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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

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 guide it in the accomplishment of its Group mission, Terumo has articulated the Core Values, which represent the values and beliefs on which all Terumo associates worldwide should base their actions, 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 these guidelines, which are intended to promote timely decision making while helping maintain transparency and objectivity in management.

Terumo continuously strives to earn the understanding and trust of its internal and external stakeholders by exercising accountability toward its stakeholders and promoting dialog and other means of communication with its shareholders.

Informed by Japan's 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.

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) Determination policy on individual remuneration for Directors"
- 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 has continued to reduce its holding of such shares. In fiscal 2020, Terumo sold the shares of one company, and aggregate market value held at the end of March 2021 was 7,497 million yen.

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 Terumo 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 106th 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

[Board evaluation process]

We conducted self-evaluation of board effectiveness in fiscal 2020 in order to further improve board effectiveness. All board members answered anonymous self-assessment surveys, and we conducted interviews with certain members of the Board of Directors and the Secretary of the Board. In order to maintain objectiveness of the board evaluation process, we used a third-party company to collect all survey sheets, and conduct interviews and analysis.

After reviewing the findings of the analysis, the Corporate Governance Committee, of which a majority of members is independent directors, discussed and proposed major opportunities and action plans to the board in order to enhance board effectiveness.

[Fiscal 2019 Board evaluation results and actions]

The main items identified as requiring further consideration in the fiscal 2019 evaluation of board effectiveness and the actions taken in fiscal 2020 for each item are as follows.

Development Area	Actions executed in 2020
There are more opportunities for the board to spend time discussing longer term strategy regarding issues such as market dynamic changes in healthcare industry and digital disruption in society	In order to clearly separate the supervision of the business execution from the discussion of mid-and long-term issues, the meetings have been divided into two parts. As a result, time management has been improved, allowing for the discussion of important matters related to the mid-and long-term direction of management.
Continue to maintain rigid monitoring of global risk management including manufacturing, quality issues and compliance	Important themes related to global risk management, such as strengthening risk management and the internal control of overseas subsidiaries, the monitoring of large-scale overseas manufacturing projects, global compliance, and global quality, were discussed at the board meetings.
Continued discussion regarding board composition to align with future corporate strategy	In order to make a sincere effort to realize the ideal Board of Directors, the Corporate Governance Committee and other committees held ongoing discussions, including the ideal design of the organization.
Clearer definition of the role of each committee	We continued to discuss the need to organize and review the roles of each advisory committee and its composition. As a result, it was judged that the committees are currently operating effectively under their clearly defined roles, and therefore, no reorganization or review has been conducted.

[Fiscal 2020 Board evaluation results (overview)]

The evaluation results mainly indicated the following items, confirming the maintenance of the high effectiveness of the Board of Directors and the continuous and steady improvement of governance.

- The Board of Directors has been delegating authority for business execution and the clarification of the division of responsibilities, and is exercising a check-and-balance function as a board. The members of internal directors are made up of corporate directors, and as Terumo is oriented toward a supervisory type board of directors, it is successfully strengthening the monitoring of execution.
- In addition to the well-balanced composition of the Board of Directors, a culture of frank and open exchange of opinions among directors with diverse backgrounds has been fostered, which enables the Board of Directors to have effective discussions.
- Although an internal director (the Chairman) chairs the meeting, the Board of Directors as a whole finds that choice reasonable due to such merits as the early identification of issues that external directors are not aware of, fair and transparent proceedings, and an attitude that encourages the active expression of opinions and discussion.

[Evaluation results (Development opportunities)]

While the results of the above evaluation were positive, the following issues were mainly identified as requiring further consideration.

- Involvement in long-term management direction: Further deepen discussions that contribute to enhancing corporate value, including from the perspective of new management issues (e.g., ESG, DX).
- Risk management with a focus on overseas subsidiaries: Establish a system for continuous evaluation, and further ensure that the vision is shared between the headquarters and overseas subsidiaries.
- Interaction with executive members: Improve the understanding of internal human capital on the business side and execution side, especially on a global basis.
- Board composition: Ongoing discussions on further diversity and human capital development

We will take measures to address these and other issues that we have identified in our Board of Directors meetings and committee activities in fiscal 2021 and will continue to consider and implement measures to further ensure the effectiveness and enhance the functionality of the Board of Directors.

## 2. Capital Structure

Percentage of shares held by foreign nationals

More than 30%

### [Major Shareholders] Update

Name or Title	Number of Shares Held	Percentage of Total Shares Issued
The Master Trust Bank of Japan ,Ltd. (Trust Account)	128,820,400	17.04%
Custody Bank of Japan, Ltd. (Trust Account)	68,426,200	9.05%
The Dai-ichi Life Insurance Company, Limited	37,067,700	4.90%
Meiji Yasuda Life Insurance Company	24,422,400	3.23%
STATE STREET BANK AND TRUST COMPANY 505223	16,912,483	2.24%
Mizuho Bank, Ltd	15,736,000	2.08%
TERUMO LIFE SCIENCE FOUNDATION	14,720,444	1.95%

Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	12,237,800	1.62%
STATE STREET BANK AND TRUST COMPANY 505001	11,760,049	1.56%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,579,520	1.53%

Controlling shareholders (excluding the parent company)	————
Parent company	None

Supplementary Explanation [Update](#)

Major shareholders as of March 31, 2021.

Terumo holds 3,508 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	100 to less than 300

### 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 Audit and 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) [Update](#)

Name	Attribute	Relationship to company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukiko Kuroda	From another company											
Hidenori Nishi	From another company											
Keiya Ozawa	Academic											
Masaichi Nakamura	CPA											
Soichiro Uno	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.

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukiko Kuroda		○	Ms. Kuroda serves as Founder and Director of People Focus Consulting. She serves concurrently as Outside Director of Mitsui Chemicals (scheduled to retire by the end of June, 2021), Inc., and Seven Bank, Ltd.	<p>&lt; Reasons for Appointment &gt;</p> <p>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;</p> <p>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>
Hidenori Nishi		○	Mr. Nishi serves concurrently as Outside Director of FUJI OIL HOLDINGS INC.	<p>&lt; Reasons for Appointment &gt;</p> <p>Mr. Nishi has the extensive experience as a manager, and many years of experience in overseas and marketing business. He is therefore expected to utilize the insight he has cultivated from these experiences in the supervision of management at Terumo Corporation.</p> <p>&lt; Reasons for Designation as an Independent Director &gt;</p> <p>Mr. Nishi 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>
Keiya Ozawa		○	Mr. Ozawa serves as Professor Emeritus, Visiting Professor of Jichi Medical University and Senior Adviser, Center for Gene Therapy Research (CGTR), Jichi Medical University. He serves concurrently as Program Supervisor and Program Officer, Japan Agency for Medical Research and Development (AMED) and Chairperson, Hematopoietic Stem Cell Transplantation Subcommittee, Specific Diseases Control Committee, Ministry of Health, Labour and Welfare.	<p>&lt; Reasons for Appointment &gt;</p> <p>Mr. Ozawa has expert knowledge which includes a track record of research in gene therapy, cell therapy and hematology, has served as Director of IMSUT (The Institute of Medical Science, The University of Tokyo) Hospital and Director of Center for Gene &amp; Cell Therapy (CGCT), 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;</p> <p>Mr. Ozawa 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>

Masaichi Nakamura	○	○	Mr. Nakamura serves as the Representative of Masaichi Nakamura Certified Public Accountant Office. He serves concurrently as External Corporate Auditor of Sumitomo Heavy Industries, Ltd., and Outside Director (Audit & Supervisory Committee Member) of SCSK Corporation.	<p>&lt; Reasons for Appointment &gt; Mr. Nakamura has extensive knowledge of finance and accounting as a Certified Public Accountant. He has been appointed as an Audit and Supervisory Committee member to audit and supervise the management of Terumo Corporation from the independent perspective.</p> <p>&lt; Reasons for Designation as an Independent Director &gt; Mr. Nakamura 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>
Soichiro Uno	○		Mr. Uno serves as Partner in the Nagashima Ohno & Tsunematsu Law Firm. He serves concurrently as Audit & Supervisory Board Member of SoftBank Group Corporation, and Director (Audit & Supervisory Committee Member) of Dream Incubator Inc.	<p>&lt; Reasons for Appointment &gt; Mr. Uno possesses specialized knowledge and extensive experience as an attorney in Japan and overseas. He has been appointed as an Audit and Supervisory Committee member to audit and supervise the management of Terumo Corporation from the independent perspective. Mr. Uno 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.</p>

## [Audit and 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 and Supervisory Committee	3	1	1	2	Internal director
Employees who assist with the duties of the Audit and Supervisory Committee	Appointed				

### Matters Concerning Independence of such 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 and Supervisory Committee Office, consisting of dedicated employees (hereafter “dedicated employees”) shall be established as an organization to assist the Audit and Supervisory Committee. Matters related to independence of dedicated employees from directors who are not Audit and 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 and 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 and supervisory functions.

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

Update

#### <Cooperation between the Audit and Supervisory Committee and Accounting Auditors>

The Audit and Supervisory Committee:

- Receives briefings in regards to an annual audit plan including audit procedures and audit team structure from the accounting auditors, and check the validity of the audit plan
- Receives auditing reports, quarterly reviews and results of internal control audits from the accounting auditors
- Discusses the candidates of the Key Audit Matters, and other subjects on an as-needed basis with the accounting auditors
- Decides reappointment of the accounting auditors based on comprehensive evaluation of their eligibility, independence, audit quality control status, job performance, and audit fee every fiscal year

#### <Cooperation between the Audit and Supervisory Committee and the Internal Audit Department>

The Audit and Supervisory Committee:

- Has periodic meetings with the Internal Audit Department
- Check the validity of the annual audit plan, and receive results of internal audits and internal control system evaluation from the Internal Audit Department

- Exchange information and opinions, and gives instructions to the Internal Audit Department on an as-needed basis

## [Discretionary Committees]

Discretionary committees corresponding to a nominating committee and a remuneration committee	Established
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### Status of Establishment of Discretionary Committees, Committee Member Composition, and Committee Chair (Chairman) Profile

	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](#)

#### [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 the other independent directors elected by a majority vote of the Committee members shall act in the chair's place.

##### (3) Activities in fiscal 2020

The committee held 8 meetings in fiscal 2020. Each committee member attended the committee as follows:

Ryuzo Ueda (Independent Director) 8/8 (attendance rate of 100%)  
Yukiko Kuroda (Independent Director) 8/8 (attendance rate of 100%)  
Hidenori Nishi (Independent Director) 7/7 (attendance rate of 100%)

\*This refers to the meetings he attended after he assumed office on June 25, 2020.

Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 8/8 (attendance rate of 100%)  
Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 8/8 (attendance rate of 100%)  
Takayoshi Mimura (Chairman of the Board) 8/8 (attendance rate of 100%)  
Shinjiro Sato (President and CEO) 8/8 (attendance rate of 100%)

The Secretarial Office serves as the secretariat of the Committee.

#### [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 and 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.

##### (3) Activities in fiscal 2020

The committee held 5 meetings in fiscal 2020. Each committee member attended the committee as follows:

Ryuzo Ueda (Independent Director) 5/5 (attendance rate of 100%)  
Yukiko Kuroda (Independent Director) 5/5 (attendance rate of 100%)  
Hidenori Nishi (Independent Director) 3/3 (attendance rate of 100%)

\*This refers to the meetings he attended after he assumed office on June 25, 2020.



Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 5/5 (attendance rate of 100%)  
 Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 5/5 (attendance rate of 100%)  
 Takayoshi Mimura (Chairman of the Board) 5/5 (attendance rate of 100%)  
 Shinjiro Sato (President and CEO) 5/5 (attendance rate of 100%)  
 The Secretarial Office serves as the secretariat of the Committee.

#### [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 fields of the environment and society and efforts to enhance sustainability
- Other matters that 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 the other independent directors elected by a majority vote of the Committee members shall act in the chair's place.

##### (3) Activities in fiscal 2020

The committee held seven 7 meetings in fiscal 2020. Each committee member attended the committee as follows:

Ryuzo Ueda (Independent Director) 7/7 (attendance rate of 100%)

Yukiko Kuroda (Independent Director) 7/7 (attendance rate of 100%)

Hidenori Nishi (Independent Director) 5/5 (attendance rate of 100%)

\*This refers to the meetings he attended after he assumed office on June 25, 2020.

Masaichi Nakamura (Independent Director who serves as an Audit and Supervisory Committee member) 7/7 (attendance rate of 100%)

Soichiro Uno (Independent Director who serves as an Audit and Supervisory Committee member) 7/7 (attendance rate of 100%)

Takayoshi Mimura (Chairman of the Board) 7/7 (attendance rate of 100%)

Shinjiro Sato (President and CEO) 7/7 (attendance rate of 100%)

The Secretarial Office serves as the secretariat of the Committee.

## [Independent Directors]

Number of Independent Directors

Update

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 and Supervisory Committee. The Audit and Supervisory Committee members may number up to five, over half of whom must be independent directors, and at least one-third 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. Uno, external audit and 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:

Ryuzo Ueda: 13/13 (attendance rate of 100%)

Yukiko Kuroda: 13/13 (attendance rate of 100%)

Hidenori Nishi: 9/9 (attendance rate of 100%) \*This refers to the meetings he attended after he assumed office on June 25, 2020.

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

Masaichi Nakamura: Board of Directors meetings: 13/13 (attendance rate of 100%);

Audit and Supervisory Committee meetings: 11/12 (attendance rate of 92%)

Soichiro Uno: Board of Directors meetings: 13/13 (attendance rate of 100%);

Audit and 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 and others

### Supplementary Explanation

Update

#### [Basic policy and composition]

To provide appropriate motivation to enhance corporate value over the medium- to long-term, the remuneration for executive directors shall be determined focusing on (a) appropriate risk-taking by the management and (b) the same profit awareness as shareholders.

To achieve the objective described in (a) above, we will set an appropriate balance between fixed remuneration and performance-linked remuneration (bonuses). To achieve the objective described in (b) above, restricted stocks have been adopted (remuneration-type stock options could be granted for overseas residents).

#### [Performance-linked remuneration (bonuses)]

##### (1) Purpose, summary of calculation method

Annual bonuses are a form of remuneration aimed at motivating directors to achieve sustainable growth and annual performance; therefore, purpose-aligned evaluation factors are adopted. Evaluation factors consist of Companywide factors and the performance factors for each



director's business operations targets set for each director. Annual bonuses are paid to executive directors on certain date and the amounts of bonuses are calculated by multiplying (a) the evaluation index determined based on above evaluation factors by (b) the standard bonus amount set for each position.

(2) Company-wide factors and fluctuation range

At present, revenue, operating profit and earnings per share (EPS) are adopted as Company-wide factors. Target of sales revenue and operating profit should be a planned target at the beginning of each annual year. When the target is achieved at 100%, evaluation index should be 100% (evaluation index should be 80% for fiscal 2020 under the situation that we lowered annual forecast due to COVID). To motivate directors for sound business performance improvement, evaluation index fluctuates between 0% to 150% according to an achievement rate (for fiscal 2020, evaluation index fluctuates between 0% to 120% due to the same reason above).

With regard to EPS, for the purpose of further sharing awareness on profits with shareholders and aiming sustainable growth with profitability, year-on-year percentage increase of moving average for 3 years (profit increase rate per each share) should be the evaluation factor. When such percentage increase is the same as decade average of increase rate of moving average for 3 years, evaluation index should be 100%. Evaluation index fluctuates between 0% to 150% same as the sales revenue and operating profit.

(3) Performance factor for each director's business operation and fluctuation range

At present, revenue and adjusted operating profit of the department(s) they oversee and other targets set for each director are adopted as Performance factor for each director's business operation. Sales revenue and adjusted operating profit of department in charge should be a planned target at the beginning of each annual year. When the target is achieved at 100%, evaluation index should be 100%. To motivate directors for sound business performance improvement, evaluation index fluctuates between 0% to 150% according to an achievement rate. With regard to other targets set for each director, especially for important items, target plan is set forth at the beginning of each annual year and evaluation index results in 0% to 100% based on achievement results at the end of the year.

(4) Policy and ratio for setting evaluation factors for each director's position

With regard to evaluation factors, ratio of company-wide factor and performance factor for each director's business operation is as below. For Chairman and CEO, only company-wide factor is used as evaluation factor. For director who is responsible for his/her business, ratio of performance factor for each director's business operation is a little high. For director who is responsible for certain function or local area, ratio of company-wide factor is a little higher than director who is responsible for his/her business.

- Chairman and CEO: company-wide factor 100%, performance factor for each director 0%
- Director responsible for the business: company-wide factor 70%, performance factor for each director 30%
- Director responsible for certain function or local area: company-wide factor 71-80%, performance factor for each director 29-20%

[Restricted Stock]

In order for executive directors to share benefits and risks of stock price movement with shareholders and further enhance their desire to contribute to rises in stock prices and improvement of corporate value, restricted stock has been adopted since FY 2019. Restricted stock is allotted to executive directors annually on certain date. Under the concept "sharing awareness on profits with shareholders for a long term", directors may not transfer to a third-party or otherwise dispose of restricted stock allotted to them for thirty years (or until their retirement from position of director if earlier). Furthermore, if directors commit fraud or violate laws during their term as director, all or part of their allotted stock will be acquired by the Company without consideration.

Persons granted stock options

Internal directors, others

Supplementary Explanation

In order 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, stock options were introduced. Stock options have been granted to executive directors and executive officers who resides outside of Japan.

To executive directors and executive officers who resides in Japan, restricted stock has been adopted since FY 2019 as mentioned above.

[Director Remuneration]

Disclosure of remuneration of individual directors

Individual remuneration is not disclosed.

Supplementary Explanation

Update

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 (5)] Total remuneration: ¥430 million (base remuneration: ¥226 million; restricted stock: ¥112 million; bonuses: ¥91 million)

[Internal director (audit and supervisory committee member (1))] Total remuneration: ¥42 million (base remuneration)

[External directors (6)] Total remuneration: ¥78 million (base remuneration)

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

[Takayoshi Mimura] Total remuneration: ¥123 million (base remuneration: ¥60 million; restricted stock: ¥37 million; bonuses: ¥25 million)

[Shinjiro Sato] Total remuneration: ¥150 million (base remuneration: ¥73 million; restricted stock: ¥45 million; bonuses: ¥31 million)

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

A policy has been established.

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

[Target Proportions]

Remuneration for executive directors shall consist of fixed remuneration, bonuses (standard amount), and restricted stock, the target percentages of which shall be 50%, 30%, and 20% of total combined remuneration, respectively. For higher ranked directors (CEO is the top), the ratios of bonuses and restricted stock to the total amount of remuneration are higher.

[Determining Procedure]

The Remuneration Committee, as an advisory body to the Board of Directors, deliberates on the standard amount of fixed remuneration, bonuses and restricted stocks for directors (excluding Audit and Supervisory Committee members) by position and the basic design of the remuneration system in light of information that includes information on comparable standards used at other companies provided by an outside research organization.

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 and Supervisory Committee members (fixed remuneration, bonus and stock options). Thereafter, at the 104th Annual General Meeting of Shareholders on June 21, 2019, a total annual limit of ¥200 million was set for restricted stocks remuneration. A maximum annual limit of ¥100 million was also approved for remuneration of directors who serve as Audit and Supervisory Committee members at the 100th Annual General Meeting of Shareholders on June 24, 2015. Thereunder, the procedure for determining remuneration is as follows.

**Fixed remuneration:** Within the remuneration limit approved at the General Meeting of Shareholders, remuneration for directors, excluding members of the Audit and Supervisory Committee, shall be decided by resolution of the Board of Directors, and remuneration for Audit and Supervisory Committee members shall be decided through discussions among the Audit and Supervisory Committee members.

**Bonuses, restricted stock :** Amounts of bonuses and restricted stock (stock options) are decided 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.

### [Support System for External Directors]

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

##### [3] Activities

- The Board of Directors held 13 meetings in fiscal 2020. Each Director attended the meetings as follows:
 

Takayoshi Mimura	13/13 (attendance rate of 100%)
Shinjiro Sato	13/13 (attendance rate of 100%)
Toshiaki Takagi	13/13 (attendance rate of 100%)
Shoji Hatano	13/13 (attendance rate of 100%)
Kyo Nishikawa	13/13 (attendance rate of 100%)
Ryuzo Ueda	13/13 (attendance rate of 100%)
Yukiko Kuroda	13/13 (attendance rate of 100%)
Hidenori Nishi	9/9 (attendance rate of 100%) *This refers to the meetings he attended after he assumed office on June 25, 2020.
Yoshihiro Kimura	13/13 (attendance rate of 100%)
Masaichi Nakamura	13/13 (attendance rate of 100%)
Soichiro Uno	13/13 (attendance rate of 100%)
- With regard to issues identified as highly important by the evaluation of board effectiveness in the last fiscal year, the Board of Directors sets such issues as themes to be discussed at the board. The Board of Directors sets its schedule and agendas annually and such discussion

themes are included in annual agendas. In fiscal 2020, as strategic themes, the Board of Directors held discussion about global manufacturing strategy and global HR strategy, and Directors had an opportunity to exchange views on next mid-to long-term strategy. Regarding the mid-to long-term direction of management, the Board of Directors held discussion about ESG investment trend and sustainability management, capital cost management, diversity promotion, global compliance, global quality and monitoring of overseas subsidiaries.

2. Advisory Committees to the Board (Nomination Committee, Remuneration Committee, Corporate Governance Committee)  
Please refer to II. 1 [Discretionary Committees]

3. Internal Control Committee

[1] Roles

Positioned under the Board of Directors, 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 panel chairpersons, Internal Control Department managers, and external legal counsels.
- Audit and Supervisory Committee members may attend and speak at the meetings of the Committee.
- The chair shall be the president and representative director.

4. Risk Management Committee

[1] Roles

Positioned under the Board of Directors, 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 and 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 and Supervisory Committee >>

The Audit and Supervisory Committee shall audit and supervise the execution of duties of directors and executive officers to ensure legal, appropriate, and efficient business operation in the Terumo Group companies. The auditing and supervising include any of the following:

- To attend the Board of Directors meetings, vote, and state opinions
- To monitor decision-making processes, risk management system and internal control system by attending principal meetings and inspecting major decision records, important documents, conference minutes etc.
- To interview executives of major subsidiaries, presidents of business unit, and persons in charge of headquarter department regarding business status, risks, corrective/preventive actions, internal control status
- To have periodic meetings with the accounting auditors in order to hear audit results, exchange opinions, and discuss the Key Audit Matter, or other subjects
- To evaluate the accounting auditor's independence, audit appropriateness, and audit quality
- To have periodic discussions with the Internal Audit Department in order to receive briefings concerning internal control evaluation of both internal audit results and financial reports, and give instructions on an as-needed basis
- To receive briefings from the Internal Control Department and the Legal and Compliance Department concerning the status of internal control activities and compliance activities, and give instructions on an as-needed basis

#### << Audits by the Internal Audit Department >>

The Internal Audit Department reports directly to the President, and builds a global internal auditing system and is promoting strengthening of this system. The Department regularly conducts audits of the entire Group, including subsidiaries, from the perspective of operational effectiveness and efficiency, compliance, and security of the assets, and prepares reports on the analysis of findings and recommendations for improvement, which are reported to the head of the audited division, the President and the Audit and Supervisory Committee members. In addition, the Internal Audit Department submits audit plans and summary reports to the Internal Control Committee and the Board of Directors. The Department also assesses the design and operational effectiveness of the internal controls to ensure the reliability of financial reporting based on the Financial Instruments and Exchange Act.

#### <<Accounting Audits >>

Name of the audit firm:  
KPMG AZSA LLC

Number of years as continuing audit firm:  
18 years

Names of CPAs who performed audit duties and the number of years as continuing auditor:  
Hideaki Koyama, Designated Limited Liability Partner and Managing Partner, two years  
Yukihiko Ishiguro, Designated Limited Liability Partner and Managing Partner, six years  
Yuichi Watanabe, Designated Limited Liability Partner and Managing Partner, one year

Composition of personnel assisting with audit duties:  
CPAs: 6  
Others: 14

### 3. Reasons for Choosing the Current Corporate Governance Structure

Terumo adopted the organizational design of a "Company with an Audit and 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 and 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 Update

	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 website, 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. Chief Accounting and Financial Officer (CAFO) 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, Terumo Reports, notice of convocation of the Shareholders Meeting, Articles of Incorporation.	
Establishment of a department (contact) to handle IR	The Investor Relations Department handles investor relations.	
Others	Briefings to individual shareholders at which the President and CEO is present are held at each Osaka and Nagoya once a year (We have cancelled the event for fiscal year 2020 due to concerns over the spread of COVID-19).	

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

Update

	Supplementary Explanation
Rules on respecting stakeholder perspectives established through internal rules, etc.	Terumo has established the "Core Values" and the "Terumo Group Code of Conduct". The Core Values are the common values shared by every associate around the world as a foundation for behavior in performing activities to achieve our Group Mission of "Contributing to Society through Healthcare." And the Code of Conduct shows the standards of conduct which all associates should comply, and it guides all associates to doing the right things with holding themselves to the highest ethical standards.
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	Terumo has 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;</p> <p>As a global company originating in Japan; Terumo Group considers that Diversity &amp; Inclusion is the common foundation for the Group. We believe that the success of associates with diverse individualities, such as race, nationality, gender, and other aspects will be the powerful engine for our current and future growth.</p> <p>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>Terumo's top management sends some messages to associates about the importance and significance of diversity management, and they are uploaded on the company intranet web site to promote further understanding among associates.</p> <p>&lt;Policy and Initiatives for the Advancement of Women&gt;</p> <p>Terumo's top management has made commitment to promoting active participation of women as one of the ways to realize diversity management.</p> <p>It has been reported about the progress of Diversity promotion plans and initiatives at the Board of Directors regularly. They discussed about current issues and future measures for promoting participation and advancement of women in the workplace in Japan in fiscal year 2020, and Independent Directors provided advices with their various knowledge.</p> <p>We are aiming for the proportion of women in managerial positions more than 8% by the end of March 2022 (Scope: Terumo Corporation in Japan).</p> <p>We aim to create environment where women can achieve their full potential, enhance their awareness and skills as Manager, and make decisions from a variety of perspectives.</p> <p>We are establishing and coordinating various systems to support diverse working styles, and are providing support women to create a career plan that enables them to raise children while continuing to pursue their career.</p> <p>Specifically, programs include "support seminar for returning from childcare leave" for both women and their superiors where they can talk about how to create their career plan with balance childcare and work, and "Lecture" to learn how to face work by learning about various mental and physical changes at each stage of women's life.</p> <p>We support the growth of motivated women to provide various opportunities to think of their career development in the long term and diverse options of working styles.</p> <p>Terumo also encourage men to take childcare leave aggressively, and the number of men taking childcare leave is on an increasing trend (The result of rate of men taking childcare leave was 63.1% in fiscal year 2020)</p> <p>This is an opportunity, not only for themselves taking the childcare leave, but also for all members of the workplace to review and improve their ways of work to be able to achieve results.</p> <p>We will create a competitive organization by promoting the creation of an environment and culture in which associates with diverse personalities can play more active roles, which also include flexible working styles with support for balancing childcare or nursing care with work.</p> <p>Among these efforts, the main contents are described in the Sustainability Report and posted on our website (in both English and Japanese version).</p>



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

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

**Update**

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) Set forth in the "Terumo Group Code of Conduct" that correct behavior, requiring compliance to laws and ordinances, industry codes, internal rules, and acting according to a high sense of ethics, is indispensable for the practice of the Group Mission; and build a system to perform continuous training and education of directors, executive officers and employees of Terumo Corporation (hereafter "the Company"), and all other equivalent personnel in the group (hereafter "Group Employees") regarding this Code of Conduct.
- 2) Establish the "Group Internal Control System Policy", and as the entity responsible for enacting the group Internal Control System, establish the Internal Control Committee, which is chaired by the President and Representative Director. That committee shall build a system to 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 and Supervisory Committee or Audit and Supervisory Committee members selected by the Audit and Supervisory Committee (hereafter "Selected Audit and Supervisory Committee members").
- 3) In accordance with the provisions of the Financial Instruments and Exchange Act, build a system to ensure the reliability of financial reporting.
- 4) Based on the "Group Internal Control System Policy" and build a system to, in the event that significant compliance violations, etc. occur, create a response team under the direction of the Internal Control Committee Chair, which, in addition to responding and resolving the occurrence, shall report or make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

#### **2. System for retention and management of information related to director performance of duties**

- 1) Establish the "Group Document Management Policy" and build a system to record and retain, as documents or electronic media, information related to director performance of duties, according to document type and importance.
- 2) Establish the "Document Management Standard Manual: Handling Manual for minutes of important meetings," and build a system to retain the minutes of important official meeting bodies of the Company.
- 3) The Directors and Audit and Supervisory Committee or Selected Audit and Supervisory Committee members (hereafter "Audit and Supervisory Committee etc."), shall build a system in which this documentation can be viewed at any time.

#### **3. Risk management regulations and other systems**

- 1) Establish the "Group Risk Management Policy," and, as the entity responsible for enacting the Group-wide risk management system, establish a Risk Management Committee, chaired by the President and Representative Director to build a system to report regularly regarding the status of these activities to the Board of Directors and Selected Audit and Supervisory Committee members.
- 2) Build a system for the departments from which business, quality, product safety, disasters, and environment etc.-related risk originate to perform proactive management; and for departments with expertise regarding those risk categories to support and control these risk management activities, taking into account the prioritization of risks which have critical impact on corporate management.

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

- 1) Toward achievement of the Mid- to Long-term Growth Strategy and annual plans approved by the Board of Directors, the Executive Management Meeting, Market Product Strategy Meeting, and other specialized bodies composed of the directors and executive officers shall be enacted to build a system in which support, leadership, and oversight is provided to business departments for prompt, appropriate, and efficient performance of duties.
- 2) Establish the "Group Policy on Corporate Authorization System" to build a system to promptly and efficiently perform corporate decision-making.
- 3) Establish the "Group Department Job Description Policy" and other several regulations to provide for the policies of organizational operations and roles of departments performing duties.

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

- 1) Establish the "Group Companies Management Policy" and other several regulations, to build a system that brings about consistency in the entire group regarding business strategy, allocation of resources, coordination of business fields, risk management, and compliance, while providing support for each group company to voluntarily promote healthy management as a member of the Terumo Group.
- 2) Build a system for risk management at each group company, based on the "Group Risk Management Policy".
- 3) Based on the "Group Policy on Corporate Authorization System," build a system in which decision-making is performed at each group company by the approving entity appropriate to the importance of the matter, and which requires that matters of particular importance are approved by the Company or discussed in the Executive Management Meeting or Board of Directors meeting of the Company.
- 4) Establish the "Terumo Group Code of Conduct" as the common group code of conduct, and build a system to disseminate and perform continuous training regarding it to each group company.
- 5) Establish the "Group Policy of Group Policy Management" to build a system for each relevant department to institute group policy regarding important group-wide themes, and disseminate them to each group company.
- 6) Support, promote, and monitor the status of enactment of compliance systems throughout the entire group.
- 7) Build an internal reporting system for when Group Employees become aware of compliance violations etc., in which employees can make reports outside their usual line of authority and are assured that they will not be treated disadvantageously.

#### **6. Internal audit system**

- 1) The Internal Audit Department shall report directly to the President and Representative Director, and conduct and report regarding audits according to the direction of the President. Simultaneously, a system shall be built for reporting to the Board of Directors and Selected Audit and Supervisory Committee members.
- 2) Build a group internal audit system in which the internal audit departments of each region and important subsidiary, and the Internal Audit Department of the headquarters, coordinate.
- 3) Build a system to audit the operational status and effectiveness of the provisions of preceding items 1 through 5, report and make suggestions regarding the results thereof and issues for improvement to the Internal Control Committee or Risk Management Committee, and also confirm the completion of improvements regarding these issues.

#### **7. Items regarding employees who assist the duties of the Audit and Supervisory Committee**

The Audit and Supervisory Committee Office, consisting of dedicated employees (hereafter "Dedicated Employees") shall be established as an organization to assist the Audit and Supervisory Committee.

#### **8. Items related to independence of Dedicated Employees belonging to the Audit and Supervisory Committee Office from directors who are not Audit and Supervisory Committee members**

Selection, performance evaluation, salary, placement, and discipline of Dedicated Employees shall require the prior consent of the Audit and 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 and supervisory functions.

#### **9. Items for ensuring the effectiveness of direction given from the Audit and Supervisory Committee to Dedicated Employees**

Dedicated Employees shall perform their duties according to the direction and mandates of the Audit and Supervisory Committee etc., and shall not receive direction or mandates from directors who are not Audit and Supervisory Committee members, or any other Group Employees.

**10. System for Group Employees and those receiving reports from such employees (hereafter jointly referred to as "Reporting Personnel," to report to the Audit and Supervisory Committee**

- 1) In addition to legal items, Reporting Personnel shall make timely and appropriate reports to the Audit and Supervisory Committee etc. according to the "Group Policy on Reports by Directors, Executive Officers and Employees to Audit and Supervisory Committee".
- 2) The Audit and Supervisory Committee etc. shall regularly receive reports on the operation status of, and content of incidents reported under, the internal reporting system established at each group company, and shall give direction and advice as appropriate.

**11. System for ensuring that Reporting Personnel are not treated disadvantageously by reason of making reports**

- 1) In the event that a report has been made by a Group Employees, whether directly or indirectly, to the Audit and Supervisory Committee etc., any human resources-related or other type of disadvantageous treatment by reason of the person having made a report shall be prohibited, and this prohibition shall be thoroughly disseminated to all Group Employees.
- 2) The Audit and Supervisory Committee or its members may require from directors disclosure and explanation of the reasons regarding the placement, performance evaluation, or discipline, etc. of a reporting person.

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

- 1) The Audit and Supervisory Committee etc. may invoice the Company for expenses related to performance of their duties, as established by laws and ordinances.
- 2) The Audit and Supervisory Committee etc. 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.

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

- 1) The Representative Director shall regularly hold meetings to exchange opinions with Audit and Supervisory Committee.
- 2) Selected Audit and 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 and Supervisory Committee etc. shall hold meetings as necessary with these departments or bodies.

**Status of Operation of Systems to Ensure the Appropriateness of Operations**

The overview of the status of operation of systems to ensure the appropriateness of operations during fiscal 2020 is stated below.

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

The Company carried out training and education of Group Employees regarding the "Terumo Group Code of Conduct". At quarterly meetings of the Internal Control Committee, important policies related to compliance were deliberated. The Company also carried out training and education of Group Employees to achieve thorough understanding regarding the important regulation and standard such as "Group Anti-Corruption and Anti-Bribery Policy". In order to enhance a system to ensure the reliability of financial reporting, self-assessment is conducted by the relevant departments. The whistle-blowing system was established as an inside window and an outside window consisting a legal adviser and an outside receptionist, and receive reports widely. Audit and Supervisory Committee member was also as a window for the director's compliance matters.

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

Based on "Group Social Media Policy" and "Group guidelines on the Use of Social Media", the company manage the outside sending information appropriately. Based on "Group Document Management Policy," the Company is striving to communicate the rules for document storage throughout the Group. Based on "Document Management Standard Manual: Handling Manual for minutes of important meetings", the Company is retaining and managing minutes of important meetings appropriately.

**3. Risk Management Regulations and system**

Based on the "Group Risk Management Regulation" and "Group Risk Management Guideline", the company plans for efficiency and standardization of risk evaluation and correspondence. The Risk Management Committee (2 times) discussed risk mitigation and reduction. Risk management training of the workshop form which had improvement of the risk sensitivity of the associate for its object is being performed online.

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

The Company ensures efficient performance of duties by directors through meetings of the Board of Directors (13 times), the Executive Management Meeting (22 times), and the Market Product Strategy Meeting (6 times). The Company make decisions rapidly based on the "Group Policy on Corporate Authorization System".

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

The reporting system has been established in accordance with the "Group Company Management Policy" and "Group Department Job Description Policy". The status of operation is monitored. Based on "Group Policy of Group Policy Management", the Company reviews and maintains observance matters applying to the group.

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

The Company has put in place a system to assist the Audit and Supervisory Committee with its duties, including the establishment of the Audit and Supervisory Committee Office, which is independent from directors. Audit and Supervisory Committee Members share the reports made pursuant to the "Group Policy on Reports by Directors, Executive Officers and Employees to Audit and Supervisory Committee," the "Audit and Supervisory Committee Regulations," and the whistle-blowing system. The Company has thoroughly communicated to all Group employees that any person who makes internal reports shall not receive any detrimental treatment through the training and education on the "Terumo Group Code of Conduct".

**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 Corporate 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 Corporate 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 Corporate 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

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 Investor Relations Department, 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 and Supervisory Committee members are directors and have voting rights in meetings of the Board of Directors. The majority of Audit and Supervisory Committee is comprised of independent directors.
- ◆ The Audit and Supervisory Committee audits and supervises the directors and the Board of Directors.

