Electronic provision of information starts on: May 31, 2024

To Our Shareholders:

The 109th Annual General Meeting of Shareholders
Other Matters Subject to the Electronic Provision Measures
(Matters for Which Document Delivery is Omitted)

[Business Report]
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Terumo Corporation
(Securities Code: 4543)

[Business Report]

1. Matters Concerning Stock Acquisition Rights Issued by the Company

(1) Overview of Stock Acquisition Rights Held by the Company's Directors as of March 31, 2024

	Date of resolution of issuance	Issue price of stock acquisition rights	Exercise price	Period for exercise of stock acquisition rights	Number of holders	Number of stock acquisition rights	Types and number of shares to be issued upon exercise of stock acquisition rights
First issue of stock acquisition rights	August 1, 2013	1,045 yen	1 yen	From August 23, 2013 to August 22, 2043	2 directors*1	1,588	6,352 shares of common stock
Second issue of stock acquisition rights	August 6, 2014	1,153 yen	1 yen	From August 28, 2014 to August 27, 2044	2 directors*1	1,544	6,176 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	335	1,340 shares of common stock
Third issue of stock acquisition rights	August 7, 2015	1,404 yen	1 yen	From August 26, 2015 to August 25, 2045	3 directors*1	2,590	10,360 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	338	1,352 shares of common stock
Fourth issue of stock acquisition rights A-Type	August 4, 2016	2,042 yen	1 yen	From August 26, 2016 to August 25, 2046	3 directors*1	3,114	12,456 shares of common stock
Fourth issue of stock acquisition rights B-Type	August 4, 2016	1,990 yen	1 yen	From August 26, 2016 to August 25, 2046	1 director*1	355	1,420 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	355	1,420 shares of common stock
Fifth issue of stock acquisition rights A-Type	August 3, 2017	1,952 yen	1 yen	From August 25, 2017 to August 24, 2047	3 directors*1	6,423	25,692 shares of common stock
Fifth issue of stock acquisition rights B-Type	August 3, 2017	1,917 yen	1 yen	From August 25, 2017 to August 24, 2047	1 director*1	360	1,440 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	566	2,264 shares of common stock
Sixth issue of stock acquisition rights A-Type	August 8, 2018	2,933 yen	1 yen	From August 30, 2018 to August 29, 2048	3 directors*1	5,133	20,532 shares of common stock
Sixth issue of stock acquisition rights B-Type	August 8, 2018	2,902 yen	1 yen	From August 30, 2018 to August 29, 2048	2 directors*1	510	2,040 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	396	1,584 shares of common stock
Seventh issue of stock acquisition rights	July 11, 2019	3,061 yen	1 yen	From August 2, 2019 to August 1, 2049	1 director*1	260	1,040 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member*2	400	1,600 shares of common stock

Eighth issue of stock acquisition rights	July 15, 2020	3,941 yen	1 yen	From August 6, 2020 to August 5, 2050	1 director[*1]	215	860 shares of common stock
					1 director who serves as an Audit/Supervisory Committee Member[*2]	332	1,328 shares of common stock
Ninth issue of stock acquisition rights	July 14, 2021	4,171 yen	1 yen	From August 4, 2021 to August 3, 2051	1 director[*1]	192	768 shares of common stock
Tenth issue of stock acquisition rights	June 22, 2022	4,153 yen	1 yen	From July 16, 2022 to July 15, 2052	1 director[*1]	375	1,500 shares of common stock

Notes: 1 Excluding independent directors and non-executive directors.
2 Stock acquisition rights held by directors who serve as Audit/Supervisory Committee Members were granted to them while they were employees of the Company.

(2) Overview of Stock Acquisition Rights Allotted to the Company's Employees, etc.

	Date of resolution of issuance	Issue price of stock acquisition rights	Exercise price	Period for exercise of stock acquisition rights	Number of holders	Number of stock acquisition rights	Types and number of shares to be issued upon exercise of stock acquisition rights
Eleventh issue of stock acquisition rights	July 13, 2023	4,245 yen	1 yen	From August 3, 2023 to August 2, 2053	14 Group Executive Officers, fellows, and Senior Business Executives in the group companies	5,092	20,368 shares of common stock

2. Corporate Governance

Aspiring to continue to be an enterprise earning the trust of society, the Company has established the "Terumo Corporate Governance Guidelines" stated below by the resolution of the Board of Directors.

Terumo Corporate Governance Guidelines

1. General Provisions

(1) 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 guide it in the accomplishment of its Group mission, Terumo has articulated the Core Values, which represent the values and beliefs on which all Terumo associates worldwide should base their actions, as follows:

  Respect – Appreciative of others
  Integrity – Guided by our mission
  Care – Empathetic to patients
  Quality – Committed to excellence
  Creativity – Striving for innovation
- Based on its Group mission and the Core Values, Terumo has established these guidelines, which are intended to promote timely decision making while helping maintain transparency and objectivity in management.
- Terumo continuously strives to earn the understanding and trust of its internal and external stakeholders by exercising accountability toward its stakeholders and promoting dialog and other means of communication with its shareholders.
- Informed by Japan's Corporate Governance Code, Terumo has developed a global platform for its activities as a good corporate citizen.
- Terumo strives diligently to foster a corporate culture of "a highly motivating and challenging workplace with open and candid communication," because Terumo believes a culture of this nature is essential to effective corporate governance.

(2) Establishment, Revision and Abolition of the Guidelines

The Corporate Governance Committee shall be responsible for drafting and preparing the initial draft of the Guidelines and for proposing subsequent major revisions to or the abolition of the Guidelines. Adoption, major revision, and abolition of the Guidelines shall be decided by resolution of the Board of Directors.

2. Corporate Governance Structure

(1) Organizational Design

Terumo adopted the organizational design of a Company with Audit and Supervisory Committee, as described in the Companies Act of Japan, to achieve the following goals, further strengthen its corporate governance framework, and to enhance its medium- to long-term corporate value.

[1] Strengthen audit and supervisory functions

The members of the Audit and Supervisory Committee shall have voting rights in 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 by reflecting opinions of the independent directors, which represent the perspective of shareholders and other stakeholders.

[3] Expedite decision-making process

By promoting the appropriate delegation of the Board's authority to directors, group executive officers and/or executive officers, Terumo will further expedite its decision-making process and business development through a shift toward a monitoring-based approach for the Board.

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.

(2) Board of Directors

[1] Roles

- The Board shall strive for optimal decision-making regarding basic management policies with the goal of maximizing corporate value.
- To expedite decision making processes, the Board may delegate certain duties or responsibilities, which are executed based on basic management policies decided by the Board to directors, group executive officers 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 Chief Executive Officer's successor as one of its important obligations for maintaining and improving corporate governance and sound management.

[2] Members

- The Board shall consist of no more than 15 persons, excluding the Audit and Supervisory Committee members.
- Terumo shall strive to have independent directors account for at least one-third of the Board membership.
- Considering that, from the standpoint of corporate governance, the execution of business operations, and supervisory oversight should be separated, the chairman shall serve as the chair, in principle; provided, however, that if no chairman has been appointed, the Nomination Committee shall propose a candidate for chair, considering the actual situation of possible candidates based on the above standpoint and the Board of Directors shall appoint such candidate as the chair for the Board of Directors meeting.

(3) Audit and Supervisory Committee

[1] Roles

The Audit and 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 and Supervisory Committee may provide direct instructions to the Internal Control, Departments (several Departments having particular important functions with regard to the internal control activities). Such activities of the Committee shall include any of the following:

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

[2] Members

- The Audit and 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 and Supervisory Committee shall elect one of the Committee members to serve as the chair of the Committee.

(4) Nomination Committee

[1] Roles

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

[2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- The chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. However, if the chair is unable to act, one of the other independent directors elected by a majority vote of the Committee members shall act in the chair’s place.

(5) Remuneration Committee

[1] Roles

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

- Matters concerning the remuneration for directors, group executive officers and executive officers (Policy for determining remuneration amount or calculation method thereof)
- Other matters which the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out the purposes of the Committee

[2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- At least one of the representative directors shall be a member of the Committee.
- The chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. However, if the chair is unable to act, one of the other independent directors elected by a majority vote of the Committee members shall act in the chair’s place.

(6) Corporate Governance Committee

[1] Roles

The Corporate Governance Committee shall, as an advisory body to the Board of Directors, discuss the matters listed below and provide advice to the Board with the goals of maintaining and improving the Terumo Group’s business integrity and corporate governance practices. The deliberations of the Committee shall be reported to the Board of Directors as appropriate.

- Basic matters concerning Corporate Governance

- Important matters concerning the establishment, design, and operation of the corporate governance system
- Other important matters which are highly relevant to corporate governance such as an improvement of corporate system in the fields of the environment and society and efforts to enhance sustainability
- Other matters that the Board of Directors requests the Committee to consider, or matters the Committee deems necessary to carry out the purposes of the Committee

[2] Members

- The Committee shall be comprised of members of the Board selected by the Board.
- Independent directors shall account for the majority of Committee members.
- At least one of the representative directors shall be a member of the Committee.
- The chair shall be elected from among Committee members who are independent directors by mutual vote of Committee members. However, if the chair is unable to act, one of the other independent directors elected by a majority vote of the Committee members shall act in the chair's place.

(7) Internal Control Committee

[1] Roles

Positioned under the Board of Directors, the Internal Control Committee shall design and operate the Terumo Group's internal control systems in accordance with the Company's "Internal Control System Design Basic Policy."

[2] Members

- The Committee shall be comprised of directors who also serves as a group executive officer or executive officer, Chief Legal Officer, general manager of Internal Audit Department and Internal Control Department, and persons designated by Chairperson (general managers of Internal Control Departments and related departments, executive officers responsible for such departments, and expert/ intellectual of outside company etc.).
- Audit and Supervisory Committee members may attend and speak at the meetings of the Committee.
- The chair shall be the Chief Executive Officer.

(8) Risk Management Committee

[1] Roles

Positioned under the Board of Directors, the Risk Management Committee shall design and operate the Terumo Group's risk management system based on risk identification, assessment, analysis, and prioritization across the entire organization.

[2] Members

- The Committee shall be comprised of directors who also serves as a group executive officer or executive officer, Chief Legal Officer, general manager of Internal Audit Department and Internal Control Department, and persons designated by Chairperson (general managers of Internal Control Departments and related departments, executive officers responsible for such departments, and expert/ intellectual of outside company etc.).
- Audit and Supervisory Committee members may attend and speak at the meetings of the Committee.
- The chair shall be the Chief Executive Officer.

(9) Selection/Dismissal of Directors

[1] Selection Policy

In selecting candidates for directors, with the aim of creating an ideal Board of Directors, Terumo considers the diversity of the composition of the Board in order to give the Board relative base strength with broad experience and skills (industry experience, management capability, etc.), which are necessary for the Board to engage in good discussions and decision making.
Candidates for directors shall be selected in accordance with internal regulations, which stipulate the eligibility criteria, including the following:
[Internal directors]

- To have management judgement capacities and management oversight capacities from stakeholders' standpoint
- To have excellent personality, great insight, and high ethical standards
- To have attained sufficient business results or achievements

[Independent directors]

- To be able to contribute to the improvement of corporate governance and management of the Company, and to be able to offer his/her opinions without reserve
- To have extensive experiences in management, international business, the practice of medicine or other specific areas of expertise
- To consider the diversity of independent directors and their backgrounds as far as possible, and their expertise, gender and other characteristics as appropriate

[Independent directors who serve as Audit and Supervisory Committee members]

- To have experience of playing leading roles in the fields of law or accounting with at least one candidate coming from each such field

[2] Selection/Dismissal Procedure
The Nomination Committee shall discuss and propose 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 any situation arises which causes a serious concern about the performance of a director's duties, the Committee may immediately propose to the Board of Directors that necessary steps should 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 present 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 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.

(10) Selection and Cultivation of Successors to the Chief Executive Officer
The Board of Directors has established the Nomination Committee as an organization overseeing the process of selecting and cultivating successors to the Chief Executive Officer in recognition of the fact that the selection of successors to the Chief Executive Officer is one of the most important duties for the Board of Directors, and the Committee's activities are monitored by the Board of Directors. The process of selection and cultivation of successors to the Chief Executive Officer is clearly stated in internal regulations.
With regard to selecting a successor to the Chief Executive Officer, the Chief Executive Officer 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 Chief Executive Officer shall also submit a "Next-Generation Executives' Development Plan" naming several persons 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.

(11) Determination policy on individual remuneration for Directors

[1] Basic policy and composition

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

To achieve the objective described in (a) above, we set an appropriate balance between fixed remuneration and performance-linked remuneration (bonuses).

To achieve the objective described in (b) above, restricted stocks have been adopted.

Remuneration of other non-executive directors shall be composed only of fixed remuneration.

[2] Remuneration Structure and Components

1) Target Proportions

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

2) Remuneration Categories

- Fixed remuneration

  To motivate directors to steadily perform their professional duties according to their responsibilities, monthly fixed remuneration is paid. The amount of fixed remuneration is determined according to each director's role and position.

- Performance-linked remuneration (bonuses)

  Annual bonuses are a form of remuneration aimed at motivating directors to achieve sustainable growth and annual performance; therefore, purpose-aligned evaluation factors are adopted. Evaluation factors consist of Companywide factors, the performance factors for each director's business operations and indicators contributing to increasing mid- to long term corporate value (Future Corporate Value Targets). Annual bonuses are paid to executive directors on certain date and the amounts of bonuses are calculated by multiplying (a) the evaluation index determined based on above evaluation factors by (b) the standard bonus amount set for each position.

- Restricted stock

  For executive directors to share benefits and risks of stock price movements with shareholders and further enhance their desire to contribute to rises in stock prices and the improvement of corporate value, restricted stock is adopted. Restricted stock is allotted to executive directors annually on certain date. 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 30 years (or until their retirement from the position of director if earlier). Furthermore, if directors commit fraud or violate laws during their term as director, all or part of their allotted stock will be acquired by the Company without consideration.

[3] Determining Procedure

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

Independent directors shall account for the majority of Remuneration Committee members and the chair shall be elected from among the Committee members who are independent directors.

- Fixed remuneration: Within the remuneration limit approved at the General Meeting of Shareholders, remuneration for directors, excluding members of the Audit and Supervisory Committee, shall be decided by resolution of the Board of Directors, and remuneration for Audit and Supervisory Committee members shall be decided through discussions among the Audit and Supervisory Committee members.
- Bonuses, restricted stock: Amounts of bonuses and restricted stock are decided by resolution of the Board of Directors, within the director remuneration limit mentioned above, after taking business results, the business environment, and other factors for each year into consideration.

(12) Training Policy

Terumo Corporation shall provide each director with opportunities to obtain relevant training such that each may fully assume their duties and acquire the knowledge required for fulfilling their roles, legal obligations, and duties as a director.

- Internal directors
  At the time of appointment, briefings by the head of the Legal and Compliance Division shall be arranged to provide each director with the requisite knowledge of his or her obligations as a director. Opportunities for external training may also be recommended and provided if appropriate to assist the director with acquiring the requisite knowledge. After the appointment, relevant books and opportunities for participation in external training sessions shall be arranged as necessary to afford each director the opportunity to update his or her knowledge necessary for his or her service as a director.
- Independent directors
  Briefings shall be arranged to afford each independent director the opportunity to obtain the information about Terumo's business, organization, and operations necessary to fulfill his or her duties as a director. External training sessions and other sources of information shall be made available if additional knowledge is required or updating is necessary.

(13) Board Evaluation

For the purpose of further improving effectiveness of the Board, the Board of Directors shall conduct the self-evaluation of board effectiveness every year by survey sheets and other means with the involvement of outside experts and disclose a summary of the results.

3. Securing Shareholders' Rights and Equality

(1) Securing Shareholders' Rights

In the light of the importance of the shareholders' rights, Terumo shall not take any action intended to jeopardize the exercise of shareholders' rights.

- Terumo will strive to ensure that shareholders are allowed to exercise their minority rights under the Companies Act in an efficient manner. This shall include their (a) rights to review the shareholder register and the minutes of the Board of Directors meetings; (b) rights to propose at the General Meeting of Shareholders; and (c) rights to demand an injunction or file a derivative action against directors' illegal conduct. Terumo shall include the procedures for exercising such rights in its Stock Holding Rules.
- The Board of Directors shall review the agenda of the General Meeting of Shareholders after the conclusion of such meeting. When a considerable number of votes were cast against an agenda item, even if it was finally approved, the Board of Directors shall analyze the reasons for the opposition and why so many opposing votes were cast. The Board shall discuss how to react, including how Terumo may engage in a dialogue with the shareholders. If a dialogue

with shareholders occurs, the details of the dialogue shall be reported to the Board of Directors.

- The Board of Directors may make a decision about a capital policy, which may cause a change of control or significant dilution of the value of shares owned by the current shareholders, only after careful analysis of its necessity and rationale. The Board's analysis shall be based on the understanding that such policy could harm the interests of the current shareholders. The Board shall promptly disclose any such decision it makes and explain clearly to the shareholders and other investors. The disclosure shall include an appropriate explanation of the action and the reasons for it. The Board shall consider the matter from the viewpoint of the Company's stakeholders and, to the extent possible, place the highest weight on the opinions and views of the independent directors.

(2) General Meeting of Shareholders

Terumo recognizes that the General Meeting of Shareholders is the Company's highest decision-making forum and affords an opportunity to have a constructive dialogue with its shareholders. Accordingly, Terumo shall provide its shareholders with an adequate environment, from the viewpoint of the shareholders, to facilitate the exercise of their rights at the General Meeting of Shareholders.

- The date of the General Meeting of Shareholders should be established on a day, that is not a peak day and morning hours should be avoided so that as many shareholders as possible may attend the meeting.
- A notice of the meeting shall be disseminated approximately three (3) weeks prior to the date of a General Meeting of Shareholders. Contents of a notice of the meeting shall be published on the TD net and the Company's website after the Board of Directors has established the date of the meeting and before the notice of the meeting is disseminated. Any other information which may be reasonably necessary to assist the shareholders in the exercise of their voting and other rights at the meeting shall be properly provided.
- Terumo shall strive to provide an environment that facilitates the exercise of voting rights, which shall include an electronic voting platform for the electronic exercise of the voting rights. In addition, Terumo shall provide an English-language translation of the notice of the meeting to ensure equality of access to information about the meeting among Japanese shareholders and international shareholders alike.

(3) Basic Strategy for Capital Policy

Terumo strives to enhance corporate value by pursuing investment opportunities aimed at delivering return in excess of capital cost.

Terumo seeks to improve its asset efficiency through the enhancement of business operations and optimize its capital structure taking financial soundness into consideration, and in addition to revenue growth and profit margin improvement, we aim to improve its return on invested capital (ROIC) and return on shareholders' equity (ROE).

Terumo strives for the stable and sustainable improvement of returns for its shareholders.

(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 Terumo and the company in which Terumo has invested.

(5) Function as Asset Owner of Corporate Pension Fund

Fund management of Terumo's corporate pension is carried out by Terumo Corporation Pension Fund, a separate corporation.

Terumo consistently assigns personnel from accounting, finance, and human resources departments with specialized expertise in asset management to Terumo Corporation Pension Fund to increase its asset management capabilities and ensure it can deliver its expected function as an asset manager. Moreover, the formulation of investment policies and operational results are monitored through discussion by the Asset Management Committee to enhance asset management activities and guarantee the soundness of these activities.

Terumo also has a system that enables senior managers of majority labor unions to participate in decision-making processes regarding investment policies, etc., from the viewpoint of protecting beneficiaries. We eliminate arbitrariness and manage conflicts of interest between the beneficiaries of the corporate pension and the Company by delegating the selection of individual investees and exercise of our voting rights to individual investment agencies.

(6) Related Party Transactions

To not damage the interests of Terumo and its common shareholders, nor to raise such concern regarding transactions between Terumo and its directors or the third parties they represent, Terumo shall establish a framework as follows.

- Transactions with a risk of conflict of interest

Any transaction between Terumo and one or more of its directors that may involve an actual or potential conflict of interest shall be reviewed and approved by the Board of Directors in accordance with the Companies Act. This procedure is detailed in the Board regulation. In addition, Terumo reviews on an annual basis if there exists any transaction between Terumo and one or more of its director or a party related to one or more directors (including an affiliate company of the director or the director's related party).

- Transactions with third parties

The Board of Directors established the Terumo Group Code of Conduct, which all Terumo Group associates are required to follow, The Code demands fairness and transparency in all transactions between Terumo and third parties, including customers, suppliers and shareholders. Violations of these principles should be addressed by Company management through the relevant lines of reporting. Terumo's whistleblower system shall be available to report violations that cannot be addressed through the relevant lines of reporting.

4. Collaboration with Stakeholders Other than Shareholders

(1) Code of Conduct

Terumo has established and implemented the "Terumo Group Code of Conduct" by resolution of the Board of Directors. The Code of Conduct includes fundamental principles that articulate Terumo's corporate values, including appropriate collaboration with stakeholders, respect for their values and sound business ethics.

The Legal and Compliance Division shall perform systematic follow-up to embed the Code of Conduct within the Terumo Group and help all associates throughout the world comply with the Code.

The Board of Directors shall require that the Code of Conduct be reviewed and revised as necessary to ensure that it remains up to date and applicable to the current environment. Any revisions shall be reviewed and approved by resolution of the Board of Directors.

(2) Sustainability

The Terumo Group aims to achieve both a sustainable society and the Group's sustainable growth. Considering the importance of sustainability, Terumo has established and implemented the "Terumo Group Sustainability Policy" by resolution of the Board of Directors.
The Sustainability Committee, as a subcommittee of the Executive Management Meeting, formulates policies and plans for Terumo's sustainability management, monitors the status of activities, and reports to the Executive Management Meeting and the Board of Directors. The committee also investigates external sustainability trends, reports and makes recommendations to the Executive Management Meeting and the Board of Directors, and reflects the findings in the policies and plans for Terumo's sustainability management.

(3) Entrenchment of Diversity as a Part of the Corporate Culture
At the Terumo Group, we strive to promote respect for each individual and each different culture. We do not discriminate on the basis of race, nationality, gender, religion, or disability, and respect human rights. Terumo believes that the diversity of its associates is a powerful engine that will drive its current and future growth. By striving to accept a wide range of differing values and promoting mutual recognition of diversity, Terumo aims to be a place where differing ideas and knowledge can intermingle and thereby generate new value. Having established its DE&I Promotion Department, Terumo works to develop its corporate environment, corporate culture, and awareness so that diverse associates are able to demonstrate their full potential. Under the leadership of top management, Terumo actively promotes the appointment of diverse associates such as female and international associates, including at the management level.

(4) Whistle-Blowing System (Compliance Hotline)
Terumo has established a program designed to encourage its associates to raise issues and report concerns about potential violations of laws, regulations and the Terumo Group Code of Conduct. The program features a compliance hotline and other methods of communication and dialogue designed for the early detection and appropriate resolution of the issues raised. Terumo Group associates and external legal professionals with appropriate expertise shall be appointed to monitor and coordinate activities intended to address any items disclosed by a whistle-blower. Terumo shall take appropriate measures to ensure the anonymity of whistle-blowers and shall follow a no-retaliation policy with respect to whistle-blowers. Reports of whistle-blowing activities shall be submitted to the Internal Control Committee, the Board of Directors, and the Audit/Supervisory Committee on a regular basis or as needed. Issues raised through whistle-blowers that could have broad applicability within the Terumo Group shall be shared with other relevant locations, departments, and/or business units, as the case may be. Terumo will strive to implement appropriate measures to prevent the recurrence of the violations and to enhance the awareness of compliance matters within the Terumo Group. Terumo endeavors to expand the whistle-blowing system and its operation because it considers such a system to be an important tool for reducing violations of law and policy, thereby contributing to Terumo's sustainable growth.

5. Appropriate Disclosure

(1) Disclosure Policy
Terumo is committed to disclosing information to its shareholders, investors, customers and others in accordance with the requirements set out in the Financial Instruments and Exchange Law and the Timely Disclosure Rules of the Tokyo Stock Exchange based on the principles of transparency, fairness, and consistency. Terumo also endeavors to disclose, in a timely and proactively manner, any appropriate information that may help foster a better understanding of the Company.

(2) Dialogue Policy

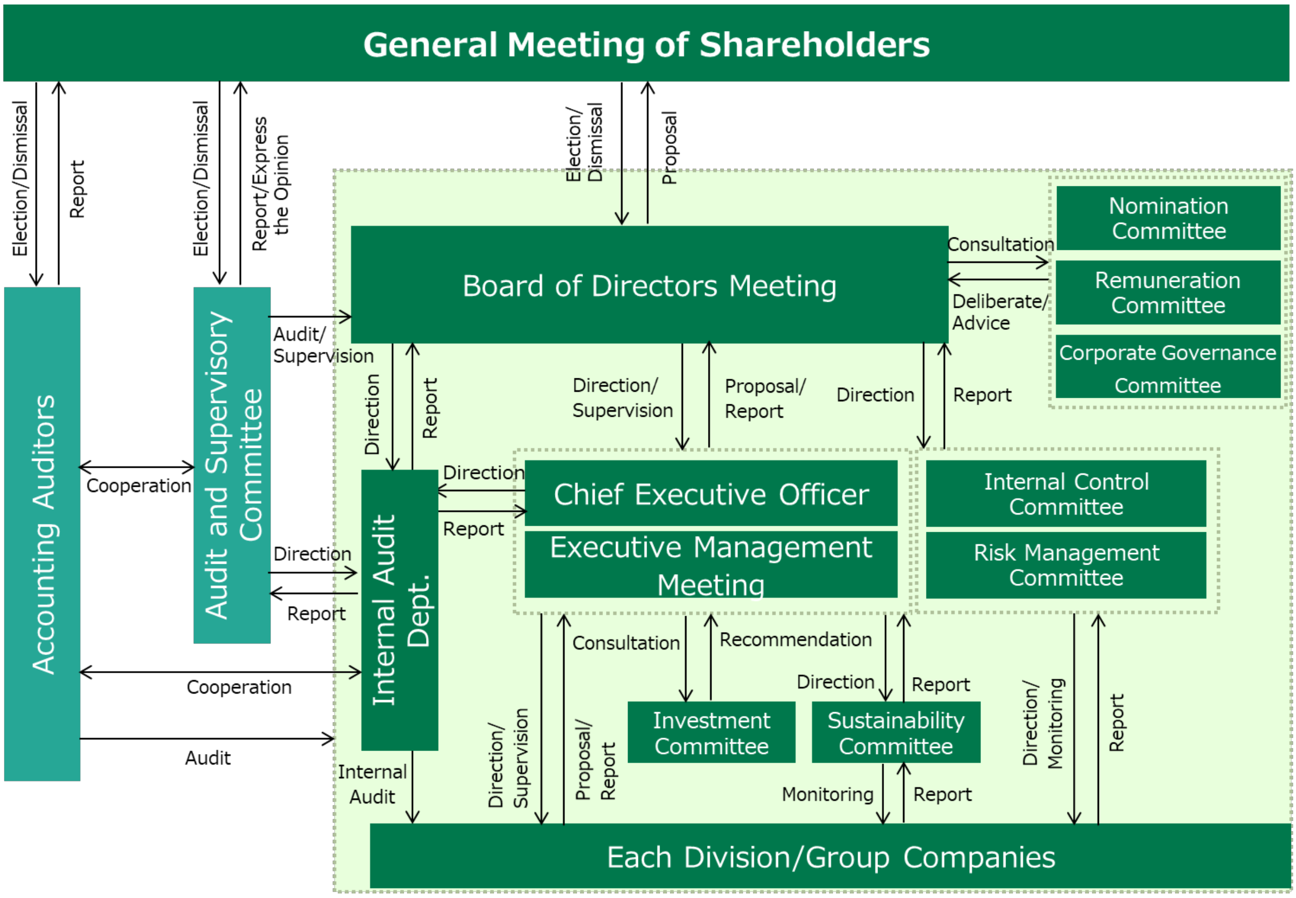
Terumo will strive to engage in constructive dialogue with its shareholders and other investors. Terumo will further enhance its transparency and work to develop and maintain the trust of its stakeholders through information disclosure and dialogue.
Terumo’s policy on disclosure and dialogue with shareholders and other investors is included in the IR Policy found on the Company’s website.

End

[Appendix 1]

<Corporate Governance Structure>

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



[Appendix 2]

Director Independence Standards

If any of the following criteria apply, a person shall not qualify as an independent director (an external director with no risk of conflicting interests with general shareholders) of Terumo Corporation and shall be excluded from the candidates for positions as such.

(1) Terumo Group officials

[1] Executive directors, executive officers, Audit and Supervisory Committee members, auditors, and other employees (collectively referred to as the "executive directors, etc." hereinafter) of the Company or any of its direct or indirect subsidiaries (collectively referred to as the "Group" hereinafter).

[2] Persons who have executive directors, etc. of the Terumo Group at any point in the past ten (10) years.

(2) Shareholders

[1] Holders of large numbers of shares of Terumo stock (owning ten percent (10%) or more of voting rights; the same shall apply hereinafter.)

[2] When the shareholder referenced in [1] above is a corporate or institutional shareholder, the executive directors, etc. of said company, its parent company, and key subsidiaries (collectively referred to as the "company, etc." hereinafter.)

[3] Executive directors, etc. of the companies or other legal entities in which Terumo Corporation or one of its subsidiaries is currently a major shareholder

(3) Business partners

Executive directors, etc. of the companies, etc. to which any of the following criteria apply:

[1] A company, etc. to which the Terumo Group is the major client (two percent (2%) or more of the annual consolidated revenue of the company, etc. is attributable to the Terumo Group)

[2] A major client of the Terumo Group (two percent (2%) or more of the annual consolidated revenue of the Terumo Group is attributable to the client)

[3] Organizations (for example, foundations, public interest associations, non-profit corporations, etc.) that received donations or subsidies from the Terumo Group exceed a certain amount (average of ¥10 million per year over the past three (3) business years or thirty percent (30%) of total annual expenses of said organization, whichever is larger in amount)

(4) Parties related to personnel exchange

Executive directors, etc. of the companies, etc. which have accepted directors (regardless of whether full-time or part-time) from the Terumo Group

(5) Major lenders

Executive directors, etc. of the companies, etc. that are financial institutions and lenders to the Terumo Group to which the balance of debts exceeds two percent (2%) of the Terumo Group's consolidated total assets.

(6) Outside experts, etc.

A person to whom any of the following apply:

[1] Presently the accounting auditor, certified public accountant who is an accounting advisor, or partners or employees of the auditing firms for the Terumo Group

[2] The Terumo Group's accounting auditor, certified public accountant who was an accounting advisor, or partners or employees of the auditing firms and were engaged in auditing the Terumo Group on-site

[3] Lawyers, certified public accountants, tax accountants, or other consultants that are not otherwise covered under either [1] or [2] above and have received from the Terumo Group on average of ¥10 million or more in cash or other property benefits per year over the past three (3) business years in addition to the executive remuneration

[4] Law firms, auditing firms, tax accountant corporations, consulting firms or other professional advisory firms that are not otherwise covered under either [1] or [2] above, and partners, associates, or employees of the firms for which the Terumo Group is their major client (i.e., where the average of two percent (2%) or more of the consolidated total sales in the past three (3) years are attributable to the Terumo Group)

(7) Relatives

Relatives (referred to as a spouse, relatives within second degree, or relatives living together) who apply to one of the criteria set forth in [1] - [6] above

(8) Past implications

A person covered under [2] above at any time during the past five (5) years or covered under any of [3] - [6] above in the past three (3) years

(9) Others

Any other person not otherwise covered under any of [1] - [8] above, who due to other circumstances, may have an actual conflict of interest

[Appendix 2]

Terumo IR Policy

1. Basic Policy

To earn trust widely, Terumo is committed to disclosing information to shareholders, investors, and other stakeholders on the basis of transparency, fairness, and continuity. Terumo will strive to disclose information in compliance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules adopted by the Tokyo Stock Exchange and to make timely and proactive efforts to disclose such information as Terumo considers useful for understanding the Company. Terumo will strive to engage in constructive dialogue with shareholders and other investors. Through information disclosure and dialogue with its shareholders and other investors, Terumo will further enhance its transparency as a company and strive to earn and maintain the trust of its stakeholders.

2. Information Disclosure Method

Terumo will use the Timely Disclosure Network System (TD net) of the Tokyo Stock Exchange, press releases, and postings on its website to disclose information in a manner designed to reach a wide range of stakeholders in a timely and appropriate manner.

3. Forward-Looking Statements

Among the information that Terumo discloses, forecasts of financial performance and future projections contain potential risks and uncertainty because they are forecasts based on projections made by Terumo using the limited information available at the time of disclosure. Accordingly, it should be noted that actual results may differ from such forecasts and projections due to a variety of factors. Factors affecting actual results may include, but are not limited to, changes in economic conditions pertaining to Terumo, fluctuations in foreign exchange rates, and the state of competition.

4. Policy for Dialogue with Shareholders and Other Investors

[1] Appointment of a member of management or a director to be responsible for supervising the overall dialogue with shareholders

By way of a resolution of the Board of Directors, Terumo shall appoint an officer who will be responsible for supervising and facilitating the overall dialogue with shareholders in order to maintain the consistency and uniformity of the information disclosed.

[2] Measures to ensure positive cooperation between internal departments with the aim of supporting the dialogue

Terumo shall strive to develop and enhance its in-house systems for the prompt, accurate, and fair disclosure of information. In particular, the Disclosure Subcommittee, acting under the supervision of the Internal Control Committee, will endeavor to provide consistent and uniform disclosure of any corporate information with a potentially significant impact on management. Such disclosure shall be made in strict compliance with all relevant laws and regulations. The Disclosure Subcommittee shall evaluate and examine matters of disclosure. The Disclosure Subcommittee shall be comprised of the department heads of the Investor Relations Department, the Corporate Communication Department, the Strategic Planning Department, the Secretarial Office, the Internal Control Department, and the Legal Department. In addition, regular meetings will be held with business and disclosing divisions to enhance the contents and improve the accuracy of information disclosed.

[3] Enhancement of measures to promote opportunities for dialogue aside from individual meetings

To deepen understanding of Terumo, business strategy briefings and plant tours may be organized for institutional investors, and facility tours are organized for shareholders. Terumo will also participate in conferences for institutional investors held in Japan and other parts of the world as well as briefings for individual investors organized by securities companies to enhance dialogue. In addition, Terumo will make other materials, including its financial results briefings, available on its website to provide such information in a timely and appropriate manner to as many shareholders and other investors as possible.

[4] Measures for appropriate and effective feedback

Evaluations and opinions acquired through meetings with shareholders, other investors, and analysts are compiled periodically and shared with the management team. In addition, the Chief Executive Officer or officer supervising dialogue with the shareholders shall report to the Board of Directors on their visits to overseas institutional investors to ensure that the management team has the opportunity to gain an understanding of how the Company is evaluated in the capital markets.

[5] Measures to control insider information when engaging in dialogue

As a general rule, the Chief Executive Officer, the officer supervising dialogue, and the department head and staff of the disclosing division will conduct dialogue with investors. In case of a dialogue led by officers other than those listed in the preceding sentence, either the officer supervising dialogue or the department head or staff of the disclosing division will attend such meeting. By having multiple participants engage in the dialogue, the Company will work to prevent unauthorized or inappropriate disclosure of information.

Terumo observes a silent period to prevent the leakage of any material information about the Company's financial performance and to ensure fairness. In principle, the silent period shall begin four (4) weeks prior to the date of the expected announcement of the Company's financial performance and conclude on the date when both the final announcement of financial statements of a fiscal year or the quarterly announcements take place. During this period, Terumo refrains from commenting on its financial performance or answering questions in relation to such performance.

3. Systems to Ensure the Appropriateness of Operations

The Company amended a part of the “Internal Control System Design Basic Policy” by the resolution of the Board of Directors meeting held on March 21, 2024. (Date of revision: April 1, 2024)

The revised version is as follows. The main revisions reflect changes in the management structure. (Amended parts are underlined.)

Internal Control System Design Basic Policy

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

1) Set forth in the “Terumo Group Code of Conduct” that correct behavior, requiring compliance to laws and ordinances, industry codes, internal rules, and acting according to a high sense of ethics, is indispensable for the practice of the Group Mission; and build a system to perform continuous training and education of Directors, Group Executive Officers, Executive Officers and Employees of Terumo Corporation (hereafter “the Company”), and all other equivalent personnel in the group (hereafter “Group Employees”) regarding this Code of Conduct.
2) Establish the “Group Internal Control System Policy”, and as the entity responsible for enacting the Group Internal Control System, establish the Internal Control Committee, which is chaired by <u>the Chief Executive Officer</u>. That committee shall build a system to deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit and Supervisory Committee or Audit and Supervisory Committee members selected by the Audit and Supervisory Committee (hereafter “Selected Audit and Supervisory Committee members”).
3) In accordance with the provisions of the Financial Instruments and Exchange Act, build a system to ensure the reliability of financial reporting.
4) Based on the “Group Internal Control System Policy” and build a system to, in the event that significant compliance violations, etc. occur, create a response team under the direction of the Internal Control Committee Chair, which, in addition to responding and resolving the occurrence, shall report or make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

2. System for retention and management of information related to Director performance of duties

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

3. Risk management regulations and other systems

1) Establish the “Group Risk Management Policy,” and, as the entity responsible for enacting the Group-wide risk management system, establish a Risk Management Committee, chaired by <u>the Chief Executive Officer</u> to build a system to report

regularly regarding the status of these activities to the Board of Directors and Selected Audit and Supervisory Committee members.

2) Build a system for the departments from which business, quality, product safety, disasters, and environment etc.-related risk originate to perform proactive management; and for departments with expertise regarding those risk categories to support and control these risk management activities, taking into account the prioritization of risks which have critical impact on corporate management.

4. System for ensuring efficient Director performance of duties

1) Toward achievement of the Mid- to Long-term Growth Strategy and annual plans approved by the Board of Directors, the Executive Management Meeting composed of the Directors and Group Executive Officers, the Sustainability Committee to monitor the progress of initiatives on important sustainability action themes, the Solution Review Meeting to improve the quality of strategies on important themes, etc., shall be enacted to build a system in which support, leadership, and oversight is provided to business departments for prompt, appropriate, and efficient performance of duties.
2) Establish the "Group Policy on Corporate Authorization System" to build a system to promptly and efficiently perform corporate decision-making.
3) Establish the "Group Department Job Description Policy" and other several regulations to provide for the policies of organizational operations and roles of departments performing duties.

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

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

6. Internal audit system

1) The Internal Audit Department shall conduct audits under the direction of the Chief Executive Officer, the Board of Directors, and the Audit and Supervisory Committee, and report to each of them.

2) Build a group internal audit system in which the internal audit departments of each region and important subsidiary, and the Internal Audit Department of the headquarters, coordinate.

3) Build a system to audit the operational status and effectiveness of the provisions of preceding items 1 through 5, report and make suggestions regarding the results thereof and issues for improvement to the Internal Control Committee, and also confirm the completion of improvements regarding these issues.

7. Items regarding Employees who assist the duties of the Audit and Supervisory Committee

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

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

Selection, performance evaluation, salary, placement, and discipline of Dedicated Employees shall require the prior consent of the Audit and Supervisory Committee. In the selection of Dedicated Employees, candidates' experience, knowledge, behavior, etc. shall be carefully considered in light of the important role they will play as participants in audit and supervisory functions.

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

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

10. System for Group Employees and those receiving reports from such Employees (hereafter jointly referred to as “Reporting Personnel”) to report to the Audit and Supervisory Committee

1) In addition to legal items, Reporting Personnel shall make timely and appropriate reports to the Audit and Supervisory Committee, etc. according to the “Group Policy on Reports by Directors, Group Executive Officers, Executive Officers and Employees to Audit and Supervisory Committee”

2) The Audit and Supervisory Committee etc. shall regularly receive reports on the operation status of, and content of incidents reported under, the internal reporting system established at each group company, and shall give direction and advice as appropriate.

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

1) In the event that a report has been made by a Group Employee, whether directly or indirectly, to the Audit and Supervisory Committee etc., any human resources-related or other type of disadvantageous treatment by reason of the person having made a report shall be prohibited, and this prohibition shall be thoroughly disseminated to all Group Employees.

2) The Audit and Supervisory Committee or its members may require from Directors disclosure and explanation of the reasons regarding the placement, performance evaluation, or discipline, etc. of a reporting person.

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

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

2) The Audit and Supervisory Committee etc. may obtain the services of external experts when such are deemed necessary to the performance of their duties. Further, the expenses associated with obtaining these services shall be applicable under 1) above.

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

1) The Representative Director shall regularly hold meetings to exchange opinions with Audit and Supervisory Committee.

2) Selected Audit and Supervisory Committee members may attend important meetings such as Executive Management Meeting.

3) In addition to regular reporting meetings with internal audit departments and with external auditors, the Audit and Supervisory Committee etc. shall hold meetings as necessary with these departments or bodies.

4. Status of Operation of Systems to Ensure the Appropriateness of Operations

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

1. **System to ensure that the duties by Directors and Employees are performed in compliance with laws and ordinances and the Articles of Incorporation.**
   The Company carried out training and education of Group Employees regarding the "Code of Conduct for the Terumo Group." At quarterly meetings of the Internal Control Committee (4 times), important policies related to compliance were deliberated. The Company also carried out training and education of Group Employees to achieve thorough understanding regarding the important regulation and standard such as "Group Anti-Corruption and Anti-Bribery Policy." In addition, the Company used e-learning to thoroughly disseminate the established and revised regulations. In order to enhance a system to ensure the reliability of financial reporting, self-assessment is conducted by the relevant departments. The whistle-blowing system was established as an inside window and an outside window comprising a legal adviser and an outside receptionist, and receive reports widely. Audit and Supervisory Committee members also serve as the contact for the Director's compliance matters.

2. **System for retention and management of information related to director performance of duties**
   Based on "Group Document Management Policy," the Company is striving to communicate the rules for document storage throughout the Group. Based on "Document Management Standard Manual: Handling Manual for minutes of important meetings," the Company is retaining and managing minutes of important meetings appropriately.

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

4. **System for ensuring efficient Director performance of duties**
   The Company ensures efficient performance of duties by directors through meetings of the Board of Directors (12 times), the Executive Management Meeting (18 times), the Sustainability Committee (2 times), and the Solution Review Meeting (8 times). The Company makes decisions rapidly based on the "Group Policy on Corporate Authorization System."

5. **System for ensuring appropriate work within a group composed of the Company and its subsidiaries**
   The reporting system has been established in accordance with the "Group Company Management Policy" and "Group Department Job Description Policy." The status of operation is monitored. Based on "Group Policy of Group Policy Management," the Company reviews and maintains observance matters applying to the group.

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

5. Basic Policies Regarding the Company’s Control

The Company has established the Basic Policies regarding the Company’s Control stated below.

(1) Basic Policy Regarding Persons Who Control Decisions on the Company’s Financial and Business Policies

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

In accordance with this basic policy, the Board of Directors of the Company will take measures deemed to be appropriate against those who intend to conduct a large-scale purchase, etc. to the extent permissible under the Financial Instruments and Exchange Act, Companies Act, other laws and regulations and the Company's Articles of Incorporation, including requesting the provision of necessary and sufficient information for shareholders to properly judge the necessity of large-scale purchases, etc. and disclosing information in a timely and appropriate manner, in order to secure the Company's corporate value and the common interests of the shareholders.

(2) Measures to Realize the Business Policies

i) Measures to enhance the Company’s corporate value and advance shareholders’ common interests

a. Corporate mission and basic approach for management

Since its foundation in 1921, guided by the corporate mission of “Contributing to Society through Healthcare,” the Company has been striving to promote the progress of healthcare and enhance safety as a leader in the Japanese medical devices industry, while at the same time endeavoring to enhance corporate value and advance shareholders’ common interests. As a result of management true to the founding spirit, the Company has established the brand and business foundation in Japan and abroad and supplies high-quality medical devices to customers in over 160 countries around the world.

b. Concrete initiatives

Today, the environment surrounding healthcare is undergoing major changes, including policies placing increasing downward pressure on healthcare expenditure around the world and growing societal demands to improve patients' quality of life (QOL) as our societies age. The COVID-19 pandemic has further accelerated such changes and the Company believes the business segments in which Terumo operates will continue to offer opportunities for growth. For example, intravascular intervention is no longer limited to the arteries of the heart and reduced burden on patients as well as improvements in medical economics are sought in intravascular treatment of the entire body, including in peripheral arterial disease, through less invasive catheter treatment approaching the lesioned part from the artery on the wrist (TRI). Furthermore, in the blood and cell management business, in addition to blood transfusion, demands for cell and gene therapy, therapeutic apheresis, and treatment using plasma derivatives are growing. Furthermore, in medical settings, in addition to needs for medical safety, measures against hospital-acquired infection, control of medical expenses, and optimized treatments for individual patients living with chronic diseases, the need for dosage devices taking into consideration drug dosage safety and ease of use are increasing. Aiming to seize such opportunities and thus continue contributing to society through healthcare as stated in our corporate philosophy, Terumo is working to achieve sustainable and profitable growth and create new value without being caught up in existing frameworks, contributing to patients in medical settings.

ii) The Company's social mission

As a leading enterprise in the field of medical devices, the Company has established relationships of trust with medical professionals over the long term and contributed to society through healthcare. The Company believes that the fulfillment of its social responsibility hinges on ensuring the stable supply of excellent products and services of high quality and working to create innovation for various social issues related to healthcare from the viewpoints of patients and healthcare professionals in order to contribute to their resolution. In accordance with this policy, the Company continues its effort to fulfill a vital role in global healthcare systems through supply of products and quality assurance that ensure safety and reliability in the healthcare field.

In the event of an attempt to purchase the Company's shares that is inimical to the stable supply and/or quality of the Company's products, people's health may be seriously affected and their lives may be placed in jeopardy. Through stable management of the Company over the long term to ensure such an eventuality never arises, the Company maintains and enhances the confidence of society and healthcare professionals in the Company while contributing to corporate value and advancing shareholders' common interests.

iii) Strengthening of corporate governance

Measures concerning corporate governance are stated on Pages 5-20.

(3) The Company's Board of Directors' View Concerning Specific Measures and the Reason

The sound implementation of the growth strategy for realizing the Company's long-term goal described in (2) above leads to securing and enhancing the Company's corporate value and advancing shareholders' common interests, and is in accordance with the Company's basic policies.

[Consolidated Financial Statements and Non-consolidated Financial Statements]

Consolidated Statements of Changes in Equity

Fiscal Year 2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Equity attributable to the owners of the parent						Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total	
Balance at April 1, 2023	38,716	51,759	(11,539)	874,272	157,855	1,111,063	1,111,063
Profit for the year	–	–	–	106,374	–	106,374	106,374
Other comprehensive income	–	–	–	–	152,442	152,442	152,442
Total comprehensive income	–	–	–	106,374	152,442	258,816	258,816
Acquisition of treasury stock	–	(7)	(11,100)	–	–	(11,107)	(11,107)
Disposal of treasury stock	–	(109)	194	–	(84)	0	0
Cancellation of treasury stock	–	(9,788)	9,788	–	–	–	–
Dividends	–	–	–	(32,020)	–	(32,020)	(32,020)
Transfer from retained earnings to capital surplus	–	9,866	–	(9,866)	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	15,919	(15,919)	–	–
Share-based payments	–	32	219	–	86	338	338
Total transaction with owners of the Company	–	(7)	(896)	(25,967)	(15,917)	(42,789)	(42,789)
Balance at March 31, 2024	38,716	51,752	(12,436)	954,679	294,379	1,327,090	1,327,090

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Standards for preparation of consolidated financial statements

The Group's consolidated financial statements are prepared in accordance with the specified International Financial Reporting Standards (hereinafter referred to as “IFRS”), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. Some of the disclosure items required under IFRS for the consolidated financial statements have been omitted, based on the provisions of the latter part of the same paragraph.

(2) Scope of consolidation

- Number of consolidated subsidiaries: 98
- Names of principal consolidated subsidiaries:
  Terumo Europe N.V.
  Terumo Americas Holding, Inc.
  Terumo Medical Corporation
  MicroVention, Inc.
  Terumo BCT Holding Corporation
  Terumo BCT, Inc.
  Terumo BCT Europe N.V.
  Terumo Asia Holdings Pte. Ltd.
  Terumo (China) Holdings Co., Ltd.
  Terumo Medical Shanghai Co., Ltd.

(3) Application of the equity method

- Number of affiliates to which the equity method is applied: 4
- Names of principal affiliates to which the equity method is applied:
  Terumo BSN K.K.
  Wego Terumo (Weihai) Medical Products Co., Ltd.
  Shanghai Angiocare Medical Technology Co., LTD.

(4) Accounting standards

1) Standards and methods for valuation of financial assets and financial liabilities

i) Recognition and measurement of financial assets

a. Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. This classification is determined on initial recognition.

All financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition, except for the financial assets measured at fair value through profit or loss. However, the trade receivables that do not contain a significant financing component are measured at the transaction price on initial recognition.

Trade and other receivables are initially recognized when the transaction occurs. Other financial assets other than trade and other receivables are initially recognized when the Group becomes a contractual party to the contract provisions of the financial instrument.

The Group classifies its financial assets as those measured at amortized cost if both of the following conditions are met:

- the financial assets are held within a business model with an objective of collecting contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets not classified as those measured at amortized cost are measured at fair value.

If the financial asset measured at fair value is an equity instrument, the Group irrevocably designates each equity instrument on an instrument-by-instrument basis as either measured at fair value through profit or loss or at fair value through other comprehensive income at initial recognition and applies the designation consistently.

Financial assets other than those measured at amortized cost or equity instruments measured at fair value through other comprehensive income as mentioned above, are classified as measured at fair value through profit or loss.

b. Subsequent measurement

After initial recognition, financial assets are subsequently measured according to the following classifications:

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value

Financial assets measured at fair value are measured at fair value.

The changes in fair value of those financial assets are recognized in the profit or loss.

However, as for equity securities designated as the financial assets measured at fair value through other comprehensive income, the changes in fair value are recognized in other comprehensive income.

Dividends that arise from equity instruments measured at fair value through other comprehensive income are recognized as “finance income” through profit or loss unless the dividend represents a recovery of part of the cost of the investment.

ii) Impairment of financial assets

As for the financial assets measured at amortized cost, a loss allowance provision is recognized based on the expected credit losses.

The Group evaluates whether the credit risk on a financial asset has significantly increased since initial recognition at the end of the reporting period. If the credit risk on a financial asset has not significantly increased since initial recognition, a loss allowance provision is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial asset has significantly increased since initial recognition, a loss allowance provision is measured at an amount equal to the lifetime expected credit losses.

The Group judges whether or not there is any significant increase in credit risk of a company based on changes in the default risk. The Group determines the risk based on the following:

- Significant changes in credit rating by external credit rating organization
- Information on past due payment

The loss allowance provision for trade and other receivables is measured at an amount equal to the lifetime expected credit losses.

The expected credit loss on a financial instrument is measured at the present value of the differences between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The loss allowance provision for expected credit losses on a financial asset is recognized in profit or loss. The reversal of loss allowance provision for expected credit losses is recognized in profit or loss.

iii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

iv) Recognition and measurement of financial liabilities

a. Initial recognition and measurement

The Group, on initial recognition, classifies financial liabilities into financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. Financial liabilities are initially recognized when the Group becomes a party to the contract. At initial recognition, financial liabilities measured at fair value through profit or loss are recognized at their fair value and those measured at amortized cost are recognized at their fair value less transaction costs that are directly attributable to the issue of the financial liabilities.

b. Subsequent measurement

After initial recognition, financial liabilities are subsequently measured as follows according to its classification:

(i) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses arising from derecognition of the financial liability are recognized in profit or loss.

(ii) Financial liabilities measured at fair value through profit or loss

The net gains or losses arising from the financial liabilities measured at fair value through profit or loss, including interest expenses, are recognized in profit or loss.

v) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or has expired.

vi) Derivatives and hedge accounting

The Group uses derivatives to hedge foreign exchange risk and interest rate risk. Derivatives mainly consist of forward exchange contracts, interest rate swaps, and cross currency interest rate swaps. These derivatives are initially measured at the fair value when the derivative contracts are entered into. Subsequently, the derivatives are remeasured at the fair value and the changes are generally recognized in profit or loss.

The Group designates certain derivatives as cash flow hedges to hedge against the exposure to variability in cash flows that is attributable to the risk of foreign currency exchange rates and interest rate fluctuations, or a highly probable forecasted transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationships to which hedge accounting is applied, between hedging instruments and hedged items, along with the risk management objectives and strategies. The documentation includes the hedging instrument, the hedged item, the nature of the risk being hedged, and how to assess whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the risks to be hedged. The Group measures their hedge effectiveness periodically. Specifically, when a hedging relationship meets all of the following hedge effective requirements, the hedge relationship is assessed as highly effective:

- there is an economic relationship between the hedged item and the hedging instrument resulting in an offset;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group adjusts the hedge ratio of the hedging relationships in the hedge accounting so that it meets the qualifying criteria again. The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria.

The hedges that meet the requirements for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument that are designated as cash flow hedges, is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss.

The Group uses interest rate currency swap for hedging. The Group designates the portion excluding the currency basis spread portion as the hedging instrument and recognizes any changes in the fair value of the currency basis spread portion through other comprehensive income in owner's equity.

The cumulative cash flow hedge reserve recognized previously in the other comprehensive income of equity for the hedging gain or loss and the cost of hedging are reclassified to profit or loss in the same period when the hedged forecast cash flows affect profit or loss.

Hedge accounting is discontinued prospectively if the hedge no longer meets the criteria for hedge accounting due to the expiration or sale of the hedge instrument. If the future cash flow is still expected to occur, the accumulated gains or losses recognized in other comprehensive income continues to be recognized in other comprehensive income. If the forecasted transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2) Basis and method of valuation for inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined mainly by using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion includes the allocated fixed and variable manufacturing overhead.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment is measured using the cost model and stated at costs less accumulated depreciation and impairment losses.

Costs include costs directly attributable to the acquisition of property, plant and equipment; the initial estimated costs related to removing the asset and restoring the site.

If a significant part of an item of property, plant and equipment has a different useful life from the useful life of another part of that same item, the parts are accounted for separately.

Subsequent cost incurred after acquisition is included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Repair and maintenance of an asset are recognized as expenses during the financial period in which they are incurred.

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of property, plant and equipment are recognized as profit or loss at the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the time of derecognition. Gains or losses arising from derecognition of property, plant and equipment are recorded in “Other income” or “Other expenses” of the consolidated statements of profit or loss.

ii) Depreciation

Property, plant and equipment other than land and construction in progress is depreciated mainly using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows.

- Buildings and structures 3-60 years
- Machinery and vehicles 4-15 years
- Tools, furniture and fixtures 2-20 years

The depreciation methods, useful lives, and residual values of property, plant and equipment are reviewed at the end of each fiscal year. Changes in depreciation methods, useful lives, and residual values are applied prospectively as changes of accounting estimates.

4) Goodwill and intangible assets

i) Goodwill

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquisition, and the fair value of the Group's previously held equity interest in the acquisition over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortized and is tested for impairment annually and whenever there is an indication that they may be impaired. Impairment losses on goodwill is recognized in profit or loss and is not reversed in subsequent periods. Goodwill is stated at cost determined at the acquisition date, less any accumulated impairment losses.

ii) Intangible assets

a. Recognition and measurement

The Group recognizes intangible assets using the cost model. Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Expenditures on research activities are recognized as profit or loss when incurred. Expenditures on development activities which can be demonstrated to have met the following conditions are recognized as an asset. Where expenditures on development activities does not meet the following conditions, the expenditures are recognized in profit or loss in the period in which it is incurred.

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, expenditures on development activities that are capitalized as an asset are measured at cost less accumulated amortization and impairment losses.

b. Amortization

After initial recognition, other than intangible assets with indefinite useful lives, intangible assets are stated at cost less accumulated amortization and impairment losses.

Intangible assets are amortized from the date when the intangible asset becomes available for use. The intangible assets, other than intangible assets with indefinite useful lives and those not yet available for use, are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

• Development costs	mainly 20 years
• Software	5-10 years
• Customer relationships	mainly 20 years
• Technologies	10-20 years

Useful lives, amortization methods, and residual values are reviewed at the end of each reporting period. Changes in depreciation methods, useful lives, and residual values are applied prospectively as changes of accounting estimates.

5) **Leases as a lessee**

The Group assesses whether a contract is a lease or contains a lease when entering into a contract. If a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, it is determined to be a lease or contains a lease.

As a lessee, the Group measures right-of-use assets at cost and lease liabilities at the present value of total future lease payments at the beginning of the lease term. The cost of right-of-use assets are initially measured by adjusting the initially measured amount of lease liabilities for initial direct costs and prepaid lease payments, etc. On the consolidated statements of financial position, right-of-use assets are included in property, plant and equipment while lease liabilities are included in other current financial liabilities. After recognizing right-of-use assets and lease liabilities, the Group records depreciation of right-of-use assets and interest expenses for lease liabilities.

The Group estimates the lease term of right-of-use assets by adding to the non-cancelable lease term the period that it is reasonably certain that the extension option will be exercised or the termination option will not be exercised. The discount rate applied to lease liabilities for said right-of-use assets is the incremental borrowing rate of the lessee. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or the lease term.

However, the Group does not recognize right-of-use assets or lease liabilities for leases with a lease term of 12 months or less and for leases with low-value underlying assets, and recognizes lease payments related to these leases as expenses on a straight-line basis over the lease term or any other standard basis.

6) **Impairment of non-financial assets**

At the end of each reporting period, the Group determines whether there is any indication that non-financial assets (excluding inventories and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset belongs is estimated. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment when there is any indication of impairment, and at a certain time in a fiscal year, regardless of whether there is any indication of impairment. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to CGUs or group of CGUs expected to obtain synergies from the business combination.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

Impairment losses are recognized in the consolidated statements of profit or loss when the carrying amount of assets, a CGU, or group of CGUs is greater than the expected recoverable amount.

An impairment loss is recognized immediately in profit or loss. The carrying amount of the CGU or group of CGUs is reduced. In a CGU or a group of CGUs, goodwill is reduced first; then other assets are reduced pro rata.

Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods. For assets other than goodwill, a reversal of an impairment loss is recognized, to the extent that the reversal does not exceed the carrying amount that would have been determined had no impairment loss been recognized, net of depreciation and amortization.

7) **Non-current assets held for sale**

If the carrying amount of non-current asset (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, the Group classifies such asset (or disposal group) as held for sale. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. The asset (or disposal group) is classified as held for sale only when these conditions are met, and management is committed to a plan to sell the asset (or disposal group), which is expected to be completed, in principle, within one year. Assets that meet the criteria and classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and depreciation and amortization on such assets cease.

8) Standards of accounting for principal allowances and provisions

Provisions are recognized when the Group has legal or constructive obligations due to past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability. Unwinding of the discount over time is recognized in finance cost.

Asset retirement obligation

The Group has recognized a provision for asset retirement obligation, which are recognized and measured by estimating asset retirement obligations individually and specifically taking into account the status of each property based on expected usable years, determined in light of past records of restoration and useful lives of inside fixtures in offices and other places, in preparation for obligations for restoration of rental offices, buildings and stores and removal of harmful materials related to non-current assets.

9) Employee benefits

i) Post-retirement benefits

a. Defined contribution plan

The contribution obligation of the defined contribution plan is recognized as an expense when employees render the related service. The prepayment of the contribution amount is recognized as an asset to the extent that the contribution amount is returned or the future payment amount decreases.

b. Defined benefit plan

The defined benefit plan is a retirement benefit plan other than the defined contribution plan.
Assets or liabilities recognized in the consolidated statements of financial position related to the defined benefit pension plan are calculated by deducting the fair value of the plan assets from the present value of the defined benefit liabilities as of the end of the reporting period. Defined benefit plan obligations are calculated every year using the projected unit credit increase method.
The discount rate is calculated based on the market yield of the high quality corporate bonds on the reporting date, which generally has the same maturity as the Group's defined benefit liabilities and is of the same currency as the expected payment.
Past service cost is recognized in profit or loss when incurred.
The Group recognizes remeasurement of the net defined benefit liabilities (assets) in other comprehensive income when remeasurements occur and immediately reclassified from other capital components to retained earnings.

ii) Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when employees render the related service. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay for the services rendered by employees in the past and reliable estimates of the obligation can be made.

10) Revenue

For contracts with customers excluding interest and dividend income based on IFRS 9 *Financial Instruments*, the Group recognizes revenue by applying the following five-step model in accordance with IFRS 15 *Revenue from Contracts with Customers*:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is primarily engaged in manufacture and sales of medical devices and medical supplies. For the sales of these products, our performance obligation is to deliver products to the customer based on our contract with the customer.
Because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products.
Revenue is measured at the consideration promised in a contract with a customer less discounts, rebates, returned products and other items. If the consideration in a contract with a customer includes variable consideration, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
The Group collects consideration in contracts for product sales based on contracts with customers mainly from one month to six months from when products are delivered to customers, and receives it within one year or less. Therefore, the contracts do not contain a significant financing component.

11) Foreign currency translation

i) Functional currency and presentation currency
The separate financial statements of each group company are prepared in their functional currency. The consolidated financial statements are prepared in the Company's functional currency, Japanese yen, which is also its presentation currency.

ii) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of each group companies at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured. Exchange differences arising from foreign currency translation are recognized in profit or loss, except for exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges that are recognized in other comprehensive income.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

iii) Foreign operations

The assets and liabilities of the Group's foreign operations are translated into Japanese yen at the exchange rate at the end of each reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the period unless the exchange rate fluctuates significantly during the period. Exchange differences arising from the translation of the financial statements of foreign operations are recognized in the other comprehensive income, and subsequently transferred to profit and loss during the period in which foreign operations are disposed.

2. Changes in Accounting Standards

The Group has applied the following accounting standard from the fiscal year ended March 31, 2024. The standard has no significant impact on the consolidated financial statements as of March 31, 2024.

Standard	Standard name	Outline of the new standard and revision
IAS 12	*Income Taxes*	Amendment to clarify accounting for deferred tax on leases and decommissioning obligations (transaction where companies recognize assets and liabilities from a single transaction)
IAS 12	*Income Taxes*	Amendment to demand disclosure regarding special information relating to Pillar Two income taxes

3. Notes to Revenue Recognition

(1) Breakdown of revenue

The Group mainly comprises three reportable segments: “Cardiac and Vascular Company,” “Medical Care Solutions Company,” and “Blood and Cell Technologies Company.” As the reportable segments of the Group are reviewed regularly by the Board of Directors to make decisions about allocation of management resources and assess the performance of the business, proceeds from these three reportable segments are presented as revenue. In addition, revenue is classified by country or region based on customer’s location. The breakdown of revenue by geographic areas and reportable segments is as follows:

(Millions of yen)

	Cardiac and Vascular Company	Medical Care Solutions Company	Blood and Cell Technologies Company	Total	Adjustments	Amount recorded on consolidated financial statements
Americas	241,864	13,858	72,259	327,982	−	327,982
Japan	53,662	144,656	12,553	210,872	248	211,121
Europe	138,427	13,524	39,546	191,498	−	191,498
China	64,902	4,090	10,420	79,412	−	79,412
Asia and others	56,858	21,440	33,548	111,847	−	111,847
Total	555,716	197,569	168,328	921,614	248	921,863

(Note) Revenue mainly consists of those recognized from contracts with customers. The amount of revenue recognized from other sources are not significant.

“Cardiac and Vascular Company” sells products related to Interventional Systems (TIS), Neurovascular, Cardiovascular, and Vascular Graft.
“Medical Care Solutions Company” sells products related to Hospital Care Solutions, Life Care Solutions, and Pharmaceutical Solutions.
“Blood and Cell Technologies Company” sells products related to Blood and Cell Technologies.
“Adjustments” includes mainly proceeds from outward temporary staffing to external customers that are not attributable to reportable segments.

(2) Contract assets and contract liabilities

Contract assets and contract liabilities from contracts with customers are as follows:

(Millions of yen)

	As of April 1, 2023	As of March 31, 2024
Contract assets	1,257	1,839
Contract liabilities	2,764	4,529

The contract assets primarily relate to the Group's rights to consideration for performance obligation transferred but not billed at the reporting date. In particular, some Group subsidiaries provide some maintenance services and sell consumable goods, etc. The income related to the maintenance services is recognized throughout the contract period, but portions that are unbilled as of the reporting date are considered contract assets as rights to consideration for performance obligations. The contract assets are transferred to receivables when the rights for the payments become unconditional.

The contract liabilities primarily relate to the consideration received from customers in advance of delivery of products or provision of maintenance services. Contract liabilities are recorded when payments are received from customers, and the contract liabilities are reclassified to revenue when the Group satisfies a performance obligation based on the contract, such as said delivery of products. The amount of revenue recognized during the fiscal year ended March 31, 2024 that was included in the contract liability balance as of April 1, 2023 was immaterial.

Furthermore, the amount of revenue recognized during the fiscal year ended March 31, 2024 from performance obligations satisfied in the previous period was immaterial.

(3) Transaction price allocated to the remaining performance obligations

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant individual transaction with expected contractual terms exceeding one year. In addition, there is no significant consideration from contracts with customers that is not included in transaction prices.

(4) Assets recognized related to the costs of obtaining or fulfilling contracts with customers

The amount of assets recognized related to the costs of obtaining or fulfilling contracts with customers during the fiscal year ended March 31, 2024 was immaterial. In addition, if the amortization period of the assets that the Group otherwise would have recognized is one year or less, the Group uses the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

4. Accounting Estimates

With respect to preparation of consolidated financial statements in accordance with IFRS, as well as the Group's application of accounting standards, judgments, estimates, and assumptions that affect the amount of assets, liabilities, income and expenses are made by the management. These estimates and their underlying assumptions are made upon experience and available information and are based on the best judgment of the management in consideration of various factors considered to be rational in the fiscal year-end. However, due to their nature, figures based on these estimates and assumptions may differ from actual results. In addition, estimates and assumptions will continue to be reviewed. With respect to changes in accounting estimates, changes to estimates will be recognized within the accounting period and in the affected future accounting period.

With respect to judgments made by management that have a significant impact on the amount of consolidated financial statements and estimates with risks leading to significant revisions to the book value of assets and liabilities in the following fiscal year, the underlying assumptions are as follows.

Furthermore, with respect to future earnings forecasts, in the environment where the growing trend in medical demand continues and favorable turnaround is seen in some costs such as energy related costs while raw material prices remain high and the risk of supply chain disruption continues, we are factoring in the improvement in productivity at our plants, cost reduction measures, and other measures appropriate to the market environment in performing accounting estimates such as impairment test of goodwill.

(1) Valuation of inventories

Although inventories are measured at cost, if the net realizable value at the fiscal year-end is falling lower than cost, it will be measured by relevant net realizable value. In principle, the differences between the cost and net realizable value are recognized as cost of sales. In addition, With respect to inventories unrelated to the business cycle process, the net realizable value, etc. is calculated to reflect future demand and market trends. Loss can occur if the market environment is worse than expected and the net realizable value drops significantly.

The amount of inventories stated on the consolidated financial position as of March 31, 2024 is 286,599 million yen.

(2) Estimate of useful lives and residual values of non-current assets

Property, plant and equipment is depreciated based on estimated useful lives, which is the expected period of future economic benefits associated with the asset. If Property, plant and equipment becomes obsolete in the future or is reused for other purposes, estimated useful lives may become shorter, and depreciation may increase. Details on useful lives of property, plant and equipment is stated in "1. Basis for Preparation of Consolidated Financial Statements (4) Accounting standards 3) Property, plant and equipment." With respect to residual value, excluding those for which the sale value (after deducting disposal costs) can be estimated when useful lives arrive, is set to zero or a memorandum price.

Furthermore, with respect to intangible assets, excluding those with indefinite useful lives or not yet available for use, they are amortized depending on estimated useful lives which is the expected period for future economic benefits associated with the asset. Depreciation costs have a risk that increases as the estimated useful lives change due to external factors such as changes in the business environment. Details for useful lives are stated in "1. Basis for Preparation of Consolidated Financial Statements (4) Accounting standards 4) Goodwill and intangible assets."

The amounts of property, plant and equipment and intangible assets stated on the consolidated financial position as of March 31, 2024 are 415,845 million yen and 285,878 million yen, respectively.

(3) Estimate of the recoverable amount at the impairment test

Non-financial assets (excluding inventories and deferred tax assets) are tested for impairment when there is any indication that the recoverable amount is lower than the carrying amount. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment when there is any indication of impairment, and at a certain time in a fiscal year.

Important factors which trigger impairment tests being conducted include significant deterioration in actual operating results compared to past results or forecasts, significant changes in the use of acquired assets, changes in overall strategies, and significant deterioration in industry and economic trends.

Goodwill is allocated to CGUs or group of CGUs identified based on the type of business and are tested for impairment when there is any indication of impairment, and at a certain time in a fiscal year.

In calculating the recoverable amount with respect to an impairment test, certain assumptions are made with respect to useful lives of the asset, future cash flows and discount rates that reflect the risks specific to the asset and long-term growth rates. These assumptions are determined by management's best estimates and judgments but may be affected by the consequences of uncertain future fluctuations in economic conditions. When a review is needed, it can have a significant impact on the amount recognized in consolidated financial statements from the following fiscal year onwards. The calculation method for the recoverable amount is stated in “1. Basis for Preparation of Consolidated Financial Statements (4) Accounting standards 6) Impairment of non-financial assets.”

The amounts of property, plant and equipment, goodwill, and intangible assets stated on the consolidated financial position as of March 31, 2024 are 415,845 million yen and 588,225 million yen, respectively. Furthermore, the amount of impairment loss recorded in the consolidated statement of profit or loss for the fiscal year ended March 31, 2024 is 3,415 million yen. Details are stated in “6. Notes to the Consolidated Statement of Profit or Loss.”

(4) Measurement of defined benefit obligations

The Group has multiple retirement benefit plans, including a defined benefit plan.

The present value of the defined benefit liabilities and related service cost is calculated based on actuarial assumptions. Actuarial assumptions require estimates and judgments about variables such as discount rate and net interest.

Actuarial assumptions are determined by management's best estimates and judgments but may be affected by uncertain future fluctuations in economic conditions and need to be reviewed. They may have a significant impact on the amount recognized in the consolidated financial statements from the following fiscal year onwards.

The amounts of retirement benefit assets and liabilities stated on the consolidated financial position as of March 31, 2024 are 43,153 million yen and 5,939 million yen, respectively. Furthermore, retirement benefit assets are included in “Other non-current assets” in the Consolidated Statements of Financial Position.

(5) Estimate of share-based payments

The Group has a share-based compensation system. Estimates of share-based compensation costs related to share options granted to officers are based on the optional fair value determined by the Black-Scholes-Merton Option Pricing Model (hereinafter, referred to as “Black-Scholes Model”). The Black-Scholes Model involves various assumptions that require a high degree of judgment, such as expected volatility on the option grant date, expected remaining life of share options and fair value of the share on the option grant date. Estimates of expected volatility are based on the past volatility of similar listed reference companies. Estimates of expected remaining life of share options are based on forecasts of future share price fluctuations and forecast exercise patterns of option holders.

The amount of subscription rights to shares stated on the consolidated financial position as of March 31, 2024 is 664 million yen. Furthermore, subscription rights to shares are included in “Other components of equity” in the Consolidated Statements of Financial Position.

(6) Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that there is a high possibility that taxable income will be generated that can be used for deducted temporary differences in the future. With respect to recognition of deferred tax assets, in determining the possibility of taxable income, we estimate and calculate the period and amount of taxable income that can be earned in the future based on the business plan.

The period and amount of taxable income may be affected by uncertain future fluctuations in economic conditions, and if the actual period and amount differ from the estimate, it may have a significant impact on the amount recognized in the consolidated financial statements from the following fiscal year onwards.

The amount of deferred tax assets stated on the consolidated financial position as of March 31, 2024 is 19,977 million yen.

(7) Fair value of financial instruments

The Group uses valuation techniques that utilize non-observable inputs in the market when valuing the fair value of financial instruments. Fair value calculated by valuation techniques, including non-observable inputs, is premised on assumptions such as appropriate basis rates and selection of computational models to be adopted. Non-observable inputs can be affected by uncertain future changes in economic conditions that may have a significant impact on future consolidated financial statements.

The amounts of financial assets and financial liabilities stated on the consolidated financial position as of March 31, 2024 are 12,635 million yen and 1,474 million yen, respectively.

5. Notes to the Consolidated Statement of Financial Position

(1) Loss allowance provision deducted directly from assets

Trade and other receivables	2,561 million yen

(2) Accumulated depreciation on property, plant and equipment 520,271 million yen

6. Notes to the Consolidated Statement of Profit or Loss

(1) Impairment of non-financial assets

During the fiscal year ended March 31, 2024, impairment losses of 3,415 million yen were recorded as follows:

1) Discontinued use of certain production facilities

During the fiscal year ended March 31, 2024, impairment losses of 1,860 million yen were recorded as a result of the decision to discontinue the use of certain production facilities in Blood and Cell Technologies Company. The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment losses recognized on construction in progress are included in “Cost of sales” in the Consolidated Statement of Profit or Loss.

2) Discontinuation of certain development project

During the fiscal year ended March 31, 2024, impairment losses of 1,266 million yen were recorded as a result of the decision to discontinue the development project in Blood and Cell Technologies Company. The recoverable amount was measured based on the value in use, and the value was determined to be zero. The impairment losses recognized on development assets are included in “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

7. Notes to the Consolidated Statement of Changes in Equity

(1) Total number of shares issued

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Ordinary share	747,682	−	2,333	745,348
Total	747,682	−	2,333	745,348

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. The above figures show the number of shares before the share split.

(Reason for the change)

Decrease due to cancellation of treasury stock: 2,333 thousand shares

(2) Number of treasury shares

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Ordinary share	3,074	2,335	2,444	2,965
Total	3,074	2,335	2,444	2,965

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. The above figures show the number of shares before the share split.

(Reason for the change)

Increase due to the purchase of shares of less than one unit of stock: 0 thousand shares

Increase due to the acquisition of restricted stock without consideration: 0 thousand shares

Increase due to the acquisition resolved at the board of directors meeting: 2,333 thousand shares

Decrease due to exercise of stock options: 51 thousand shares

Decrease due to disposal of shares as restricted stock compensation: 59 thousand shares

Decrease due to cancellation of treasury stock: 2,333 thousand shares

(3) Dividends from retained earnings

1) Payment of dividends

Resolution	Class of shares	Total dividends paid (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2023	Ordinary share	15,636	21	March 31, 2023	June 28, 2023
Meeting of the Board of Directors held on November 14, 2023	Ordinary share	16,383	22	September 30, 2023	December 4, 2023
Total		32,020			

2) Dividends whose record date is in the current fiscal 2023 but whose effective date is in the next fiscal year

At the Annual General Meeting of Shareholders to be held on June 26, 2024, the following resolutions are expected to be made.

Resolution	Class of shares	Total dividends paid (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders to be held on June 26, 2024	Ordinary share	16,332	22	March 31, 2024	June 27, 2024

The source of dividends will be retained earnings.

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. The above figures show the actual dividends paid, before the share split.

(4) Matters concerning stock acquisition rights as of March 31, 2024 (excluding those for which the first date of the exercise period has not arrived yet)

	Class of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights
First issue of stock acquisition rights	Ordinary share	12,704 shares
Second issue of stock acquisition rights	Ordinary share	21,232 shares
Third issue of stock acquisition rights	Ordinary share	28,924 shares
Fourth issue of stock acquisition rights	Ordinary share	38,220 shares
Fifth issue of stock acquisition rights	Ordinary share	56,968 shares
Sixth issue of stock acquisition rights	Ordinary share	48,296 shares
Seventh issue of stock acquisition rights	Ordinary share	7,840 shares
Eighth issue of stock acquisition rights	Ordinary share	10,720 shares
Ninth issue of stock acquisition rights	Ordinary share	6,912 shares
Tenth issue of stock acquisition rights	Ordinary share	18,512 shares

11th issue of stock acquisition rights	Ordinary share	20,368 shares

(Note) The number of shares to be issued upon exercise of stock acquisition rights show the figures after the 2-for-1 share split of April 1, 2019 but before the 2-for-1 share split of April, 1, 2024.

8. Notes to Financial Instruments

(1) Overview of financial instruments

1) Capital management

The Group's capital management policy is to maximize corporate value by pursuing growth opportunities which are greater than cost of capital, increasing asset efficiency through improvement of business operations, and build a financially sound, optimal capital structure.

The Group monitors financial indicators to maintain an optimal capital structure. The Group monitors credit ratings for financial soundness and flexibility of capital, and the rate of return on invested capital (ROIC) and the return on equity attributable to owners of the parent company (ROE) for capital efficiency.

2) Financial risk management

The Group is exposed to a variety of financial risks, such as credit risk, liquidity risk, market risks (currency risk, interest rate risk, and price risk) in its operations. The Group manages its risks to reduce these financial risks. The basic policy of risk management covers the risks associated with business operations and restricts speculative transactions.

3) Credit risk management

Credit risk is the risk of financial loss due to counterparties' inability to fulfill their obligations.

The Group regularly monitors the conditions of its major customers, and manages the due date and balance of trade receivables by customers according to the Group's internal policy for credit management, for the purpose of identifying recoverability concerns due to deterioration of a customer's financial situation at an early stage and revising and improving the protection of trade receivables. As a result, there are no material past due trade receivables. In regard to derivative transactions, the Group only deals with highly creditworthy financial institutions, and therefore the credit risk is considered as to be low.

The Group is not exposed to excessive credit risk associated with specific customers that require exceptional management.

The Group's maximum exposures to credit risk are the carrying amount of the financial assets in the Consolidated Statement of Financial Position. Trade receivables are categorized according to customers' credit risk features, and loss allowance for trade receivables is measured based on the historical credit loss ratio and expected future economic conditions for each category based on a simplified approach.

4) Liquidity risk management

Liquidity risk is the risk of facing difficulties in fulfilling obligations related to financial liabilities settled by cash or other financial assets. The Group procures necessary funds through bank borrowings and corporate bonds; however, these liabilities are exposed to liquidity risk of failure for making payments on due dates due to the deterioration of funding environment or other factors.

The Group creates and revises the procurement of funding schedule based on the annual business plan, understands and consolidates the liquidity on hand and the status of the interest-bearing debt, and reports to the Board of Directors on a timely basis. The Group monitors the ongoing forecast for funding demand and maintains sufficient unused portion of the contractual borrowing facilities.

5) Market risk management

The Group is exposed to market risks related to foreign currency exchange risk associated with the foreign currency-denominated transactions, the interest rate risk associated with raising funds, and the market price risk associated with the listed stocks held by the Group.

(1) Currency risk

The Group is exposed to currency risk that arises from import and export transactions and overseas transactions denominated in foreign currencies. Currency risk arises from forecast transactions such as future sales, financing and repayment, or assets and liabilities that have been already recognized. The Group continuously monitors foreign exchange rates to manage such risks.

The Group has entered into foreign currency forward contracts to hedge the currency risks arising from forecast transactions such as future sales, financial assets and financial liabilities denominated in foreign currency transactions. In addition, to hedge future cash flows arising from the borrowings denominated in foreign currency, the Group has entered into a cross-currency interest rate swap contract with the same maturity as the redemption date of the underlying transactions.

Consequently, receivables and liabilities denominated in foreign currencies are exposed to the risk arising from fluctuations in foreign exchange rates. However, the impact of the risk is limited due to the offset effect by foreign currency forward contracts.

(2) Interest rate risk

Interest rate risk is the risk arising from the changes in market interest rates affecting changes in the fair value or future cash flows of financial instruments. The Group’s exposure to interest rate risk is mainly related to liabilities, such as bonds and borrowings, and receivables, such as interest-bearing deposits. The Group is exposed to the risk of fluctuation of future cash flows resulting from the risk of interest rate fluctuation on part of its funding borrowed from financial institutions at floating rates. In order to hedge its exposure to increase in future interest payments resulting from a rise in interest rates, the Group raises funds through issuance of corporate bonds with fixed interest rates or enters into mainly interest rate swap transactions to hedge interest rate risk associated with the floating rate on borrowings in order to make cash flows stable.

(3) Price risk of equity securities

The price risk of equity instruments is the risk arising from changes in market prices affecting the changes in fair value or future cash flows of financial instruments (excluding changes arising from interest rate risk and currency risk).

The Group is exposed to price risk arising from the equity instruments it holds. Shares with market prices, which are not for trading purpose, are classified as financial assets measured at fair value through other comprehensive income.

To manage price risk arising from such equity instruments, the Group makes basic policies in relation to the investment in such equity instruments that shall be complied within the Group. In addition, it is obligated to report to and obtain approval from the Board of Directors on a timely basis regarding significant investments in equity instruments. The Group reviews the economic rationality and purpose of equity instruments held by the group from a mid-to-long term perspective and, in addition, significant equity instruments are regularly reviewed by the Board of Directors.

(2) Fair value measurements of financial instruments

1) Classification of fair value hierarchy

Financial instruments measured at fair value are classified from Level 1 to Level 3 in the fair value hierarchy with reference to the observability and significance of the inputs used in the valuation technique. The fair value hierarchy is defined as follows:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is measured using the observable inputs which fail to meet level 1, either directly or indirectly.

Level 3: Fair value is measured using unobservable inputs.

2) Fair value of financial assets and financial liabilities measured at fair value on a recurring basis

(1) Fair value hierarchy

The financial assets and financial liabilities measured at fair value in the Consolidated Statement of Financial Position by each level of the fair value hierarchy are as follows:

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Derivatives	–	24,687	–	24,687
Other	–	8,060	747	8,808
Financial assets measured at fair value through other comprehensive income				
Shares	7,966	–	4,634	12,600
Other	–	–	7,253	7,253
Total	7,966	32,748	12,635	53,349
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	34	–	34
Contingent considerations	–	–	1,474	1,474
Total	–	34	1,474	1,509

Transfers of financial instruments between levels of the fair value hierarchy are assessed at each reporting date. There were no significant transfers between Level 1 and Level 2 for the fiscal year ended March 31, 2024.

(2) Valuation techniques for fair value measurement of financial assets and financial liabilities

(a) Shares

The fair value of listed stocks is measured at the quoted market prices on stock exchanges and is categorized into Level 1. The fair value of unlisted stocks is measured using available data such as earnings forecast of the investee and applying evaluation methods based on discounted future cash flows, etc. Therefore, these are categorized into Level 3.

(b) Derivatives

The fair value of foreign currency forward contracts is measured at the present value calculated using the forward exchange rate at the end of the reporting period. The fair value of cross-currency interest rate swaps is measured based on observable market data such as interest rate. Therefore, foreign currency forward contracts and cross-currency interest rate swaps are categorized as Level 2.

(c) Contingent consideration

Contingent consideration arising from business combinations mainly resulted from the acquisitions of the large bore vascular closure business from Medeon Biodesign, Inc. and Quirem Medical B.V. which became 100% subsidiary of the Company by additional acquisition of shares.

The contingent consideration for the acquisition of the business from Medeon Biodesign, Inc. is based on the completion of the development, the period of FDA approval, and the achievement of specific performance indicators, among others. According to the achievement of milestones, a payment between USD0 and USD5 million will be made. The fair value of the contingent consideration is measured using a discounted cash flows valuation technique and calculated based on the periods and the expected payments corresponding to the achievement of milestones, probability of occurrence and time value of money.

The contingent consideration for the acquisition of Quirem Medical B.V. is based on the acquisition of CE marking certification for the development of next-generation microspheres and achievement of specific performance indicators. According to the achievement of milestones, a payment USD20 million at maximum will be made.

The fair value of the contingent consideration is measured using a discounted cash flows valuation technique and calculated based on the periods and the expected payments corresponding to the achievement of milestones, probability of occurrence and time value of money.

The contingent consideration is categorized as Level 3 measured using a valuation technique with reference to unobservable inputs.

(3) Movements in financial assets and financial liabilities classified as Level 3

Movements in financial assets classified as Level 3 from the beginning to the end of the fiscal year ended March 31, 2024 are as follows:

	(Millions of yen)
Beginning balance	7,201
Total gains or losses	
Profit or loss (Note 1)	1
Other comprehensive income	944
Additions	4,949
Transfer from level 3 (Note 2)	(461)
Ending balance	12,635
Changes in unrealized profit or loss recorded in "Profit or loss" for assets held at the end of the reporting period (Note 1)	1

(Note 1) Profit or loss is presented in "Finance income" in the Consolidated Statement of Profit or Loss.

(Note 2) Transfer from Level 3 represents transfer to Level 1 due to the listing of shares held.

Movements in financial liabilities classified as Level 3 from the beginning to the end of the fiscal year ended March 31, 2024 are as follows:

	(Millions of yen)
Beginning balance	1,693
Settlements	(125)
Changes in fair value (Note 2)	(293)
Exchange differences on translation of foreign operations	199
Ending balance	1,474
Changes in unrealized profit or loss recorded in "Profit or loss" for liabilities held at the end of the reporting period (Note 3)	81

(Note 1) The financial liabilities are contingent consideration described in (2) (c) above.

(Note 2) Changes are included in "Other income," "Other expenses," and "Finance costs" in the Consolidated Statement of Profit or Loss.

(Note 3) Changes are included in "Other expenses" and "Finance costs" in the Consolidated Statement of Profit or Loss.

3) Financial assets and financial liabilities that are not measured at fair value on a recurring basis

(1) Fair value and carrying amounts

The carrying amounts and fair values of the financial instruments for the fiscal year ended March 31, 2024 are described below. Carrying amounts shown below do not include financial instruments for which the carrying amounts reasonably approximate to their fair values.

(Millions of yen)

	Carrying amount	Fair value
Bonds	19,978	19,876
Long-term loans borrowings	211,870	211,417

(Note) The above table includes current portion of long-term loans payable.

(2) Fair value measurements of financial instruments

The valuation techniques for fair value measurement for the financial instruments described above are as follows:

(a) Long-term borrowings

The fair value of long-term borrowings with floating interest rates reflecting short-term interest rates, are measured at book value, considering the carrying amounts approximate to the fair value, as the Company's credit conditions has not changed significantly after the execution of the borrowings. The fair value of long-term borrowings with fixed interest rates are measured at the present value of the total amount of principal and interest for the remaining borrowing period, using an interest rate that would be applied for new borrowings.

(b) Bonds

The fair value of bonds is measured using quoted market prices.

9. Notes to Per Share Information

(1) Equity attributable to owners of the parent per share: 893.80 yen

(2) Basic earnings per share: 71.50 yen

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. Each of the per share information is calculated assuming that the share split took place on the beginning date of the fiscal year ended March 31, 2024.

10. Notes to Material Subsequent Events

(1) Share split

In accordance with the resolution passed at the Board of Directors' meeting held on February 7, 2024, the Company carried out share split effective April 1, 2024. The details are as follows:

1) Purpose of the share split

The objective of the share split is to lower the investment price per trading unit to create a more investor-friendly environment.

2) Overview of the share split

i) Method of share split

Each share of Terumo's common stock owned by shareholders recorded in the closing register of shareholders on the record date of March 31, 2024 (since this day falls on a non-business day of the shareholder registry administrator, the actual record date will be March 29, 2024) will be split into two shares.

ii) Number of shares to be increased by share split

Common stock 745,348,640 shares

iii) Timetable

Date of public notice of the record date:	March 11, 2024
Record date:	March 31, 2024
Effective date:	April 1, 2024

iv) Effect on per share information

Effect on per share information is reflected in “9. Notes to Per Share Information.”

(2) Issuance of corporate bonds

In accordance with the resolution passed at the Board of Directors’ meeting held on December 14, 2023, the Company has issued unsecured bonds, payment date being April 25, 2024, as follows:

Terumo Corporation 10th series of unsecured bonds (with inter-bond pari passu clause) (3-year bond)

1) Total amount of issue:	40.0 billion yen
2) Issue price:	100 yen per face value of 100 yen
3) Interest rate:	0.519% per annum
4) Payment date:	April 25, 2024
5) Redemption date:	April 23, 2027
6) Redemption method:	Lump sum redemption at maturity
7) Use of proceeds:	For the repayment of loan which will mature on April 30, 2024

Terumo Corporation 11th series of unsecured bonds (with inter-bond pari passu clause) (5-year bond)

1) Total amount of issue:	30.0 billion yen
2) Issue price:	100 yen per face value of 100 yen
3) Interest rate:	0.686% per annum
4) Payment date:	April 25, 2024
5) Redemption date:	April 25, 2029
6) Redemption method:	Lump sum redemption at maturity
7) Use of proceeds:	For the repayment of loan which will mature on April 30, 2024

(3) Significant borrowings

In accordance with the resolution passed at the Board of Directors’ meeting held on December 14, 2023, the Company concluded a syndicated loan contract on April 23, 2024, for which Mizuho Bank, Ltd. and MUFG Bank, Ltd. act as arrangers and Mizuho Bank Ltd. acts as the agent. The fund was received on April 25, 2024.

1) Purpose of the borrowing
   Mainly to fund for the repayment of loan which will mature on April 30, 2024
2) Names of the lenders
   22 financial institutions, etc.
3) Loan amount and interest rate
   30.0 billion yen; fixed intertest rate
4) Loan execution date
   April 25, 2024
5) Repayment due date
   April 24, 2026
6) Collateral assets

None

7) Financial covenants

・After the financial closing at March 31, 2025, the total equity on the Consolidated Statement of Financial Position at each fiscal year-end shall be maintained at 75% or more of whichever is higher between the total equity on the Consolidated Statement of Financial Position at the end of the fiscal year immediately prior to the fiscal year in question or the total equity on the Consolidated Statement of Financial Position at March 31, 2024.

・In the two consecutive fiscal years after the financial closing at March 31, 2025, the amount arrived by deducting other income from and adding other expenses to profit before tax presented in the Consolidated Statement of Profit or Loss for each fiscal year shall not be a negative amount for two consecutive years. The first judgment related to compliance with this covenant shall be executed for the fiscal year ending March 31, 2026 and the fiscal year immediately prior to that fiscal year.

Non-consolidated Statements of Changes in Equity

Fiscal Year 2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry	Reserve for special depreciation	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	38,716	52,103	–	52,103	3,297	425	82,900	597,648	684,271
Changes of items during the period									
Dividends from surplus								(32,020)	(32,020)
Profit								87,853	87,853
Acquisition of treasury stock									
Disposal of treasury stock			(77)	(77)					
Cancellation of treasury stock			(9,788)	(9,788)					
Reversal of reserve for reduction entry						(13)		13	
Transfer from retained earnings to capital surplus			9,866	9,866				(9,866)	(9,866)
Net changes of items other than shareholders' equity									
Total changes of items during the period	–	–	–	–	–	(13)	–	45,980	45,966
Balance at the end of current period	38,716	52,103	–	52,103	3,297	412	82,900	643,628	730,238

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	(11,539)	763,551	1,409	1,409	662	765,623
Changes of items during the period						
Dividends from surplus		(32,020)				(32,020)
Profit		87,853				87,853
Acquisition of treasury stock	(11,102)	(11,102)				(11,102)
Disposal of treasury stock	417	339				339
Cancellation of treasury stock	9,788					
Reversal of reserve for reduction entry						
Transfer from retained earnings to capital surplus						
Net changes of items other than shareholders' equity			3,148	3,148	1	3,150
Total changes of items during the period	(896)	45,069	3,148	3,148	1	48,219
Balance at the end of current period	(12,436)	808,621	4,557	4,557	664	813,843

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

- Securities other than shares, etc. that do not have a market price
  Stated at market value based on the quoted market price, etc., at fiscal year-end
  (Valuation difference is reported as a separate component of net assets. The cost of sales is calculated using the moving-average method.)
- Shares, etc. that do not have a market price
  Stated at cost using the moving-average method

2) Derivatives

Stated at fair value

3) Inventories

Inventories held for sale in the ordinary course of business

Principally, stated at cost using the weighted-average method

(Balance sheet amounts are calculated by writing down their net realizable value when there is evidence of deterioration in value.)

(2) Depreciation method for noncurrent assets

1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

Principal useful lives are as follows:

Buildings:	3-50 years
Machinery and equipment:	4-15 years

2) Intangible assets (excluding lease assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5-10 years).

Goodwill is amortized by the straight-line method over 20 years based on the estimated period for each acquired business during which the excess earning power is maintained.

Customer relationship is amortized by the straight-line method over the estimated useful life (10 years).

3) Lease assets

Finance leases that do not transfer the ownership of the leased assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(3) Standards of accounting for allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover possible losses on notes and accounts receivable. The Company records an estimated irrecoverable amount based on the historical write-off rate for ordinary receivables and based on assessment of recoverability of individual receivables for specific doubtful accounts.

2) Provision for bonuses

The Company provides reserve for payment of bonuses to employees based on the amount of estimated employees' bonuses at the fiscal year-end.

3) Provision for directors' bonuses

Reserve for payment of bonuses to directors is provided based on the amount of estimated directors' bonuses at the fiscal year-end.

4) Provision for retirement benefits

The Company provides reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at fair value at the fiscal year-end.

Prior service cost is charged to income by the straight-line method over certain periods (10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

Actuarial gains and losses are charged to income by the straight-line method over certain periods (10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

On the non-consolidated balance sheet, the amount of pension assets exceeded the projected benefit obligations net of unrecognized actuarial gains and losses and unrecognized prior service costs. The exceeded amount is included in "other" in "investment and other assets" as prepaid pension expenses.

(4) Standards of accounting for recording revenue and expenses

The Company recognizes revenue from contracts with customers based on the following five-step approach when control of a promised good or service is transferred to a customer or as it is transferred in an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods and services.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company is primarily engaged in manufacture and sales of medical devices and medical supplies. For the sales of these products, our performance obligation is to deliver products to the customer based on our contract with the customer.

Because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products.

(5) Other significant matters for preparation of non-consolidated financial statements

(Significant hedge accounting)

i) Method of hedge accounting

The Company principally adopts the deferral method of hedge accounting. Interest rate and currency swaps that meet certain criteria are accounted for by the integrated accounting treatment (designated treatment and special accounting treatment).

ii) Hedging instruments and hedged items

Hedging instruments:	Forward exchange contracts and interest rate and currency swaps
Hedged items:	Monetary assets and liabilities denominated in foreign currencies, forecast transactions denominated in foreign currencies, long-term loans payable, loans payable denominated in foreign currencies

iii) Hedging policy

Based on the Company's policy of managing risks according to risk types, the Company hedges risks arising from changes in foreign currency exchange rates and interest rates.

iv) Method of assessment of hedge effectiveness

The Company assesses hedge effectiveness by comparing the cumulative changes in cash flows from hedged items or changes in fair value of hedged items and corresponding changes in hedging instruments every half year.

With respect to interest rate and currency swaps that meet the criteria for accounting by the integrated accounting treatment, assessment of hedge effectiveness is omitted.

2. Revenue Recognition

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in "1. Basis for Preparation of Consolidated Financial Statements (4) Accounting standards 10) Revenue" in the notes to consolidated financial statements.

3. Accounting Estimates

(1) Valuation of inventories

1) Amounts stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

Merchandise and finished goods	56,494 million yen
Work in process	14,433 million yen
Raw materials and supplies	17,722 million yen

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (1) Valuation of inventories," in notes to consolidated financial statements.

(2) Estimate of useful lives and residual values of noncurrent assets

1) Amounts stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

Property, plant and equipment	108,888 million yen
Intangible assets	29,520 million yen

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (2) Estimate of useful lives and residual values of noncurrent assets" in notes to consolidated financial statements.

(3) Impairment of property, plant and equipment

1) Amounts stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

No significant impairment loss is recorded in the fiscal year ended March 31, 2024.

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (3) Estimate of the recoverable amount at the impairment test" in notes to consolidated financial statements.

(4) Measurement of provision for retirement benefits

1) The amount stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

Prepaid pension expenses	13,319 million yen

Furthermore, prepaid pension expenses are included in "Other" in "Investments and other assets" in the non-consolidated financial statements.

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (4) Measurement of defined benefit obligations" in notes to consolidated financial statements.

(5) Estimate of stock-based remuneration

1) The amount stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

Subscription rights to shares	664 million yen

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (5) Estimate of share-based payments" in notes to consolidated financial statements.

(6) Recoverability of deferred tax assets

1) The amount stated on the non-consolidated financial statements for the fiscal year ended March 31, 2024

Deferred tax assets	9,088 million yen

2) Other information that contributes to the users understanding of non-consolidated financial statements regarding the content of accounting estimates

Information regarding the impact on significant accounting estimates measurement methods, underlying assumptions and non-consolidated financial statements for the following fiscal year is stated in "4. Accounting Estimates (6) Recoverability of deferred tax assets" in notes to consolidated financial statements.

4. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 254,798 million yen

(2) Monetary receivables and monetary obligations to subsidiaries and affiliates (excluding items shown by category)

Short-term monetary receivables: 171,544 million yen
Short-term monetary obligations: 330,751 million yen

5. Notes to the Non-consolidated Statements of Income

(1) Amount of transactions with subsidiaries and affiliates

Amount of business transactions
Sales: 200,900 million yen
Purchase: 92,731 million yen
Other: 5,791 million yen
Amount of transactions other than business transactions: 59,896 million yen

6. Notes to the Non-consolidated Statements of Changes in Equity

(1) Number of treasury stock

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Common stock	3,074	2,335	2,444	2,965
Total	3,074	2,335	2,444	2,965

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. The above figures show the number of shares before the share split.

(Reason for the change)

The breakdown of the change in the number of shares is as follows:
Increase due to the purchase of shares of less than one unit of shares: 0 thousand shares
Increase due to the acquisition of restricted stock without consideration: 0 thousand shares
Increase due to the acquisition resolved at the board of directors meeting: 2,333 thousand shares
Decrease due to exercise of stock options: 51 thousand shares
Decrease due to disposal for restricted stock remuneration: 59 thousand shares
Decrease due to cancellation of treasury stock: 2,333 thousand shares

7. Notes to Deferred Tax Accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by major cause

	(Millions of yen)
Deferred tax assets	
Research and development expenses	3,362
Provision for bonuses	2,005
Accounts payable-other and accrued expenses	1,745
Loss on valuation of investment securities	249
Shares of subsidiaries and associates	2,386
Loss on valuation of inventories	1,379
Other	1,958
Subtotal deferred tax assets	13,087
Valuation allowance related to total deductible temporary differences	(6)
Subtotal valuation allowance	(6)
Total deferred tax assets	13,080
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	(1,479)
Cost difference	(226)
Valuation difference on available-for-sale securities	(1,721)
Reserve for advanced depreciation	(181)
Prepaid pension expenses	(382)
Total deferred tax liabilities	(3,992)
Net deferred tax assets	9,088

(2) Breakdown of major causes for the significant difference between the effective statutory tax rate and the actual effective tax rate after application of deferred tax accounting

	(%)
Effective statutory tax rate	30.6
(Adjustment)	
Permanent difference-expenses (entertainment expenses etc.)	0.1
Permanent differences-income (dividend income etc.)	(8.6)
Tax credit for research and development	(2.8)
Controlled foreign company taxation	1.8
Other	0.5
Actual effective tax rate after application of deferred tax accounting	21.6

8. Notes concerning Related Party Transactions

(1) Subsidiaries

(Millions of yen)

<table>
<tr><th>Type</th><th>Company name</th><th>Ownership of voting rights</th><th>Relationship with the related party</th><th>Transactions</th><th>Transaction amount</th><th>Account</th><th>Balance at the end of the fiscal year</th></tr>
<tr><td rowspan="3">Subsidiary</td><td rowspan="3">Terumo Europe N.V.</td><td rowspan="3">100% directly owned by the Company</td><td rowspan="3">Interlocking directorate
Sales of the Company's products
Borrowing</td><td>Sales of the Company's products</td><td>51,959</td><td>Accounts receivable-trade</td><td>29,285</td></tr>
<tr><td>Borrowing of funds</td><td>14,216</td><td rowspan="2">Short-term loans payable</td><td rowspan="2">30,833</td></tr>
<tr><td>Repayment of funds</td><td>7,933</td></tr>
<tr><td>Subsidiary</td><td>Terumo Medical Corporation</td><td>100% indirectly owned by the Company</td><td>Interlocking directorate
Sales of the Company's products</td><td>Sales of the Company's products</td><td>52,529</td><td>Accounts receivable-trade</td><td>14,659</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Terumo Americas Holding, Inc.</td><td rowspan="2">100% directly owned by the Company</td><td rowspan="2">Interlocking directorate
Lending</td><td>Lending of funds</td><td>26,788</td><td>Short-term loans receivable</td><td>7,116</td></tr>
<tr><td>Collection of funds</td><td>7,091</td><td>Long-term loans receivable from subsidiaries and affiliates</td><td>51,327</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Terumo BCT Holding Corp.</td><td rowspan="2">100% indirectly owned by the Company</td><td rowspan="2">Interlocking directorate
Lending</td><td rowspan="2">Lending of funds</td><td rowspan="2">8,760</td><td>Short-term loans receivable</td><td>20,440</td></tr>
<tr><td>Long-term loans receivable from subsidiaries and affiliates</td><td>66,620</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Terumo Yamaguchi Corporation</td><td rowspan="2">100% directly owned by the Company</td><td rowspan="2">Interlocking directorate
Lending</td><td>Lending of funds</td><td>214,900</td><td rowspan="2">Short-term loans receivable</td><td rowspan="2">54,500</td></tr>
<tr><td>Collection of funds</td><td>208,600</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Terumo Capital Management Pte. Ltd.</td><td rowspan="2">100% directly owned by the Company</td><td rowspan="2">Interlocking directorate
Borrowing</td><td>Borrowing of funds</td><td>21,415</td><td>Short-term loans payable</td><td>187,615</td></tr>
<tr><td>Payment of interest</td><td>9,988</td><td>–</td><td>–</td></tr>
<tr><td rowspan="3">Subsidiary</td><td rowspan="3">Terumo Global Reinsurance, Inc.</td><td rowspan="3">100% directly owned by the Company</td><td rowspan="3">Interlocking directorate
Borrowing</td><td>Borrowing of funds</td><td>38,690</td><td rowspan="2">Short-term loans payable</td><td rowspan="2">38,690</td></tr>
<tr><td>Repayment of funds</td><td>37,310</td></tr>
<tr><td>Payment of interest</td><td>1,791</td><td>–</td><td>–</td></tr>
</table>

(Notes) Terms of transactions and the policy for determining the terms of transactions

1. Transaction prices and other terms of transactions with subsidiaries and affiliates are determined through negotiations with the Company.
2. Transaction amounts do not include foreign currency translation gains or losses. Year-end balances include foreign currency translation gains or losses.
3. Interest rates of loans payable are determined reasonably, taking into consideration market interest rates.
4. Interest rates of loans receivable are determined reasonably, taking into consideration market interest rates.

9. Notes to Per Share Information

(1) Net assets per share: 547.68 yen

(2) Net income per share: 59.05 yen

(Note) The Company has carried out a 2-for-1 share split effective April l, 2024. Each of the per share information is calculated assuming that the share split took place on the beginning date of the fiscal year ended March 31, 2024.

10. Notes to Material Subsequent Events

Notes to material subsequent events are omitted as the same details are presented in "10. Notes to Material Subsequent Events" in the notes to consolidated financial statements.