently. This is an opportunity, not only for the person taking the leave, but also for the entire workplace, to reassess work style. The reassessment is encouraging to balance child rearing, caregiving and work, and also promoting to create an environment and culture that helps associates with varied personalities to be more active.</p>

## **IV Matters Concerning the System of Internal Controls**

### **1. Basic Stance on Internal Control Systems and Status of Establishment**

The Board of Directors has passed a resolution of revision on the following "Internal Control System Design Basic Policy" based on the Companies Act, and is working to establish a system of internal controls for the Terumo Group.

#### **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 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.  
As a point of contact for whistle-blowing, provide the internal window and the outside window (corporate layer and outside receptionist), 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, 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 (hereafter "Audit/Supervisory Committee and so on") 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 and so on 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, and in accordance with the "Terumo Group Social Media Policy", confidential work information shall be appropriately.
- 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- to Long-term Growth Strategy 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 related 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 and so on, 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 and so on according to the "Regulations on Reports by Directors and Employees to Audit/Supervisory Committee".
- 2) The Audit/Supervisory Committee and so on 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 and so on, 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 and so on may require from director's 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 and so on may invoice the Group for expenses related to performance of their duties, as established by laws and ordinances.
- 2) The Audit/Supervisory Committee and so on 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 and so on shall hold meetings as necessary with these departments or bodies.

**2. Basic Stance on Combating Anti-Social Forces and Status of Establishing a System for That**

1) Basic Stance on Combating Anti-Social Forces

Avoiding relationships with anti-social forces is one of Terumo's corporate responsibilities. We, therefore, vehemently 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.

2) Status of Efforts to Combat Anti-Social Forces

- The General Affairs Department coordinates responses to inappropriate demands by anti-social forces, and the prevention of such inappropriate demands has been made the specific responsibility of a designated associate within the General Affairs Department.
- We have established a system for cooperating with law enforcement authorities, Tokubouren (NPO assisting companies in combating corporate blackmailers), legal advisers, and others, and acting on their advice and guidance.
- We have established a system for properly sharing information on anti-social forces with the groups mentioned above, and centrally managing it in the General Affairs Department.
- We have prepared the Manual for Combating Anti-Social Forces and are promoting thorough understanding of its contents among everyone working at Terumo.
- We provide executives and associates with relevant information in a timely manner, conduct training, and take the steps, as well, to promote awareness of the importance of combating anti-social forces.

## V. Other

### 1. Adoption of Takeover Defense Measures

Adoption of takeover defense measures

Not Adopted

#### Supplementary Explanation

##### 1. Basic policy regarding persons who control decisions on the Company's financial and business policies

The Company does not reject the notion that the transfer of managerial control may vitalize business and the economy. However, in the event of any attempt to make a large-scale purchase of shares, in principle it should be left to the judgment of the Company's shareholders whether such a purchase is to be accepted. At the same time, the Company acknowledges that the prudent judgment of shareholders is essential for determining the impact of such large-scale purchase of shares and related proposals that have a bearing on corporate value and shareholders' common interests, considering the business, business plans, past investment behavior, and other information concerning the purchaser. Accordingly, the Company considers that necessary and sufficient information, opinions, proposals, etc. should be provided to the Company's shareholders by both the large-scale purchaser and the Company's Board of Directors, as well as necessary and sufficient time to review such information.

In accordance with this basic policy, the Board of Directors of the Company intends to implement allowable measures under the Financial Instruments and Exchange Law, the Japanese Companies Act, other regulations, and the articles of incorporation, such as requesting to provide necessary and sufficient information, timely disclosure, and others, in order to secure the Company's corporate value and shareholders' common interests.

### 2. Other Matters Concerning the Corporate Governance Structure Update

Outline of the system for timely disclosure:

The internal system for ensuring timely disclosure of corporate information about Terumo is as follows:

#### 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.

#### 2. System for Timely Disclosure

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.

#### 3. Information Disclosure Method

Terumo will use the Timely Disclosure Network System (TDnet) 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.



■ A diagram of Terumo's corporate governance structure is shown below.

- ◆ 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.

