

TERUMO ENVIRONMENTAL AND SOCIAL REPORT 2004



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Editorial Policy

We have changed the title of this report from *Environmental Report to Environmental and Social Report*. It is our intention that reporting Terumo's environmental and social initiatives for FY2003 in an easy-to-understand format will facilitate communication with the reader.

In this report's preparation, we made use of three documents by Japan's Ministry of the Environment: *Environmental Reporting Guidelines* (FY2003 ed.), *Environmental Performance Indicators for Businesses* (FY2002 ed.) and *Environmental Accounting Guidelines 2002*.

We would like to make future editions of this *Environmental and Social Report* even better by incorporating readers' candid opinions and suggestions. We encourage you to let us know what you think.

Name of organization: Terumo Corporation (including some overseas sites)

Year under review: Fiscal 2003 (April 1, 2003 to March 31, 2004)
(Includes some activities from FY2004.)

This report issued: November 2004

Next report issued: November 2005

This report is posted on Terumo's website:

<http://www.terumo.co.jp/english/company/environment.html>

FY2003 Timeline

Apr.	<ul style="list-style-type: none"> Compression stocking JOBST FOR MEN put on sale. Started construction of special building for development of prefilled syringes on the grounds of the Kofu Factory.
Jun.	<ul style="list-style-type: none"> THROUGH-IN BLOOD PRESSURE MONITOR put on sale. Companywide cost-cutting campaign "Aripuro" launched (working steadily like ari [ants] to reduce overhead costs). Launched companywide "Manner Awareness KAIZEN Cell" campaign (making Terumo into a more attractive company through consideration for others with the idea that "If you change yourself, Terumo will change"). Kofu Factory changes fuels from LPG to natural gas.
Jul.	<ul style="list-style-type: none"> Terumo wins Corporate Ethics Award.
Aug.	<ul style="list-style-type: none"> Terumo Mount Fuji reforestation Summer vacation factory tour held at the Kofu Factory.
Oct.	<ul style="list-style-type: none"> Third Tokyo Branch opened. The branch endeavors to provide fine-tuned services in Tokyo, which hosts many medical care institutions with superior technical capabilities. Planex family tour About 300 employees and their families participated. Pneumatic massage pump VENOSTREAM put on sale. Fujinomiya Factory wins the fiscal 2003 Reduce/Reuse/Recycle Promotion Council Chairperson's Award. Terumo signs licensing agreement with Biosensors International for a drug-eluting stent.
Nov.	<ul style="list-style-type: none"> Blood sugar measuring system MEDISAFE MINI goes on sale. Completion ceremony for phase-three building of factory in Hangzhou, China Preparations for production of electronic blood pressure monitors began in December, and more products will be added in the future. PTCA dilation catheter SEIRYU goes on sale. (PTCA: percutaneous transluminal coronary angioplasty)
Dec.	<ul style="list-style-type: none"> Terumo wins IR Award for Excellence. Syringe pumps "TE-331S/332S" and infusion pump "TE-161S" go on sale.
Jan.	<ul style="list-style-type: none"> Functional food for the elderly GRANCARE goes on sale. Clinical testing of left ventricular assist systems begins in Germany. Work is proceeding on bringing the world's first magnetic levitation left ventricular assist device into practical use.
Mar.	<ul style="list-style-type: none"> Terumo Electronic Blood Pressure Monitor P370 put on sale. The product can record measurement dates, times and readings for two people.

Fulfilling Social Responsibility with a Sense of Mission for Society

Most important to me in running a company is the "high purpose" that is the aim of company activities. I consider a sense of mission for society to be especially important, and I believe it is that sense of mission to benefit society which is the highest purpose for both a company and the employees who work there.

I am happy to report that our consolidated performance for FYE March 2004 was 215.2 billion yen in sales, for our 10th consecutive period of revenue growth. Over the last 10 years, we have approximately doubled sales and multiplied profit about 30-fold.

But growth means nothing without high purpose. The series of deplorable events occurring among companies over the last few years can be seen as the consequence of forgetting their sense of mission for society in the shortsighted drive for profit. Financial performance and social mission are an inseparable pair. Once a company loses sight of its ties to society and stumbles, all is lost and the company's existence is no longer sanctioned. Should that happen, it means a serious loss for the company's stakeholders. My conviction therefore is that growth is not possible without a sense of mission.

It is from that perspective that Terumo has addressed environmental issues and made efforts for information disclosure by issuing environmental reports since 2000. Beginning this year we are upgrading the report to an *Environmental and Social Report* and widening the window on our business operations.

Terumo's corporate philosophy since its founding is "contributing to society through healthcare." This philosophy has come down to the present from the time of our predecessor, the Akasen Kenonki, which was founded in 1921 under Dr. Shibasaburo Kitazato and 23 other physicians for the domestic production of clinical thermometers in the hope that this would contribute to better health nationwide.

In my thinking, it is surely this sense of mission for society that energizes the people who work at Terumo, that helps them discharge the company's social responsibilities, and that is the vital key to its survival. A company must indeed keep improving its performance and reinforcing its business to survive, but at the same time its continued existence is worth nothing unless it benefits society and fulfills its social responsibilities.



Takashi Wachi
Chairman and Chief Executive Officer
Terumo Corporation

T. Wachi

Terumo marked its 80th year in 2001, and I set forth "Terumo's unique technology makes medical treatment kinder and gentler" as a new company vision. An example already reported in the newspapers and other media is the development of left ventricular assist systems and injection needles that cause less pain than conventional needles. We shall continue creating new kinds of medical care for those in need throughout the world.

Corporate Philosophy and Environmental Policy

We at Terumo continue our efforts toward medical safety and environmental compatibility. In 1999, we created an environmental policy comprising five elements based on our corporate philosophy of "contributing to society through healthcare." Terumo does its part for global environmental conservation as a leading company in the medical field.

Corporate Philosophy

Adopted in November 1996

Contributing to Society Through Healthcare

We contribute to society by providing valued products and services in the healthcare market and by responding to the needs of healthcare providers and the people they serve.

Open Management

We maintain a fundamental policy of open management, work to secure and return to our benefactors a suitable profit, and strive to develop our business on a global basis as befits a leading company in the industry.

Respect for our Associates

We emphasize respect for the individual, promote intercultural understanding, and encourage openness in the workplace in accordance with our slogan "Associate Spirit" as we prepare to meet the challenges of the future.

Enhanced Value

We emphasize the importance of scientific thinking, creativity, and time appropriation, and respond in depth to customer needs by creating valued products and services.

Corporate Citizenship

We conduct our business activities in a fair and equitable manner and act responsibly toward the environment as we fulfill our responsibilities as good corporate citizens.

Safety and Reliability

We pride ourselves on our commitment to the development of technologies and quality assurance systems that ensure safe, reliable products.

Terumo's Environmental Policy

Adopted in December 1999

Guided by our corporate philosophy of contributing to society through healthcare, and under a fundamental policy of providing safety and reassurance in medical care, the Terumo group conducts itself as a leading company by implementing responsible environmental conservation activities and striving to be a trusted corporate citizen.

Terumo sets voluntary targets and works to conserve the environment by:

- ascertaining the environmental impact of our activities.
- developing environmentally friendly products.
- preventing pollution.
- making effective use of energy and resources.
- reducing waste.

Terumo has established a system to facilitate environmental efforts and it promotes and audits those efforts.

As a member of society and the community, Terumo supports and cooperates with environmental conservation activities.

Terumo abides by the environmental laws, ordinances, agreements and other legal provisions of all countries.

Terumo conducts in-house informational and educational activities in an effort to increase its employees' environmental awareness.

Environmental Management System

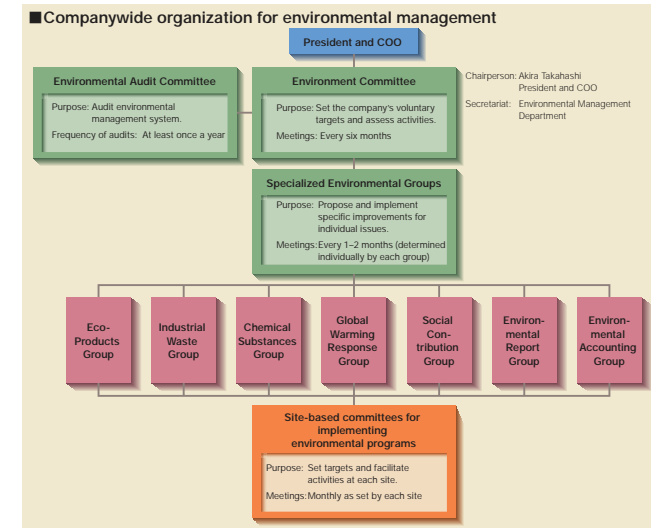
Terumo's environmental initiatives are implemented at each site in accordance with voluntary targets determined by the Environment Committee. Continuous improvement comes about thanks to management practices that follow the Plan-Do-Check-Action (PDCA) Cycle, which reviews and evaluates performance, and reflects its findings in the next set of targets.

Companywide Organization for Environmental Management

The chart at right shows our companywide organization for implementing environmental programs. At the peak, the company president serves as chairperson of the Environment Committee. The Environment Committee is responsible for setting the voluntary targets and measures of environmental conservation activities for the entire company, as well as monitoring progress.

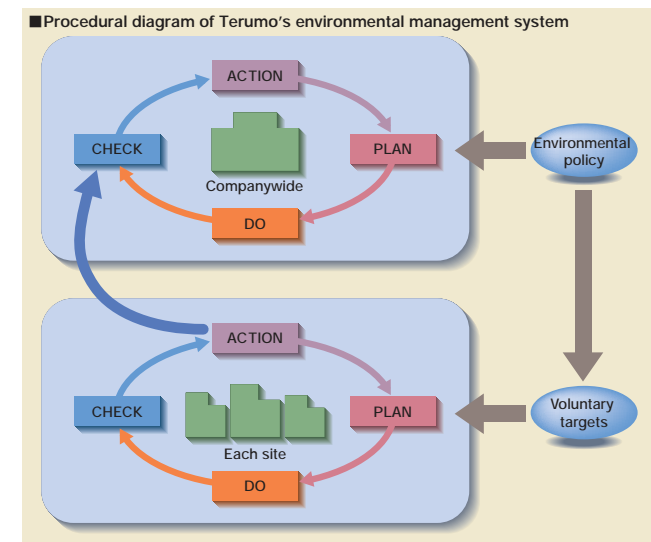
The Environmental Audit Committee conducts internal environmental audits of each site to ensure that the environmental management system operates effectively. Internal auditors endeavor to maintain objectivity and fairness, and while working toward further improvement of Terumo's own auditing techniques, to apply them on a level commensurate with that of reviews conducted by certification bodies.

Specialized environmental groups are charged with proposing and carrying out practical improvements with regard to specific issues, while each site's committee for implementing environmental programs follows predetermined policy in drafting action plans for its own site, facilitating activities and promoting information sharing.



Environmental Management System

Terumo's environmental initiatives are implemented at each site and throughout the entire company based on voluntary targets determined by the Environment Committee. Performance is reviewed and evaluated by the Environment Committee, and this is reflected in the next round of voluntary targets and action plans. In this way Terumo pursues continuing environmental conservation activities based on the PDCA Cycle. A feature of this system is that every employee in every division plays an autonomous role in planning and implementation in accordance with our corporate philosophy of respecting our associates and being a good corporate citizen. Additionally, we have made actions that lead to improvements in environmental performance into a part of normal practice, and we developed and now run a unique, efficient and effective environmental management system that complies with the international environmental standard ISO 14001.



Environmental Conservation Activities in FY2003

Terumo's main achievements in FY2003 included the attainment of zero emissions at the Ashitaka Factory and the Head Office, coping with the electric power crisis and switching fuels at the Kofu Factory. We also started on-site studies on environmental conservation activities at overseas sites in FY2003.

Highlights of Environmental Conservation Activities in FY2003

Fuel switch at Kofu Factory (LPG to natural gas)	(p.10)
Coping with the electric power crisis	(p.10)
Attainment of zero emissions (Ashitaka Factory, Head Office)	(p.12)
On-site studies at overseas sites	(p.18)
Terumo Mount Fuji reforestation	(p.21)

A Message from the Environment Committee Chairperson

In FY2003, we succeeded in achieving two major goals ahead of schedule: reducing the amount of wastes landfilled and our carbon dioxide emissions. What is more, two of our facilities also achieved zero emissions, meaning that they landfill less than 1% of the total waste they transfer off-site.

Environmental conservation activities are important management challenges related to more efficient business activities and to long-term company risk. In addition to advancing environmental conservation activities by site-based committees, we shall also reinforce our collaboration with overseas facilities and move ahead with groupwide environmental conservation activities.



Akira Takahashi
Environment Committee Chairperson
President and COO

Environmental Policy	Emphases	Voluntary Targets (medium-term)	FY2003 Achievements	FY2003 Evaluation	New Initiatives from FY2004	See page
Establish voluntary targets, and conduct environmental conservation activities.	Determine the environmental impact of our business activities.	<ul style="list-style-type: none"> Quantitatively determine the environmental impacts of development, production and sales activities. 	<ul style="list-style-type: none"> Performed environmental impact assessments on important environmental aspects of business activities, and their elements, at domestic factories and a research center (Shonan Center). 	Achieved	<ul style="list-style-type: none"> Continue performing environmental impact assessments on important environmental aspects of business activities, and their elements, at domestic factories and a research center. 	8
	Eco-product development	<ul style="list-style-type: none"> Reduce use of natural rubber and PVC*, which have a heavy environmental impact. Reduce waste by simplifying packaging. R&D to design products that can be easily handled and sorted for recycling <p>* PVC : polyvinyl chloride</p>	<ul style="list-style-type: none"> Eliminated PVC from arm band of digital blood pressure monitor. Developed reusable packaging for transporting rental infusion pumps and other electronic medical equipment. 	Achieved	<ul style="list-style-type: none"> Compliance with RoHS* and WEEE** directives. Adopt substitutes for Ni-Cd batteries. <p>* Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ** Directive on Waste Electrical and Electronic Equipment</p>	1446
	Pollution prevention	<ul style="list-style-type: none"> Reduce dichloromethane emissions to under 99 tons in FY2005. 	<ul style="list-style-type: none"> Reduced FY2003 dichloromethane emissions to 91 tons. 	Achieved	<ul style="list-style-type: none"> Bring FY2005 dichloromethane emissions below 99 tons. Maintain voluntary target. 	13
	Using resources and energy effectively	<ul style="list-style-type: none"> Reduce CO₂ emissions per sales unit by 15% from FY1990 level by FY2010. 	<ul style="list-style-type: none"> Reduced FY2003 CO₂ emissions per sales unit by 16% from FY1990 level. Switched Kofu Factory fuel from LPG to natural gas. 	Achieved	<ul style="list-style-type: none"> Reduce CO₂ emissions per sales unit by 15% from FY1990 level by FY2010. Maintain voluntary target. 	10
	Waste reduction	<ul style="list-style-type: none"> Achieve 80% reduction over FY1996 by FY2005 in amount of wastes landfilled from domestic sites, excluding sales operations. 	<ul style="list-style-type: none"> Achieved 89% reduction from FY1996 in amount of wastes landfilled from domestic sites, excluding sales operations. Attained zero emissions at the Ashitaka Factory and the Head Office ("zero emissions" means that under 1% of waste transferred off-site is landfilled). 	Achieved	<ul style="list-style-type: none"> Achieve 80% reduction from FY1996 by FY2005 in amount of wastes landfilled from domestic sites, excluding sales operations. Maintain voluntary target. 	11,12
Create a companywide organization for environmental management, and work on implementation and auditing.	Establishment of environmental management systems	<ul style="list-style-type: none"> Environmental management systems at factories and a research center in Japan should generally conform to the international standard ISO 14001. 	<ul style="list-style-type: none"> Domestic factories and a research center continued to maintain environmental management systems generally conforming to ISO 14001. Domestic factories and a research center audited their compliance with environmental laws. 	Achieved	<ul style="list-style-type: none"> Domestic factories and a research center will continue their environmental management systems. 	4,9
Support and cooperate with environmental conservation activities as a member of society and the community.	Encouraging volunteer activities	<ul style="list-style-type: none"> Encourage volunteer activities. 	<ul style="list-style-type: none"> Terumo Mount Fuji reforestation (Shizuoka) Support for volunteer activities, such as participation in Tamagawa Clean Strategy (Tokyo) and Ninomiya Coastal Clean-up (Kanagawa). 	Achieved	<ul style="list-style-type: none"> Continue supporting volunteer activities such as Terumo Mount Fuji reforestation. 	21
Conduct in-house informational and educational activities in an effort to increase its employees' environmental awareness.	Facilitating environmental communication	<ul style="list-style-type: none"> Publish <i>Environmental Report 2003</i>. Implement Environment Month initiatives. 	<ul style="list-style-type: none"> Published <i>Environmental Report 2003</i>. Held environmental seminar for Head Office staff. 	Achieved	<ul style="list-style-type: none"> Publication of <i>Environmental and Social Report 2004</i>. Environment Month initiatives. 	9,19
Abide by the environmental laws, ordinances, agreements and other legal provisions of all countries.	Compliance with environmental laws and ordinances	<ul style="list-style-type: none"> Abide by environmental laws, ordinances, agreements and other legal provisions, and confirm legal compliance abroad. 	<ul style="list-style-type: none"> Performed on-site studies at five sites: one in Europe and four in the U.S. 	Achieved	<ul style="list-style-type: none"> Perform on-site studies at facilities in Britain, the Philippines and China. 	18

Environmental Accounting

At Terumo we quantitatively assess the costs and effectiveness of environmental conservation activities. Management then uses the assessments to judge those activities' cost effectiveness. We also provide for environmental considerations and risk reduction when expanding production facilities, and make well-planned and efficient investments in environmental conservation to achieve our environmental targets. Beginning this year we are announcing the environmental investment plans that have been finalized.

■ Environmental conservation costs and economic benefit (millions of yen)

Scope of assessment: Head Office, domestic factories and a research center
Applicable period: April 1, 2003 to March 31, 2004

Category	Environmental conservation costs			Economic benefit	
	Principal initiatives	Investments	Expenditures		
(1) Costs within business areas		235	1,275	1,144	
Breakdown	(1)-1 Pollution prevention	Wastewater treatment and solvent recovery equipment	67	311	111
	(1)-2 Global environmental conservation	Energy-saving facilities	139	471	619
	(1)-3 Resource recycling	Waste treatment and recycling expenses	29	493	414
(2) Upstream and downstream costs	Eco-product production facilities	0	94	71	
(3) Costs related to environmental management	Environmental management-related expenditures	0	118	71	
(4) R&D costs	R&D expenditures for reducing environmental burden of Terumo products	0	8	0	
(5) Social activity costs	Establishing and maintaining green space	3	114	0	
(6) Environmental damage costs	No applicable cost	0	0	0	
Total		238	1,609	1,286	

Investments: Investment in pollution-control and energy-saving equipment, green spaces and other areas in FY2003.
Expenditures: Depreciation, operation and maintenance expenses related to pollution-control and energy-saving equipment, eco-product development expenses, waste management expenses, recycling expenses, green space maintenance expenses, environmental education expenses, etc.
Note: For both investments and expenditures, environmental conservation costs are differentially totaled (including prorated allocations).
Economic benefits: Reduced costs from energy conservation, reduced raw material expenses, etc.
Note: Totals based on expected benefits such as estimated contribution to sales are not included.

■ Total investment and R&D costs for the applicable period (millions of yen)

Item	Total
Total investment in the applicable period	8,586
Total R&D expenditures in the applicable period	10,938

■ Proceeds from recyclable wastes (millions of yen)

Item	Total
Proceeds from sale of PVC, polypropylene, scrap metal and other wastes	13

■ Environmental conservation benefits

Item	FY2003 performance	Compared to previous year
Amount of waste for landfill	256t	▲48.7%
Energy consumption	2,544,124GJ	0.7%
CO ₂ emissions	121,907t-CO ₂	▲4.0%
Chemical emissions	Dichloromethane	91t ▲9.9%
	Toluene	10t 9.0%
	Tetrahydrofuran	6t ▲62.4%
Water consumption	3,443,000m ³	▲4.3%

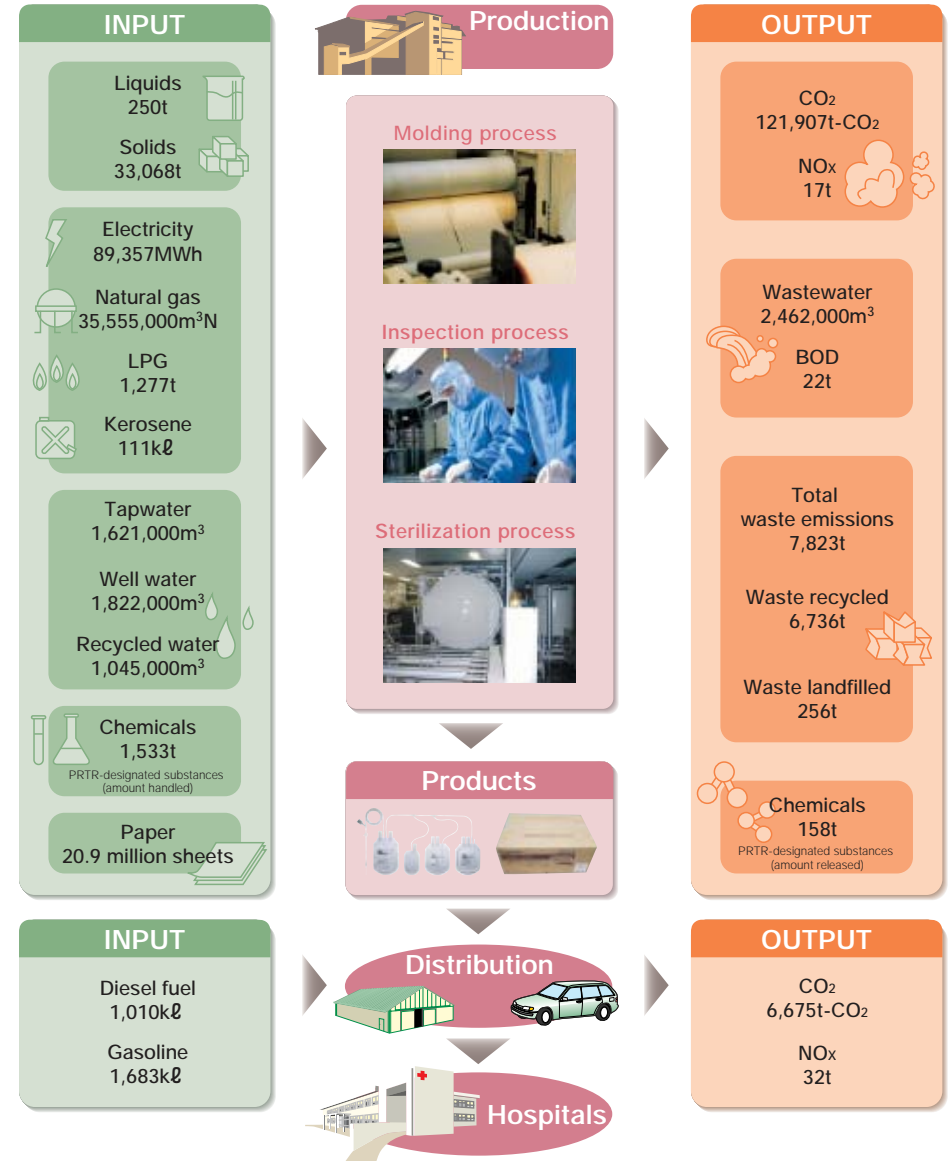
▲ : Reduction from the previous year

■ FY2004 environmental investment plan (finalized items only; millions of yen)

Category	Item	Budget
Pollution prevention costs	Wastewater treatment facility return pump, sterilization gas treatment equipment, etc.	22
Global environmental conservation costs	Inverters for space conditioning equipment and lighting, boiler blow-off flow meters, equipment for testing use of CFC alternatives for material cleaning, switching to natural gas for boilers of dichloromethane recovery unit	82
Resource recycling costs	Installing flow meters to reduce water use, waste shredder installation work, waste-related maintenance, installation of recycling equipment, installation of cooling water reuse equipment for molding machines, etc.	50

Business Activities, Material Flow

Terumo determines how energy, raw materials and other inputs translate into environmental burdens in the production process, such as CO₂, wastewater, and wastes. Our findings are used as indicators for our efforts to mitigate these environmental burdens.



*NO_x emitted in distribution were calculated using the coefficients in the Environment Ministry's "Environmental Activities Evaluation Program (April 2002)."

Environmental Education, Compliance Auditing

Terumo has an environmental education system that includes new employee orientation and environmental seminars. In FY2003, we gave priority to environmental education for sales personnel. We also conducted environmental compliance audits to reduce the environmental risk at domestic factories and a research center.

Environmental Education Programs

● Environmental Training for Sales Personnel

In May, August and December of 2003, we conducted environmental training at all 39 business sites in Japan to provide our sales staff with a better understanding of environment-related laws and regulations and of Terumo's initiatives.

● Environmental Seminar for Head Office Staff

As one Environment Month activity, in June 2003 an environmental seminar was held for Head Office personnel to raise their awareness of energy conservation and of compliance with the Wastes Disposal and Public Cleansing Law.

■ Environmental education and training programs

Type of training	Month	Related to	No. of participants
New employee orientation	Apr.	Environment	50
First environmental training session for sales personnel at all 39 business sites	May	Environment	918
Environmental seminar for Head Office staff	Jun.	Environment	73
First environmental training session for block managers at Tokyo-area business sites	Jul.	Environment	15
Second environmental training session for sales personnel at all 39 business sites	Aug.	Environment	918
Second environmental training session for block managers at Tokyo-area business sites	Nov.	Environment	15
Third environmental training session for sales personnel at all 39 business sites	Dec.	Environment	918
Courses for Managers of Specially Controlled Industrial Wastes	All year	Wastes Disposal and Public Cleansing Law	27
Training for internal environmental auditors	Dec.	Environmental auditing	25

● Internal Environmental Auditor Training

In December 2003, we held a training session by an outside lecturer (Mr. Toshihiro Suzuki) at the Fujinomiya Factory to have internal auditors learn about the latest environment-related laws and regulations.



Training for internal environmental auditors

● Factory Training for Environmental Program Personnel at Business Sites

In March 2003, three people from our environmental program staff at the Takamatsu Branch, Kawagoe Branch and the Sales Management Department conducted the following and other activities at the Ashitaka Factory:

- 1) Environmental initiatives at the Ashitaka Factory;
 - 2) Practice in sorting and dismantling wastes; and
 - 3) Exchanging views with factory officials
- There are plans to continue these efforts.

● "Courses for Managers of Specially Controlled Industrial Wastes" for Environmental Program Personnel at Business Sites and the Head Office

During FY2003, the 27 environmental program personnel at business sites and the Head Office attended the "Courses for Managers of Specially Controlled Industrial Wastes" held by prefectural governments to gain advanced knowledge about the Wastes Disposal and Public Cleansing Law. Thanks to this effort, all but one of our 39 business sites in Japan have personnel who have attended these sessions. In FY2004, the relevant personnel at all business sites are to complete the sessions.

Current Status of Compliance Auditing

● Auditing Purpose

Audits are meant to reduce present and future environmental risks to ensure that Terumo violates no laws and causes no social problems.

● Auditing Categories

- 1) Clarifying environment-related laws and making sure of compliance
- 2) Confirming site emissions
 - (a) Confirming waste water paths and outlets
 - (b) Confirming how measurements of chemicals at site boundaries are being made, and their results
 - (c) Confirming waste disposal routes and methods
- 3) Confirming how chemicals are being used
- 4) Confirming how working environments are managed
- 5) Checking complaints from nearby residents and guidance from authorities and confirming responses to them

● Internal Compliance Audit Results Audited Sites

Domestic factories (Kofu Factory, Fujinomiya Factory, Ashitaka Factory) and a research center (Shonan Center)

Overview of Audit Results

- 1) Despite some cases including minor oversights of legal details, there were no major violations at any site.
- 2) No site had complaints from nearby residents, and all performed site boundary environmental measurements and waste management that are stricter than the law. Sites also started setting up integrated management systems for total site effluent including rainwater.

Compliance with Environment-related Laws and Regulations

No site received notice from administrative authorities or other outside parties concerning compliance with environment-related laws and regulations.



Performing a compliance audit

Laws Covered by Compliance Audits

Air Pollution Control Law; Water Pollution Control Law; Sewerage Law; Septic Tank Law; Offensive Odor Control Law; Noise Regulation Law; Vibration Regulation Law; Law Concerning the Improvement of Pollution Prevention Systems in Specific Factories; Law Concerning the Rational Use of Energy; Law Concerning the Promotion of Measures to Cope with Global Warming; Law for the Promotion of Utilization of Recycled Resources; Wastes Disposal and Public Cleansing Law; Law for Recycling of Specified Kinds of Home Appliances; Fluorocarbon Recovery and Destruction Law; Law Concerning Special Measure against PCB Waste; PRTR Law; Soil Contamination Countermeasures Law; River Law; Law about Radio Wave; Poisonous and Deleterious Substances Control Law; Industrial Water Law; Industrial Safety and Health Law; environmental quality standards; local agreements; relevant ordinances and outlines by local governments.

Preventing Global Warming

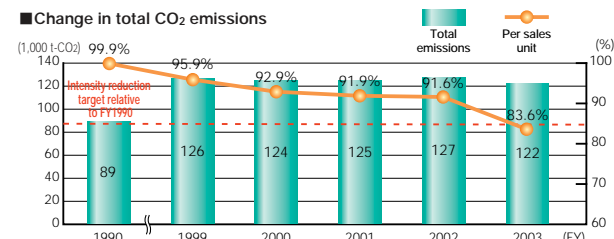
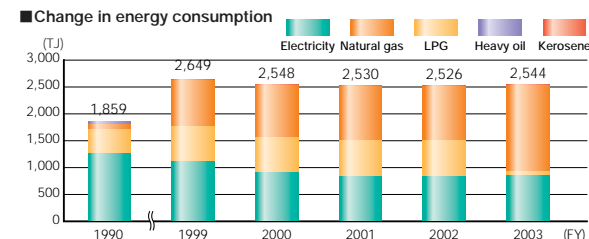
Carbon dioxide emissions resulting from energy use play a major role in global warming. In a bid to reduce emissions, Terumo created CO₂ emission reduction targets and converted all its domestic factories to natural gas in FY2003 because that fuel has lower CO₂ emissions.

● Global Warming

In 1997, Terumo began the conversion to natural gas, which has lower CO₂ emissions, and in FY2003, this switch was completed for all domestic factories when the Kofu Factory changed from LPG to natural gas. This marks the completion of two Terumo projects: the introduction of gas cogeneration and the switch to natural gas. As a consequence, our energy mix is 34.5% purchased electricity, 2% LPG, 62.8% natural gas and 0.2% kerosene, while our CO₂ emission intensity per unit product sales is 83.6% relative to the 1990 level. This means that we have achieved our FY2010 target seven years ahead of schedule, but rising production, the nighttime and holiday use of space conditioning for insect control, and other anticipated increases in energy load will seriously challenge Terumo to maintain this level.

CO₂ Emission Reduction Target

- Reduce CO₂ emissions per sales unit by 15% from FY1990 level by FY2010



*Conversion of energy to calorific value used the conversion coefficients based on the Enforcement Regulations of the Law Concerning Rational Use of Energy (revised February 2003). For conversion of CO₂ emissions, calorific values and CO₂ emissions were calculated using coefficients based on the Enforcement Order of the The Law Concerning the Promotion of Measures to Cope with Global Warming (revised December 2002).

Response to the Electric Power Crisis

Terumo's response to the summer electric power crisis anticipated because of the shutdown of nuclear power plants for inspections in FY2003 involved a number of actions to reduce the risk from power outages and to cooperate with power outage avoidance in the Greater Tokyo Area. These actions included: adjusting factory operations so that summer vacation was held during the peak summer power demand, preparedness at the Head Office to stop air conditioning if the power utility so requested, and reduction of peak daytime power consumption at the Shonan Center by stopping air conditioning during the noon recess. Our efforts helped benefit society by reducing July-September 2003 electricity consumption 4% from the same period in FY2002.

The electricity-intensive Kofu Factory held training for responding to a possible government request to reduce power consumption, which demonstrated that the facility could achieve an approximate 10% cut. Developing a procedure allowed us to prepare for a future electricity crisis.

Fuel Switch at Kofu Factory

In June 2003, the Kofu Factory completed switching its fuel from LPG to natural gas. The decision to tap this gas supply took advantage of the opportunity afforded by the laying of a pipeline from the Minami Nagaoka gas field in Niigata Prefecture to Showa Town in Yamanashi Prefecture.

It is now possible to trim CO₂ emissions from cogeneration facilities and boilers by 5,000 tons yearly. Additionally, about 15% less CO₂ will be emitted per unit heat generated.

Gas type and CO₂ emissions per unit energy

Gas type	CO ₂ emissions per unit energy	Emission comparison
LPG	0.0598 kg-CO ₂ /MJ	100%
Natural gas	0.0506 kg-CO ₂ /MJ*	85%

* Value for Kofu Line natural gas

■ Pipeline from Minami Nagaoka gas field in Niigata Prefecture



Reducing Waste and Water Consumption

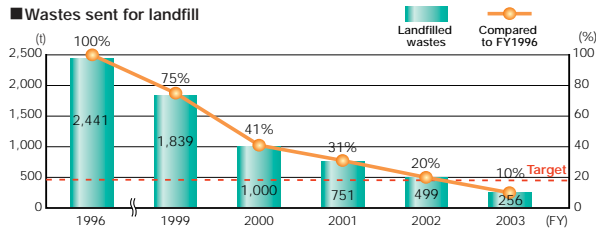
During FY2003, the Ashitaka Factory and Head Office achieved zero emissions. Of particular note, the Ashitaka Factory succeeded in substantially reducing its amount of landfilled waste. The Fujinomiya Factory is having great success with its four Rs (reduce, replace, reuse and recycle) project to reduce water use. This factory and our other domestic production facilities shall continue efforts to reduce water use.

Reducing Landfilled Waste

In FY2003, Terumo established a stepped three-year goal to reduce landfilled wastes generated by domestic sites, excluding sales operations, by 80% from the FY1996 level by FY2005. Landfilled wastes in FY2003 were 10% of the FY1996 level, putting Terumo on schedule. We shall continue working toward our voluntary target.

Landfilled Waste Reduction Target

- Reduce landfilled wastes generated by domestic sites by 80% from the FY1996 level by FY2005, excluding sales operations



Waste Management

In commissioning outside waste management companies, Terumo creates and follows checklists to systematically verify sites for waste collection, transport and treatment, making sure that wastes are properly treated and avoiding risks including that of illegal dumping.

In FY2003, Terumo verified 24 commissioned waste management sites.



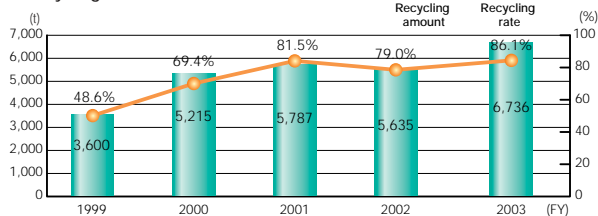
On-site check at an intermediate processing facility

Encouraging Recycling

Primary Recycled Wastes

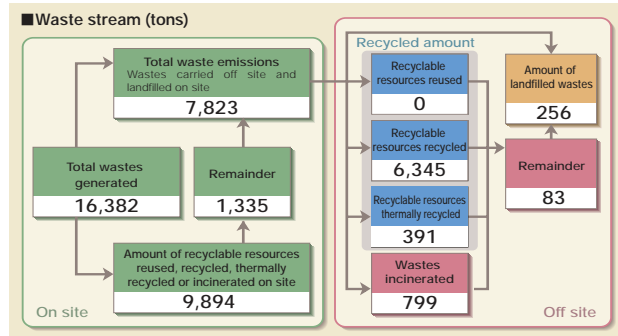
Terumo factories recycle waste plastic as the material for CD and DVD cases and other products. The Kofu Factory uses sludge as artificial sand.

Recycling amount and rate



Fujinomiya Factory Wins Three-R's Promotion Council Chairperson's Prize for Environmental Recycling

As a commendation for distinguished service in promoting reduction, reuse and recycling in FY2003, the Fujinomiya Factory won the Chairperson's Prize. The factory

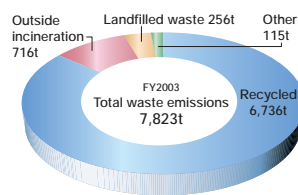


Thanks to these efforts, our FY2003 recycling rate was 86.1%, a 7.1% improvement over FY2002.

Total companywide FY2003 emissions were 7,823 tons, and the breakdown was

6,736 tons recycled, 716 tons reduced by outside incineration, 256 tons landfilled and 115 tons handled in other ways.

Total companywide waste emissions and management breakdown



factory was able to discontinue in-house waste plastic incineration.



Receiving the Three-R's Promotion Council Chairperson's Prize

Zero Emissions

The Ashitaka Factory and Head Office both achieved zero emissions in FY2003.

Terumo is now working on reducing paper use through increased computerization and two-sided printing, and on reducing waste through efforts that include reassessing excessive packaging on production materials delivered to Terumo and the use of reusable packaging.



Waste bins at the Ashitaka Factory

Reducing Water Use

Terumo Trims Water Use

Terumo cuts water use by recirculating cooling water and optimizing water use. In FY2003, we used 3,443,000m³ of water, an approximate 4% decrease from FY2002. We shall continue holding water use down to the FY1990 level.

Water Use Reduction at the Fujinomiya Factory

The Fujinomiya Factory takes seven primary actions to conserve water.

- 1) Less water for vacuum pumps on the blood bag manufacturing line
- 2) Higher reuse of disinfected cooling water
- 3) Reuse of cooling water
- 4) Reuse of water with impurities concentrated by reverse osmosis
- 5) Less cooling water used for blood bag tubes
- 6) Less washing water used on membrane manufacturing line
- 7) Water conservation in blood bag disinfection

TOPICS Ashitaka: A Zero-Emission Factory

Since FY1999, the Ashitaka Factory has put full-blown efforts into dealing with waste. Rallying under the slogan, "Treat the factory as you would your own home," all factory personnel have pulled together in promoting exhaustive separate collection and proper recycling, achieving zero emissions by bringing the initial 620 tons of landfilled wastes per year down to four tons a year.

*Zero emissions: Landfilled wastes are under 1% of total wastes generated.



Takashi Kobayashi
Process Control Section
Ashitaka Factory

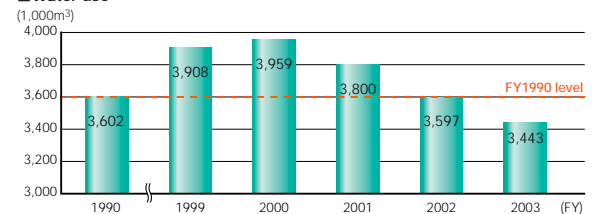
Waste disposal classifications at the Ashitaka Factory

1. Waste oil, waste liquid	12. Recycled paper	23. MDI only
2. Waste for landfill	13. Needles, blades, dry cells	24. Paper-plastic compounds, ice substitutes
3. Pressed vinyl	14. Waste for municipal incineration	25. Waste plastics containing metal
4. Empty barrels	15. Polycarbonates	26. Beverage cans
5. Wood scraps	16. Plastic bags	27. Glass bottles
6. Large waste plastic	17. PVC tubes and sheets	28. 18-liter cans
7. Manually sorted wastes	18. EVA tubes	29. Paper role cores
8. Relays, microswitches, wiring	19. Peel-off label backing	30. Waste plastic for shredding
9. Fluorescent lights	20. Corrugated cardboard	31. Corrugated cardboard (for rainy weather only)
10. Scrap stainless steel, scrap iron	21. Flattened cans	32. Unclassifiable items
11. Household waste	22. Polystyrene foam	

Water Use Reduction Target

- Keep water use down to FY1990 level

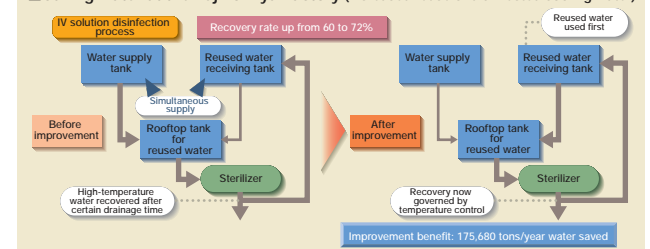
Water use



Our factories shall continue to practice effective water use and water conservation

by pursuing the four R's (reduce, replace, reuse and recycle).

Saving water at the Fujinomiya Factory (increased reuse of disinfected cooling water)



Chemical Substance Management

Terumo factories fully determine and manage the emissions and transfers of chemical substances they use. Factories control chemical emissions, reduce use and recycle chemicals pursuant to voluntarily established chemical emission reduction targets.

Cutting Dichloromethane Use

We achieved our FY2005 target for reducing dichloromethane emissions to below 99 tons ahead of schedule.

Preventing Soil and Groundwater Contamination

In July 2003 and January 2004, measurements performed at six observation wells at the Kofu Factory ascertained the extent of groundwater contamination by seven hazardous substances (hexavalent chromium, 1,1,1-trichloroethane, trichloroethylene, dichloromethane, benzene, boron, nitrate nitrogen and nitrite nitrogen). Measurements confirmed that all seven substances were below their environmental quality standards.

PCB Management

Terumo has removed all the transformers, fluorescent light ballasts and other equipment using PCBs from company facilities, and has stored them at the Fujinomiya and Ashitaka Factories. In preparation to address the possibility that trace amounts of PCBs are present, we have finished investigating and categorizing our heavy electrical equipment according to period of manufacture.

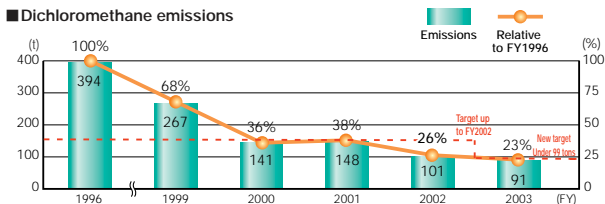
Substances designated by PRTR Law* (tons)

Substance	Amounts	Kofu	Ashitaka	Fujinomiya	Shonan	Total	Substance	Amounts	Kofu	Ashitaka	Fujinomiya	Shonan	Total
Ethylene oxide gas (EOG)	Handled	19	31	11	0	61	Toluene	Handled	11	0	1	3	15
	Emitted	2	3	3	0	8		Emitted	9	0	1	0	10
	Transferred	0	0	0	0	0		Transferred	2	0	0	2	4
Dichloromethane	Handled	112	38	0	0	150	Di-(n-butyl) phthalate (DBP)	Handled	0	44	0	0	44
	Emitted	69	22	0	0	91		Emitted	0	0	0	0	0
	Transferred	0	15	0	0	15		Transferred	0	44	0	0	44
HCFC-141b	Handled	24	0	15	0	39	Tetrahydrofuran (THF)	Handled	0	0	7	0	7
	Emitted	19	0	14	0	33		Emitted	0	0	6	0	6
	Transferred	0	0	1	0	1		Transferred	0	0	1	0	1
HCFC-225	Handled	2	21	4	0	27	Di-(2-ethylhexyl) adipate (DEHA)	Handled	2	0	0	0	2
	Emitted	2	4	3	0	9		Emitted	0	0	0	0	0
	Transferred	0	17	1	0	18		Transferred	0	0	0	0	0
Di-(2-ethylhexyl) phthalate (DEHP)	Handled	570	15	600	0	1,185	Hydrogen fluoride	Handled	0	3	0	0	3
	Emitted	0	0	0	0	0		Emitted	0	1	0	0	1
	Transferred	13	0	37	0	50		Transferred	0	0	0	0	0

*PRTR Law: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (Pollutant Release and Transfer Register Law)

Chemical Emission Reduction Target

- Bring dichloromethane emissions below 99 tons in FY2005



*The Environmental Report 2003 had a mistaken value for FY2002 emissions, which is corrected here.

PCB-containing equipment inventory

Storage site	Fluorescent light ballasts	Capacitors	Reactors
Fujinomiya Factory	459	23	0
Ashitaka Factory	419	17	2

Heavy electrical equipment with possible trace PCBs

Period of manufacture	No. of units
B	8
C	221
D	152

Period B: 1953-1972 (concurrent production with PCBs and new oil)
 Period C: 1973-1989 (concurrent production with new oil and regenerated oil)
 Period D: 1990-present (production with new oil only)

Green Procurement and Purchasing, Environmental Awards

To prepare for compliance with restriction under the EU's RoHS Directive, which starts from July 2006, Terumo has initiated a study on the product content of RoHS-designated hazardous substances. The company plans to increase its percentage of green purchasing, as by switching to low-emission vehicles. Terumo has also created an in-house commendation system that awards environmental conservation activities.

Green Procurement

Complying with European Regulations on Chemical Substances in Electrical and Electronic Equipment

From July 2006, the EU will restrict the use of mercury, lead, cadmium, hexavalent chromium, PBBs and PBDEs in electrical and electronic equipment under the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive. Although Terumo-made electronic medical equipment is currently not subject to this directive, we

reasoned that Terumo might be late in complying if action is delayed until final decisions are made, and for that reason we initiated a study in autumn 2003 on the inclusion in products of designated hazardous substances with the cooperation of the companies supplying parts for Terumo products exported to Europe. Our study uses the Japan Green Procurement Survey Standardization Initiative's standard format. Based on information gathered, Terumo will move forward with preparations for a sound response before the RoHS

Directive is enforced.



The Japan Green Procurement Survey Standardization Initiative's Survey Response Format

Green Purchasing

Terumo practices green purchasing in line with guidelines it has established for manufacturing processes, office supplies and other equipment. Results for FY2003 appear in the table at right. Terumo intends to increase its green purchasing percentage.

Green purchasing in FY2003 (thousands of items; yen)

Sites	Data type	Total	Eco Mark product breakdown		Breakdown of products conforming to green purchasing		Green Mark product breakdown	
			Y total	%	Y total	%	Y total	%
Head Office and Sales offices total	Purchase quantity	23	9	40%	11	48%	1	6%
Factory total	Y total	9,324	2,744	29%	3,121	33%	554	6%
	Purchase quantity	45	19	42%	20	44%	4	8%
	Y total	21,423	6,293	29%	7,129	33%	1,113	5%

*Eco Mark is a registered trademark of the Japan Environment Association; Green Mark was established by the Paper Recycling Promotion Center.

Low-Emission Vehicles

As of March 31, 2004, Terumo's company fleet numbered 884 vehicles, of which 304 were ultra-low-emission vehicles, accounting for 34.4% of the fleet.

Low-emission vehicle fleet

Vehicle type	No. of vehicles
Ultra-low-emission vehicles	304
Low-emission vehicles	2
Transitional low-emission vehicles	89
Others	489
Total	884



One of Terumo's ultra-low-emission vehicles

Company Environmental Awards

Terumo has created a company environmental award system for measures and activities that achieve exemplary results for environmental conservation. In FY2003, TMC/TCVS Maryland was the first overseas site to win an award.



Members of the TMC/TCVS Maryland Factory team



Members of the Ashitaka Factory team

Award year	Name of award	Winning group and reason
FY2000	Environmental Contribution Award	Ashitaka Factory Environment Committee, for raising waste recycling rate and saving energy
	Environmental Effort Award	Shonan Center Environment Committee, for a 727-k ϵ energy reduction
FY2001	President's Award	Fujinomiya Factory Production, 2nd Division, for reducing the division's water use
	Division Manager's Award	Kofu East Factory Protection Section, for environmental conservation activity promotion in Kofu
FY2002	President's Award	Environmental Hormones Project, for its work on a strategy for replacing DEHP* with TOTM** in products
	Division Manager's Award	Fujinomiya Factory Production, 1st and 2nd Divisions water use reduction project, for reducing factory water use
FY2003	President's Award	Ashitaka and Suruga factories' environment committees, for environmental measures at their factories
	Division Manager's Award	TMC/TCVS Maryland Factory, for environmental measures
		Ashitaka Environment Committee, for attaining zero emissions

* Di-(2-ethylhexyl) phthalate
 ** Tris (2-ethylhexyl) trimellitate

TOPICS Anticipated Emergencies

Terumo's domestic factories are all sited in areas requiring enhanced measures against Tokai-region earthquakes, and conduct training for secondary damage prevention that also anticipates earthquakes.



General disaster-prevention training

Training drills

Type	Description	No. of participants	Notes
General disaster-prevention	Evacuation	2,872	Factories, Head Office, research center
Emergency communication	Emergency contact network	66	Factories
Fire extinguishing	Use of fire extinguishers and hydrants	378	Factories, research center
Lifesaving, first aid	Lifesaving classes, first aid and stretcher use	61	Factories, research center
Respirator, escape chute	Escape chute and respirator use	41	Factories
Satellite telephone use	Use of mobile satellite telephone	120	Factories

Developing Environmentally Friendly Products

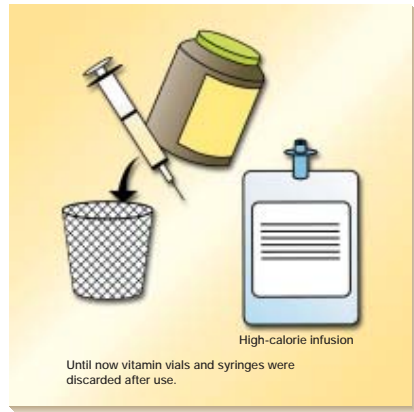
Terumo healthcare products feature not only design that accords care for safety, but also consideration for mitigating their environmental burdens. Terumo endeavors to respond to society's needs by developing products that are friendly to the healthcare specialists and patients who use them and also to the Earth.

●High-Calorie Infusion

The high-calorie infusion used to provide nutrition to postoperative patients has conventionally comprised a base solution into which is mixed amino acids, an electrolyte, vitamins and other substances.

Terumo and Tanabe Seiyaku Co., Ltd. jointly developed a product which allows the mixing of all these preparations with a simple action, thereby making it possible to generate less waste such as vitamin vials and syringes.

Furthermore, CO₂ emissions arising from distribution and storage can be cut because the product does not require refrigeration during storage or transport.



●Prefilled Syringes

As a way of simplifying the technique for handling syringes and alleviating the burden on healthcare institutions, Terumo markets prefilled syringes that already contain their preparations. Waste vials are eliminated because syringes are already filled.

Terumo shall continue providing products for safe healthcare and concentrating its efforts on developing products that excel in making healthcare economical as well.

Features of Prefilled Syringes

- 1) They help prevent nosocomial infections. Prefilled syringes lower the risk of bacterial infection when performing mixed injections.
- 2) They prevent drug mix-ups. These syringes help prevent use of the wrong drug because they already contain the preparation and are labeled with its name.

- 3) They help make hospitals more efficient. Prefilled syringes contribute to greater efficiency because busy pharmacists and nurses are relieved of tasks such as preparing instruments and mixing drugs.



●Terumo's Efforts for Recycling Rechargeable Batteries

Terumo is a member of the limited liability middle corporation Japan Portable Rechargeable Battery Recycling Center (JBRC; formerly the Small Secondary Battery Recycling Promotion Center).

In FY2003, we recovered a total of 6,428 kg of Ni-Cd batteries, Ni-MH batteries, Li-ion batteries and small sealed lead-acid storage batteries, and in FY2004 we will continue to promote the recycling of small rechargeable batteries.



●Electronic Blood Pressure Monitors: Eliminating Mercury from the Healthcare Scene

Since 1992, when Terumo began marketing bedside electronic blood pressure monitors for hospitals, we have been helping eliminate mercury from the healthcare scene. As about 70 to 80% of the blood pressure monitors employed in hospitals are still the mercury type, little progress has been achieved in this area.

Electronic blood pressure monitors have

●Reusable Packaging for Transporting Equipment

In 2002, Terumo started changing to reusable packaging especially for electronic medical equipment that is lent to healthcare institutions for demonstrations and to substitute for equipment being repaired. Bulky packaging required to assure the quality of precision equipment was a serious problem because of the resulting waste, making it necessary to save storage space and reduce waste by switching to reusable packaging.

After exploring a number of such packaging types on the market, we concluded that the best course of action was to develop reusable packaging suited to Terumo products jointly with Hypertech Japan Co., Ltd. In deciding the specifications it was important to ensure that precision instruments would not

had a number of problems, such as uneven readings and difficulty in reading the blood pressure of patients with weak pulses. Terumo has been working on better products that solve these problems with a new measurement principle we developed. In autumn 2004, we began a new type of electronic blood pressure monitor and more actively contribute to the elimination of mercury from medical care institutions.



malfunction because of problems with the cushioning material. Changing the material through repeated transport tests allowed us to create a material that is adequate to the task.



This packaging won the Chairman of Japan External Trade Organization Award in the Japan Packaging Contest 2003 (sponsored by the Japan Packaging Institute).

TOPICS Eliminating PVC from Blood Pressure Monitor Arm Bands: No-Compromise Development

Thanks to our companywide drive to eliminate PVC, there was little use of the substance in our electronic healthcare equipment. In fact, the use of PVC in the processing stage was limited to the arm bands of electronic blood pressure monitors.

PVC for arm bands was used in three parts: the air bladder sheet material, the tube for connection to the monitor unit and the nozzle that links them. PVC was replaced comparatively early in the sheet material and

tube, but making a PVC-free nozzle was a serious challenge because it was the only injection molded part, and it would not even assume the right shape when using a PVC substitute.

Timing our schedule to match the marketing of a new consumer blood pressure monitor, we gathered information from inside and outside our factories and tried molding it over and over again. After finding the right material and partially redesigning the mold, we

finally created a consumer arm band that does not use PVC. Although this nozzle weighs less than a gram and is not the sort of part that garners much attention, it turned out to be the product of much expertise. While this project was prompted by our companywide effort to eliminate PVC, keeping this pledge also allowed us to change our environmental awareness and gave the engineers know-how for future benefit.



Initiatives at Overseas Sites

Terumo's environmental conservation activities are not restricted to Japan, but also pursued vigorously at overseas sites in Europe, the United States and other places. In addition to reductions in energy and water use, management of chemical substances, encouragement of waste recycling and other efforts, we also conducted reviews at our overseas sites starting in FY2003.

Initiatives at Overseas Sites

● Terumo Medical Corporation, Terumo Cardiovascular Systems Corp. (Maryland Factory)

Achievements in FY2003

1) Reductions in electrical energy and water use

- To reduce electricity consumption we took the following initiatives:
 - Installed energy efficient refrigerant air dryers.
 - Incorporated air compressors and dryers into compressed air management system to optimize control that is responsive to changes in demand and reduces electrical use.
 - Converted to electronic fluorescent light ballast.
 - Utilized VFD cooling towers for both space conditioning & process chilled water and initiated systems to monitor electricity consumption.

These efforts have achieved steady progress, reducing electricity use by 16% and natural gas use by 20% from the previous fiscal year. Water use was reduced by 4% from the previous fiscal year thanks to automatic faucets and flush valves.

2) Reducing emissions of HCFC-141b and VOCs*

The insulin syringe manufacturing line completed the switchover from HCFC-141b to heptane, which is not regulated, for a reduction of 92% from the previous fiscal year. Also, a review of manufacturing processes for reducing emissions achieved a 37% cut in use of the regulated VOC isopropyl alcohol from the previous fiscal year.

*VOCs: Volatile organic compounds

- Environmental management activities in the U.S. The manager of facilities engineering promotes these activities in cooperation with the environmental compliance managers at Terumo Group sites in the U.S. (Ann Arbor, Tustin and Ashland).

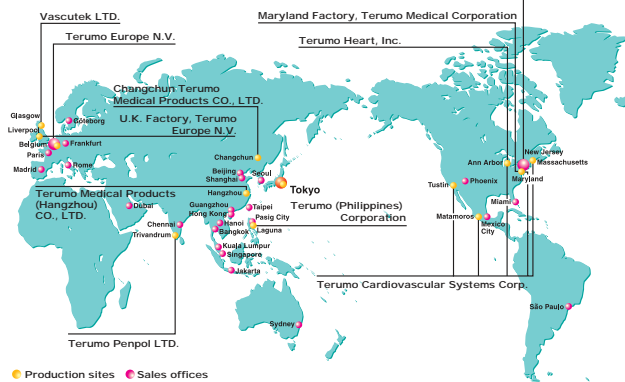
Activities to Benefit Society

Since 1994, the Maryland Factory has participated in the Adopt-A-Highway Program, in which employees pick up litter from the highway near their factory.



Picking up litter from the highway near the factory

■ Overseas sites



Reviews at Overseas Sites

In October 2003, we visited Terumo Europe N.V. (Belgium), and in March 2004, Terumo Medical Corporation (Maryland) and Terumo Cardiovascular Systems Corp. (Maryland, Michigan and California), where we conducted on-site reviews of compliance with environmental laws and regulations, the efficient use of resource, energy conservation, and recycling.

● Terumo Europe N.V. (Belgium)

Reviewer: One person from Terumo Head Office
Result: No noncompliance issues found

Terumo Europe confirmed that (1) it will respond to upcoming regulations on schedule, and (2) it will maintain communication with the Head Office regarding product-related environmental regulations (RoHS, WEEE and battery directives).

● U.S. Sites (Two Corporations, Four Sites)

Reviewers: Three persons (two from Terumo Head Office, one from Terumo Europe)

Result: No noncompliance issues found

The Maryland Factory was switching from HCFC-141b to heptane and it was making progress on efforts to reduce total VOC emissions to below the level stipulated by regulations.

It was confirmed that sites manufacturing electronic equipment must consider collecting information and otherwise study European environmental regulations.



Chemical substance management
The platforms on which these containers are placed have mesh tops that prevent the spread of contamination even if the chemicals leak.



Waste plastic for material recycling



Review in progress at an overseas site

■ Environmental performance

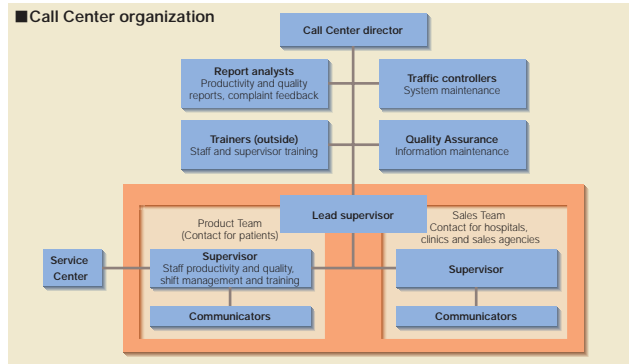
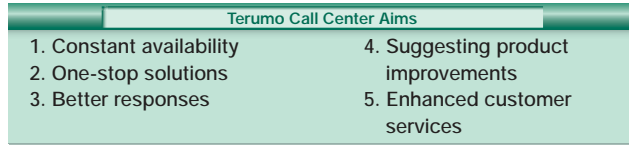
Site	Terumo Medical Corporation and Terumo Cardiovascular Systems Corp.	Terumo Cardiovascular Systems Corp.	Terumo Cardiovascular Systems Corp.	Terumo Cardiovascular Systems Corp.	Terumo Cardiovascular Systems Corp.	Terumo Europe N.V.	UK Factory, Terumo Europe N.V.	Vasctest LTD.	Terumo (Philippines) Corporation	Terumo Medical Products (Hangzhou) CO., LTD.	Changchun Terumo Medical Products CO., LTD.	Terumo Penpol LTD.	
Location	Maryland, U.S.A.	Michigan, U.S.A.	California, U.S.A.	Massachusetts, U.S.A.	Tamaulipas, Mexico	Leuven, Belgium	Liverpool, U.K.	Glasgow, U.K.	Manila, Philippines	Zhejiang Province, China	Jilin Province, China	Kerala, India	
Energy	Electricity	43,077MWh	6,336MWh	1,737MWh	894MWh	3,525MWh	34,300MWh	162MWh	1,857MWh	9,780MWh	9,271MWh	693MWh	2,216MWh
	Gas	783,453 m ³	10,209 GJ	447 m ³	14,817 m ³	—	84,176 GJ	137 m ³	5,937 GJ	—	71 t	—	9 t
	Water	60,219 m ³	6,113 m ³	61 m ³	864 m ³	2,156 m ³	71,696 m ³	290 m ³	13,849 m ³	35,000 m ³	288,792 m ³	35,485 m ³	31,947 m ³
Wastes	Wastes (municipal solid, industrial)	824 t	16 t	4,608 ft ³	83 t	—	1,036 t	—	1,770 yds ³	105 t	59 t	109 t	258 t
	Hazardous waste	88 t	11 t	11,040 lbs	427 lbs	15 t	174 t	—	3,000 ℓ	8,100 ℓ	10 t	—	—
	Recycled amounts	239 t	70 t	20,320 lbs	152 t	—	168 t	—	320 yds ³	400 ℓ	28 t	26 t	28 t

Communication

Terumo reaches out to its customers, employees, local communities, and society at large through active communication with them using a variety of communication tools such as environmental reports and in-house reports, participation in conferences and symposia, and other means.

Communication with Customers

● Terumo Call Center
 In April 2002, we integrated all our contact and inquiry numbers into the Terumo Call Center, which currently receives about 1,500 inquiries a day from healthcare institutions, clients and general customers. Our Call Center can gather customer opinions in greater numbers than any other company division, doing it faster and getting views straight from the callers. As representatives of the company, center communicators work in direct contact with customers and play the most important role of building a relationship of trust with them. Terumo Call Center communicators constantly endeavor to maintain good communication with customers, acting with the self-awareness and responsibility of those who serve as the primary interface between Terumo and its customers.



Communication with Employees

● In-House Communication Tools
 We believe that communication with our employees is vital. Because a company's brand is the creation of each and every employee, the awareness of each employee is a major force for change in the company. Terumo's in-house communication tools are the monthly video news, intranet information that is updated weekly and a quarterly pamphlet called *Terumore*. Video news is meant to imbue all employees with a shared business orientation and to change employee awareness. Our intranet is an information tool that provides the latest in-house news in a timely manner and *Terumore* broadens the lines of communication with content suited to both employees and their families.



Communication with Communities and Society

● Making Full Use of Environmental Reports, etc.
 Terumo facilitates communication with local communities and society at large by issuing a variety of publications including the *Environmental Report* and *Annual Report*, which are also posted on our website.



Website Address

-Environmental and Social Report
 -Annual Report
<http://www.terumo.com/>

● Tokyo Metropolitan Hospitals Association Environmental Conference
 At the October 2003 Environmental Conference of the Tokyo Metropolitan Hospitals Association, a Terumo representative gave a talk on our efforts to reduce the environmental burdens of Terumo product use. The main topics covered were:

- Lighter syringe weight
- Reduction of packaging
- Products that cut use of syringes and vials
- Switch to corrugated cardboard for cushioning material
- Products that facilitate handling of wastes, such as the lancet needles of blood glucose measuring devices with unexposed needles
- Site initiatives (separate collection, on-site check of waste management companies, etc.)



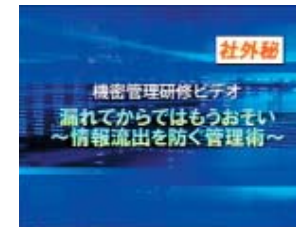
Tokyo Metropolitan Hospitals Association Environmental Conference

● Mount Fuji Charter Symposium
 The Mount Fuji Charter Symposium (sponsored by the Shizuoka Prefecture Department of Environment and Forests) held in November 2003 featured a presentation on efforts by Terumo's Fujinomiya Factory to reduce water use. The factory will continue to apply the four R's (reduce, replace, reuse and recycle) to water use and practice the effective use and conservation of water resources.



Mount Fuji Charter Symposium, "Mount Fuji Water" panel

● Video Learning
 In response to the information leaks occurring frequently these days, Terumo produced its own training video in October 2003 about security management, called "Plugging Leaks Before They Happen: Security Management for Preventing Unauthorized Information Disclosures." Made under the supervision of the Terumo Corporate Ethics Committee, the video's purpose is to ensure tight information security. Because all the people appearing in the video are Terumo employees, the video has been favorably received in the company as a new effort at encouraging compliance. The video presents a variety of situations that involve the risk of information leaks by Terumo employees in the course of their everyday jobs, with actual employees playing their own parts. Moreover, the video lets viewers learn the essentials of security management in a short time.



Frames from the security management training video

● Workshops on Manners and Department
 In November 2003, all sales offices in Japan held workshops on manners and department. Employees shared their own work experiences in this area and exchanged views with one another, which made these workshops into good opportunities to review their own department and service to customers. Observations made at the workshops were articulated as "Declarations on Manners and Department," which serve as goals for each office and some offices have launched independent initiatives.



Participants in a workshop on manners and department

Activities for Contributing to Society

At Terumo we believe that our social responsibility is none other than “contributing to society through healthcare.” We also promote a variety of other activities to benefit society, including help for disaster victims, blood donations and reforestation.

Contribution to Society

● Terumo Mount Fuji Reforestation

In August 2003, we held the first “Terumo Mount Fuji Reforestation” event with the NPO “Mount Fuji Natural Reforestation Group.” Fifty-plus participants cut grass and other undergrowth to help the growth of beech seedlings planted in a national forest. Thoughts from participants included, “It’s slow work that demands persistence, but it’s very meaningful and a change of pace. I



Mowing underbrush to help the forest grow

hope I can continue doing this,” and “I think that taking a personal interest in nature while still a child and participating in volunteer activities are very meaningful also in the sense of encouraging future participation in society.”



Terumo Mount Fuji Reforestation participants

● Tamagawa Cleanup Strategy

In November 2003, Terumo participated in the Tamagawa Cleanup Strategy hosted by Chofu City. Thanks to the good weather on that day, many participants from organizations in the Tama River watershed worked hard at picking up litter. The invigorating beautiful autumn day served as an opportunity to think again about the environment.



Tamagawa Cleanup Strategy participants

● Donating Blood

All sites conducted blood donations in 2003 and a total of 656 people gave blood. The breakdown was Fujinomiya Factory, 80; Ashitaka Factory, 108; Kofu Factory, 266; Shonan Center, 35; and Head Office, 167.

For 10-odd years of continued blood donations, the Shonan Center received a commendation for distinguished service in blood donation drives from the Kanagawa Prefecture chapter of the Japan Red Cross.

■ Blood donations and commendations

Site name	Times yearly	Commendations
Head Office	2	Silver merit award in 2000
Shonan	2	Gold certificate of appreciation in 2003
Fujinomiya	2	—
Ashitaka	2	Gold merit award in 2002
Kofu	3	Certificate of appreciation from Minister of Health, Labor and Welfare in 2000

● Gift of Light to Hospice

Since 1997, the Shonan Center has been putting Christmas lights on its building about a week before Christmas for inpatients at the Peace House Hospice (operated by the Life Planning Center Foundation) across the street from the center.

Every Christmas Eve the center also puts on a fireworks display and the families of hospice inpatients also come to enjoy the show.



Christmas lights and fireworks

● Summer Vacation Factory Tour

In August 2003, the Kofu Factory held a factory tour attended by 46 children from kindergarten to high school age. The visitors saw the large machines that make syringes and infusion sets.



Summer vacation factory tour

● Terumo Lifescience Foundation, Japan

The Terumo Lifescience Foundation, Japan was founded in 1987 for the purpose of assisting and promoting research in science and technology fields such as materials used in the life sciences, bioinstrumentation and pathological biochemistry. In FY2003, Terumo donated 20 million yen to the foundation.

Disaster Relief

● Earthquakes in Northern Miyagi Prefecture

In late July 2003, a series of strong earthquakes caused serious damage in northern Miyagi Prefecture. Terumo Sendai Branch personnel visited four disaster-stricken towns (Kashimadai, Nango, Kanan and Yamoto) immediately after the earthquakes, donating nutritional supplements and blood pressure monitors.

● Earthquake in Southeast Iran

A 6.7-magnitude earthquake occurred in southeast Iran in late December 2003. In the city of Bam near the epicenter, it affected about 120,000 people or half the city’s population. Terumo sent about 9 million yen in aid in the form of infusion sets, blood bags and other products.

TOPICS A Word from the Disaster Relief Coordinator (Northern Miyagi Earthquakes)

I saw the news and wanted to somehow help the people who had taken refuge in places like school gymnasiums. We donated nutritional supplements and blood pressure monitors in the hope that they would help people unable to eat or with high blood pressure due to stress. In Nango Town, we went directly to the evacuation shelters and delivered our assistance to the medical workers, who thanked us profusely.

While this is a minor instance, it’s an example of how benefitting society through healthcare can be done through people’s daily lives, not just through hospitals.

In July 2003, Terumo received the Corporate Ethics Award and “being a good corporate citizen” is fixed in the company’s code of conduct. We must always have that awareness so that we naturally spring into action when something happens.



Kaori Kai
Sendai Branch Manager
Hospital Company

Opening Facilities to Family Use

● Terumo Medical Planex

In October 2003, we held a family tour of Terumo Medical Planex (a facility at which Terumo works with healthcare institutions to develop cutting-edge technologies and give physicians technical training). Nearly 300 people came to try products and see inside places such as operating rooms. In the product area they were able to pass guide wires through model blood vessels, use sterile connecting devices and try other products. Not only family members, but

even some Terumo employees found themselves amazed by the technologies. People viewed cellular telephones with X-rays, operated endoscopes and did other things that would only be possible at Planex.



Participants in the family tour The Planex facility

Social Awards

During FY2003 Terumo received the following awards and commendations.

- Corporate Ethics Award
- IR Award for Excellence
- Certificate of Appreciation from the Meito Police
- Certificate of Appreciation from the Aichi Kidney Foundation
- Kanagawa Architectural Contest Award
- Three-R’s Promotion Council Chairperson’s Prize



Ceremony awarding the IR Award for Excellence



Certificate of Appreciation from the Aichi Kidney Foundation

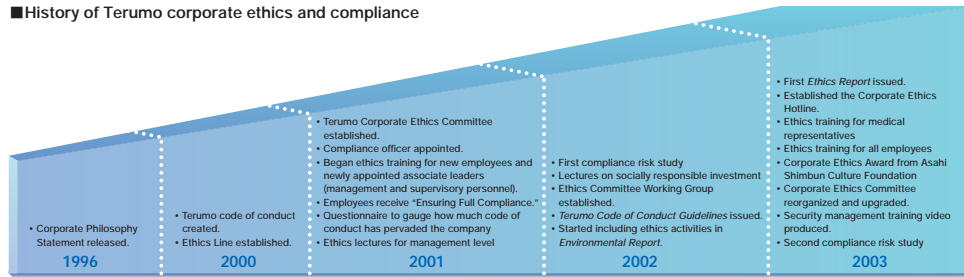
Outside Evaluations of Terumo

Ranking description	2003	2002	Companies evaluated
Nikkei corporate excellence ranking: evaluated from “size,” “profitability,” “safety” and “growth potential.”	99th	96th	About 2,300
Nikkei PRISM ranking: superior companies are evaluated from the four criteria of “flexibility and sociality,” “profitability and growth potential,” “research and development” and “youth.”	128th	112th	2,070
Asahi Shimbun Culture Foundation, benefit to society by influential companies	24th	41st	418
Nikkei environmental management ranking	150th	434th	1,772
Nikkei corporate brand value ranking	89th	84th	680
Nikkei Business, overall ranking for corporate governance	4th	—	2,259
Kobunsha Co., Ltd., comprehensive ranking of stock market-listed company websites	13th	—	2,664

Corporate Ethics and Compliance

Terumo believes that its corporate social responsibility is providing a stable supply of safe products and services of value to the healthcare scene throughout the world in keeping with the corporate philosophy of "contributing to society through healthcare." This conviction underlies Terumo's efforts to gain society's trust and support as a "good corporate citizen" by strictly observing laws and regulations and by continuing to run its business according to a high ethical standard.

History of Terumo corporate ethics and compliance



Corporate Ethics Hotline Established

Terumo created its Corporate Ethics Hotline in accordance with the slogans "Let's work together to improve the company" and "Let's create a culture of openness." Not only Terumo employees, but even temporary workers, can make broad use of this hotline to ask about or bring attention to issues and situations that raise concerns in view of Terumo's code of conduct. Hotline users may remain anonymous and can avail themselves of not only the hotline staff of five counselors, but also Terumo-retained lawyers who respond scrupulously while taking care to protect privacy and see that callers' interests are not compromised.

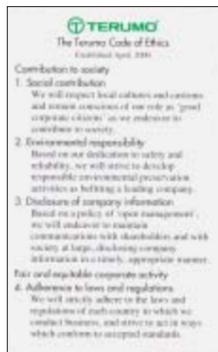
In FY2003, there were 22 inquiries in all, comprising five about administrative tasks, four about laws and rules (in-house and industry), 12 about Terumo's corporate culture, and one about another matter.



A Terumo intranet page (Corporate Ethics Hotline)

Terumo Code of Conduct

In April 2000, Terumo established its Code of Conduct, which in addition to 10 action guidelines unequivocally advocates that "any action which might violate the Terumo Code of Conduct must not be taken, even if taking it would benefit the company financially." Further, we have prepared the *Terumo Code of Conduct Guidelines* to help create a milieu in which employees gain a deep awareness of how important corporate ethics are.

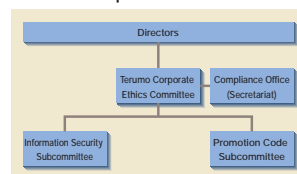


Pocket edition of the Terumo Code of Conduct

Promoting Compliance

In FY2001, we created the Terumo Corporate Ethics Committee to take charge of making corporate ethics and compliance an integral part of the way we operate. President and Compliance Officer Takahashi, then the vice-president, assumed the post of chairperson. The committee has enthusiastic discussions on matters pertaining to advancing corporate ethics and compliance using the concepts of "developing a sense of ethics among employees (changing people)" and "developing a culture of ethics and compliance (changing the organization)."

Terumo Corporate Ethics Committee



Corporate Ethics Education and Training

Terumo conducted the following ethics training.

- (1) Ethics training for new employees (Mar. - Apr.)
- (2) Ethics training for new associate leaders (Jul. - Aug.)
- (3) Ethics training for medical representatives (Apr., Sep. and Nov.)
- (4) Production of security management training video (Oct.)
- (5) Ethical training for all employees (Jul. - Dec.)

TOPICS Creation of Compliance Office

The Compliance Office was launched in April 2004. These days "compliance" is an essential part of running a business and ensuring compliance is seen as an important element of corporate social responsibility.

To further instill and consolidate Terumo's corporate ethics and compliance, our office has two missions: 1) To build and establish in practice a compliance program that is optimized to accord with Terumo's corporate culture, and 2) to help elevate our corporate value by informing people inside and outside the company about our compliance initiatives.



Shinichiro Nakajima
Director
Compliance Office

Personnel, Hiring, Worker Safety, Employee Welfare

Through respect for the individual and providing a safe environment that facilitates work, we endeavor to create a corporate culture in which individual employees can demonstrate all their capabilities and find meaning and pleasure in their work.

Respect for Human Rights

Terumo sees respect for human rights as being intimately related to corporate activities and the working environment and it actively works to enlighten employees in this area. In addition to regular training for directors and management, we also conduct training for new executives, training for newly hired personnel and other types of training in an effort to raise awareness of respect for human rights throughout the entire company. Terumo shall increase these efforts so that all employees become good corporate citizens with a good awareness of human rights not only on the job but also in their daily lives.

Relationship with Labor Unions

Terumo utilizes a union shop system and has two labor unions: The Terumo Labor Union organized under UI Zensen, and the All Terumo Labor Union organized under the Japanese Federation of Chemical, Service and General Trade Unions. As of March 31, 2004, Terumo Labor Union membership was 3,177 and All Terumo Labor Union membership was 59, a total of 3,236 that accounts for about 82% of our employees in Japan. Labor-management dialog is primarily through the Labor-Management Council, which discusses a variety of matters in an effort to make Terumo a better company.

Equal Opportunity

Employees' treatment is determined by their capabilities and performance and based on Terumo's own merit system, whose primary elements are no seniority, support for those who take on challenging tasks and more transparent evaluations, as well as the complete absence of gender discrimination in hiring, executive appointments, placement, wages and other areas. In recognition of our creation and encouragement of a personnel system without gender distinctions, in 2001, Terumo was awarded the Tokyo Labor Bureau Director's Prize, one of the commendations for promoting equal employment opportunity for men and women.

Additionally, our training programs aim to improve awareness not only of equal employment opportunity but also of sexual harassment.

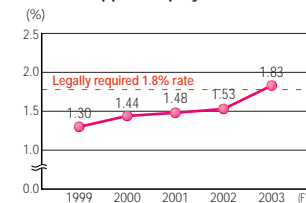


Material for training on sexual harassment

Employing the Handicapped

In FY2003, we had 50 handicapped employees, 24 of them seriously handicapped. Our handicapped employment rate of 1.83% exceeds the legally required 1.8%. Terumo shall continue to encourage the hiring of handicapped people and to create workplaces which are friendly to the handicapped.

Handicapped employee rate

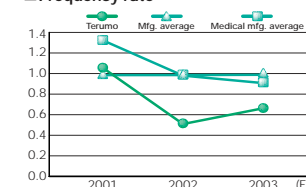


Occupational Safety and Health

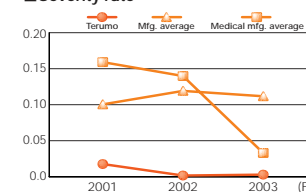
Terumo endeavors to make its workplaces safer and more pleasant, primarily through the monthly Safety and Health Committee meetings at each site. Each production shop runs a suite of zero-accident initiatives whose primary factory management aims comprise safe operation and quality improvements, as well as eliminating worker accidents.

In the area of driving safety as well, Terumo works to raise employee awareness not only from the perspective of employee safety, but also to have them become model drivers. All sites try to eliminate accidents and traffic violations by holding meetings, classes or voluntary activities on traffic safety at least once a month.

Frequency rate*1



Severity rate*2



Leaves and Vacations

To facilitate use of the childcare leave program, in July 2004, we extended the term to 18 months for special circumstances (plus another six months if there is no change in those circumstances) and added a child sickness nursing vacation (not more than five days a year). Additionally, since the introduction of the elderly nursing care program in 1992, employees have been eligible for a maximum of one year. Terumo has also introduced a lapsed paid vacation system and a half-day paid vacation system so that employees can work without concerns about getting time off when needed.

Employee Health

As a company in the healthcare field, Terumo helps its employees care for their mental and physical health in a variety of ways. In addition to legally required health examinations, measures for staying physically healthy include various checkups directed by health insurance associations, such as dental examinations and lifestyle reviews, as well as examinations for housewives, including other family members. Terumo also actively plans Virtual Walking Rally and other programs that are enjoyable for participants and uses them to raise awareness about health.





Additional efforts include the creation of an outside office that provides telephone health consultations, while efforts to ensure mental health include lectures and training sessions for employees by industrial physicians and other specialists, establishment of an outside consultation office and other initiatives with emphasis on prevention.



Virtual Walking Rally

*1 "Frequency rate" is the number of deaths and injuries due to labor accidents per million hours worked, and indicates the frequency with which accidents occur.
Frequency rate = (deaths and injuries due to labor accidents / total actual hours worked) × 1 million hours

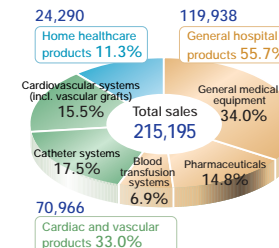
*2 "Severity rate" is the number of working days lost per 1,000 hours worked, and indicates the severity of injuries.
Severity rate = (total working days lost / total actual hours worked) × 1,000 hours

Year	Timeline of Environmental Activities	Timeline of Social Activities
1995		<ul style="list-style-type: none"> Video version of Terumo News launched. On-call team created. 
1996	<ul style="list-style-type: none"> Eliminated use of controlled CFCs (Kofu Factory). Started producing new infusion sets with plastic spike. Eliminating metallic spike facilitates in-hospital sorting and incineration. 	<ul style="list-style-type: none"> Corporate Philosophy Statement released.
1997	<ul style="list-style-type: none"> Environmental Management Department created. Started cogeneration (Kofu Factory). Switched from LPG to natural gas (Fujinomiya and Ashtaka factories). Completely phased out heavy oil use. 	<ul style="list-style-type: none"> On-call team's name changed to "Customer Service Team." Tackle a Challenge System instituted. ACE public offer launched. Shonan Center started Christmas decorations.
1998	<ul style="list-style-type: none"> Made syringes smaller and lighter, thereby reducing syringe waste weight by about 25%. Started changing copy paper to recycled paper. 	<ul style="list-style-type: none"> Terumo Expert System (reemployment system) introduced. R&D center set up exhibit on history of artificial heart (later moved to Terumo Medical Planex).
1999	<ul style="list-style-type: none"> Terumo Environmental Policy established. Began cogeneration (Fujinomiya Factory). Started switching to recycled paper for catalogs, specification change notices, etc. Started eliminating PVC from home-use CAPD bags. Changed to polypropylene, which does not emit toxic gas when incinerated, and cut waste weight by 40%. 	<ul style="list-style-type: none"> Work rules and regulations revised (additions such as banning sexual harassment).
2000	<ul style="list-style-type: none"> Environment Committee established. Cogeneration starts (Ashtaka Factory). Started to commission Japan Containers and Packaging Recycling Association to recycle containers and packaging. Began phasing in container and packaging identification and material labeling. Internal environmental audits launched. Diesel sales vehicles totally phased out. First annual <i>Environmental Report</i> issued (continued every year since). 	<ul style="list-style-type: none"> Terumo Code of Conduct established. Ethics Line created. 
2001	<ul style="list-style-type: none"> Shut down incinerators (Ashtaka and Kofu factories). Stopped use of PCB-containing equipment, put all in storage. Child-use infusion set made with non-PVC materials put on market. Employees and families participated in Mount Fuji cleanup (Fujinomiya area). 	<ul style="list-style-type: none"> Terumo Corporate Ethics Committee established. Began ethics training for new employees and newly appointed associate leaders.
2002	<ul style="list-style-type: none"> Phased out benzene and chloroform at Kofu Factory. Incinerators removed (Ashtaka and Kofu factories). Mount Fuji cleanup (Kofu and Fujinomiya areas) Observation wells drilled (for monitoring groundwater quality at Kofu Factory). Infusion set using plasticizer replacing DEHP was put on market. 	<ul style="list-style-type: none"> Terumo Call Center launched. Terumo Medical Planex completed. Ethics Committee Working Group established. <i>Terumo Code of Conduct Guidelines</i> issued.
2003	<ul style="list-style-type: none"> Zero emissions achieved (Ashtaka Factory, Head Office). Switched from LPG to natural gas (Kofu Factory). Reviews performed at overseas sites. Terumo Mount Fuji reforestation launched. 	<ul style="list-style-type: none"> Corporate Ethics Hotline started. Security management training video made.
2004		<ul style="list-style-type: none"> Compliance Office opened.

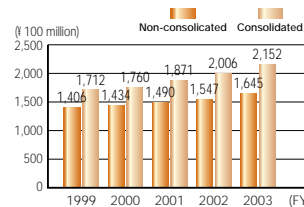
Company Profile

Company name: Terumo Corporation
Date of establishment: September 17, 1921
Paid-in capital: 38,716 millions of yen
Net sales (consolidated): 215,195 millions of yen (year ended March 2004)
Chairman & CEO: Takashi Wachi
Number of employees: 9,094 (non-consolidated: 4,040; as of March 2004)
Head Office: 44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
 Tel.03-3374-8111 (from overseas:+81-3-3374-8111)
Main business: Manufacture and sales of medical products and equipment, including pharmaceuticals, nutritional food supplement, blood bags, disposable medical devices, artificial organs, medical electronic and digital thermometers.
Corporate Stock: 1st section of Tokyo Stock Exchange (No. 4543)

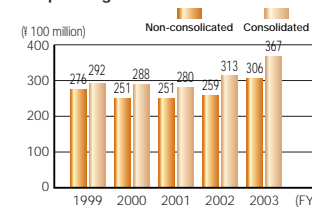
Breakdown of sales amount by product line (¥ million)



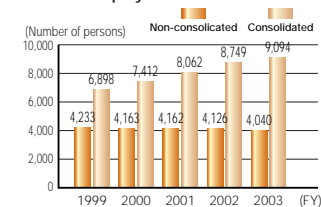
Net sales



Operating income



No. of employees



Sites in Japan

Head Office: 44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo
Terumo Research & Development Center (Shonan Center): 1500 Inokuchi, Nakaimachi, Ashigarakami-gun, Kanagawa Prefecture
Fujinomiya Factory: 818 Misonotaira, Fujinomiya City, Shizuoka Prefecture
Ashtaka Factory: 150 Maimaiki-cho, Fujinomiya City, Shizuoka Prefecture
Kofu Factory: 1727-1 Tsukiji Arai, Showa-cho, Nakakoma-gun, Yamanashi Prefecture



Head Office



Shonan Center



Fujinomiya Factory



Ashtaka Factory



Kofu Factory



Terumo Corporation

44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
<http://www.terumo.com/>

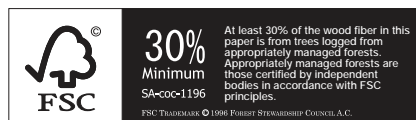
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