





Terumo Corporation was founded in 1921 by several scientists and doctors, including Dr. Shibusaburo Kitasato, to produce clinical thermometers in Japan. These vital medical devices had previously been imported, until they were cut off as a consequence of World War I.

The lifelong spirit of Dr. Kitasato, whose achievements received global recognition, is found in his statement: "Scientists should never feel self-satisfaction doing advanced research; the true objective is for the results to be put to use, thereby contributing to society."

"Contributing to Society through Healthcare," is both Terumo's starting point and unchanging Group mission. Keeping Dr. Kitasato's spirit of innovation and challenge alive, we strive to bring outstanding innovation to medicine and enable the best possible care for patients.

Group Mission

Contributing to Society through Healthcare

We contribute to society by providing valued products and services in the healthcare market and by responding to the needs of patients and healthcare professionals.

Core Values

Respect — Appreciative of others

We show respect and appreciation toward associates, customers, and business partners. We value individuality and diverse cultures, and listen widely and carefully to different opinions and the voice of society.

Integrity — Guided by our mission

As associates of Terumo Group, responsible for life and health, we always act with sincerity and a sense of mission. Through our daily efforts, we build trust among all stakeholders.

Care — Empathetic to patients

We are mindful that everything we do ultimately connects us to patients. We strive to understand health providers deeply and work together with them to give patients a better future.

Quality — Committed to excellence

To ensure safety and reliability in healthcare, we view each issue from a "gemba" perspective in order to find the optimal solution. As well as product quality, we pursue excellence in all we do, from product supply to customer care.

Creativity — Striving for innovation

We promote a mindset that embraces challenge for the future, and work with curiosity and passion. We respond to the needs of "gemba" by delivering products and services that create meaningful value in a timely manner.

Contents

- 1 Group Mission
 - Core Values
- 2 Message from the President and CEO

| Strategy

- 8 Mid- to Long-term Growth Strategy:
Targets and Fiscal 2018 Performance by Company
- 10 Companies at a Glance
- 12 Strategies by Company
 - 12 Cardiac and Vascular Company
 - 16 General Hospital Company
 - 20 Blood Management Company (Terumo BCT)
- 22 R&D and Intellectual Property
- 25 Production and Supply

| Governance and Compliance

- 26 Sustainability
- 28 Dialogue between the Chairman of the Board and
an Independent Director
- 32 Corporate Governance
- 41 Compliance
- 43 Risk Management
- 44 Directors, Audit/Supervisory Committee Members, and
Executive Officers

| Financial Information

- 47 Five-Year Financial Summary
- 48 Financial Review
- 50 Consolidated Financial Statements

- 56 Corporate Information

Editorial Policy

Terumo prepares communication tools to provide stakeholders with straightforward reporting on the business activities it is pursuing in fulfillment of its Group mission—"Contributing to Society through Healthcare"—and to promote communication with society. Terumo reports (previously called "annual reports") provide information on the Company's primary business activities and results with a focus on explanations of its Mid- to Long-term Growth Strategy. In addition, since fiscal 2016, we have also published sustainability reports to provide information on how we are helping to build a sustainable society by reducing our environmental impact and contributing to society.

Coverage

Report coverage includes to the extent possible those elements of the global Terumo Group falling within the scope of consolidated earnings statements.

Coverage, however, differs in certain instances.

Adoption of International Financial Reporting Standards

Beginning with its financial results announcement for fiscal 2017, the Company has adopted International Financial Reporting Standards (IFRS) with the goal of making its financial information more easily comparable to that of companies around the world and to improve management accuracy and strengthen corporate governance through the global application of uniform rules. Figures for fiscal 2016 have been restated based on IFRS standards.

A professional portrait of Shinjiro Sato, President and CEO. He is a middle-aged man with short, graying hair, wearing black-rimmed glasses, a dark blue pinstriped suit jacket, a white dress shirt, and a dark blue tie. He is seated in a dark green armchair, with his hands clasped in his lap. The background is a plain, light-colored wall.

Shinjiro Sato

President and CEO

Message from the President and CEO

Terumo will continue to fulfill its Group mission as it aspires to be a company deemed necessary by the greater society.

We recently unveiled the new Terumo Group Identity.

Today, the Terumo Group has grown to employ more than 25,000 associates, around 80% of whom work overseas, where 70% of our revenue is generated. We can expect the portion of both associates and revenue attributable to overseas operations to grow as we continue to develop our operations on a global scale, and Terumo will thus be pressed to accelerate its evolution as a global company going forward.

Through all associates embracing the Terumo Group Identity and basing our actions on it, we will deliver Terumo value to medical settings and continue contributing to the global community.

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Quality — Committed to excellence

Creativity — Striving for innovation

Review of Fiscal 2018

In fiscal 2018, revenue was up 2.0% year on year, to ¥599.5 billion; adjusted operating profit¹ decreased 2.2%, to ¥122.1 billion; and return on equity (ROE) was 12.7%. We failed to meet our initial targets for consolidated performance due to delays in shipments of certain Cardiac and Vascular Company products experienced during the first half of the fiscal year. However, sales of these products have since recovered to prior levels as shipments from the factory returned to normal before the end of 2018. By business segment, large contributions were made to overall performance by the impressive results of the Neurovascular Division in the Cardiac and Vascular Company and the growth of Alliance Division partnerships with pharmaceutical companies in the General Hospital Company. Meanwhile, the Blood Management Company posted strong performance in products for blood centers on a global basis. We were thereby able to achieve positive growth in consolidated revenue.

Measures for addressing priority management issues included promoting strategic development and leveraging the comprehensive strengths of the Terumo Group. In addition, we sought to strengthen global operations by bolstering business continuity plans and other aspects of risk management in response to the issues that arose amid the growing global demand.

Halfway Point of the Mid- to Long-term Growth Strategy

Terumo defines its mid- to long-term vision as to become a top global brand while “being a global corporation with unique excellence.” By accomplishing this vision, we will seek to achieve sustainable and profitable growth. The Mid- to Long-term Growth Strategy, which covers a five-year period that began with fiscal 2017, puts forth the concrete targets of high-single-digit revenue growth that outperforms market growth, double-digit adjusted operating profit growth that outpaces revenue growth, and an adjusted ROE² of 10% or greater.

Fiscal 2019 will be the third year of the Mid- to Long-term Growth Strategy, and thus represents its halfway point. During this year, we aim to return all businesses to their proper growth track as we work toward the end targets of the strategy. To accomplish these objectives, we will continue to bolster our portfolio overseas in therapeutic fields supporting cutting-edge medicine. Efforts in Japan will include rapidly introducing new products and fully capitalizing on the comprehensive strengths of the Terumo Group. We will aggressively pursue global growth through these initiatives.

The operating environment surrounding the global medical field is undergoing great change. Population aging is emerging as a serious issue in many developed countries, and there is global pressure to limit healthcare expenditures. This situation is creating a need for unprecedented new solutions. At the same time, digital and various other new technologies are spreading and numerous companies with differing capabilities are entering into the medical field. It is possible that these changes will

Mid- to Long-term Vision

Being a Global Corporation with Unique Excellence

Earn the trust of medical settings globally as a top brand

Ensure world-class trust with Total Quality (quality of products, supply, and services)

Management Indicators under Mid- to Long-term Growth Strategy

Growth	Achieve revenue growth that outpaces market growth (high-single-digit revenue growth)
Profitability	Realize profit ¹ growth that outpaces revenue growth
Efficiency	Maintain an adjusted ROE ² of 10% or greater

Assumed exchange rate: USD=¥105, EUR=¥115

¹ Operating profit excluding amortization of intangible assets and one-time profits and expenses derived from acquisitions

² ROE excluding exchange differences on translation of foreign operations pertaining to assets associated with acquisitions included in total net assets

result in the obsolescence of existing frameworks and systems. Recognizing this situation, Terumo will not passively await change, but will rather take the initiative in shaping the medical field of the future.

With these factors in mind, Terumo will focus on the following three tasks in fiscal 2019: strengthening of global operations, proactive adoption of new technologies and solutions, and implementation of concrete regional strategies.

Strengthening of Global Operations

To address the robust global demand for Terumo products, we are working to achieve timely production capacity increases, enhancements to production processes, and global optimization of production bases. At the same time, we will learn from the shipment delay issues that occurred in fiscal 2018 by strengthening operations with an eye to improving efficiency and increasing sophistication across the supply chain, not just at factories.

In regard to production capacity, we will seek to boost our global capacity in areas with strong potential for growth, such as the operations of the Terumo Interventional Systems Division. We also plan to commence production of guidewire products, a flagship offering for the global market, at the new building of Terumo Yamaguchi Corporation during fiscal 2019. This new building also has important strategic significance in terms of alleviating the overdependence on the Ashitaka Factory. In addition, we are progressively investing in increases to production capacity for intervention products at the Vietnam Factory in order to respond to demand in China and India, which are both

expected to see rapid market growth going forward. We are also building additional production facilities in the strong-growing Alliance Division while bolstering our systems for supplying pre-filled syringes, which are being made available on the global market.

Meanwhile, we will pursue qualitative improvements by promoting automation and labor saving, reinforcing business continuity plans, enhancing quality systems based on global standards, and accelerating cost reductions. Such qualitative improvements to operations will be strategically critical to ensuring the quality of our supply systems from a global perspective and strengthening our competitiveness.

Such global production strategies are becoming increasingly important. We chose to address this trend through a human resource approach by appointing a Group Chief Manufacturing Officer (CMO). The CMO will be responsible for promoting the global optimization of production while applying best practices and sharing production know-how throughout the Group.

Proactive Adoption of New Technologies and Solutions

New technologies are pushing their way into our daily lives as well as into medical settings across the globe. In fact, the introduction of big data, artificial intelligence, robotics, and other technologies are becoming a matter of course around the world. Terumo too is proactively adopting such new technologies into its work processes, including those related to development, production, logistics, and sales.

At the same time, the current era is one in which the evolution and maturity of the medical field is creating a



Message from the President and CEO

situation where sufficient competitiveness cannot be achieved through sales promotions relying purely on products; comprehensive, high-value solutions are required. In other words, we need to bundle products together with supply capabilities and services to create total value, the total sum of our quality in these three areas, and to deliver this value to customers. As one facet of these activities, we look to build upon our marketing approach focused on specific diseases. In regard to serious diseases, such as cancer, heart failure, stroke, and diabetes, Terumo's diverse range of products and services will be utilized across the board to explore the possibility of new solutions that go beyond diagnosis and treatment to extend into lifestyle management areas like prevention and prognosis.

Implementation of Concrete Regional Strategies

The global market is showing a varied path in its growth while distinctive medical markets are taking form in both developed and emerging countries. For this reason, we currently need to implement both consistent global standardization strategies and selective local market strategies.

In its home market of Japan, Terumo will advance domestic growth strategies based on its relationships with customers, its brand power, and its robust product lineup. Meanwhile, we will step up investment in the United States, China, and emerging countries, the markets where we expect the highest levels of growth, while simultaneously deploying regional strategies based on our competitiveness and on the market characteristics and industry policies of each region of operation.

In the massive growth market of China, we are rapidly working to achieve local production of our products. As one facet of these efforts, we acquired Essen Technology (Beijing) Co., Ltd., a Chinese company specializing in drug-eluting stents, in 2018. This acquisition has immeasurable strategic significance as it has granted us local drug-eluting stent production capabilities in the Chinese market, which is likely to become the world's largest market for these products in the near future. In addition, we commenced production of dialysis solution through a joint business with WEGO Terumo (Weihai) Medical Products Co., Ltd. of China with the aim of addressing the rapid growth in demand in the peritoneal dialysis field. Terumo will supply the technological capabilities and treatment proliferation know-how it has cultivated in Japan to support sales activities in this joint business. In the Neurovascular Division, meanwhile, we are preparing to transfer production of certain products to the Hangzhou Factory to commence local production of these items in China. Boasting the world's largest population and benefiting from government measures favoring locally produced products, the Chinese market is expected to show substantial growth going forward. Accordingly, Terumo will look to further expand its operations in this market in the future.

Reinforcement of Corporate Brand

Terumo has been growing its business on a global scale while deploying branding activities in the differing markets of its business segments. However, we have recently been facing a significant need to redefine our corporate brand. Recognizing this need, the Terumo Group reorganized its



brand structure, which was previously lacking sufficient Groupwide cohesiveness, in order to foster a shared understanding within the Group. Going forward, we will continue to deploy the brands of each business while also aggressively communicating and developing our corporate brand in the global market. By achieving a harmonious relationship between our corporate and business brands and bolstering our ability to solicit our offerings to the market, we aim to accelerate global growth. Also on this front, the Strategic Branding Department was established as a corporate division tasked with facilitating efforts to design and promote a harmonious brand structure. With this organization in place, we will pursue coordination between in-house companies, regional bases, and the relevant divisions in order to enhance branding initiatives from a Groupwide perspective.

Shareholder Returns

Under the Mid- to Long-term Growth Strategy, Terumo has laid out a funding plan that entails striking a balance between growth investments and shareholder returns.

Terumo adheres to a basic dividend policy of steadily increasing dividend payments, targeting a medium- to long-term dividend payout ratio of 30%. For fiscal 2018, we decided to pay dividends of ¥54 per share, an increase of ¥4 per share over the previous fiscal year, making for the ninth consecutive year of higher dividends. We will continue to steadily increase dividend payments while sustaining growth going forward in order to work toward our target for the dividend payout ratio.

To Our Stakeholders

Since its founding in 1921, Terumo has continued to earnestly address the issues affecting the medical field, always guided by its Group mission of "Contributing to Society through Healthcare." This commitment is what earned us the strong trust from patients and healthcare professionals we enjoy today. Today, Terumo products are used in more than 160 countries and regions around the world, and Terumo has thus grown into a global company in the truest sense of the word.

The global community of the 21st century is such that systematic initiatives for bringing our values and actions in line with our Group mission will be crucial in enabling Terumo to continue to fulfill this mission and be deemed a necessary company by the greater society.

For this reason, we established the Core Values, a set of values to be shared among all associates worldwide, and the Terumo Group Code of Conduct, a guide to help Terumo associates do the right things. Through this and other initiatives for increasing the effectiveness of corporate governance, we aim to realize ongoing improvements in corporate value while further developing our operations in a manner that remains true to the unique characteristics of Terumo. I would like to ask our stakeholders for their ongoing support and understanding as we move forward with this pursuit.

September 2019



President and CEO

Mid- to Long-term Growth Strategy: Targets and Fiscal 2018 Performance by Company



Cardiac and Vascular Company

Realizing minimally invasive treatments through endovascular interventions for various parts of the body and in cardiovascular surgery

Main Products

TIS Division (Terumo Interventional Systems)

Angiographic guidewires, angiographic catheters, introducer sheaths, vascular closure devices, PTCA balloon catheters, coronary stents, stents for peripheral artery disease, intravascular ultrasound systems, and other products

Neurovascular Division (MicroVention)

Coils and stents for treating cerebral aneurysm, aspiration catheters and clot retrievers for treating ischemic stroke, and other products

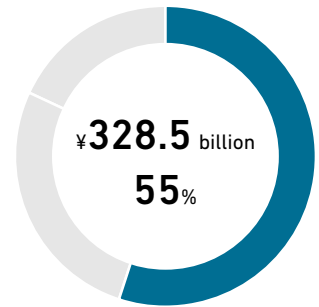
Cardiovascular Division (Terumo Cardiovascular Systems)

Oxygenators, heart-lung machines, and other products

Vascular Graft Division (Terumo Aortic)

Vascular grafts, stent grafts

Revenue by Company/
Percentage of Revenue (FY2018)



General Hospital Company

Through unique technologies and services, improving safety and efficiency in medical settings, while raising patient quality of life and innovating drug delivery

Main Products

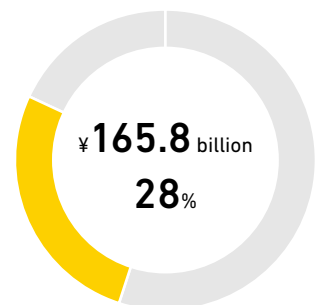
Hospital Systems Division

Infusion pumps, syringe pumps, infusion sets, syringes, IV solutions, analgesics, nutrients, adhesion barriers, blood glucose monitoring systems, digital blood pressure monitors, digital thermometers, and other products

Alliance Division

Contract manufacturing of pre-filled syringes, products for pharmaceutical companies (pre-fillable syringes, needles for pharmaceutical packaging business), and other products

Revenue by Company/
Percentage of Revenue (FY2018)



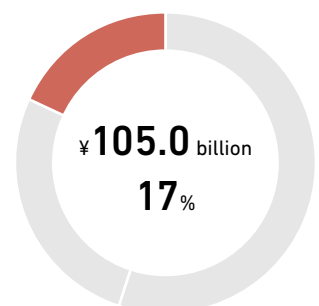
Blood Management Company (Terumo BCT)

Driving customer value and enhancing patient outcomes through blood component, therapeutic apheresis, and cellular technologies

Main Products

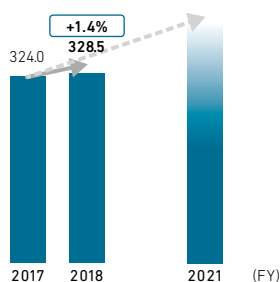
Blood bags, automated blood collection systems, automated blood component processing systems, pathogen reduction technology systems, centrifugal apheresis systems, cell expansion systems, and other products

Revenue by Company/
Percentage of Revenue (FY2018)



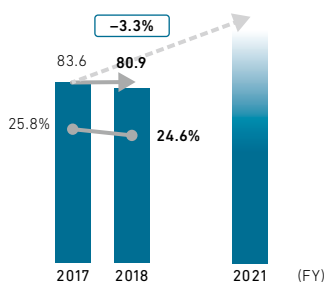
Mid- to Long-term Growth Strategy: Targets and Fiscal 2018 Performance

Revenue
(¥ billion)



Adjusted Operating Profit/
Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin
(¥ billion)



Targets of Mid- to Long-term Strategy

Revenue

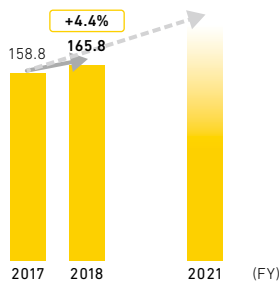
Realize growth that drives Groupwide growth; near double-digit growth

Adjusted Operating Profit

Achieve profit growth that outpaces revenue growth; double-digit growth, maintain adjusted operating margin of 25% or above

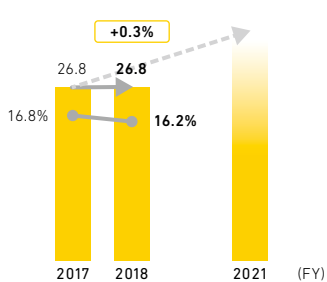
Mid- to Long-term Growth Strategy: Targets and Fiscal 2018 Performance

Revenue
(¥ billion)



Adjusted Operating Profit/
Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin
(¥ billion)



Targets of Mid- to Long-term Strategy

Revenue

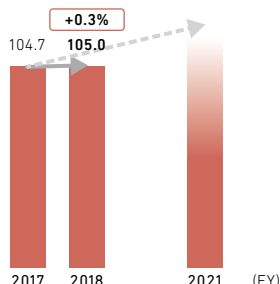
Shift gears to enhance revenue and achieve sustainable growth; mid-single-digit growth

Adjusted Operating Profit

Achieve profit growth that outpaces revenue growth; high-single-digit growth, improve adjusted operating margin 2 to 3 percentage points

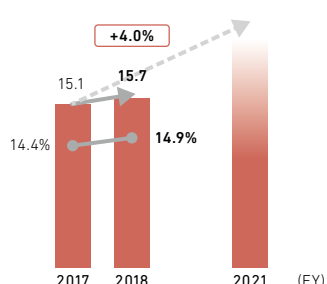
Mid- to Long-term Growth Strategy: Targets and Fiscal 2018 Performance

Revenue
(¥ billion)



Adjusted Operating Profit/
Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin
(¥ billion)



Targets of Mid- to Long-term Strategy

Revenue

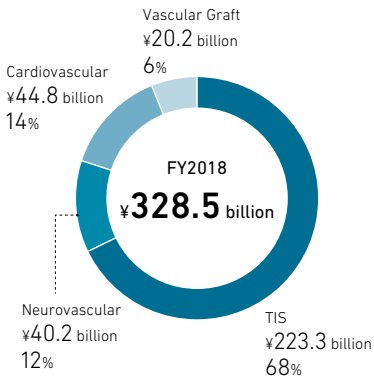
Return to growth; mid-single-digit growth

Adjusted Operating Profit

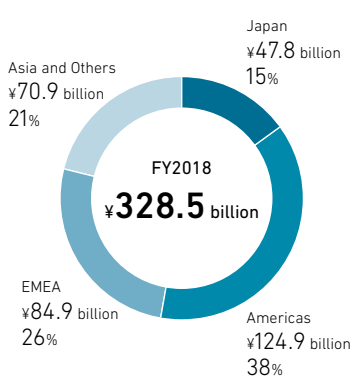
Achieve profit growth that outpaces revenue growth; high-single-digit growth

Cardiac and Vascular Company

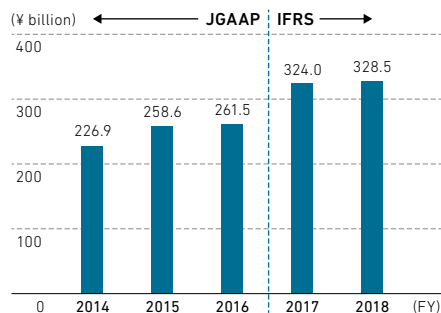
Revenue by Business/
Percentage of Revenue



Revenue by Region/
Percentage of Revenue



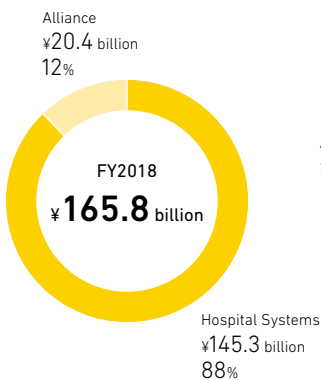
Revenue*



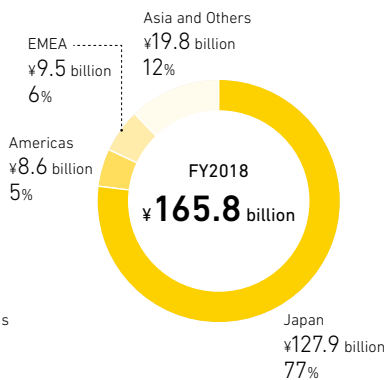
* "Net sales" under JGAAP

General Hospital Company

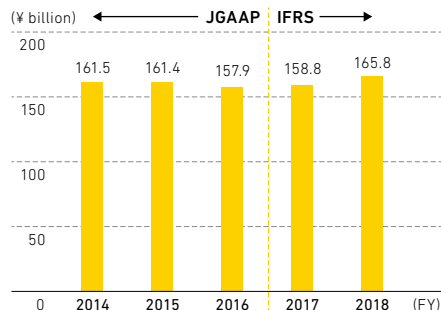
Revenue by Business/
Percentage of Revenue



Revenue by Region/
Percentage of Revenue



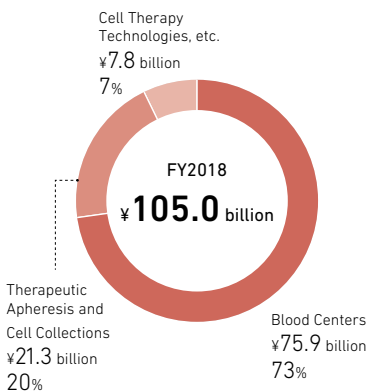
Revenue*



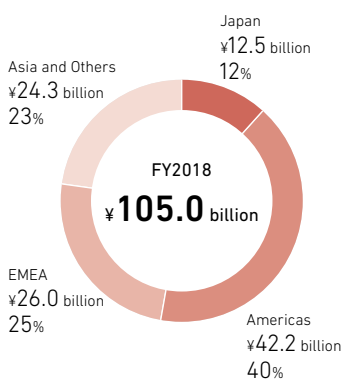
* "Net sales" under JGAAP

Blood Management Company (Terumo BCT)

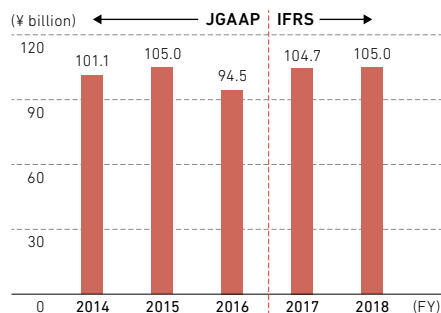
Revenue by Business/
Percentage of Revenue



Revenue by Region/
Percentage of Revenue



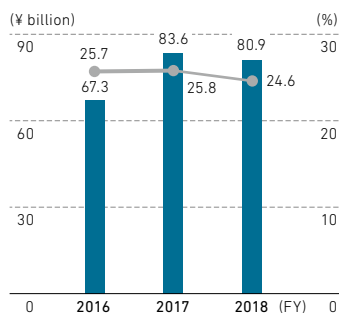
Revenue*



* "Net sales" under JGAAP

Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin (right)



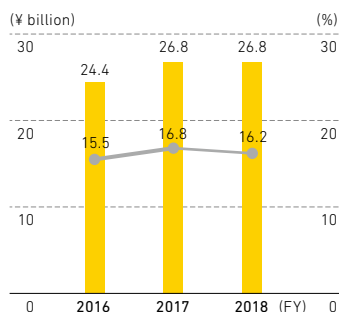
Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
TIS	32.6	83.9	55.3	51.6	223.3
Neurovascular	3.3	12.8	12.8	11.3	40.2
Cardiovascular	10.0	23.5	5.5	5.8	44.8
Vascular Graft	2.0	4.8	11.3	2.2	20.2
Total	47.8	124.9	84.9	70.9	328.5

Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin (right)



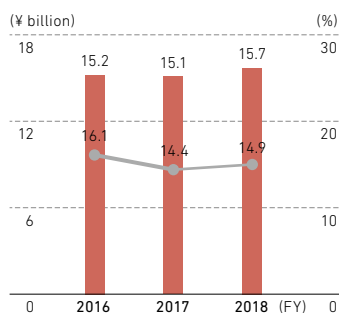
Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Hospital Systems	115.8	6.8	3.5	19.2	145.3
Alliance	12.0	1.7	6.0	0.6	20.4
Total	127.9	8.6	9.5	19.8	165.8

Adjusted Operating Profit/ Adjusted Operating Margin

■ Adjusted operating profit ● Adjusted operating margin (right)



Revenue by Business Segment and Region

(¥ billion)

	Japan	Americas	EMEA	Asia and Others	Total
Blood Centers	11.6	23.8	20.0	20.5	75.9
Therapeutic Apheresis and Cell Collections	0.7	11.9	5.3	3.4	21.3
Cell Therapy Technologies, etc.	0.2	6.5	0.7	0.4	7.8
Total	12.5	42.2	26.0	24.3	105.0

Cardiac and Vascular Company



We aim to achieve sustainable growth by pursuing growth opportunities with innovative new products and steadily enhancing operations.

Hikaru Samejima

Managing Executive Officer
President, Cardiac and Vascular Company
Division President, Interventional Systems Division,
Cardiac and Vascular Company

Operating Environment of the Cardiac and Vascular Company

Terumo Interventional Systems Division

- Continuously spreading trend toward minimally invasive treatments
- Rising demand in Chinese market driven by government medical reforms
- Implementation of more rigorous regulations in various countries and regions as seen in the European Medical Device Regulation and the preferential treatment for domestic manufacturers and distribution network reforms in China

Neurovascular Division

- Solid global market growth centered on Europe, the Americas, Japan, and China, and accompanying intensification of competition
- Diversification of treatment options in cerebral aneurysm field following launch of new therapeutic devices by Terumo
- Rapid growth of stroke market following establishment of treatment evidence regarding thrombectomy and revisions to treatment guidelines

Cardiovascular Division

- Ongoing transition from surgical treatment to vascular intervention due to trend toward minimally invasive treatments in the market for cardiovascular surgery using heart-lung machines, while surgery cases continue to increase gradually as a result of ongoing rise in cardiovascular disease
- Growth rates in the extracorporeal life support system market outpacing the cardiovascular surgery market due to improvements in treatment outcomes

Vascular Graft Division

- Steady growth in endovascular^{*1} market with availability of smaller diameter stent grafts and improved clinical results
- Continuous increase in aortic hybrid procedures^{*2} due to wider treatment options
- Ongoing need to treat patients with aortic disease in spite of low growth rates in surgical procedures compared with other treatment options
- Continuance of discussions on guidelines for catheter-led and surgical based treatment options

*1 Procedure that involves implanting a catheter-led stent graft

*2 Procedure that involves implanting a combined surgical and endovascular devices

Strengths of the Cardiac and Vascular Company

Terumo Interventional Systems Division

- Minimally invasive treatments that reduce the physical and economic burden placed on patients
- Comprehensive access device solutions ranging from puncture to hemostasis
- Value creation capabilities for promoting the spread of proper product use and new treatment methods via training for medical professionals

Neurovascular Division

- Development capabilities for swiftly creating unique products
- Global clinical development and regulatory affairs systems for facilitating speedy and efficient acquisition of approval

Cardiovascular Division

- Brand reputation for reliable products underscored by No. 1 position in Japan, the United States, and Asia, and No. 2 position in the global market^{*1}
- Product development and production capacities positioning Terumo as the sole manufacturer for in-house production of oxygenators from the fiber^{*2} phase
- Full lineup of hardware and single-use devices for perfusion
- Lineup combining perfusion products centered on oxygenators and surgeon products such as heart stabilizers^{*3}.

*1 Source: Terumo Corporation

*2 One of the materials used in oxygenators

*3 Devices that hold parts of the heart in place during general surgery

Vascular Graft Division

- Comprehensive portfolio of products to treat aortic disease
- Brand reputation as a company delivering innovative products (including custom-made products)
- Strong partnerships with key opinion leaders in the fields of cardiovascular and cardiothoracic surgery
- Global sales network
- Highly specialized clinical and regulatory affairs processes/teams in the growth markets of Europe, the United States and Japan

Mid- to Long-term Vision and Targets

Vision

Gain recognition from medical professionals worldwide as a leading brand in the cardiac and vascular business field



Be one of the top three players in each market we participate in
Gain world-class trust from our customers through "Total Quality"

Targets

- Revenue** : Realize growth that drives Groupwide growth; near double-digit growth
- Adjusted operating profit** : Achieve profit growth that outpaces revenue growth; double-digit growth
Maintain adjusted operating margin of 25% or above

Fiscal 2019 Priorities

Terumo Interventional Systems Division

In the access devices field, we will launch R2P (radial to peripheral) related products in the endovascular field that enable approaches via radial artery. With such offerings, we seek to supply comprehensive solutions ranging from puncture to hemostasis as the No. 1 global access device provider.

As for therapeutic devices, we will target sales growth centered on the Ultimaster Tansei drug-eluting coronary stent and the Ryurei percutaneous transluminal coronary angioplasty balloon catheter launched in 2018. Meanwhile, Tivoli, a drug-eluting stent obtained following the completion of our acquisition of Essen Technology (Beijing) Co., Ltd., will be deployed in the focus market of China. In addition, we are developing a product portfolio that supports a wide range of treatments and addresses unmet medical needs through our sales alliance for sirolimus-eluting balloons with Orchestra BioMed Inc. At the same time, we will bolster the operational infrastructure underpinning these measures and enhance our responsiveness to quality regulations in pursuit of ongoing growth in sales and income.

Neurovascular Division

Overseas, we will expand introduction of WEB, a new type of aneurysm embolization device for neurovascular treatments, in North America. In China, a market expected to see rapid growth, we are moving ahead with preparation to commence local production at a joint venture company in response to the country's policies offering preferential treatment for domestically produced items.

In Japan, we aim to introduce and spread adoption of the new SOFIAFLOW Plus aspiration catheter and the Tron FX stent retriever in the ischemic stroke field, a new area for Terumo.

Cardiovascular Division

We will target increased sales in the global market through the launches of the CDI Blood Parameter Monitoring System 550 and the CAPIOX NX19 oxygenator, both new perfusion products. Meanwhile, we will enhance our product portfolio through the development of next-generation models of our existing products.

Furthermore, we will work toward ongoing improvements in profitability through optimization of production and product costs and enhancements to product development processes.

Vascular Graft Division

We will pursue the launch of new products in markets across the globe. These products include the TREO abdominal stent graft system in the United States, the RelayPro thoracic stent graft system in Europe, and the Anaconda LoPro90 abdominal stent graft system in markets around the world.

In addition, we will strengthen our sales force in the United States as we grow sales of our thoracic stent graft systems and launch the TREO abdominal stent graft system.

The Vascular Graft Division is adopting a patient-first approach as it strives to expand the scope of its clinical research and sales activities while continuing to invest in product pipelines in key areas that offer growth opportunities.



Ultimaster Tansei drug-eluting coronary stent (rendering)



Sirolimus-eluting balloon developed by Orchestra BioMed Inc. (rendering)



New type of aneurysm embolization device (rendering)



SOFIAFLOW Plus aspiration catheter (rendering)



CAPIOX NX19 oxygenator



CDI Blood Parameter Monitoring System 550



RelayPro thoracic stent graft system (left)
TREO abdominal stent graft system (right)

General Hospital Company



**We aim to realize “yasashii”
medicine for everyone touched
by healthcare.**

Yasashii is the Japanese, which includes; kind, gentle, friendly, considerate, sympathetic, thoughtful

Shoji Hatano

Director and Managing Executive Officer
President, General Hospital Company
Division President, Hospital Systems Division,
General Hospital Company

Operating Environment of the General Hospital Company

- Ongoing growth of global medical market due to aging population and individuals suffering diverse illnesses and chronic conditions
- Development of digital, regenerative medicine, and other new technologies for prevention, diagnosis, and treatment
- Accelerated drug innovation as seen in shift to biopharmaceuticals and spread of immunotherapy
- Rising pressure to limit healthcare expenditures and lower prices around the world
- Focus on medical reforms through improvement of hospital efficiency, medical coordination and integration, and quantitative evaluation of prices

Strengths of the General Hospital Company

- Development capabilities for and robust lineups of products that resolve issues faced in medical settings
- Services and training for promoting proper medical device use and medical safety
- Mind-set and capabilities focused on high quality
- Track record and trust fostered through years of contributions to medical improvement

Mid- to Long-term Vision and Targets

Vision

Provide unique technologies and services to contribute to improvements in hospital care quality and efficiency as well as innovations in drug delivery



Shift gears to enhance revenue and achieve sustainable growth

Targets

Revenue : Mid-single-digit growth
Adjusted operating profit : Achieve profit growth that outpaces revenue growth;
high-single-digit growth
Improve adjusted operating margin 2 to 3 percentage points

Fiscal 2019 Priorities

Hospital Systems Division (For hospital market)

Contributing to healthcare quality and efficiency, we enable “*yasashii*” medicine for everyone touched by healthcare.

Populations are aging, and that means more people require medical care. It is also becoming more expensive to treat increasingly diverse illnesses and chronic conditions in older population. Providing sustainable medical care under these circumstances requires greater quality and efficiency.

The Hospital Systems Division is providing products and services that contribute to healthcare safety, operational efficiency, and early hospital discharges and higher quality of life; this is what we call “*yasashii*” medical care.

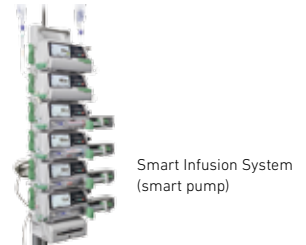
In fiscal 2019, the Hospital Systems Division will focus on the following priorities.

Japan

We will establish a healthcare platform by delivering comprehensive product offerings.

- Promotion of digital health such as automated recoding, monitoring and prescription data integration centered on the Smart Infusion System (smart pump) equipped with drug libraries that can be integrated with the IT systems of hospitals
- Provision of high-quality support through both products and services by bolstering our lineup of advanced infusion systems and enhancing our medical equipment (ME) maintenance systems
- Enhancement of product lineup for the pain management field through the addition of Fentanyl injections, an analgesic commonly used after surgeries
- Bolstering of lineups of sprayable adhesion barrier gels, condensed liquid nutrition, and other products
- Acceleration of contributions to diabetes treatment by spreading use of Japan’s first insulin patch pump, an internally developed product, and continuous glucose monitoring system*

* Introduced by U.S. company Dexcom, Inc.; sold only in Japan



Smart Infusion System (smart pump)



AdSpray sprayable adhesion barrier gel



MEDISAFE WITH insulin patch pump



Dexcom™ G4 PLATINUM series continuous glucose monitoring device

Overseas

We will proactively deploy initiatives in fields where we can leverage our strengths.

- Expansion of sales of advanced infusion systems such as smart pumps and infusion lines centered on Asia
- Commencement of production of peritoneal dialysis solution through a joint business with WEGO Terumo (Weihai) Medical Products Co., Ltd., and sales through WEGO Terumo (Weihai)

Alliance Division (For pharmaceutical market)

Utilizing unique technology to add value to pharmaceuticals and contribute to better drug delivery.

Alliance Division offers pharmaceutical companies new value by utilizing Terumo's experience and expertise built through years of prefilled product manufacturing. We develop administration devices (including PLAJECT pre-fillable syringes and needles) made from materials tailored to each drug, and provide contract manufacturing that leverages Terumo's advanced manufacturing technology for drug-device combination products. Through alliances with pharmaceutical companies, the Alliance Division provides a total solution, from clinical trial drugs manufacture to full commercialization, contributing to safer and more certain delivery of drugs patients need.

In fiscal 2019, the Alliance Division will accelerate its growth through the continuation of the following initiatives.

Japan

We will focus on leveraging material technologies and aseptic filling technologies to win more contract development and manufacturing orders from pharmaceutical companies.

Overseas

We will concentrate efforts on increasing adoption of packaged pharmaceuticals, such as safety syringes engineered to prevent needle stick injury, and PLAJECT pre-fillable syringe.

Operations / Cost and Profit Management

The Company will utilize the strengths of each factory to optimize production globally. We will support sales growth as well as profit improvement by proactively conducting the investments necessary for realizing stable supplies, enhancing quality, and reducing costs over the medium to long term.



PLAJEX pre-fillable syringe



Administration devices (needles) for kit packing business

Blood Management Company (Terumo BCT)



The Blood Management Company is addressing unmet medical needs by linking its tradition of creativity to innovation.

Antoinette Gawin

Executive Officer
President, Blood Management Company
President and CEO, Terumo BCT Holding Corp.

Operating Environment of the Blood Management Company

- Pharmaceutical companies shifting focus to building reliable manufacturing and supply capabilities amid growth of CAR T-cell therapies in Cell Therapy Technologies Business
- Increased opportunities for adoption of new therapies in response to unmet medical needs in Therapeutic Apheresis Business
- Rising demand for solutions that contribute to higher medical process efficiency and productivity in response to soaring healthcare expenditures stemming from population aging in Blood Center field
- Development of precision medicine increasing demand for patient-specific medical information
- Implementation of more stringent regulations increasing importance of clinical data and quality

Strengths of the Blood Management Company

- Sophisticated automated cellular and blood component manufacturing processes and data integration systems to deliver better treatment outcomes
- Innovation utilizing broad product portfolio and expansive global sales network
- Partnerships with customers fostered by providing services and clinical support

Targets of Mid- to Long-term Growth Strategy

Targets

Revenue	: Return to growth; mid-single-digit growth
Adjusted operating profit	: Achieve profit growth that outpaces revenue growth; high-single-digit growth

Fiscal 2019 Priorities

We will strengthen our foundation for sustainable growth to serve more patients and improve patient treatment outcomes.

- Expansion of automation systems and setting of related standards in Cell Therapy Technologies Business and Blood Center Business
 - Launch Finia cell therapy fill and finish system
 - Expand markets for Reveos and TACSI whole blood processing systems
- Pursuit of diversification beyond devices to deliver patient data management and unique service offerings
- Improvement of clinical evidence and reimbursement to shape standard of care
- Expansion of investments in strategically important emerging countries
- LEAN thinking, advancement of streamline processes to eliminate costs and improve customer experiences



Finia cell therapy fill and finish system



TACSI whole blood processing system

R&D and Intellectual Property

Looking to the future of healthcare, we will strengthen internal development capabilities by drawing on our own core technologies and promoting external collaboration. With these efforts, we will aim to develop solutions of value to medical settings, which will contribute to resolving medical challenges with significant social impact.

Basic Concepts

The Terumo Group’s research and development activities fall largely into two categories.

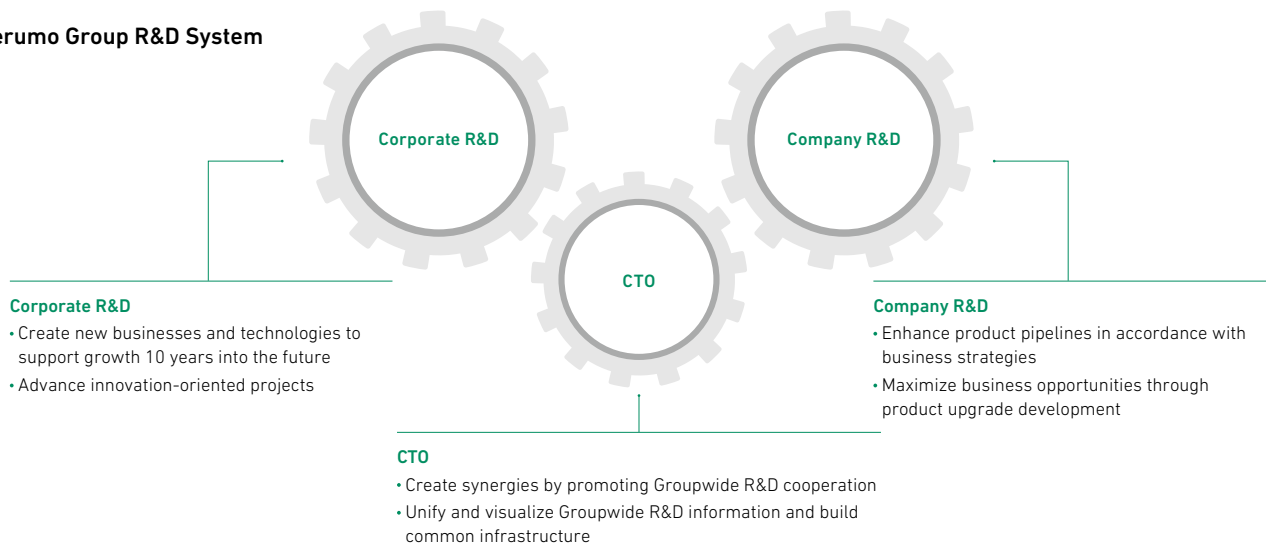
The first is Corporate R&D, where mid- to long-term research and development work is performed. With a future horizon of 10 years, Corporate R&D aims to create the new businesses and technologies that will support future growth for the Terumo Group. Those working on Corporate R&D projects coordinate with stakeholders such as medical settings and develop new technologies.

The second category of Terumo Group research and development activities is Company R&D. Here, work focuses on supporting the growth of core business segments by strengthening

short- to mid-term product pipelines in accordance with the business strategy of the individual business segments.

The Chief Technology Officer (CTO), who oversees R&D activities for the entire Group, concentrates on creating synergies by promoting cooperation across geographic, business, and organizational boundaries. In leading the promotion of organic cooperation on a Groupwide scale, while associates in Corporate and Company R&D focus on their own activities, the CTO aims to continuously engender outstanding innovation in response to frontline medical needs.

Terumo Group R&D System



Corporate R&D Mid- to Long-term Strategy

As pathological conditions and diseases that significantly affect society, such as chronic heart disease, stroke, and cancer, increase with the aging of society, innovations that contribute to the realization of longer healthy lifespans and efficient medical care are needed. To these ends, such innovations must adopt comprehensive approaches that encompass prevention and hospital care through to post-discharge prognosis control and recurrence prevention. In light of such social trends, the aim of our Corporate R&D activities is to gain insight into the future of medical care and provide new value.

In selecting R&D themes from among the medical care issues that significantly affect society, the Terumo Group gives priority to fields that promise market growth and in which it can realize competitive advantages. At the R&D concept planning

stage, we take the initiative in conducting investigations on needs in medical settings and then discuss and verify the usefulness of our proposed solutions with medical professionals. Further, aiming to support its growth going forward and to create technologies and products with even higher added value, the Terumo Group is strengthening in-house development capabilities by evolving its core technologies and making optimal use of its technologies and infrastructure through in-house collaborations that transcend business boundaries. In conjunction with these efforts, we aim to anticipate technological trends and use external technologies flexibly to develop businesses.

Through such initiatives, the Terumo Group will support its growth in the coming generation while helping to address the medical care issues of tomorrow.

Terumo Group R&D Sites

Focused on the R&D Center in Japan, Terumo is pursuing next-generation research and development through internal development as well as through the development and unification of promising technological seeds from around the world. In recent years, we have been expanding the scope of R&D

activities and accelerating these activities through the globalization of development via M&A activities and strategic partnerships and through coordination between R&D sites in the United States, Europe, and other locations across the globe.

The Terumo Group's Global R&D Network

(As of March 31, 2019)

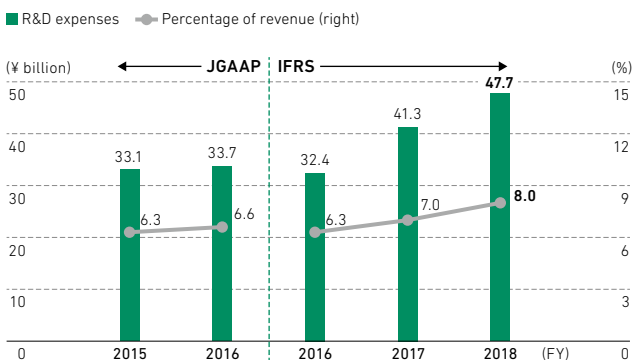


R&D Expenses

Fiscal 2018 R&D expenses totaled ¥47.7 billion, or about 8.0% of revenue. Of that total, the Cardiac and Vascular Company accounted for ¥25.0 billion; the General Hospital Company,

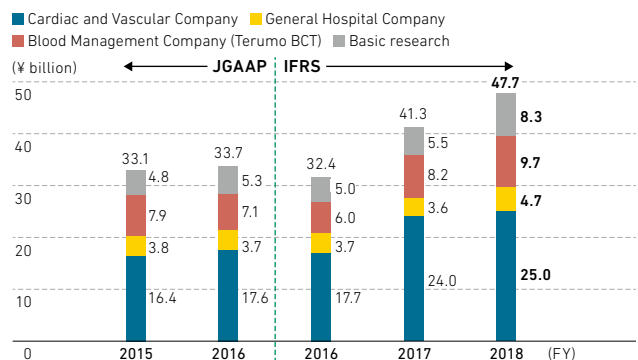
¥4.7 billion; and the Blood Management Company, ¥9.7 billion. Basic research expense not allocable to any particular segment totaled ¥8.3 billion.

R&D Expenses/Percentage of Revenue*



* Net sales under JGAAP

R&D Expenses by Segment



Basic Stance on Intellectual Property Management

The Terumo Group strives to create intellectual property that will help strengthen its competitiveness. In doing so, we establish a priority for allocating resources, based on R&D and business strategies. Development directions are considered and intellectual property portfolios are built from a strategic perspective. In this perspective, development and intellectual property departments initiate development

activities by collaborating in identifying other companies' patents and the characteristics of their products. As we expand our business operations globally, we are strengthening cooperation with overseas Group companies to further the effective application of the Group's intellectual property and taking steps to improve our management of intellectual property risk.

Patent Portfolio

Patent Applications (by segment)*

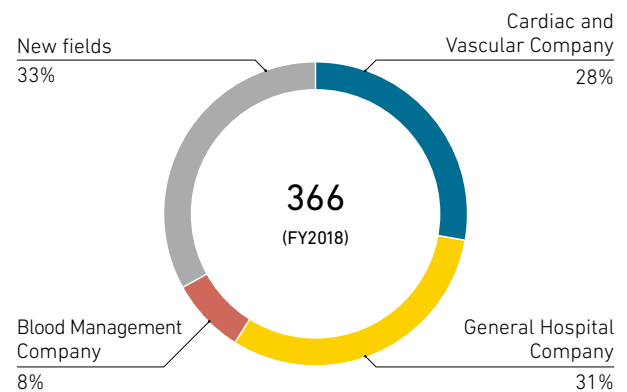
In fiscal 2018, Terumo filed 366 patent applications (filed in the first country), with 67% related to existing businesses, and 33% related to new areas not associated with existing businesses. From these figures, it is evident that Terumo continues to enhance and improve existing products while also actively pursuing investments for future business expansion and new endeavors.

Patents Held (by segment)*

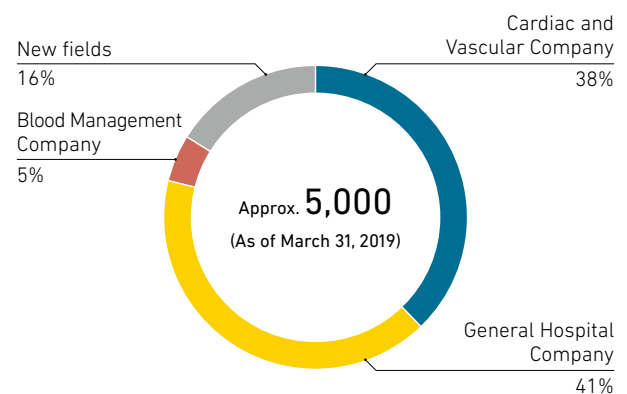
As of March 31, 2019, Terumo held approximately 5,000 patents issued in Japan and abroad. Patents related to existing businesses account for a relatively high 84% of the total, with patents related to new areas making up the remaining 16%. Reflected here is the impact of Terumo's earnings cycle, in which technology for "Advanced" products is also applied in "Platform" products. Even as we develop inventions in new fields, we use what we newly create to contribute to the businesses that comprise our current operations. Patents held in Japan currently represent 41% of our patent portfolio while patents held overseas represent 59%, illustrating an increase in overseas patents focused on those supporting overseas operations.

* Does not include patent applications or patents held by overseas subsidiaries.

Patent Applications (by segment)*



Patents Held (by segment)*



To improve the overall quality of its products, supply capabilities, and services, Terumo has built a supply chain capable of reliably and swiftly providing high-quality products to locations throughout the world.

Basic Concepts

The enhancement of global operations is a crucial management issue for medical device manufacturers. Under the Mid- to Long-term Growth Strategy, Terumo is working to build a reliable and robust production system by clarifying the division of functions and target markets for supply on an individual factory basis according to the characteristics and products of each in-house company.

We have factories equipped with product development functions mainly in Japan and the United States. At these factories, we promote coordination between development divisions, production technology divisions, and production divisions from the initial product design stages to formulate optimal supply chains spanning from the procurement of materials to the delivery of products to medical settings. Factories located in Asian and other emerging countries will work to boost their cost competitiveness as mass-production sites focused on reliably supplying high-quality products through an ongoing process of conducting slight revisions to their operations.

Furthermore, the Chief Manufacturing Officer (CMO), appointed in fiscal 2019, is guiding accelerated efforts to boost manufacturing competitiveness by capitalizing on the unique strengths of individual factories across the entire Group. With a cross-organizational, overarching view of the manufacturing capabilities honed in each business, the CMO will utilize these assets on a Groupwide basis.

Terumo is also actively promoting digital transformation. At regularly held global meetings, the Production Department, part of our corporate functions, introduces effective methods of utilizing digital tools as well as concrete examples of successes with this regard while also providing guidance on introducing image diagnosis systems powered by artificial intelligence technologies. The department thereby seeks to promote the spread of such digital technologies throughout the Group. In this manner, the Terumo Group aims to deploy cutting-edge digital technologies at production sites worldwide in order to develop a production system that can swiftly accommodate the needs of various users.

Message from the CMO

Up until the 1990s, Terumo only had 14 factories around the world. This number has more than doubled in 20 short years, as we now boast 31 factories on a Groupwide basis. Each factory is affiliated with one of our three in-house companies, implementing various daily improvement activities based on the production strategy of its respective company. However, there are currently few opportunities for one factory to learn about the initiatives being implemented at others.

Looking ahead, I hope to improve the overall quality of our products, supply capabilities, and services. I will go about accomplishing this by leveraging, on a cross-organizational basis in both our businesses and in our bases, the strengths of bases incorporated into the Group through acquisitions as well as the manufacturing insight and expertise honed in each business.

I am committed to marrying the propensity for innovation of Europe and the United States with the precise and consistent manufacturing expertise of Japan while building upon the trend toward producing in optimal locations to develop production systems throughout the Group that can continue to cater to market needs.



Kazunori Hirose

Senior Executive Officer
Chief Manufacturing Officer (CMO)
General Manager, Production Dept.
Production, General Hospital Company
Supply Chain Management Dept.

Approach to Sustainability

Under the Group mission of “Contributing to Society through Healthcare,” the Terumo Group strives to provide a stable supply of high-quality medical equipment and services to patients and medical settings throughout the world, as well as resolve the various challenges facing healthcare.

To realize this Group mission, Terumo has established its Core Values, which are the values we want to share with all Terumo associates globally. Based on the Core Values, the

Terumo Group determines priorities for sustainability that must be put into practice in the course of daily business activities. The Group will strive for balance between the realization of a sustainable society and the achievement of its sustainable growth by promoting these priorities, while communicating with patients, medical professionals, and other stakeholders.

Sustainability Priorities

The Terumo Group is working to resolve social issues, including issues in healthcare, and balance the realization of a sustainable society with sustainable growth of

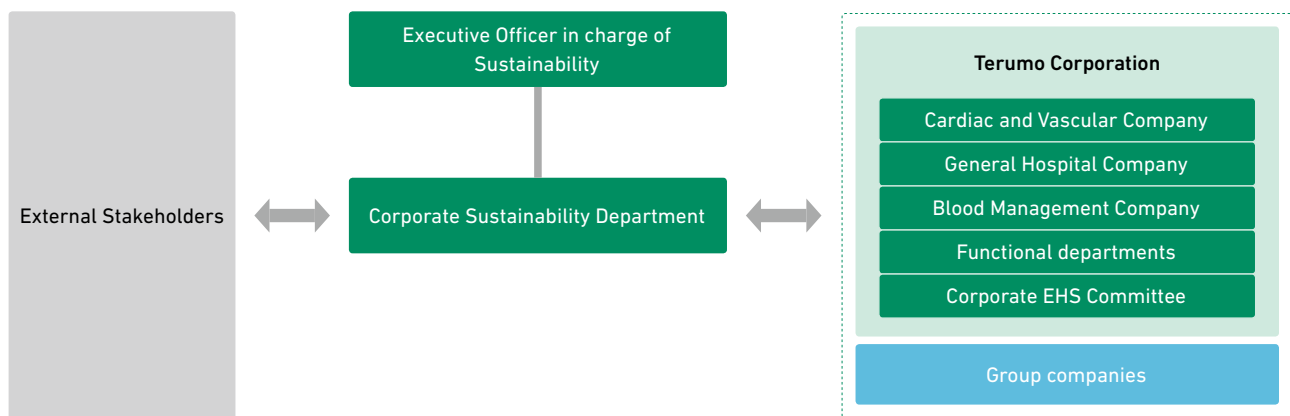
the Terumo Group, while taking the United Nations Sustainable Development Goals (SDGs) into account.

Core Values	Sustainability Priorities	Related United Nations SDGs
Respect — Appreciative of others	Ensuring occupational safety and promoting health	 
	Creating workplace environments where diverse associates can demonstrate their skills and abilities	 
Integrity — Guided by our mission	Promoting compliance	 
	Reducing the environmental impact of our business operations	  
	Promoting responsible procurement	  
	Building relationships of trust through dialogue with stakeholders	
Care — Empathetic to patients	Improving access to healthcare	 
Quality — Committed to excellence	Ensuring the safety and quality of products and services	 
	Managing supply chains that support stable supply	 
Creativity — Striving for innovation	Resolving healthcare challenges through innovation	  

Sustainability Management

The purpose of the Corporate Sustainability Department is to coordinate and promote activities throughout the Group. Working together with related departments, committees, and Group companies, the Corporate Sustainability Department sets action policies and priorities related to sustainability, finds ways to disseminate them throughout

the Group, and promotes specific initiatives. It also interacts with internal and external stakeholders, sharing information and engaging in discussions, in order to understand the expectations of society for the Terumo Group and reflect them in its initiatives.



Participation in the United Nations Global Compact

In 2012, Terumo became a signatory to the United Nations Global Compact. This action reflects Terumo's agreement with the Ten Principles of the compact, which relate to human rights, labor practices, the environment, and anticorruption measures.

Under the Group mission of "Contributing to Society through Healthcare," the Terumo Group is striving to practice these principles in the course of its business operations.



For more information on Terumo's sustainability initiatives, please refer to its sustainability report.

<https://www.terumo.com/sustainability/reports/>



Dialogue between the Chairman of the Board and an Independent Director



The following is a discussion in which the Chairman of the Board Takayoshi Mimura asked Independent Director Yukiko Kuroda for her frank opinions with regard to the current corporate governance structure at Terumo as well as her hopes for the future of the Company.

Takayoshi Mimura

Chairman of the Board
Terumo Corporation

Takayoshi Mimura joined the Company in 1977. After gaining experience as a medical representative at several bases in western Japan, he became a branch manager. He later served as the president of the General Hospital Business Group and as the regional representative for China and Asia before assuming his current position of Chairman of the Board in April 2017.



Yukiko Kuroda

Independent Director

Ms. Yukiko Kuroda joined Sony Corporation in 1986. She established People Focus Consulting Co., Ltd. in 1991, assuming the position of president at the time before becoming founder and director in 2012. In the years that followed, Ms. Kuroda held positions as an outside audit & supervisory board member and outside director at various other companies, eventually taking up the role of independent director of the Company in June 2018.

Mimura

Ms. Kuroda, one year has passed since you became an independent director at Terumo. What is your opinion on the Company's Board of Directors?

Kuroda

The Board of Directors comprises members that include independent directors with a diverse range of expertise, such as those with corporate management and overseas business experience as well as healthcare professionals, certified public accountants, and lawyers. Accordingly, a variety of opinions are raised at Board meetings. I have seen independent directors sometimes make quite stern remarks, and discussions are based on a healthy dose of critical thinking. Moreover, the frequent committee meetings allow Terumo to greatly draw on the talents of independent directors.

Mimura

Terumo operates seven businesses through its three in-house companies based on its Group mission—"Contributing to Society through Healthcare"—and thereby supplies a broad and varied lineup of products for use in medical settings. For that reason, it is not uncommon for matters raised at meetings of the Board of Directors to require specialized medical knowledge and understanding of Terumo's history thus far. Have Terumo's support systems for independent directors been effective in terms of providing this knowledge and understanding?

Kuroda

It is not easy to understand the highly specialized matters of a medical nature raised at meetings. Luckily, briefings are held for independent directors, usually two days before Board meetings, and these briefings explain matters in a way that is easy to understand even for independent directors who, like myself, have not been with the Company for a long

time. In addition, the tablets provided to independent directors allow us to view past materials at our own discretion.

Mimura

We try to provide opportunities for independent directors like yourself to visit factories and medical settings. Going forward, we hope to further expand opportunities to facilitate understanding with regard to Terumo among independent directors.

In the meantime, could you please tell me how you view your role on Terumo's Board of Directors?

Kuroda

My area of expertise is human resources and organizational development. Accordingly, I endeavor to bear in mind and offer input regarding the following questions.

- Is the corporate philosophy or the vision for the organization clear and disseminated throughout the organization? And, are operation-related decisions made based on this philosophy?
- Have organizational structures been optimized on a global basis?
- Have the human resources necessary for realizing the organization's philosophy or vision been acquired or are they being cultivated currently?
- Is effective coordination being pursued among the management team?
- Is the corporate culture healthy and is it being nurtured in a way that will contribute to the realization of the organization's vision and to the implementation of its strategies?

I also draw on my experience when providing consulting for overseas companies and engaging in various sustainability and environmental, social, and governance (ESG) management activities to offer opinions that encourage companies to take a broader perspective when mapping the future course of Japanese companies.

Dialogue between the Chairman of the Board and an Independent Director



Terumo will celebrate the 100th anniversary of its founding in 2021, and I hope to foster a greater sense of solidarity within the Group in light of this milestone.

Mimura

What is your assessment of Terumo's corporate governance structure? Please have no reservations about providing your honest opinion if you sense any issues with regard to Terumo's future.

Kuroda

Human resources form the core of corporate governance. At Terumo, the Board of Directors consists of a majority of independent directors, one of whom serves as Chairman. The Nomination Committee and the Remuneration Committee are also chaired by an independent director. This structure is conducive to effective governance.

As for issues, I would like to mention the fact that the Board of Directors consists entirely of Japanese people as of the Annual General Meeting of Shareholders held in June 2019. Approximately 70% of the Company's revenue comes from overseas, and it can only be expected that Terumo will find itself in greater direct competition with global players going forward. Accordingly, it would probably be a good idea to have non-Japanese members on the Board of Directors, as has been the case thus far, in order to inject greater diversity into the Board.

Mimura

I agree. There is definitely a need to pursue a more ideal membership of the Board of Directors with regard to non-Japanese members and other aspects of diversity.

Ms. Kuroda, I understand that you are currently serving as an outside director at several companies in addition to Terumo. Based on your outside perspective, what do you see as Terumo's strengths?

Kuroda

In 2018, I visited Terumo Medical Pranex,¹ where I was able to see, with my very own eyes, the breadth of Terumo's technologies and product lineups. There, I was able to witness Terumo's dedication to improving products while reflecting feedback from the medical field, which has enabled the Company to acquire the shares it holds today for catheters, hospital products, and other offerings.

While operating this in-house development system, Terumo is also engaging in bold acquisitions of overseas companies to bolster its business and technology portfolios. The human resources brought into the Group through such acquisitions are effectively utilized to realize highly diverse management. This is another strength of Terumo.

Mimura

Thank you for the kind words. Terumo will celebrate the 100th anniversary of its founding in 2021, and I hope to foster a greater sense of solidarity within the Group in light of this milestone.

Lastly, could you please tell us about your hopes regarding Terumo's future?

Kuroda

Terumo has grown to the point where it could be considered a global company, in terms of both revenue and associate numbers. Going forward, I hope that Terumo will continue to optimize its operations on a global scale to become a brand that can pride itself in the global market.

From this perspective, I am impressed with how overseas associates were involved in the process of establishing the Core Values, which were launched in April 2019. Building off of this positive example, the Terumo Group should seek to develop globally standardized systems and frameworks to allow for management skills and human resources to be utilized on a Groupwide basis. I also hope that Terumo will contribute to the accomplishment of the United Nations

Sustainable Development Goals. This set of goals for promoting sustainable development was formulated based on a pledge to ensure that "no one will be left behind." For Terumo to become a truly global company, it will be absolutely essential to take an even-more committed approach toward addressing issues related to access to healthcare.

Mimura

Just as you say, improving access to healthcare is the area among the Sustainable Development Goals in which Terumo stands to make the largest contributions. This area will thus be a priority theme for Terumo's sustainable activities going forward, and we will therefore be placing increased focus on this area in the future.

Ms. Kuroda, thank you for your invaluable input today.

* Comprehensive medical training facility established to support the creation and spread of new medical technologies

I hope that Terumo will continue to optimize its operations on a global scale to become a brand that can pride itself in the global market.



Basic Stance on Corporate Governance

- 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

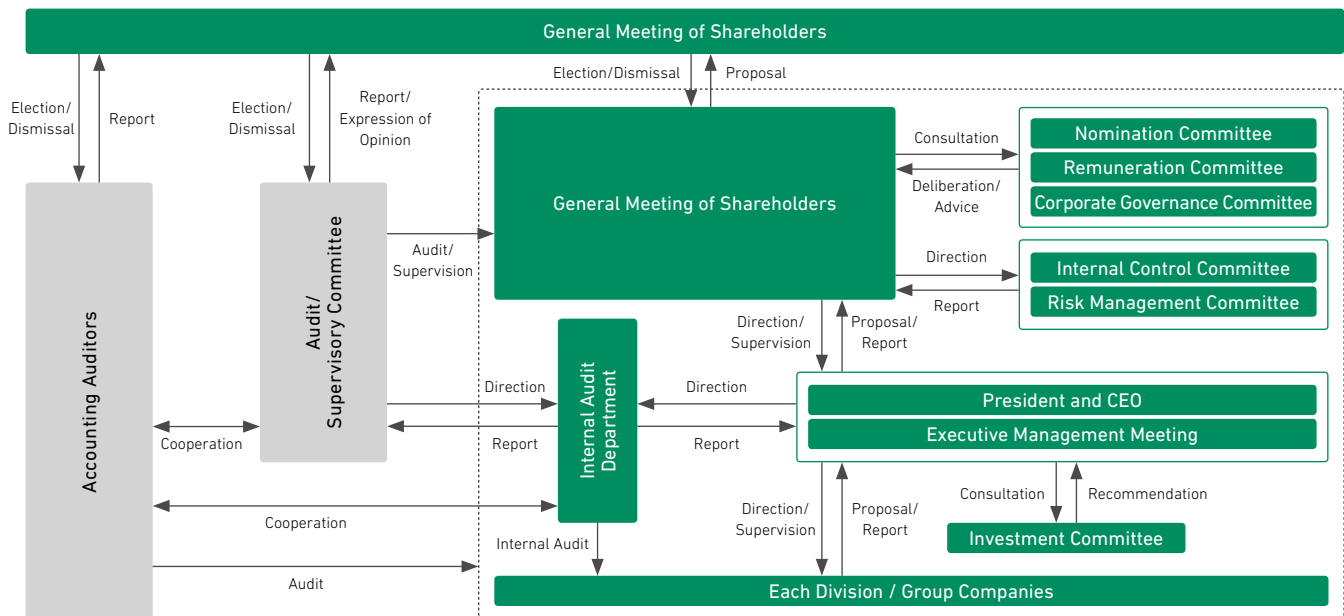
Care — Empathetic to patients

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 dialogue 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 highly motivating and challenging workplace with open and candid communication," because it believes a corporate culture of this nature is essential to effective corporate governance.

Corporate Governance Structure



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

Corporate Governance Structure

Organizational Design

Terumo adopted the organizational design of a Company with Audit/Supervisory Committee as defined by the Companies Act of Japan to achieve the following initiatives, further strengthen its corporate governance framework, and to enhance its mid- to long-term corporate value.

1. Strengthen audit and supervisory functions

The members of the Audit/Supervisory Committee shall have voting rights in the meetings of the Board of Directors.

2. Enhance transparency and objectivity in management

By increasing the proportion of independent directors on the Board, transparency and objectivity in decision-making will be enhanced at the Board level reflecting opinions of the independent directors, which represent the perspectives of shareholders and other stakeholders.

3. Expedite decision-making process

By promoting the appropriate delegation of the Board's authority by way of the executive officer system, Terumo will further expedite its decision-making process and business development.

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.

Board of Directors

Roles

- The Board shall strive for optimal decision-making of basic management policies with the goal of maximizing corporate value.
- To expedite decision-making processes, the Board may delegate certain duties or responsibilities, which are executed based on basic management policies decided 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.

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, and the Chairman of the Company shall serve as the chair of the Committee, in principle; however, if no Chairman has been appointed, the Nomination Committee shall propose a candidate for the chair, considering the actual situation of possible candidates based on the above standpoint, and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

Audit/Supervisory Committee

Roles

The Audit/Supervisory Committee shall audit and supervise the execution of duties by directors and executive officers to ensure the appropriate, reasonable, and efficient operation of the Terumo Group. To fulfill its audit and supervisory duties, the Audit/Supervisory Committee may provide direct instructions to the Internal Control, Internal Audit, and Legal and Compliance departments.

Members

- The Audit/Supervisory Committee shall consist of no more than five (5) directors.
- Terumo shall have independent directors represent a majority of Committee membership.
- The members of the Audit/Supervisory Committee shall elect one of the Committee members to serve as the chair of the Committee.

Support Systems for Independent Directors

The Company actively appoints independent directors to improve the diversity of the Board of Directors and to ensure highly effective discussions. Support systems are being enhanced to enable independent directors to better incorporate their talents and experience into the oversight of management.

- To assist the independent directors in quickly gaining the understanding necessary of the Company to fulfill their duties as directors, at the time of their appointment we provide opportunities to receive explanations on the Company, its businesses, and its medium-term management plans from the President and business representatives.
- Once appointed, independent directors may take part in an annual training program designed to enable them to continue acquiring the legal and industry knowledge required of directors. In addition, independent directors are given the opportunity to visit and observe workplaces and factories in Japan and overseas in order to develop a better understanding of the Company and its business.
- Explanations of the items on the agenda for discussion at meetings of the Board of Directors are provided to independent directors prior to the meetings to enable them to gain a better understanding of these items and to facilitate more substantial discussions at Board meetings (in principle, explanations will be provided by a representative from a division proposing each item two days prior to the Board meeting).
- All independent directors are provided with tablets to enable the safe and timely sharing of materials pertaining to the Board of Directors meetings as well as other internal information.

Committees

	Role/Structure	Chairperson
Nomination Committee	<ul style="list-style-type: none"> • The Nomination Committee shall, as an advisory body to the Board of Directors, deliberate on the following matters. The deliberations of the Committee shall be reported to the Board of Directors as appropriate. <ul style="list-style-type: none"> –Matters concerning successors to the positions of President and Chairman of Terumo Corporation, which is one of the most important duties of the Board of Directors –Matters concerning the appointment and dismissal of directors and executive officers • The Committee shall be comprised of directors selected by the Board of Directors. Independent directors shall account for a majority of Committee members. 	Independent director
Remuneration Committee	<ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> –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 • The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee. 	Independent director
Corporate Governance Committee	<ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> –Basic matters concerning corporate governance –Important matters concerning the establishment, design, and operation of the corporate governance system –Other important matters that are highly relevant to corporate governance such as improvement of the 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 • The Committee shall be comprised of directors selected by the Board, independent directors shall account for the majority of Committee members, and at least one Representative Director shall be a member of the Committee. 	Independent director
Internal Control Committee	<ul style="list-style-type: none"> • 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." • 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. 	President and CEO
Risk Management Committee	<ul style="list-style-type: none"> • 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. • The Committee shall be comprised of executive officers ranked Managing Executive Officer or above, Internal Control Department managers, and a person designated by the chair. 	President and CEO

Membership of the Board of Directors, Audit/Supervisory Committee, and Other Committees, and Numbers of Meetings

(As of July 1, 2019)

	Name	Board of Directors	Audit/Supervisory Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee
Directors	Takayoshi Mimura	◎		○	○	○
	Shinjiro Sato	○		○	○	○
	Toshiaki Takagi	○				
	Shoji Hatano	○				
	Kyo Nishikawa	○				
	Ikuo Mori*	○		◎	○	◎
	Ryuzo Ueda*	○		○	○	○
	Yukiko Kuroda*	○		○	◎	○
Directors (Audit/Supervisory Committee Members)	Yoshihiro Kimura	○	◎			
	Masaichi Nakamura*	○	○	○	○	○
	Soichiro Uno*	○	○	○	○	○
Numbers of meetings in fiscal 2018		13	11	6	—	7

*1 ◎: Chairperson ○: Member *: Independent director

*2 The Remuneration Committee was established in April 2019. Deliberations regarding the remuneration of directors and executive officers in fiscal 2018 were held by the Corporate Governance Committee.

Selection of Directors

Policy

In selecting candidates for directors, with the aim of creating an ideal Board of Directors, Terumo considers the diversity of the Board with the goal of ensuring that the Board consists of directors with a wide range of insight and experience encompassing the areas necessary for effective discussions and decision-making at Board meetings.

Candidates for internal directors shall be selected according to the internal regulations, which stipulate the eligibility criteria, including “a candidate shall have the management judgment capacities and management oversight capacities from stakeholders’ standpoint.”

Internal regulations for appointment of independent directors stipulates that independent directors shall be selected

from persons with extensive experience in management, international business, the practice of medicine, or other specific areas of expertise and that these individuals must be able to contribute to management and to improved corporate governance and be able to offer their frank opinions. The regulations also require the consideration of the diversity of independent directors, including, to the extent possible, their backgrounds, expertise, gender, and other factors as appropriate. With regard to independent directors who serve as Audit/Supervisory Committee members, the regulations stipulate that independent directors should ideally be selected from persons who play leading roles in the fields of law or accounting with at least one candidate coming from each such field.

Procedure

The Nomination Committee shall discuss potential candidates for directors and the appropriateness of each director’s reappointment, and present the results of these discussions to the Board of Directors. This process is intended to eliminate arbitrariness and to ensure the sound selection of candidates.

If a situation arises that leads to serious concerns over the performance of a director’s duties, the Nomination Committee may immediately propose to the Board of Directors that necessary measures be taken even during one’s term of office.

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

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

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

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

Reasons for Appointing Independent Directors and Attendance at Meetings

Name	Reasons for appointment	Attendance at meetings of the Board of Directors and Audit/Supervisory Committee
Ikuro Mori	Mr. Mori has been appointed as an independent director to utilize the insight he has cultivated from his extensive experience as a manager and many years of experience in business overseas, in supervising the management of Terumo Corporation.	Board of Directors: 13/13 (100%)
Ryuzo Ueda	Mr. Ueda has expert knowledge that includes a track record of research in cancer therapy, has served as President of Nagoya City University Hospital and Director-General of Nagoya City Hospital Bureau, and has cultivated extensive experience through the performance of his duties in these organizations. He has been appointed as an independent director to utilize this experience in the supervision of management at Terumo Corporation.	Board of Directors: 13/13 (100%)
Yukiko Kuroda	Ms. Kuroda has extensive experience as a manager, and many years of global experience in organizational and leadership development consulting. She has been appointed as an independent director to utilize the insight she has cultivated from these experiences in the supervision of management at Terumo Corporation.	Board of Directors: 10/10 (100%)
Masaichi Nakamura	Mr. Nakamura has extensive knowledge of finance and accounting as a Certified Public Accountant. He is expected to utilize this knowledge to audit and supervise the management of Terumo Corporation from an independent perspective.	Appointed on June 21, 2019
Soichiro Uno	Mr. Uno has specialized knowledge and extensive experience as an attorney in Japan and overseas. He is expected to utilize this knowledge and experience to audit and supervise the management of Terumo Corporation from an independent perspective.	Appointed on June 21, 2019

Selection and Cultivation of Successor to the President (Succession Plans)

The Board of Directors established the Nomination Committee as an organization that oversees the process of selecting and cultivating the successor to the President in recognition of the fact that the selection of successor to the President is one of the most important duties of the Board of Directors. The activities of the Committee are monitored by the Board of Directors. The process of selecting and cultivating the successor to the President is clearly stated in the internal regulations.

With regard to selecting the successor to the President, the President shall propose a succession plan listing more

than one candidate and a plan for their cultivation within a specified period of time. The Nomination Committee shall consider the successor candidates in accordance with the procedures stipulated in the internal regulations.

From the point of view of cultivating future successor candidates, the President shall also submit a future executive development plan listing several candidates with the potential to become future executives to the Nomination Committee within a specified period of time and shall thereafter continue to report on the status of these candidates' cultivation to the Committee as appropriate.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors conducted a self-evaluation concerning its effectiveness during fiscal 2018, for the purpose of further improving effectiveness and functionality of the Board.

The Board evaluation process included anonymous questionnaires completed by each director and individual interviews with certain members of the Board of Directors and the secretariat of the Board. In order to draw out frank opinions and ensure objectivity, the process of collecting questionnaires, conducting individual interviews, and analyzing them

were facilitated by outside consultants.

Upon receiving the report from outside consultants, the performance of the Board was discussed and evaluated by the Corporate Governance Committee, of which the majority of the members are independent directors. Subsequently, all members of the Board discussed major findings from the survey and agreed on the actions to take, which will be reflected in the operations of the Board and each committee in fiscal 2019.

Process for Evaluation of the Effectiveness of the Board of Directors at Meetings



Summary of Results of Fiscal 2018 Evaluation

Based on the following major findings from the evaluation, the Board of Directors concluded that initiatives for improving the Board's effectiveness have been steadily progressing and that the audit, supervisory, and monitoring functions of the Board are efficient.

- From the viewpoint of achieving sustainable growth and the enhancement of corporate value over the medium to long term, the Board has adequately evaluated the business strategies proposed or presented to the Board by the executive team.
- The role of the Chairman of the Board and the President are clear and the Board meetings are engaging as they are conducted by the Chairman of the Board in an open and fair manner.
- The Nomination Committee, Remuneration Committee, and the Corporate Governance Committee are being operated effectively as each committee is chaired by an independent director.
- The balance of the Board of Directors, in terms of executive and non-executive and internal and independent directors, as well as the expertise and experience of these directors is adequate and effective for enabling the Board to fulfill its role.

Areas for Improvement

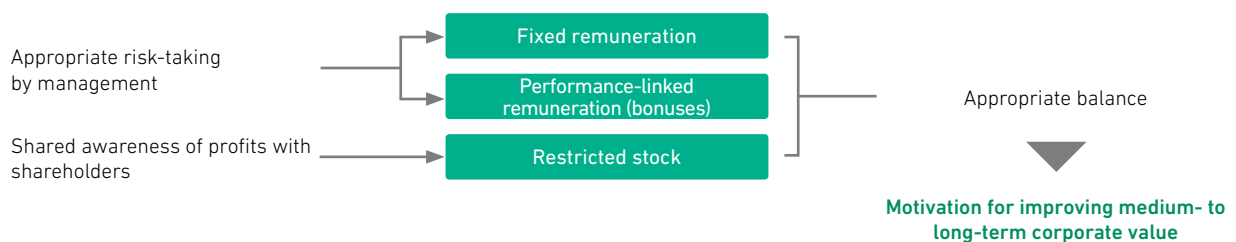
In addition to the aforementioned results, the Board of Directors identified the following areas to be improved.

- There is a need for enhanced discussion on management's long-term direction and strategies focused on possible future innovations and medical industry trends.
- Shared understanding should be promoted regarding policies for appointment of directors by advancing discussion on Board diversity and desired Board composition.
- The support systems for independent directors should be enhanced and their roles revised to promote further engagement.

In fiscal 2019, the Board of Directors and committees will implement measures regarding issues to be addressed, including those listed above, and will discuss and implement measures to further improve the effectiveness and functionality of the Board.

Executive Compensation

Policy and Framework



Policies for Targets and Compensation Types

1. Overall Distribution

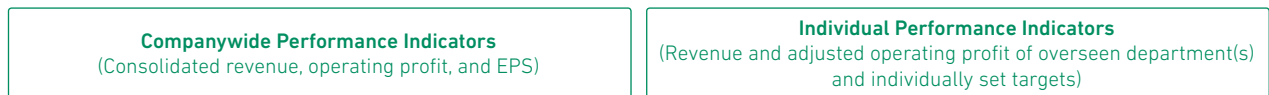
Executive directors (all)	Fixed remuneration 50%	Performance-linked remuneration (bonuses) 30%	Restricted stock 20%
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* The higher the rank of the director (with the President ranked highest), the higher the ratios of performance-linked remuneration (bonuses) and restricted stock to the total amount of remuneration.

2. Performance-Linked Remuneration (Bonuses)

(1) Summary of Purpose and Calculation Method

Performance-linked remuneration (bonuses) is issued for the purpose of motivating directors to achieve sustainable growth and improve annual performance and therefore has been adopted as a performance indicator.



Bonuses calculated by multiplying evaluation coefficients determined based on above evaluation indicators by standard bonus amount set for each position

(2) Indicator Targets and Scale of Fluctuation

		Policy/Target	Scale of fluctuation
Companywide performance indicators	Revenue	Accomplishment of initially set target defined as 100% for evaluation coefficient	Evaluation coefficient to be adjusted within range of 0% to 150% based on degree of accomplishment of targets in order to provide healthy motivation for improving performance
	Operating profit		
	EPS	Year-on-year increase in three-year moving EPS average growth rate (profit increase rate per share) set as evaluation index for EPS for the purposes of further emphasizing shareholders' perspective and encouraging pursuit of sustainable profit growth	Evaluation coefficient to be adjusted within range of 0% to 150% with a three-year moving EPS average growth rate that is the same as the average for the three-year moving EPS average growth rate over the past 10 years set as 100%
Overseen department(s) / individual performance indicators	Revenue of overseen department(s)	Accomplishment of initially set target defined as 100% for evaluation coefficient	Evaluation coefficient to be adjusted within range of 0% to 150% based on degree of accomplishment of targets in order to provide healthy motivation for improving performance
	Adjusted operating profit		
	Individually set targets	Targets initially set with regard to important measures	Evaluation coefficient to be adjusted within range of 0% to 100% based on degree of accomplishment of targets as of fiscal year-end

(3) Evaluation Index Results (Fiscal 2018)

The evaluation coefficients pertaining to Companywide performance indicators in fiscal 2018 were 84% for revenue, 75% for operating profit, and 110% for EPS, which resulted in an average of 90% for these three coefficients.

	Initial forecast	Performance	Evaluation coefficient
Revenue	¥608.0 billion	¥599.5 billion	84%
Operating profit	¥114.5 billion	¥106.6 billion	75%
EPS	7.5% three-year moving EPS average growth rate (10-year average)	9.2% three-year moving EPS average growth rate	110%
Average for evaluation coefficients pertaining to Companywide performance indicators in fiscal 2018			90%

(4) Policy and Ratios for Evaluation Indicators for Each Director Position (Executive Directors)

- Chairman/CEO: Evaluation based only on Companywide performance indicators
- Directors with business responsibilities: High weight assigned to overseen department(s) / individual performance indicators
- Directors with functions / regional responsibilities: High weight assigned to Companywide performance indicators

Director position	Companywide performance indicator weight	Overseen department(s) / individual performance indicator weight
Chairman/CEO	100%	0%
Directors with business responsibilities	70%	30%
Directors with functions / regional representative	71–80%	29–20%

3. Restricted Stock

In order for executive directors to share the benefits and risks of stock price movements with shareholders and further enhance their desire to contribute to rises in stock prices and to the improvement of corporate value, a restricted stock system was adopted in fiscal 2019. Under the concept “sharing awareness of profits with shareholders over the 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 compensation.

Determining Procedure

The Remuneration Committee, as an advisory body to the Board of Directors, deliberates the standard amount of fixed remuneration, bonuses, and restricted stocks (stock options) for directors (excluding Audit/Supervisory Committee members) by position and basic design of remuneration system in light of information that includes information on comparable standards used at other companies provided by an outside research organization. Independent directors shall account for the majority of Remuneration Committee members and the Chairman shall be elected from among Committee members who are independent directors.

As approved at the 100th Annual General Meeting of Shareholders held on June 24, 2015, a total annual limit of ¥700 million was set for remuneration of directors other than Audit/Supervisory Committee members (fixed remuneration, bonuses, and stock options). Thereafter, at the 104th Annual General Meeting of Shareholders held on June 21, 2019, a total annual limit of ¥200 million was set for restricted stock remuneration. A maximum annual limit of ¥100 million was also approved for remuneration of directors who serve as Audit/Supervisory Committee members at the 100th Annual General Meeting of Shareholders held on June 24, 2015. Thereunder, the procedure for determining remuneration is as follows.

- Fixed remuneration

Within the approved remuneration limit, 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.

- Bonuses, restricted stock (stock options)

Bonuses and restricted stock (stock options) 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.

Remuneration to Directors

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)			Number of directors
		Base	Stock options	Bonuses	
Directors (excluding Audit/Supervisory Committee members and independent directors)	384	179	95	108	6
Audit/Supervisory Committee members (excluding independent directors)	36	36	—	—	1
Independent directors	67	67	—	—	5

(Reference) Activities by the Board of Directors and Committees in Recent Fiscal Years as Part of the Process for Deciding Remuneration of Directors

Date	Organization	Activity
November 8, 2018	Corporate Governance Committee	Discussion on revision of director remuneration in fiscal 2019
January 24, 2019	Board of Directors meeting	Resolution on revision of director remuneration in fiscal 2019
March 26, 2019	Corporate Governance Committee	Discussion on introduction of restricted stock
April 18, 2019	Remuneration Committee (established April 1, 2019)	Discussion on introduction of restricted stock Discussion on revision of director remuneration in light of introduction of restricted stock
May 9, 2019	Board of Directors meeting	Resolution on proposal for introduction of restricted stock and revision of director remuneration to be submitted to the General Meeting of Shareholders
June 21, 2019	Board of Directors meeting	Resolution regarding remuneration amounts approved at the General Meeting of Shareholders

Holding of Shares in Other Companies for Strategic Purposes

Terumo stipulates the following in its Terumo Corporate Governance Guidelines regarding Securing Shareholders' Rights and Equality.

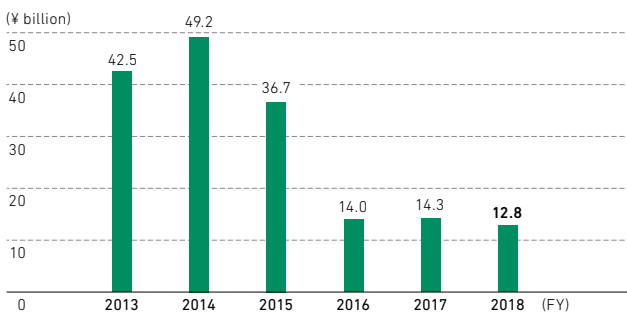
3. Securing Shareholders' Rights and Equality

(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 shall verify the economic, strategic, and other rationale for each such holding using a medium- to long-term perspective on an annual basis. Terumo shall disclose holding securities as specified equity securities in the Annual Securities Report unless selling them.
- Terumo shall exercise 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.

Holding of Shares in Other Companies for Strategic Purposes

(As of March 31)



Notes: 1. Figures represent total of investments in stocks for special purposes and balance of deemed securities holdings (market value).
2. Figures exclude early stage investment in venture companies.



For more information on the Terumo Corporate Governance Guidelines, please refer to the website below:

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



With the goal of realizing its Group mission of “Contributing to Society through Healthcare,” the Terumo Group conducts honest and fair business practices and fosters the high ethical standards expected of a healthcare company.

Basic Approach

Earning the trust of society is critical for Terumo to continue to fulfill its Group mission of “Contributing to Society through Healthcare.” Terumo, together with all of its associates, strives to protect its reputation, which is an invaluable asset, and to further build trust with society. To achieve this, every Terumo associate must make the right decisions and do the right things. The Terumo Group Code of Conduct is a guide to help Terumo associates make the right decisions in their everyday actions.

Terumo makes every effort to ensure that all associates

around the world, not only directors and officers, engage in fair business practices, abide by laws and regulations, and follow the highest ethical standards when serving all stakeholders, including the patients and healthcare professionals that use our products, and when practicing social responsibility, always keeping this Code of Conduct in mind. For this purpose, Terumo has established an environment that enables associates to better understand the importance of the Code of Conduct through means such as constantly providing training tailored to each workplace.



For information on the Terumo Group Code of Conduct, please refer to the website below:
<https://www.terumo.com/about/compliance/>



Compliance System

At Terumo, the Internal Control Committee, which is responsible for enacting the Internal Control System of the Terumo Group in accordance with the Internal Control System Design Basic Policy approved by the Board of Directors, shall deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit/Supervisory Committee.

Under the leadership of the Chief Legal Officer (CLO) and centered on the Legal and Compliance Department, we will create compliance-related rules, perform training and

education, and conduct monitoring to quickly discover and ascertain compliance issues by coordinating with the compliance officers who are in charge of promoting compliance-related activities at each Group company.

In the event that any significant compliance violations occur, a response team shall be immediately organized under the direction of the Chairman of the Internal Control Committee, and that team shall, in addition to handling and resolving the matter, report and make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

Compliance Education

Terumo conducts compliance education with the aim of improving compliance awareness among all associates and

ensuring understanding of and compliance with relevant laws and regulations.

Major Compliance Training Programs (Terumo Corporation)

Name	Scope of participation	Format	Subjects/frequency
Code of Conduct for the Terumo Group seminars	All directors, officers, and associates	E-learning program	Training on the Terumo Group Code of Conduct
Training on fair competition and bribery prevention	All directors, officers, and certain associates	E-learning program	Fair transactions and prevention of corruption in business activities
Healthcare professional relations training	Sales branch and company associates	E-learning program	Maintenance of appropriate relations with healthcare professionals
Level-based training	Associates at specific levels	Group training	Compliance education as part of training for early-career associates and associates being promoted to mid-level and management positions

Major Compliance Initiatives

Whistle-Blowing System

When we encounter any compliance issues, it is important to promptly take the appropriate measures, such as investigation, preventive action, disciplinary action, and/or recurrence prevention. For this reason, we have established the Terumo Global Compliance Violations Reporting and Anti-Retaliation Policy, which urges associates to promptly report any compliance-related issues internally while ensuring that they will not suffer any retaliation as a result.

Based on this policy, Terumo has established and operates a whistle-blowing system through which associates can

make reports or receive consultation with regard to compliance violations. Through this system, associates can contact internal venues, legal advisors, or external reporting venues operated by independent third-party organizations via email, mail, telephone, or other means. In addition, a whistle-blowing system relating to the Board of Directors was established in July 2017, enabling associates to contact the Audit/Supervisory Committee.

Prevention of Harassment

Terumo's work regulations in Japan explicitly forbid abuses of power and sexual harassment, regardless of gender orientation or gender identification (members of the LGBT community), as well as activities intended to put individual associates at a disadvantage due to reasons such as pregnancy, or roles as a parent or caregiver. In addition, with the aim of raising awareness of harassment prevention, we have established a harassment intranet page where associates in Japan will find our Harassment Prevention Guidelines along with harassment

training materials and information on consultation venues.

From fiscal 2017, December–January was designated as a period for promoting harassment prevention awareness in Japan. Initiatives during this period include the transmission of messages, administration of surveys, and conducting of e-learning programs for all associates. Managers, meanwhile, periodically attend trainings that provide examples of harassment relevant to daily business activities.

Appropriate Relationships with Healthcare Professionals

Terumo abides by the Fair Competition Code of the Japan Fair Trade Council of the Medical Devices Industry, the Code of Practice of the Japan Pharmaceutical Manufacturers Association, the Promotion Code of the Japan Federation of Medical Devices Associations, and other industry regulations to ensure that it follows appropriate practices in promoting medical devices and pharmaceuticals to healthcare professionals. We have also established the Terumo Code of Practice along with other internal rules for this purpose.

Furthermore, the Terumo Global Ethical Interactions with Healthcare Professionals Policy was established based on the principles of the codes of ethics of reputable industry associations in the regions in which the Group operates, to guide us in maintaining appropriate relationships with healthcare professionals.

Business Risks

The following risk factors could negatively impact Terumo's operating results and financial position.

Changes in Government Healthcare Policies	In the healthcare industry, governments continue to restrain healthcare costs and implement other reforms intended to raise the quality of healthcare both in Japan and overseas. Large and unforeseen changes in government healthcare policies to which Terumo cannot respond could affect the Company's operating results and financial position.
Market Price Fluctuations	As part of its measures to restrain healthcare costs in Japan, the Japanese government enacts biennial revisions to government reimbursements for drugs, medical treatment, and medical equipment covered by the national health insurance scheme. In addition, intense competition and innovations in technology both in Japan and overseas could serve to greatly lower prices and adversely affect the Company's operating results and financial position.
Raw Material Price Fluctuations	Many of the raw materials Terumo uses for its product manufacturing are plastics and other materials derived from petrochemicals. A steep rise in the price of resources worldwide could increase the price of raw materials and adversely affect the Company's operating results and financial position.
Exchange Rate Fluctuations	<p>Because Terumo's headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from constant currencies into Japanese yen for the preparation of the consolidated financial statements and other purposes. Exchange rate fluctuations therefore influence the conversion of those accounts into yen and result in either a gain or a loss for the Company.</p> <p>We are coping with these fluctuations with structural methods, such as by transferring production to overseas factories and importing raw materials, along with the utilization of contracts to hedge against exchange rate volatility for trade receivables.</p> <p>However, it is possible that unexpected exchange rate fluctuations could impact the Company's operating results and financial position.</p>
Risks Associated with Overseas Operations	Terumo supplies products to more than 160 countries. It is possible that in the markets Terumo serves, recessions with a resulting contraction in demand, unanticipated political instability, or the sudden imposition of government regulations in those countries could impact the Company's operating results and financial position.
Quality Control	<p>Terumo manufactures its products based on stringent quality control principles that are in accordance with the Good Manufacturing Practice (GMP) standards for pharmaceuticals and medical equipment and with the ISO quality management system standards.</p> <p>However, it is conceivable that the quality of our products could be questioned if complications occur during the use of the products. In addition, even in cases where medical accidents are clearly not a direct result of the Company's products, we are taking preventive measures and countermeasures in the event that any possible risks to our products occur in the future. Such occurrences could lead to a decrease in sales or a rise in costs, which would affect the Company's operating results and financial position.</p>
Legal Proceedings	Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of the Legal, Intellectual Property, and other departments and a system of internal checks. Reports on the risk management structure are provided to the Board of Directors and the Audit/Supervisory Committee as needed. However, if the Company were to be sued by a third party for damages or an injunction against sales or any other major legal action were to be taken, it could affect the Company's operating results and financial position.
Mergers and Acquisitions	Terumo identifies mergers, acquisitions, and capital or business partnerships as an important part of the Company's strategy to strengthen its operating foundation. However, the outcomes of the potential mergers, acquisitions, and capital or business partnership could affect the Company's operating results and financial position.
Other Risks	Other factors that could impact Terumo's operating results and financial position include changes in trade practices, terrorism, war, natural disasters, epidemics, or the worldwide spread of new strains of influenza.

Directors, Audit/Supervisory Committee Members, and Executive Officers

(As of September 1, 2019)

Directors



Takayoshi Mimura
Chairman of the Board

Apr. 1977 Joined Terumo Corporation
 Jun. 2003 Director and Executive Officer
 Jun. 2004 Director and Senior Executive Officer
 Jun. 2007 Director and Managing Executive Officer
 Apr. 2008 Group President of General Hospital Business Group, responsible for Domestic Sales Dept.
 Jun. 2009 Regional Representative, China and Asia
 Jun. 2010 Director and Senior Managing Executive Officer
 Aug. 2011 President and CEO, Terumo (China) Holding Co., Ltd.
 Apr. 2017 Chairman of the Board (present)



Shinjiro Sato
President and CEO

Apr. 1984 Joined Toa Nenryo Kogyo K.K. (currently JXTG Nippon Oil & Energy Corporation)
 Feb. 1999 Joined Arthur Andersen Business Consulting (currently PwC Japan Group)
 Jun. 2004 Joined Terumo Corporation
 Jun. 2010 Executive Officer, General Manager of Strategic Planning Dept.
 Oct. 2011 Group President of Cardiac and Vascular Business Group (currently President, Cardiac and Vascular Company)
 Jun. 2012 Senior Executive Officer
 Jun. 2014 Director and Senior Executive Officer
 Apr. 2015 Director and Managing Executive Officer
 Apr. 2017 President and CEO (present)



Toshiaki Takagi
 Director and Senior Managing Executive Officer
 Chief Quality Officer (CQO)
 Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., Environmental Management Dept., Production Dept., Procurement Dept., Intellectual Property Dept., Terumo Medical Pranex
 Apr. 1981 Joined Terumo Corporation
 Jun. 2008 Executive Officer
 Jun. 2009 General Manager of R&D Headquarters
 Jun. 2010 Director and Senior Executive Officer
 Jun. 2013 Responsible for Quality Assurance Dept., Post-Market Surveillance and Vigilance Dept., and Environmental Management Dept. (present)
 Jul. 2015 Chief Quality Officer (CQO) (present)
 Apr. 2016 Director and Managing Executive Officer
 Apr. 2017 Responsible for Production Dept. and Procurement Dept. (present)
 Apr. 2018 Director and Senior Managing Executive Officer, responsible for Intellectual Property Dept. and Terumo Medical Pranex (present)



Shoji Hatano
 Director and Managing Executive Officer
 President, General Hospital Company
 Division President, Hospital Systems Division, General Hospital Company
 Apr. 1983 Joined Terumo Corporation
 Oct. 2011 General Manager of Strategic Planning Dept.
 Jun. 2012 Senior Executive Officer, General Manager of Strategic Planning Dept., responsible for Corporate Communication Dept. and Design Planning Dept.
 Apr. 2015 Managing Executive Officer
 Jan. 2016 Senior Vice President, General Hospital Company
 Apr. 2016 President, General Hospital Company (present)
 Jun. 2016 Director and Managing Executive Officer (present)
 Jan. 2017 Division President, Hospital Systems Division, General Hospital Company (present)



Kyo Nishikawa
 Director and Senior Executive Officer
 Chief Human Resources Officer (CHRO)
 Human Resources Dept., Human Resources Development Dept.
 Apr. 1982 Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)
 Apr. 2002 Human Resource Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
 Apr. 2008 General Manager, Hong Kong Branch
 Apr. 2010 Executive Officer
 Jun. 2010 Executive Officer of Terumo Corporation
 General Manager, International Business Division
 Mar. 2012 Regional Representative, Eastern Europe, Russia, Middle East and Africa
 Managing Director and BOD Chairman, Terumo Europe N.V.
 Apr. 2018 Senior Executive Officer
 Chief Human Resources Officer (CHRO)
 Responsible for Human Resources Dept. and Human Resources Development Dept. (present)
 Jun. 2019 Director and Senior Executive Officer (present)



Ikuo Mori

Independent Director

- Apr. 1970 Joined Fuji Heavy Industries Ltd. (currently SUBARU CORPORATION)
- Jun. 2002 Corporate Vice President, Chief General Manager of Europe Region and Chief General Manager of Asia Pacific Region, Subaru Sales & Marketing Division, Fuji Heavy Industries Ltd.
- Apr. 2005 Corporate Senior Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division
- Jun. 2006 Corporate Executive Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division
 President and Chief Executive Officer, Representative Director of the Board
- Jun. 2011 Chairman and Chief Executive Officer, Representative Director of the Board
- Jun. 2014 Advisor, Fuji Heavy Industries Ltd.
 Independent Director, Terumo Corporation (present)



Ryuzo Ueda

Independent Director
 Professor, Dept. of Tumor Immunology,
 Aichi Medical University

- Apr. 1969 Clinical Fellow, Nagoya University School of Medicine
- Sep. 1976 Visiting Research Fellow, Memorial Sloan Kettering Cancer Center, New York
- Apr. 2003 President, Nagoya City University Hospital
- Apr. 2010 Professor Emeritus, Nagoya City University (present)
- Apr. 2012 Professor, Dept. of Tumor Immunology, Aichi Medical University School of Medicine (present)
- Jun. 2015 Independent Director, Terumo Corporation (present)
- May 2016 Visiting Professor, Nagoya City University (present)
- Jun. 2018 Board Chairman, Research Foundation for Oriental Medicine (present)
- Nov. 2018 Designated Professor, Nagoya University Graduate School of Medicine (present)



Yukiko Kuroda

Independent Director
 Managing Director and Founder,
 People Focus Consulting Co., Ltd.

- Apr. 1986 Joined Sony Corporation
- Jan. 1991 President, People Focus Consulting Co., Ltd.
- Jun. 2010 Outside Audit & Supervisory Board Member, Astellas Pharma Inc.
- Mar. 2011 Outside Director, CAC Co., Ltd. (currently CAC Holdings Corporation) (present)
- Apr. 2012 Founder and Director, People Focus Consulting Co., Ltd. (present)
- Jun. 2013 External Director, Marubeni Corporation
- Jun. 2015 Outside Director, Mitsui Chemicals, Inc. (present)
- Jun. 2018 Outside Director, Seven Bank, Ltd. (present)
 Independent Director, Terumo Corporation (present)

Directors (Audit/Supervisory Committee Members)



Yoshihiro Kimura

Director
 (Audit/Supervisory Committee Member)

- Apr. 1978 Joined Terumo Corporation
- Apr. 2004 Managing Director, Terumo Europe N.V.
- Jul. 2006 General Manager of Controller Dept.
- Mar. 2011 Chairman, Terumo Penpol Private Ltd.
- Apr. 2014 Executive Officer and General Manager of Internal Audit Dept.
- Apr. 2016 Advisor
- Apr. 2017 Audit/Supervisory Committee Office
- Jun. 2017 Director (Audit/Supervisory Committee Member) (present)



Masaichi Nakamura

Independent Director (Audit/Supervisory
 Committee Member)
 Certified Public Accountant

- Oct. 1983 Joined Tetsuzo Ota & Co.
- May 1999 Partner of Showa Ota & Co.
- Aug. 2008 Executive Director of Ernst & Young ShinNihon LLC
- Jul. 2014 Representative Partner and Vice President of Ernst & Young ShinNihon LLC
- Sep. 2016 Representative of Masaichi Nakamura CPA Office (present)
- Jun. 2017 External Corporate Auditor, Sumitomo Heavy Industries, Ltd. (present)
 Outside Director (Audit and Supervisory Committee Member), SCSK Corporation (present)
- Jun. 2019 Independent Director (Audit/Supervisory Committee Member), Terumo Corporation (present)



Soichiro Uno

Independent Director (Audit/Supervisory
 Committee Member)
 Lawyer

- Apr. 1988 Joined Nagashima & Ohno (currently Nagashima, Ohno & Tsunematsu), admitted to the bar in Japan
- Nov. 1993 Passed the bar exam in the State of New York, USA
- Jan. 2000 Partner, Nagashima Ohno & Tsunematsu (present)
- Jun. 2004 Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (present)
- Jun. 2018 Director (Audit & Supervisory Committee Member), Dream Incubator Inc. (present)
- Jun. 2019 Independent Director (Audit/Supervisory Committee Member), Terumo Corporation (present)

Executive Officers

Kazuaki Kitabatake

Managing Executive Officer

Investor Relations
Corporate Communication Dept.
Strategic Branding Dept.
Corporate Sustainability Dept.
Design Planning Dept.
Corporate Affairs Dept.
India and Asia Pacific Region

Hikaru Samejima

Managing Executive Officer

President, Cardiac and Vascular Company
Division President, Interventional Systems
Division, Cardiac and Vascular Company

Tsuyoshi Tomita

Senior Executive Officer

Group Manager, General Hospital Products
Group, Hospital Systems Division, General
Hospital Company

Masataka Haraguchi

Senior Executive Officer

General Manager, Sales Promotion (Japan),
Hospital Systems Division, General
Hospital Company

Takanori Shibazaki

Senior Executive Officer

Regional Representative, China
President and CEO, Terumo (China)
Holdings Co., Ltd.

Juichi Takeuchi

Senior Executive Officer

President and CEO, Terumo Americas
Holding, Inc.
Regional Representative, Latin America
General Hospital Company (North America)

Toshihiko Osada

Senior Executive Officer

General Manager, Strategic Planning Dept.

Tetsuya Kumei

Senior Executive Officer

Division President, Alliance Division,
General Hospital Company
Group Manager, Overseas Business Group,
Alliance Division, General Hospital
Company
Group Manager, DM and Consumer
Healthcare Group, Hospital Systems
Division, General Hospital Company

Kazunori Hirose

Senior Executive Officer

Chief Manufacturing Officer (CMO)
General Manager, Production Dept.
Production, General Hospital Company
Supply Chain Management Dept.

Richard Cappetta

Executive Officer

Neurovascular Division, Cardiac and
Vascular Company
MicroVention, Inc.

Kosuke Matsumoto

Executive Officer

General Manager, Japanese Sales
Management Dept.
Terumo Call Center

Masanori Hoshino

Executive Officer

President and Chief Manufacturing Officer,
Terumo Yamaguchi Corp.

Hiroshi Nagumo

Executive Officer

Senior Vice President, Blood Center
Solutions, Terumo BCT Holding Corp.
President and Representative Director,
Terumo BCT Japan, Inc.
Production Dept. (Terumo BCT)

James Rushworth

Executive Officer

Chief Commercial Officer (CCO),
Interventional Systems Division, Cardiac
and Vascular Company
President and CEO, Terumo Medical Corp.

Hiroaki Kasukawa

Executive Officer

Chief Technology Officer (CTO)
R&D Promotion Dept.

Katsuya Takeuchi

Executive Officer

Chief Information Officer (CIO)
General Manager, IT Dept.

Tadashi Sameshima

Executive Officer

General Manager, HeartSheet Business
Dept., Cardiac and Vascular Company
Leader, Regenerative Medicine, Corporate
R&D Center

Miho Mizuguchi

Executive Officer

Chief Legal Officer (CLO)
General Manager, Legal and Compliance
Dept.

Itaru Sakaguchi

Executive Officer

Chief Operations Officer (COO),
Interventional Systems Division, Cardiac
and Vascular Company

Fumihisa Hirose

Executive Officer

Senior Vice President, Cardiac and
Vascular Company
Senior Vice President, ME R&D, Cardiac
and Vascular Company

Kazuhiisa Senshu

Executive Officer

Chief Clinical and Regulatory Affairs Officer
(CRAO)
General Manager, Clinical Development
Dept.
Regulatory Affairs
Promotional Activities Control Dept.

Paul Holbrook

Executive Officer

Division President, Vascular Graft Division,
Cardiac and Vascular Company
President and CEO, Vascutek Ltd.

Probir Das

Executive Officer

Regional Representative, India and
Asia Pacific
Chairman and Managing Director, Terumo
Asia Holdings Pte., Ltd.

Tomoko Manabe

Executive Officer

General Manager, Terumo Medical Pranex

Norimasa Kunimoto

Executive Officer

Regional Representative, Eastern Europe,
Russia, Middle East and Africa
Managing Director and BOD Chairman,
Terumo Europe N.V.

Antoinette Gawin

Executive Officer

President, Blood Management Company
President and CEO, Terumo BCT Holding
Corp.

Keiji Takeda

Executive Officer

General Manager, Human Resources Dept.
Health Management

Naoki Muto

Executive Officer

Chief Accounting and Financial Officer
(CAFO)
General Manager, Controller Dept.
Treasury Dept.

Terumo Corporation and consolidated subsidiaries
Years ended March 31

(Millions of yen)

	FY2014 (Ended March 2015)	FY2015 (Ended March 2016)	FY2016 (Ended March 2017)	FY2017 ² (Ended March 2018)	FY2018 (Ended March 2019)
	JGAAP			IFRS	
Results of Operations and Cash Flow¹					
Net sales/Revenue	489,506	525,026	514,164	587,775	599,481
Adjusted operating profit ³	—	—	—	124,929	122,128
Operating income/Operating profit	67,456	81,703	76,578	108,552	106,637
Income before income taxes/Profit before tax	64,046	76,920	74,981	106,630	102,709
Profit attributable to owners of parent/Profit for the year attributable to owners of the parent	38,470	50,676	54,225	91,295	79,470
Net cash provided by (used in) operating activities	73,110	80,303	80,862	114,562	93,571
Net cash provided by (used in) investing activities	(40,421)	(23,495)	(181,433)	(44,105)	(74,792)
Free cash flow	32,689	56,808	(100,571)	70,457	18,778
Net cash provided by (used in) financing activities	44,121	(79,936)	60,937	(4,132)	(67,540)
Research and development expenses	29,360	33,147	33,747	41,342	47,681
Capital expenditure	41,441	31,454	39,091	45,685	60,845
Depreciation and amortization ⁴	40,692	44,674	45,400	42,035	44,035
Per Share Indicators					
EPS (Yen) ⁵	50.67	67.57	75.08	129.56	108.70
Dividends per share (Yen)	30.50	39.00	42.00	50.00	54.00
BPS (Yen) ⁵	756.87	704.27	694.85	777.94	939.60
Financial Position (at year-end)¹					
Current assets	412,458	374,746	349,459	411,042	398,722
Current liabilities	129,947	168,835	248,645	179,013	142,912
Total assets	992,073	901,685	1,020,879	1,081,045	1,120,790
Net assets/Total equity	573,523	511,544	489,554	550,435	698,113
Capital stock/Share capital	38,716	38,716	38,716	38,716	38,716
Management Indicators¹					
ROE	7.2%	9.3%	10.8%	17.5%	12.7%
ROA	4.2%	5.4%	5.6%	8.7%	7.2%
Shareholders' equity ratio/Ratio of equity attributable to owners of the parent to total assets	57.8%	56.7%	47.9%	50.9%	62.3%
Shares issued and outstanding at year-end (thousand) ⁵	757,658	725,939	703,958	707,388	742,902
Employees at year-end	19,934	20,697	22,441	23,319	25,378

¹ Items separated by a "/" refer to items under "JGAAP/IFRS."² A provisional accounting treatment, for the integration of businesses acquired in fiscal 2017, was finalized in fiscal 2018, and is reflected on certain figures for fiscal 2017 under IFRS.³ Adjusted operating profit is operating profit excluding amortization of acquired intangible assets and other non-recurring profit or loss. The Terumo Group uses adjusted operating profit as a performance indicator.⁴ Depreciation and amortization under JGAAP up to fiscal 2016 includes amortization of goodwill.⁵ A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2019. The figures for EPS, BPS, and shares issued and outstanding at year-end are reflected as if the aforementioned stock split had been carried out at the beginning of fiscal 2014. Shares issued and outstanding at year-end do not include treasury shares.

Revenue and Profits

In fiscal 2018 (the fiscal year ended March 31, 2019), revenue totaled ¥599.5 billion, up 2.0% year on year. In Japan, overall revenue was down year on year. The General Hospital Company saw strong performance in the surgery field and in the Alliance Division, which is advancing operations through alliances with pharmaceutical companies. However, this strong performance was outweighed by the adverse impacts of performance in the Cardiac and Vascular Company, which was negatively affected by shipment delays and the revision of National Health Insurance (NHI) reimbursement prices, although shipments from the Ashitaka Factory returned to normal levels in the second half of the fiscal year after the delays seen in the first half. Overseas, overall revenue was up year on year following the recovery of delayed shipments from the Ashitaka Factory in the Cardiac and Vascular Company as well as the strong performances of its Neurovascular Division, and the Alliance Division of the General Hospital Company.

Gross profit was up 2.2% year on year, to ¥326.5 billion, due to the growth in revenue.

Adjusted operating profit came to ¥122.1 billion, a decrease of 2.2% year on year, as a result of a rise in selling, general and administrative expenses, particularly research and development expenses. Adjusted operating profit is operating profit after adjustment for amortization expense for intangible assets following acquisitions and for one-time profit movements.

Operating profit declined 1.8% year on year, to ¥106.6 billion, in conjunction with the decrease in adjusted operating profit.

Profit before tax was ¥102.7 billion, a year-on-year decrease of 3.7%, attributable to an increase of ¥3.3 billion in foreign exchange loss.

Profit for the year attributable to owners of the parent totaled ¥79.5 billion, down 13.0% year on year. This decrease was a result of the decline in profit before tax as well as the rebound from the one-off decline in income tax expenses recorded in the previous fiscal year, owing mainly to the revaluation of deferred tax assets and liabilities due to the tax reform in the United States.

Results by Business Segment

Cardiac and Vascular Company

Revenue in the Cardiac and Vascular Company totaled ¥328.5 billion, a growth of 1.4% year on year, as the strong performance in the Neurovascular Division outweighed the

impacts of the revision of NHI reimbursement prices in Japan and the delays in shipments of certain products from the Ashitaka Factory.

General Hospital Company

Revenue in the General Hospital Company was ¥165.8 billion, an increase of 4.4% year on year. This increase was due in part to the favorable performance of infusion solutions, the AdSpray sprayable adhesion barrier gel, closed infusion systems and other infusion line products, and the Acelio

Intravenous Injection antipyretic analgesic in the Hospital Systems Division. Another contributor was growth in domestic and overseas alliance businesses with pharmaceutical companies in the Alliance Division.

Blood Management Company

Revenue in the Blood Management Company totaled ¥105.0 billion, a rise of 0.3% year on year. Sales of therapeutic apheresis systems declined due to the rebound from the special-circumstance demand seen in the United States in

the previous fiscal year, but this decline was counterbalanced by impressive sales of products for blood centers in Europe.

Financial Position and Cash Flows

Financial Position

Total assets stood at ¥1,120.8 billion on March 31, 2019, an increase of ¥39.7 billion compared with March 31, 2018. Factors behind this increase included rises of ¥24.5 billion in goodwill and intangible assets and ¥22.8 billion in property, plant and equipment, a product of corporate acquisitions (Essen Technology (Beijing) Co., Ltd., etc.), capital expenditures for bolstering production capacity, and investment in IT systems.

Liabilities came to ¥422.7 billion, a decrease of ¥107.9 billion. This decrease was primarily a result of a ¥111.1 billion decline in bonds and borrowings following the conversion of convertible bonds.

Equity was ¥698.1 billion, an increase of ¥147.7 billion versus a year earlier.

Cash Flows

Net cash provided by operating activities was ¥93.6 billion. During the fiscal year under review, profit before tax was ¥102.7 billion and depreciation and amortization was ¥44.0 billion. In addition, income taxes paid came to ¥30.2 billion.

Net cash used in investing activities was ¥74.8 billion. This primarily reflects the ¥39.3 billion in payments for purchase of property, plant and equipment, ¥15.0 billion in payments for purchase of intangible assets, and ¥20.3 billion

in payments for the acquisition of Essen Technology (Beijing) Co., Ltd. and other subsidiaries.

Net cash used in financing activities was ¥67.5 billion. Outflows included ¥19.6 billion in payments for dividends and ¥47.8 billion in repayments of long-term borrowings.

As a result of the above, cash and cash equivalents totaled ¥123.0 billion as of March 31, 2019, a decrease of ¥44.9 billion compared with March 31, 2018.

Consolidated Financial Statements

Terumo Corporation and consolidated subsidiaries
March 31, 2018 and 2019

Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	167,832	122,982
Trade and other receivables	121,402	128,462
Other current financial assets	659	1,744
Inventories	112,064	134,106
Current tax assets	530	—
Other current assets	8,551	11,426
Total current assets	411,042	398,722
Non-current assets		
Property, plant and equipment	179,222	201,986
Goodwill and intangible assets	444,434	468,885
Investments accounted for using the equity method	5,710	5,571
Other non-current financial assets	13,815	17,131
Deferred tax assets	23,356	24,624
Other non-current assets	3,462	3,868
Total non-current assets	670,003	722,068
Total assets	1,081,045	1,120,790

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	67,515	81,476
Bonds and borrowings	47,436	—
Other current financial liabilities	407	741
Current tax liabilities	15,970	10,199
Provisions	198	236
Other current liabilities	47,483	50,258
Total current liabilities	179,013	142,912
Non-current liabilities		
Bonds and borrowings	288,776	225,135
Other non-current financial liabilities	17,516	6,607
Deferred tax liabilities	24,124	24,302
Defined benefit liabilities	10,063	12,823
Provisions	82	88
Other non-current liabilities	11,032	10,807
Total non-current liabilities	351,596	279,764
Total liabilities	530,609	422,677
Equity		
Share capital	38,716	38,716
Capital surplus	52,445	52,029
Treasury shares	(101,546)	(32,381)
Retained earnings	588,932	646,223
Other components of equity	(28,240)	(6,553)
Total equity attributable to owners of the parent	550,307	698,034
Non-controlling interests	128	78
Total equity	550,435	698,113
Total liabilities and equity	1,081,045	1,120,790

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Revenue	587,775	599,481
Cost of sales	268,442	272,984
Gross profit	319,333	326,497
Selling, general and administrative expenses	212,363	226,334
Other income	4,764	9,801
Other expenses	3,180	3,327
Operating profit	108,552	106,637
Finance income	1,089	2,111
Finance costs	2,792	5,876
Share of profit (loss) of investments accounted for using the equity method	(218)	(162)
Profit before tax	106,630	102,709
Income tax expenses	15,429	23,422
Profit for the year	91,201	79,287
Attributable to:		
Owners of the parent	91,295	79,470
Non-controlling interests	(94)	(183)
Total profit for the year	91,201	79,287

(Yen)

Earnings per share		
Basic earnings per share (yen)	129.56	108.70
Diluted earnings per share (yen)	121.03	104.97

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year	91,201	79,287
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	298	844
Remeasurements of defined benefit plans	(46)	(1,766)
Total items that will not be reclassified to profit or loss	252	(921)
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(24,395)	20,895
Cash flow hedges	2	(353)
Cost of hedging	607	8
Share of other comprehensive income (loss) of investments accounted for using the equity method	(1)	—
Total items that are or may be reclassified subsequently to profit or loss	(23,787)	20,549
Total other comprehensive income (loss) for the year	(23,534)	19,627
Total comprehensive income for the year	67,666	98,914
Attributable to:		
Owners of the parent	67,774	99,100
Non-controlling interests	(108)	(185)
Total comprehensive income for the year	67,666	98,914

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of April 1, 2017	38,716	52,478	(108,225)	513,578	(5,126)	491,421	101	491,522
Profit for the year	—	—	—	91,295	—	91,295	(94)	91,201
Other comprehensive income	—	—	—	—	(23,520)	(23,520)	(14)	(23,534)
Total comprehensive income	—	—	—	91,295	(23,520)	67,774	(108)	67,666
Acquisition of treasury shares	—	—	(6)	—	—	(6)	—	(6)
Disposal of treasury shares	—	—	109	(19)	(90)	0	—	0
Dividends	—	—	—	(15,839)	—	(15,839)	—	(15,839)
Transfer from other components of equity to retained earnings	—	—	—	(50)	50	—	—	—
Changes in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	447	447	—	447
Conversion of convertible bonds	—	(33)	6,576	(33)	—	6,509	—	6,509
Total transactions with owners of the parent	—	(33)	6,679	(15,942)	406	(8,889)	135	(8,753)
Balance as of March 31, 2018	38,716	52,445	(101,546)	588,932	(28,240)	550,307	128	550,435
Adjustment on changes in accounting policy	—	—	—	54	—	54	—	54
Restated balance as of March 31, 2018	38,716	52,445	(101,546)	588,986	(28,240)	550,361	128	550,490
Profit for the year	—	—	—	79,470	—	79,470	(183)	79,287
Other comprehensive income	—	—	—	—	19,630	19,630	(2)	19,627
Total comprehensive income	—	—	—	79,470	19,630	99,100	(185)	98,914
Acquisition of treasury shares	—	—	(9)	—	—	(9)	—	(9)
Disposal of treasury shares	—	—	155	(47)	(107)	0	—	0
Dividends	—	—	—	(19,555)	—	(19,555)	—	(19,555)
Transfer from other components of equity to retained earnings	—	—	—	(1,949)	1,949	—	—	—
Change in shares of subsidiaries due to capital increase	—	—	—	—	—	—	135	135
Share-based payments	—	—	—	—	215	215	—	215
Conversion of convertible bonds	—	(415)	69,018	(681)	—	67,921	—	67,921
Total transactions with owners of the parent	—	(415)	69,164	(22,233)	2,057	48,572	135	48,708
Balance as of March 31, 2019	38,716	52,029	(32,381)	646,223	(6,553)	698,034	78	698,113

Consolidated Statement of Cash Flows

(Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash flows from operating activities		
Profit before tax	106,630	102,709
Depreciation and amortization	42,035	44,035
Share of loss (gain) of investments accounted for using the equity method	218	162
Increase (decrease) in defined benefit liabilities	2,204	293
Interest and dividend income	(855)	(1,507)
Interest expenses	1,805	2,051
Foreign exchange loss (gain), net	616	(455)
Loss (gain) on disposal of property, plant and equipment	557	(489)
(Decrease) increase in trade and other receivables	(9,256)	(5,935)
(Decrease) increase in inventories	(7,537)	(20,144)
Increase (decrease) in trade and other payables	3,991	6,682
Others	(1,639)	(4,155)
Sub-total	138,770	123,249
Interest and dividend income received	1,039	1,687
Interest expenses paid	(1,129)	(1,116)
Income taxes paid	(24,118)	(30,249)
Net cash provided by (used in) operating activities	114,562	93,571
Cash flows from investing activities		
Payments for purchase of time deposits	(25)	(1,373)
Proceeds from withdrawal of time deposits	—	17
Payments for purchase of property, plant and equipment	(31,866)	(39,326)
Proceeds from sale of property, plant and equipment	32	1,887
Payments for purchase of intangible assets	(9,456)	(15,038)
Payments for purchase of investment securities	(572)	(1,200)
Proceeds from sale of investment securities	—	524
Payments for acquisition of business	(2,217)	—
Payments for acquisition of shares of subsidiaries	—	(20,283)
Net cash provided by (used in) investing activities	(44,105)	(74,792)
Cash flows from financing activities		
Repayments of short-term borrowings	(120,000)	—
Proceeds from long-term borrowings	119,638	—
Repayments of long-term borrowings	(7,759)	(47,764)
Proceeds from issue of corporate bonds	19,931	—
Proceeds from non-controlling interests	135	135
Finance lease payments	(232)	(346)
Payments for purchase of treasury shares	(6)	(9)
Payments for dividends	(15,839)	(19,555)
Net cash provided by (used in) financing activities	(4,132)	(67,540)
Effect of exchange rate changes on cash and cash equivalents	(3,538)	3,912
Net increase (decrease) in cash and cash equivalents	62,786	(44,849)
Cash and cash equivalents at the beginning of the year	105,046	167,832
Cash and cash equivalents at the end of the year	167,832	122,982

Corporate Information

(As of March 31, 2019)

Company Name	Terumo Corporation
Founded	September 17, 1921
Tokyo Office	Tokyo Opera City Tower, 3-20-2 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-1450, Japan
Head Office	2-44-1 Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
Share Capital	¥38.7 billion
Employees	Consolidated: 25,378 Non-Consolidated: 4,908
Fiscal Year	From April 1 to March 31

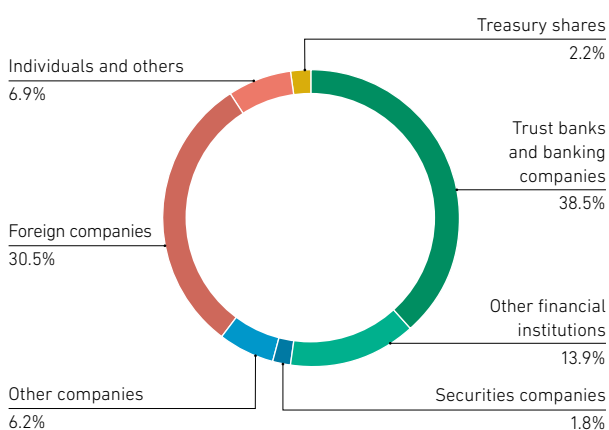
Stock Information

(As of March 31, 2019)

Security Code	4543
Stock Exchange Listing	First Section of Tokyo Stock Exchange
Number of Shares Authorized	1,519,000,000
Number of Shares Issued	379,760,520
Number of Shareholders	26,088
Trading Unit	100 shares

Note: A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2019.

Composition of Issued Shares by Type of Shareholder



Major Shareholders (Top 10 Shareholders)¹

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	57,364	15.4
Japan Trustee Services Bank, Ltd. (Trust Account)	30,326	8.2
The Dai-ichi Life Insurance Company, Limited ²	20,259	5.5
Meiji Yasuda Life Insurance Company	13,568	3.7
STATE STREET BANK AND TRUST COMPANY 505223	10,035	2.7
Mizuho Bank, Ltd. ³	9,215	2.5
Terumo Foundation for Life Sciences and Arts	7,360	2.0
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	7,089	1.9
JP MORGAN CHASE BANK 385632	5,833	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,789	1.6

¹ Terumo held 8,309 thousand treasury shares at the end of March 2019, but has been excluded from the Top 10 Shareholders above.

² Shares held by The Dai-ichi Life Insurance Company, Limited include 3,000 thousand shares contributed by that company to a retirement benefit trust.

³ Shares held by Mizuho Bank, Ltd. include 6,518 thousand shares contributed by that company to a retirement benefit trust.

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Terumo's Corporate Website

Terumo's corporate website provides information on the Company and its businesses, the latest financial information, news releases, and other information.

Terumo's corporate website
<https://www.terumo.com/>



Investor relations website

<https://www.terumo.com/investors/>



Sustainability website

<https://www.terumo.com/sustainability/>





TERUMO CORPORATION

Tokyo Office
Tokyo Opera City Tower, 3-20-2 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-1450, Japan