

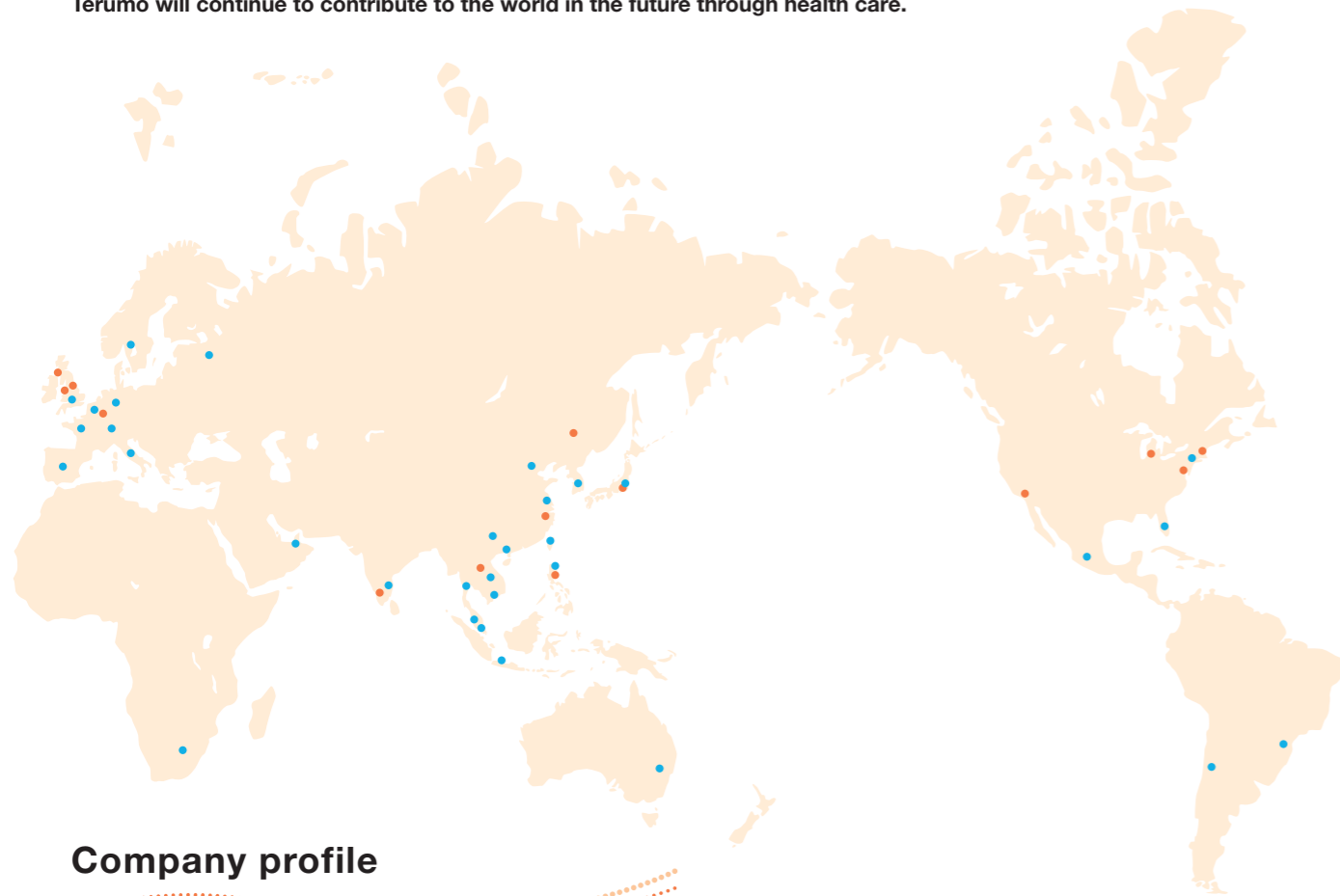


Social and Environmental Report 2008



Business Overview

Terumo products are produced and sold throughout the world, and are used in over 160 countries worldwide. Terumo will continue to contribute to the world in the future through health care.



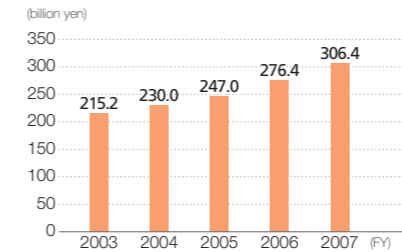
Company profile

Company name: TERUMO CORPORATION
Date of establishment: September 1921
Paid-in capital: 38.7 billion yen
Net sales: 306.4 billion yen (FY 2007 consolidated)
Representative Director & President: Akira Takahashi
Number of associates: 12,322 (as of the end of March 2008)
Head office: 44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
 TEL: +81-3-3374-8111
Main business: Manufacture and sales of medical devices and equipment and pharmaceuticals
Corporate stock: 1st Section of Tokyo Stock Exchange

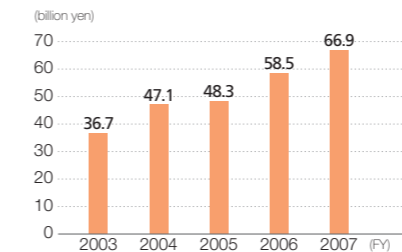
Legend:
 ● Factory (20)
 ● Sales and Representative office (77)
 (as of the end of March 2008)

Corporate data (consolidated)

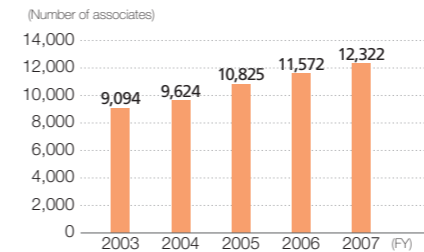
Net sales



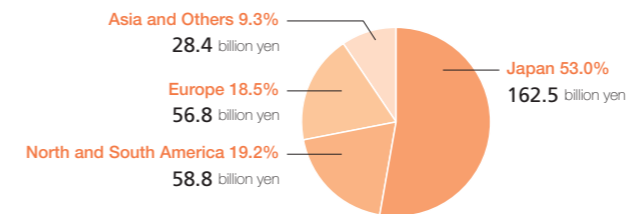
Operating income



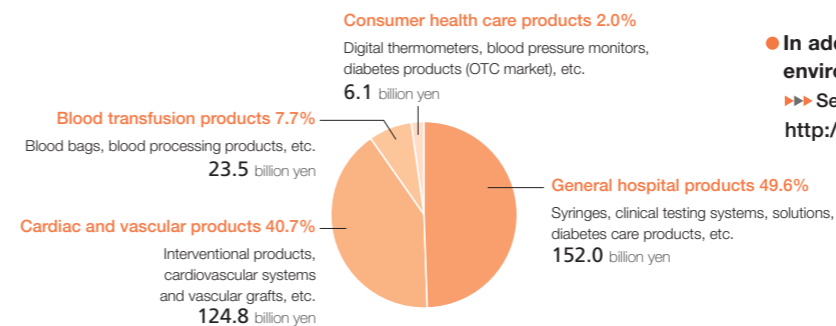
Number of associates



Net sales by region (FY 2007)



Net sales by segment (FY 2007)



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● In addition to this report, we provide information on our environmental activities on our Web site.
 ▶▶ See "Collection of Data" of Social and Environmental Report
<http://www.terumo.co.jp/English/company/environment.html>

President's Message

Making More Valuable Efforts to Achieve People- and Environment-Friendly Health Care

Taking further actions to solve environmental issues

In recent years, our planet's environment has undergone dramatic changes. Environmental issues such as the pollution of natural systems and global warming are in the news almost every day, along with stories about skyrocketing prices of resources. The businesses that prosper in these circumstances will be those that address these issues as part of their everyday management.

Terumo is committed to tackling environmental issues head-on and we have already made significant efforts to conduct our business activities in a more environmentally friendly way. In fiscal 2006, as a result of our efforts to promote energy conservation and waste reduction at factories, we achieved zero waste emissions at each of our domestic sites. Additionally, as an integral element of our development of safe and reliable medical devices and equipment, we have strived and found ways of reducing not only the amount of waste created during production, but also that which will be created when the product is disposed of after use. In fiscal 2008, we set a medium- to long-term goal of a 50% reduction in CO₂ emissions per sales unit compared to fiscal 1990 over the next five years and have commenced business activities based on this goal.

However, we still need to do more. Measures to deal with environmental issues have little meaning unless we continue to implement them over the long term. We need to consider these issues from the perspective of five years or ten years into the future, or even 50 or 100 years and take measures that:

- have enduring environmental benefits;
- are truly worthwhile and can be repeated or continued into the future in a responsible manner.

We approach these tasks with determination and a genuine will. We are committed to continuing to develop products within the framework of established environmentally friendly standards and carry out bold technological innovations from an environmental perspective, including the development of medical devices and equipment using non-petroleum-based materials.

For Terumo, 2008 is the year we accelerate our efforts to deal with environmental issues with the genuine and ambitious aim of becoming the most environmentally friendly company we can be.

People-friendly health care will eventually improve the environment

Terumo's corporate philosophy, "Contributing to Society through Health Care", has not changed since the company was founded in 1921. Having adopted the phrase "people-friendly health care" to describe our vision, we are now striving to realize it.

Based on our aim of reducing the strain of medical treatment and surgery on patients as much as possible, we have developed and commercialized a host of different products, including injection needles that cause less pain and intervention systems that enable minimal invasive therapy techniques to be employed. In 2007, we commenced selling "DuraHeart," a ventricular assist system that allows patients who would otherwise be confined to hospital beds to stay in their own homes, in Europe.

We believe that people-friendly health care means providing patients with medical devices and equipment that relieve their pain and enable them to live as normal a life as possible with a view to maintaining their overall quality of life.

We also believe that to realize people-friendly health care, it is important not only to develop products but also provide health-care services. One such example is our comprehensive medical training facility, Terumo Medical Pranex, which we expanded in 2007. The facility provides training programs in which physicians and other health care professionals can learn about advanced health-care technologies and team-based health care using the latest medical equipment.

For health care to bring the most benefits all relevant parties—including medical professionals, companies and patients—need to cooperate. We believe that to make this possible it is important to have a comprehensive perspective that looks beyond the development of medical devices and equipment. With this in mind, we have designed training programs at the Terumo Medical Pranex to equip physicians with advanced techniques for employing the minimum invasive medical devices and procedures and for working with their patients to minimize the burden on patients. As well as the physical benefits, shortening the length of a patient's stay in hospital reduces health care expenses, costs borne by the patient and the amount of waste. When this cycle is fully operational, it will mean

the creation of a truly people-friendly health care system has been accomplished.

We believe a people-friendly health care system will have positive effects on social productivity and eventually lead to more environmentally friendly health care. This is another dimension to our motivation for continuing our pursuit of people-friendly health care in the future.

Promoting business activities on a larger global scale using valuable human resources

People are the driving force behind the initiatives and philosophies mentioned above. At Terumo, we have always held associate-oriented management as one of our management policies.

Needless to say, we are also dealing with environmental issues by effectively channeling the drives and interests of our individual associates. In fiscal 2008, we launched a program called "Green Projects," under which we conduct activities related to environmental issues. Based on various themes, such as the development of environmentally friendly products, the reduction of waste, and the reduction of CO₂ emissions in business activities, our associates take the initiative to promote projects.

At Terumo, we value all our associates, regardless of the national or linguistic borders that seem to divide us. On that basis, all associates and medical experts are making concerted efforts to realize people- and environment-friendly health care. This is Terumo's social responsibility. We are committed to continuing to engage in corporate and social contribution activities from a broader perspective while pursuing genuinely high-quality product manufacturing in the future.



Akira Takahashi
Representative Director & President

Corporate Policy

Corporate Philosophy

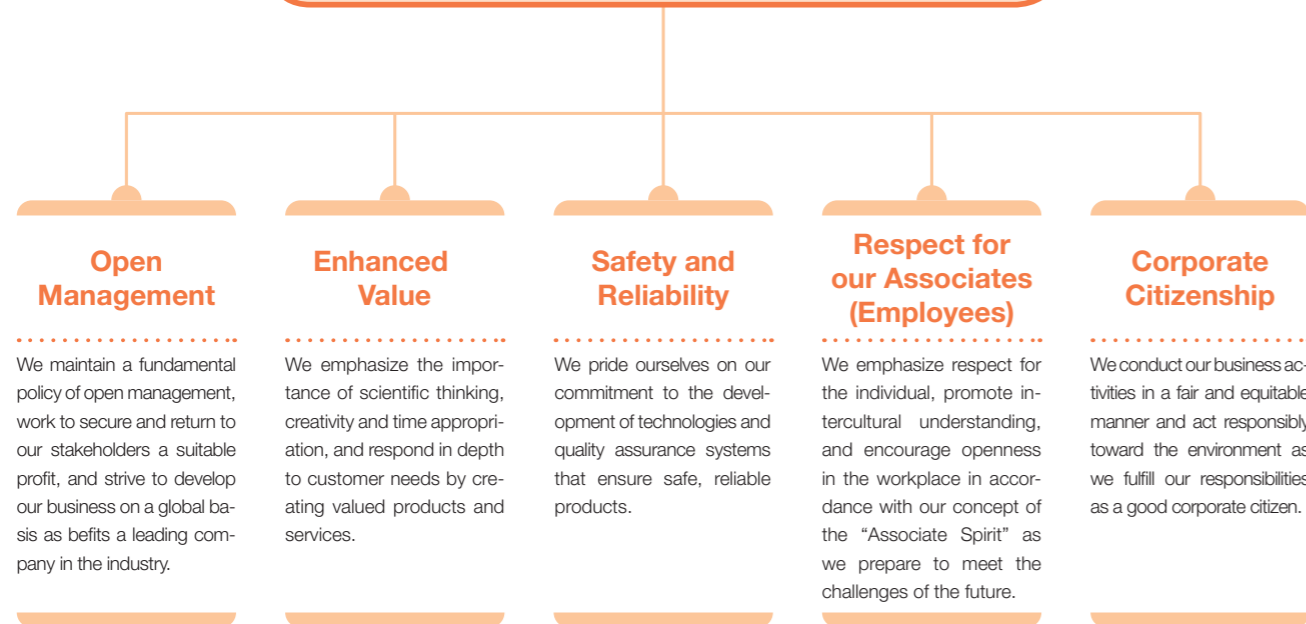
Contributing to Society through Health Care.

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

Vision

Terumo's unique technology makes medical treatment gentler and easier to bear.

Five Statements (Terumo's Code of Conduct)



Associate Spirit

At Terumo, we believe that our employees are our most valuable assets. For this reason, we call our employees "associates." With the "Associate Spirit," which contains four key concepts put forward by associates themselves in 1996, each of our associates pledges to independently tackle new challenges, leverage the power of the team through mutual respect, and offer customers higher levels of quality and service.

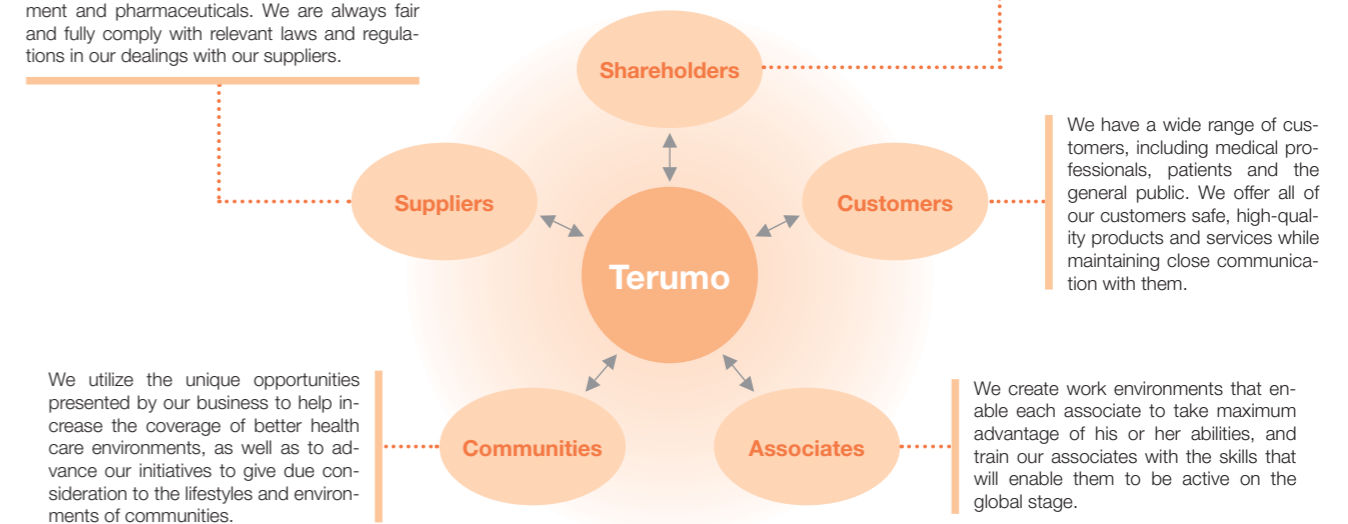


Terumo's Stakeholders

Terumo's business activities are supported by a range of different people in different roles. All people who interact with or are affected by Terumo, including the people who use our products, are our stakeholders. We will continue to maintain close communications with our stakeholders as we grow with them in the future.

At Terumo, we consider our suppliers to be important partners. We work together to provide safe, high-quality medical devices and equipment and pharmaceuticals. We are always fair and fully comply with relevant laws and regulations in our dealings with our suppliers.

We are committed to continually improving our corporate value by offering valuable products and services at medical institutions, based on corporate citizenship, open management and fair and honest business practices.



Left Ventricular Assist System Prolongs Lives



Heart disease is the second leading cause of death in Japan

About 1,100,000 people died in Japan in 2007. Malignant neoplasm (cancer), heart disease and cerebrovascular disease are respectively the first, second and third most common causes of death. Heart disease including myocardial infarction and heart failure accounted for about 16%, or 175,000*1, of the total number of deaths. The enactment of the Law on Organ Transplantation in Japan in 1997 permitted heart transplant operations to be carried out for the first time; however as of July 2007 only about 45 patients had actually received heart transplants.

In the United States, where cutting-edge medical technology is available to treat heart disease, patients with mild or serious heart disease account for about 2 to 3% of the population (about 6,000,000 people). According to our own survey, more than 50% of patients with serious heart disease die within one year if they are left untreated.

About 2,200 patients undergo heart transplant operations every year in the United States. Although such operations are frequently carried out in that country, the number of patients requiring heart transplants far exceeds the number of donors. In these circumstances, researchers have been engaged in the development of an artificial heart that can act as a substitute for or assist the living heart. This is an effective way of saving the lives of many patients suffering from heart disease.

*1 Source: 2007 Overview of Total Annual Data Based on Vital Statistics Monthly Report (approximate figures), Ministry of Health, Labour and Welfare.

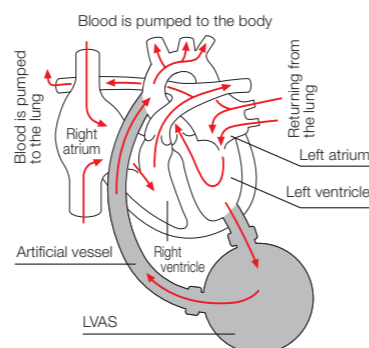
Artificial heart prolongs life

The heart is a vital organ that pumps blood to supply the entire body. It is made up of two atriums, right and left, and a right and left ventricle. The blood pumped from the left ventricle flows through the body and returns to the right atrium. The blood pumped from the right ventricle flows through the lungs and returns to the left atrium. Human beings first began development of an artificial heart by attempting to simulate these cardiac functions.

In the initial stage, researchers focused their investigations on the total artificial heart, a mechanical system that could be permanently implanted in place of the living heart. In 1958, in the United States, Dr. Tetsuzo Akutsu implanted an artificial heart in a dog that survived for one and a half hours afterward. Also in the United States, in 1969 at the Texas Heart Institute, a total artificial heart was implanted in a human being for the first time. It provided total cardiac support for 64 hours until a suitable donor heart could be located. This led to the concept of the mechanical heart acting as a temporary "bridge" to provide additional time for patients waiting for a donor heart to become available.

Further research brought to light the

Mechanism of the heart and LVAS and blood flow



Thanks to Terumo, patients suffering from serious heart disease who would normally be confined to bed can return home where they can spend time with their families and even move around. We developed DuraHeart*1, the world's first magnetically levitated centrifugal left ventricular assist system (LVAS), in line with our goal to try and help save and prolong as many lives as possible. After practical development that lasted 12 years, the company finally launched the product in Europe in 2007. The history of the development of the LVAS is also the story of the general progress of "people-friendly health care."

*1 DuraHeart is the trade name used in Europe.

knowledge that we could leave the living heart in place and recover cardiac function for 80% of patients by assisting the left ventricle, which, according to our research, is generally the area under the most stress. Researchers have since focused their efforts on the development of the LVAS.

LVAS "assists" the heart

The first-generation LVAS developed in the 1970s was extracorporeally connected to a power unit as large as a compact refrigerator, which meant the patient was confined to hospital after the operation. Because the pulsatile flow system that pumped blood in time with the heart beat caused undue stress on the device, during the development of the second-generation LVAS following the 1990s, more efforts were directed to establishing a system that enabled

continuous blood flow. Eventually, the second-generation LVAS came to incorporate a miniaturized axial-flow pump that continuously pumped blood using an impeller.

In the 2000s, researchers further developed the continuous flow pump for the third-generation LVAS. In this system, the impeller was levitated, eliminating the need for the contact bearing.

Further development was aimed at controlling thrombus formation and creating a compact artificial heart that assured a stable blood flow.

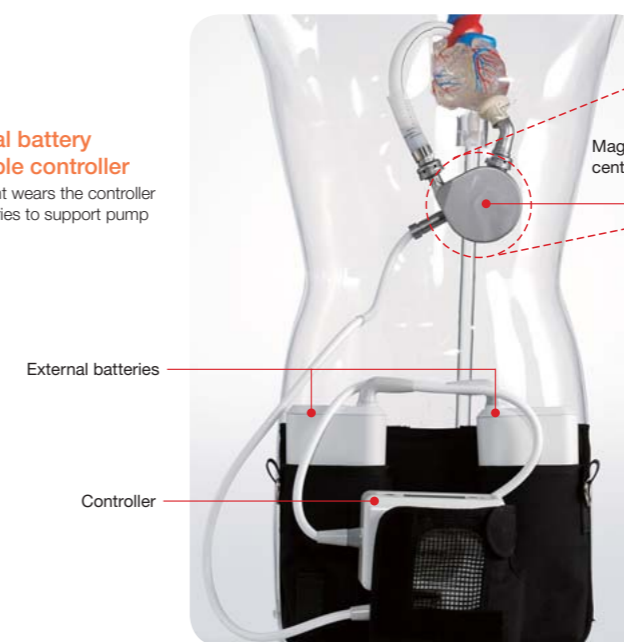
Terumo began development of an artificial heart

As might be expected from a company that considers "Contributing to Society through Health Care" to be its corporate mission, Terumo's ambitions to develop a life-saving artificial heart have been strong.

Mechanism of Terumo's heart assist device DuraHeart®

External battery Wearable controller

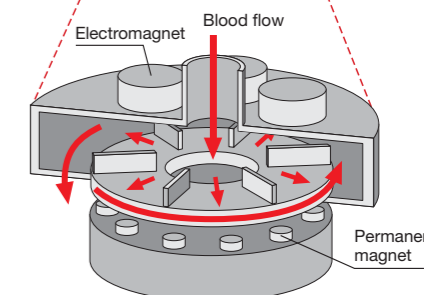
The patient wears the controller and batteries to support pump function.



Magnetically levitated centrifugal pump

Magnetically levitated centrifugal pump

The pump is fixed to the left ventricle to assist blood circulation. The impeller is levitated in the center.



Inside the centrifugal pump

The impeller in the blood chamber is sandwiched between the electromagnet and the permanent magnet. The impeller, which is suspended and rotated by a magnetic force, pumps the blood. Because it is suspended, the impeller causes no mechanical friction.

History of the Artificial Heart

1935	1958	1963	1980	1994	1995	1997	1998	2000	2002
American aviator Charles Lindbergh develops the first prototype artificial heart.	Dr. Tetsuzo Akutsu, in the United States, implants an artificial heart in a dog and succeeds in keeping the animal alive for one and half hours.	Dr. DeBekey starts clinical application of the heart assist device in the United States.	The artificial heart is first used in Japan in a patient at Mitsui Memorial Hospital.	In collaboration with Prof. Teruaki Akamatsu, who devised the magnetically levitated centrifugal pump, and NTN Corporation, Terumo launches its development project.	Terumo participates in a project to develop an implantable artificial heart system sponsored by the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry) and begins basic research.	The Law on Organ Transplantation is enacted in Japan.	Experiment in which an animal survives 864 days is successfully conducted.	The development team is transferred to Terumo's U.S. agent.	The U.S. Food and Drug Administration provisionally approves the application for permanent use of heart assist devices.

First, we attempted to invent a technology that would enable the centrifugal pump in the cardio-pulmonary bypass system^{*1}, which we ourselves developed, to be applied to the artificial heart. The company directed its attention to the joint research project promoted by Dr. Teruaki Akamatsu, a former professor of Kyoto University who devised a magnetically levitated centrifugal pump, and NTN Corporation, a precision instrument and bearings manufacturer. The possibility was suggested that this technology could serve to control thrombus formation, the most challenging problem. So, in collaboration with NTN, Terumo began development of the new pump in 1994.

^{*1} **Cardio-pulmonary bypass system:** A device that acts as a substitute for both the heart and the lung by pumping blood and exchanging gases and which is used mainly during major cardiac or vascular surgery that can only be carried out when the heart beat is stopped.

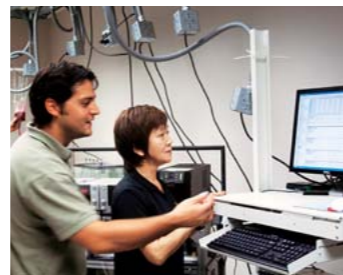
Magnetically levitated centrifugal pump

Magnetic levitation is the process by which the impeller is pushed upward and levitated using a magnet. Based on a principle similar to that of the linear motor system, the impeller rotates in time with a permanent-magnet motor and the centrifugal force enables the blood to flow smoothly. We conducted research into this system based on the expectation that eliminating the shaft and preventing contact with the impeller would reduce blood damage.

In 1995, Terumo was the main corporate player to participate in the NEDO^{*1} national project for basic research on implantable artificial heart systems, which was sponsored by the former Ministry of International Trade and Industry and completed in 2000. In 1998, we conducted a successful experiment in which we used the initial



We hold regular meetings to explore all the possibilities



We repeat experiments and collect data to improve safety and develop more useful products



We occasionally hold small parties at the workplace to help build team unity

DuraHeart model on a sheep, which survived for 864 days. Following this, we completed a prototype demonstrating the concept and design of the magnetically levitated centrifugal pump, which was the result of several years of developmental efforts.

In 1999, Terumo made a formal determination to commercialize the magnetically levitated centrifugal left ventricular assist system.

^{*1} **NEDO:** New Energy and Industrial Technology Development Organization.

Commitment to assurance of safety and ease of use

Terumo transferred the project for the development of the artificial heart to its U.S. agent in 2000 and later, in 2003, established a new company, Terumo Heart, Inc., as its wholly owned subsidiary. The new company stepped up efforts to produce a smaller and lighter pump, including adopting durable titanium as the main component material. The company also promoted the further development of more than 20 component parts, including the attached controller and battery as well as the artificial heart itself, in recognition of their key roles in the overall functioning of the device.

A patient who has undergone an artificial heart implant must carry out daily maintenance of the system themselves. For this reason, the artificial heart should be designed to assure ease of use as well as, of course, absolute safety and continuous operation.

With this point in mind, the weight of the controller and battery has been reduced to that of laptop computer and these parts can easily be carried in shoulder bag, providing the patient with added mobility.

It was a long process of repeated trial and error, for high safety, reliability and usability and in the end the DuraHeart system was finally completed.

Events related to Terumo

2003	2004	2007	2008
Terumo Heart, Inc. is established.	A clinical trial on DuraHeart starts in Germany.	Terumo begins marketing DuraHeart after acquiring CE Marking in Europe.	A clinical trial on DuraHeart starts in the United States.



All associates at Terumo Heart, Inc. attended the departure of the first shipment to Europe

World events

Marketing begun in Europe in 2007

We started the clinical trial of the DuraHeart system in Germany in 2004 and acquired CE Marking^{*1} in February 2007. We then launched DuraHeart on the European market in August 2007, 50 years after Dr. Akutsu first implanted an artificial heart in a dog.

The artificial heart provides great hope for patients suffering heart disease who have no choice but to wait for a donor heart. Although DuraHeart is currently used as a temporary "bridge" to provide additional time for a heart transplant to take place, we are also aiming to develop a next-generation artificial heart for prolonged use.

^{*1} **CE Marking:** A European standard mandatory for certain classes of products to be marketed in EU member states. It indicates conformity with the essential health and safety requirements set out in European (EU/EC) Directives.

Further contribution to society through health care

Twelve years were spent creating the DuraHeart. As with the development of other products and as a prerequisite for all its business activities, Terumo based this development on our corporate mission of "Contributing to Society through Health Care."

We have demonstrated that medical devices and equipment that have the capacity to innovate health care practices and methods make a valuable contribution to the saving of patients' lives. We remain committed to continuing to develop such products.

Terumo is committed to helping patients with heart failure to receive care at home by supplying them with artificial hearts. Terumo Group's self-declared mission is to contribute to health care.



Chisato Nojiri, MD, Ph. D

Senior Executive Officer
Chairwoman and Chief Executive Officer,
Terumo Heart, Inc.

Chisato Nojiri has been engaged in the development of DuraHeart since the beginning and has demonstrated strong initiative and responsibility in leading the project.

As a heart surgeon, I have seen many patients who could not be saved by medical technology. "People-friendly health care" is an apt description for medical technology that provides patients with serious heart failure with an artificial heart so that they can receive care at home. It is our mission to bring about such medical technology.

We have about 130 associates at Terumo Heart, Inc. The most important thing for us is team power. Just like the DuraHeart system, which is made up not only of the pump but also the controller and monitoring console, we need every member of the team to contribute if we are to achieve success. We encourage all our associates to always remember that they are part of a team.

One of our greatest rewards comes when we learn that a patient who has been implanted with a DuraHeart has recovered to the point where he or she is able to live a normal life.

The Terumo Group will continue to make concerted efforts to contribute to health care in relation to artificial hearts and their peripheral devices with which we as a company are so familiar. If Terumo has a single mission, I'm convinced that this is it.



With a patient who underwent a DuraHeart implant

Targets and Achievements of CSR Activities

We have expanded the content of our management, social and environmental performance initiatives and publish their details, achievements and our own evaluations of them in this section.

Looking to the future, we will continue to push forward with social contribution and environmental protection activities, and disclose information about them as a good corporate citizen.

Legend: ○: Target accomplished △: Part of the target not yet accomplished ×: Target not yet accomplished —: Not relevant

Initiative	Relevant Page	Voluntary Targets (Medium to Long-Term Targets)	Results for FY 2007	Evaluation for FY 2007	Initiatives for FY 2008
Management Performance					
Internal control initiatives	13-14	● Continually review and develop internal control system.	● Reviewed internal control system.	○	● Continually review and develop internal control system (establishment of the "Code of Conduct of the Terumo Group").
Promoting compliance	14	● Continue compliance training.	● Provided compliance training to new graduates, mid-career hires and new managers.	○	● Continue compliance training.
Social Performance					
A highly accessible call center	17	● Maintain rate of over 95% of incoming calls answered within 2.5 seconds.	● 96.7% of incoming calls answered within 2.11 seconds.	○	● Maintain rate of over 95% of incoming calls answered within 2.5 seconds.
Promoting employment of disabled workers	—	● Maintain a disabled-worker employment ratio of 1.8%.	● 1.89% disabled-worker employment rate as of end of March 2008.	○	● Maintain a disabled-worker employment ratio of 1.8%.
Promoting occupational safety	—	● No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.	● Zero work-related deaths or serious injuries in FY 2007 (zero in previous year); 14 other work-related accidents (eight in previous year). Frequency rate ^{*1} : 1.75785, Severity rate ^{*2} : 0.00072	△	● No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.
Career advancement of female associates	—	● Train and promote associates based on skills and performance, without gender bias.	● Women make up 2.9% of management positions (as of end of March 2008).	△	● Train and promote associates based on skills and performance, without gender bias.
Promote fair hiring	—	● Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.	● Educated hiring managers and created manuals.	○	● Continue to practice fair hiring and educate hiring managers.
<p>^{*1} Frequency rate: The number of casualties due to industrial accidents divided by hours worked and multiplied by 1,000,000. ^{*2} Severity rate: Total days lost due to industrial accidents divided by hours worked and multiplied by 1,000.</p>					
Environmental Performance					
Determine the environmental impact of our business activities	—	● Quantitatively determine the environmental impacts of development, production and sales activities.	● Continued to conduct environmental impact assessments. ● Investigated substitutes for HCFCs ^{*1} .	△	● Continue conducting environmental impact assessments. ● Continue to investigate substitutes for HCFCs.
Encouraging volunteer activities	26	● Encourage volunteer activities.	● Implemented the Terumo Mt. Fuji Reforestation Project (natural reforestation using native tree varieties). ● Supported volunteer activities, including participation in Tamagawa River Cleanup Campaign (Tokyo) and Umezawa Beach Cleanup (Kanagawa).	○	● Continue to implement and support volunteer activities, including the Terumo Mt. Fuji Reforestation Project.
Facilitating environmental communication	26, 30	● Publish social and environmental reports. ● Conduct initiatives for Environment Month.	● Published the <i>Social and Environmental Report 2007</i> . ● Environment Month initiatives (all factories in Japan involved in cleanup of garbage in local areas). ● Posted special features on Environment Month on corporate intranet. ● 1,908 associates voluntarily participated in eco programs. ● Held seminars on environmental laws. ● Presented environmental awards.	○	● Publish the <i>Social and Environmental Report 2008</i> . ● Conduct initiatives for Environment Month. ● Continue eco programs with employee involvement.
Environmentally friendly products	27-28	● Remove mercury from health care practice. ● Respond to regulations of different countries.	● Promoted sales of blood pressure monitors to hospitals. ● Achieved compliance with Chinese RoHS directive. ● Promoted the development of products compliant with RoHS directive. ● Achieved compliance with Taiwanese battery regulations. ● Recovered and recycled used small rechargeable batteries.	○	● Continue to develop products compliant with RoHS Directive and to build an assurance system.
Using resources and energy effectively	29-30	● Reduce CO ₂ emissions by 25% from FY 1990 level by FY 2010 (per sales unit).	● Reviewed the voluntary target and changed it to "Reduce CO ₂ emissions per sales unit by 50% from FY 1990 level by FY 2012." ● Reduced CO ₂ emissions per sales unit by 35% from FY 1990 level. ● Joined Team Minus 6% campaign and carried out in-house Eco Campaign.	○	● Start activities based on the reviewed voluntary target. ● Continue to investigate energy utilization at our overseas sites.
Waste reduction	31	● Reduce the amount of landfilled waste to less than 1% of the total amount of waste at all sites in Japan, with the exception of sales offices.	● Continued zero waste emissions ^{*2} at production sites (Fujinomiya, Ashitaka and Kofu Factories), R&D Center and Head Office in Japan.	○	● Continue to reduce the amount of landfilled waste to less than 1% of the total amount of waste at all sites in Japan, with the exception of sales offices. ● Expand the use of electronic manifests in Japan.
Pollution prevention	32	● Maintain dichloromethane emissions of no more than 99 tons.	● Emissions of dichloromethane were 76 tons. ● Carried out voluntary measurement of ethylene oxide density at boundaries of facility grounds.	○	● Maintain dichloromethane emissions of no more than 99 tons. ● Continue voluntary measurement of ethylene oxide density at boundaries of facility grounds.
Establishment of environmental management systems	33	● Maintain compliance with Terumo Environmental Management System in all factories and the R&D Center in Japan.	● Continued to maintain Terumo Environmental Management System at factories and R&D Center in Japan. ● Introduced Terumo Environmental Management System at group production sites in Japan. ● Carried out compliance and performance audits at factories, R&D Center and group production sites in Japan.	○	● Continue to maintain Terumo Environmental Management System at factories, R&D Center and group production sites in Japan. ● Conduct environmental audits at factories, R&D Center and group production sites in Japan.
Compliance with environmental laws and ordinances	33	● Confirm compliance with laws, ordinances and agreements relating to environmental protection, as well as rigorous legal compliance overseas.	● Carried out internal environmental audits in Terumo (Philippines) Corporation. ● Began making preparations for achieving compliance with REACH and other chemical regulations outside Japan.	○	● Conduct internal environmental audits at our overseas sites. ● Continue to achieve compliance with REACH and other chemical regulations outside Japan.

^{*1} HCFCs (Hydrochlorofluorocarbons): An alternative for chlorofluorocarbons. ^{*2} Zero waste emissions: The amount of landfilled waste is below 1% of the total amount of waste produced.

Corporate Governance and Internal Control

In its Code of Conduct, Terumo refers to “Open Management” and “Corporate Citizenship.” To ensure fair and sound corporate activities and maintain the trust placed in us by society, Terumo is committed to enhancing its corporate governance and establishing internal controls based on its corporate philosophy, “Contributing to Society through Health Care.”

Sound and Transparent Management System

Directors, the Board of Directors and the Executive Officer System

Terumo considers improving the soundness and transparency of management to be the foundation of corporate governance. We ensure that three of the thirteen board members are independent directors in order to enhance the auditing and decision-making of our board of directors. We have also eliminated our responsible director postings, creating two categories of director: director and representative director. The main duties of directors are deciding company-wide management policy and supervising business processes. Meanwhile, we have expanded our executive officer system. Executive officers are responsible for business execution, based on positions in accordance with work responsibilities.

Compensation and Nominating Committee

We have created a Compensation and Nominating Committee including independent directors, which examines recommendations for candidates for director, assessments of director performance and compensation proposals, with the goals of making management more transparent and objective.

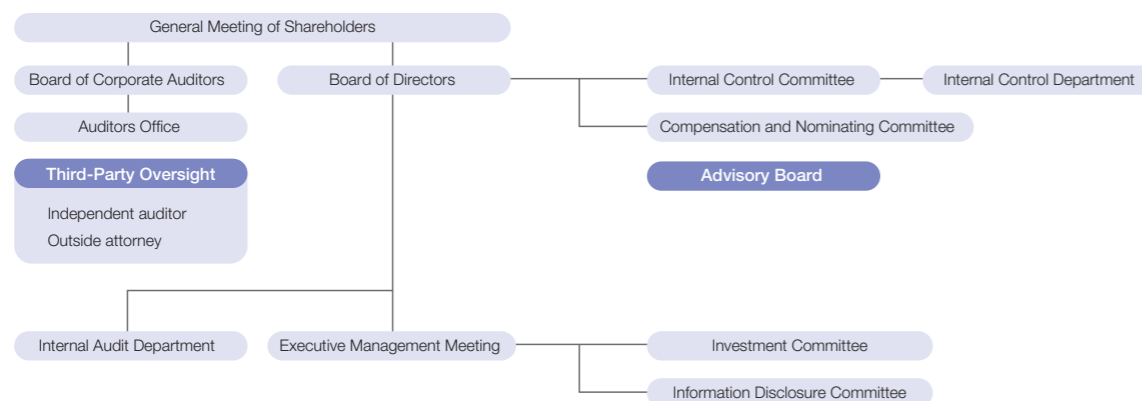
Auditor's Audits and Internal Audits

Our Board of Corporate Auditors, which consists of two internal corporate auditors and two external corporate auditors, oversees the direction and operation of corporate governance and endeavors to ensure daily management practices, including those of the board of directors, are appropriate. The Board of Corporate Auditors holds monthly reporting meetings with the Internal Audit Department, overseen by our internal auditors, and can request reports on internal audits to enhance its ability to cooperate with the Department. In addition, the Board of Corporate Auditors holds meetings with accounting auditors about seven times a year to actively exchange opinions and information and requests reports on the implementation processes of audits as needed to maintain a system under which accurate audits will be implemented.

Creation of an Internal Control System

The Board of Directors approved a Basic Internal Control Policy in accordance with the Companies Act in 2006. Based on the policy, we set in place the Code of Conduct of the Terumo Group as the standard for all business activities. The Internal Control Committee and the Internal Control Office, a division specializing in internal control that serves as the secretariat of the Internal Control Committee, play the leading roles in the establishment and improvement of the compliance system, information-storage management system, risk-management system, management efficiency system, internal control systems of Terumo Group and the validity of corporate auditor audits.

Corporate Governance Structure



Efforts to Ensure Compliance

Terumo's corporate philosophy, “Contributing to Society through Health Care,” is the goal not only of the company but of all associates. We will continue to conduct fair and honest business practices based on strict legal compliance and corporate ethics and thereby maintain our position as an ethical health care company.

Compliance Promotion System

Compliance with Code of Conduct of the Terumo Group

To go further toward meeting social expectations, in April 2008 we established the “Code of Conduct of the Terumo Group,” which sets the standard for the conduct of daily activities for all associates within the Terumo Group, including overseas companies. The Code of Conduct states that “each associate must conduct business activities fairly, take responsible action for environmental conservation and make consistent efforts to enable the company to become a role model reliable corporate citizen.” All our associates have signed a Code of Conduct of the Terumo Group Declaration and we have created an environment that encourages them to recognize the importance of corporate ethics. We also clearly state and thereby promote the need to respect human rights and eliminate discrimination in our Rules of Conduct.

Compliance System

The Internal Control Committee deliberates important issues from the perspective of compliance. We endeavor to enhance compliance by having all associates sign a Code of Conduct of the Terumo Group Declaration, promoting the use of an internal reporting system, and implementing internal audits by the Internal Audit Department.

Corporate Ethics Hotline

In 2003, we created a Corporate Ethics Hotline, operating under the mottoes “all associates improving the company together” and “creating a culture of openness.” This whistleblower hotline program is open to all associates—both permanent and temporary without distinction—wishing to voice concerns over or seek advice regarding the details or status of the Code of Conduct of the Terumo Group. Associates can contact the hotline on an anonymous basis via telephone, e-mail, postal mail and other means, and we have established a system to ensure that the privacy of those using the hotline is protected and they are also protected from being penalized or punished.

Respect for Bioethics

Respect for life is our top priority in our evaluation and development of medical devices and equipment and pharmaceuticals. We are committed to practicing both good ethics and good science not only by observing all relevant laws and public guidelines, but also establishing our own internal regulations.

We have created an internal committee on animal testing for research and development and product evaluation. The committee educates associates, reviews testing plans, ensures the appropriateness of experiments and confirms their completion, and oversees feeding, care, management and in-house health checks of animals to achieve the three R's*1 stipulated in the 2005 revision to the pertinent law, as well as the fourth 'R': Responsibility.

*1 The principle of the three R's: The three R's stand for Replacement (with research that does not use animals), Reduction (of numbers of animals), and Refinement (reduction of suffering felt by animals). Russell and Burch first advocated this principle in 1959, stating that it is vital for researchers to consider and examine the three R's fully when conducting research. The 2005 revision to Japan's Act on Welfare and Management of Animals states this principle explicitly.

Communication with Customers

Our customers include medical professionals, patients and other general consumers who are concerned about their health.

As a manufacturer of medical devices and equipment, we believe that it is our role and responsibility to provide products that contribute to the achievement of safe, high-quality, people-friendly health care. Maintaining open and honest communications with our customers forms a part of that responsibility.

Terumo Medical Pranex™

We opened a comprehensive medical training facility named "Terumo Medical Pranex" in 2002 as a place to realize the creation and extension of people-friendly health care. In 2007, we built a new "East" building, which houses simulations of a hospital and home environment as well as the latest training equipment. This new facility has enabled us to provide training programs to deal with increasingly advanced and complex medical treatments and technologies. The Medical Pranex also provides a meeting ground where Terumo employees—whom we refer to as our "associates"—can communicate directly with medical professionals. This communication helps us to continue to improve our products and develop new medical devices and equipment that match the needs of medical professionals. The new addition to the Medical Pranex has been attracting a great deal of attention and the number of people who have visited has already reached 10,000 only a year after its opening.



"East" building of Terumo Medical Pranex

Equipment and capabilities very similar to those of an actual medical institution

Situated on an expansive property, the Terumo Medical Pranex is a group of facilities that reproduce the forefront of clinical practice and provide practical training to medical professionals including working physicians and nurses, students and Terumo associates.

Hospital Studio

The Hospital Studio reproduces an actual clinical setting complete with an ICU, operating rooms, wards and a nurses' station. Various training programs that help participants to become aware of the risks present when ordinary actions are performed are conducted here. Specifically, we attach sensors to the physicians



An authentic reproduction of a working hospital

and nurses and analyze their lines of movement and also record video footage of training that trainees can view and examine repeatedly and objectively.

Simulator Zone

Training is essential for learning new medical techniques. The Simulator Zone is equipped to provide training in advanced medical treatment using interventional training equipment we have developed ourselves, such as precise silicon models of blood vessels inside the brain and heart and intravenous injection simulators. We provide extremely focused practical training to teach trainees advanced techniques that increase their skills significantly.



Coils for treating neuro aneurysm

Simulation Home

Home health care—health care provided at the patient's home rather than at a hospital—is becoming more common. To increase the safety of medical treatments provided at home, such as peritoneal dialysis and home oxygen therapy, it is necessary for providers to get an understanding of the daily lives of their patients. Playing the role of the patient, participants spend several hours in the Simulation Home, going about their normal home routines. Nurses who make home visits carry out role plays with these simulated patients and their advice and guidance is assessed and evaluated.



Training for home health care

Practical training system

Providing participants with the latest medical techniques in surroundings well-furnished with equipment, we offer a variety of training courses, ranging from courses for administering intravenous and other injections to repair and maintenance to skills training conducted in cooperation with academic societies.

Training in administering intravenous and other injections

Administering intravenous and other injections accounts for approximately 30% of near-miss incidents^{*1} in medical institutions. Our training program for administering intravenous and other injections teaches basic skills for using syringes, IV administration lines and infusion pumps in an appropriate manner as a component of day-to-day procedures. Approximately 1,000 nurses and others participate in this program every year.



Training in administering intravenous and other injections

Intervention training

Endovascular intervention^{*2} treatment, which imposes less burden on patients, requires advanced techniques. In the intervention training, participants learn the basic principles of and techniques for treatment, using simulators and under the guidance of experienced physicians. The Japanese Society of Interventional Radiology (JSIR) and Terumo have regularly co-organized the "Summer Academic Seminar of the Japanese Society of Interventional Radiology," which attracts about 40 participants every year, since 2003. The seminar has now become a JSIR-authorized program.



IVR³ training

Medical representatives expand the range of communication

Terumo's medical representatives (MRs) are responsible for liaising with medical professionals, including physicians and nurses. They visit hospitals and provide necessary information for the correct use of Terumo products as well as information about the latest medical developments. In addition, MRs ascertain the current issues faced by medical professionals and related needs and share them with the relevant divisions within the company so that they can be reflected in the development and improvement of products. In this way, MRs play an important role by acting as a bridge between medical institutions and Terumo. Recently, our MRs have begun conducting activities designed to meet the administrative needs of medical institutions, including health care safety and improving the efficiency of health care.

Terumo Medical Pranex provides in-house training programs to foster the professional development of MRs and equip them with the skills they need to provide customers with specialized information in an appropriate manner.



MR training in the operating room

Staff Comment

Training programs that satisfy needs

Sanae Hoshino

Program Manager
Terumo Medical Pranex™



We have recently begun offering an increasing number of "multiple task" and "team work" training programs. The first prepares participants for dealing with situations in which various events occur simultaneously while the second teaches physicians, nurses and technicians how to cooperate effectively when dealing with sudden changes in a patient's condition. These kinds of behavioral-level programs that teach participants to make assessments based on their knowledge and then act using learned techniques are an important part of training. First-hand experience helps participants to become aware of what they need to do in a given situation and then act appropriately. In the future, we are planning to develop new programs centering on awareness training, including a trainer education course in relation to the administration of injections, and will continue to provide training programs that satisfy the needs of participants.

^{*1} Near-miss incidents: Incidents that, with a single wrong move, would have resulted in a serious accident.

^{*2} Endovascular intervention: A minimal invasive therapy whereby a hole of a few millimeters in diameter is made in the skin and interventional systems are inserted into blood vessels to treat diseases of the brain, heart, blood vessels or digestive organs.

^{*3} IVR: Interventional radiology: generally refers to a therapeutic application of the radiation diagnostic technique. IVR is a medical treatment whereby the practitioner inserts interventional systems into the patient's body while viewing X-ray photographs, ultrasonic images, CT images, etc.

Communication with Customers

Listening to what our customers have to say

Terumo Call Center

The Terumo Call Center receives about 1,500 calls per day from customers including general consumers, patients, medical institutions and agents, reflecting our product range, which includes those designed for medical institutions, general consumers, patients receiving home medical care and more. To ensure that inquiries related to each of these classes of products are addressed promptly and appropriately, they are responded to by call center staff with expertise in the particular field.

All new call center staff undergo two to four weeks of initial training, which is followed up by monitoring checks and level tests twice a year, as well as training to update their knowledge. Our call center staff are committed to maintaining and improving this service to the satisfaction of all customers, and ensuring that urgent inquiries, such as those related to patients receiving health care at home, are responded to around-the-clock.



Inquiries are addressed by staff with specialized knowledge

Collaboration with pharmaceutical companies

Terumo's customers are not limited to hospitals and agents. We also collaborate with pharmaceutical companies around the world.

For example, Terumo Europe N.V. deals with more than 20 leading pharmaceutical companies around the world. Terumo provides these companies with a stable supply of needles, syringes and other medical devices and equipment that includes safety features, and the pharmaceutical companies deliver these products together with vaccines and pharmaceuticals to medical institutions and to patients who self-administer injections.

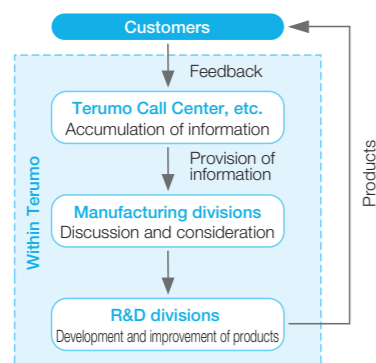
In 2007, Terumo was presented with Best Supplier Award by a European pharmaceutical company in appreciation of our high-quality products and the fulfillment of our undertaking to provide a stable supply.

We are committed to continue to provide our customers with this kind of added value in the future by undertaking similar collaborations.



"B to B Team" members of Terumo Europe N.V.

Mechanism for utilizing customer feedback



Reflecting customer feedback in our products

We feed back customer comments and their reported product needs to the relevant divisions within the company, keeping a record of them as an important guide for product development. We also conduct regular discussions in which we consider customer feedback and tie it in to specific product development.

Safe and easy-to-use products

We believe one of Terumo's most important roles is to increase the safety of health care. We endeavor to reduce the often hidden risks present in medical treatment by developing medical devices and equipment that are less likely to be prone to human error and accidents as part of an ongoing effort to promote efficient health care.

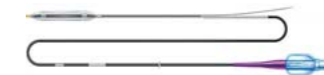
IV solution product with a safety feature called "Safe Gate™"

In the past Terumo strived to enclose two or more solutions in one container in advance to eliminate the possibility of medical professionals forgetting to mix the medicines when they administer intravenous injections. However, it was discovered that enclosing multiple solutions in one container gave rise to a new risk whereby if the container's dividing walls were not opened before the intravenous injection was administered the patient would not receive the correct solution. Therefore, in 2006 we developed and launched an electrolyte fluid for IV infusion containing amino acid and vitamin B1 that incorporated our unique container mechanism called "Safe Gate," which prevents the solution from being administered unless the dividing walls within the container have been opened. Since vitamin B1 is mixed into the fluid in advance, it is also expected to correct vitamin B1 deficiencies. This product also reduces and streamlines the tasks undertaken by medical professionals.



Terumo's unique container structure, "Safe Gate™"

treatment using fewer catheters, leading to a reduction in surgery hours and thereby lessening the physical damage suffered by the patient. In addition, the product is very cost-effective.



PTCA balloon catheter



Improved flexibility and strength with a thinner balloon

Products that connect home and health care

Medical devices and equipment for continuing treatment at home must be safe, reliable and easy-to-use. When developing new products, Terumo gives the needs of patients the highest priority.

Oxygen concentrator

Patients with respiratory failure receive home oxygen therapy using oxygen concentrators. Because these are powered by electricity, patients expressed concern about the possibility of power failures during natural disasters.

In 2007, therefore, Terumo launched a home-use oxygen concentrator with a built-in battery. The internal battery, which automatically comes online in the event of a power failure, can provide power for up to 2.5 hours. It also offers audio guidance in the form of alarms and updates relating to operation such as "The battery is low," and "The set-feed rate is three liters."



Internal battery provides patients with peace of mind

Products that put less strain on patients' bodies

Minimal invasive therapy using interventional systems and other new technologies minimizes the physical damage suffered by patients when compared to ordinary surgery and also reduces the mental strain and economic burden on patients.

PTCA balloon catheter

Previous PTCA balloon catheters*1 were not adaptable to different sized blood vessels or types of thrombus formation and it was not unusual to use several catheters on a single patient. Terumo developed a PTCA balloon catheter that can be used with various types of therapies by improving the materials and the way the balloon is folded. It has therefore become possible to provide

*1 PTCA balloon catheter : Medical device that is used to widen a clogged blood vessel by inflating a balloon at the tip of the catheter.

Quality Initiatives for Safe and Secure Products

Maintaining quality is an important responsibility for companies involved in health care and is the foundation of Terumo's corporate value. At Terumo, all associates are committed to improving the quality of products and services to enable our customers to use our products safely and with peace of mind.

Quality assurance system that meets international standards

In 1995, we established a quality management system to meet strict international standards in response to European medical device directives. This system blended one that is capable of meeting global requirement with the advanced quality assurance system based on the existing pharmaceutical GMP (Good Manufacturing Practice)^{*1} standard. In later years, Terumo obtained ISO13485^{*2} certification. As international standards and the Pharmaceutical Affairs Act continue to be revised and put into effect, we are striving to continually improve our quality management system in anticipation of their requirements.



Strict quality control conducted at the factory

Quality policy aimed at safety and security

Our top management sets up quality policies to develop and operate our quality management system and maintain its effectiveness. Each division also sets policy targets based on these quality policies. In this way, policies devised by top management are incorporated into individual associates' targets.

QUALITY POLICY

- In order to deliver safety and reliability to healthcare fields, we shall
- pursue products valuable for our customers;
 - understand our own roles in the quality system and practice them, and
 - always review and improve our ways of doing business.

June 30, 2004
 TERUMO Corporation
 Takashi Wachi Representative Director & Chairman
 Akira Takahashi Representative Director & President

Auditing system to maintain high quality

To maintain and improve quality, we implement internal audits that objectively evaluate whether our quality management system is being appropriately complied with and operated. The audits are conducted by trained associates who have met predetermined standards. The results are reported to our top management, who suggest improvements which are then incorporated, allowing us to continually upgrade our quality management system. In addition, we undergo several external audits each year to prove that we meet various regulations ranging from the Pharmaceutical Affairs Act to international regulations expanding from Europe to the entire world, as well as individual demands from our corporate customers.

Comprehensive Quality Meeting with the participation of all divisions

At Terumo, how to respond to customer comments and inquiries immediately and sincerely is one of our highest priorities. To achieve our ultimate goal of "zero complaints from customers," we began holding a Comprehensive Quality Meeting in April 2007 in recognition of the fact that the improvement of internal communication is fundamental to the quality of the work of all our associates. Now, thanks to this mechanism, all branches and factories have access to the same information. Internal communication has thus been improved across all divisions and not just those that are directly involved in the development and manufacturing of products.

Strict quality control at overseas facilities

As the role played by our overseas factories increases in importance, we provide associates working at these factories with the know-how we have cultivated in Japan for improving quality, while we, in turn, learn much from them about system-related aspects, including systematic ways of thinking and standardization. As these exchanges increase, overseas factories have also begun introducing *Shoki Ryudo* (initial quality control^{*3}), an evaluation method developed in Japan.

Responsibilities to Shareholders and Investors

Terumo endeavors to achieve open management through communication with shareholders and investors. We maintain a high level of management transparency, implement fair information disclosure and make various other efforts to ensure Terumo's business and products, as well as general health care topics, can be comprehensively understood. As a good corporate citizen, we aim for high-quality communications that are easy to understand.

Winning support at our General Meeting of Shareholders

At the ordinary General Meeting of Shareholders held in June 2007, we ran a film titled *Terumo's Track* that followed the 85-year history of the company from its founding. In addition to presenting our financial results, we explained to our shareholders how our products and technologies contribute to health care. For the first time we also created a display section for our products so that attendees could see them up close.



Displaying our products at the General Meeting of Shareholders

Holding seminars for individual investors

We hold seminars for individual investors in geographical areas where there are few opportunities for top management and persons in charge of IR to have direct contact with local investors. Such seminars were held in Kobe and Kurashiki in the fall of 2006 and in Fukuoka and Nagasaki in 2007. Many participants commented that they had high expectations for the company.

In April 2008, we participated in the "Tokyo Stock Exchange IR Festa 2008" hosted by the Tokyo Stock Exchange, Inc. Visitors to our section, where our products were on display, were able to get a good understanding of what we do.

Receiving the Outstanding IR Activities Award for Fiscal 2007

Terumo was presented with the Japan Investor Relations Association's Outstanding IR Activities Award for the second time for the fiscal 2007 period. We received this award for the first time for our IR activities^{*1} conducted in fiscal 2003. The fiscal 2007 award was presented to seven companies including Terumo from a list of 358 contenders. We are determined to live up to the high standards represented by this award by continuing to carry out IR activities beneficial to investors.

Disclosing IR information to help investors make better investment decisions

Terumo discloses IR information on its Web site. We are striving to make this financial information as concise and easy to understand as possible to help individual investors make sound investment decisions.

Matters resolved at the General Meeting of Shareholders are disclosed on the following Web page:

WEB <http://www.terumo.co.jp/English/ir/shareholders.html>

We also publish annual reports. The New Medium-Term Plan, Phoenix 2010, which was initiated this year, is described in our *Annual Report 2008*.

WEB <http://www.terumo.co.jp/English/ir/annual.html>



Staff Comment

We take our responsibilities regarding communication with our shareholders and investors seriously



Takao Ito
 General Affairs Department

To ensure we continue to have the support of our shareholders and investors for many years to come, we are constantly striving to clearly communicate our efforts to increase our long-term corporate value, that is, our efforts to achieve our corporate philosophy of "Contributing to Society through Health Care." To this end, we believe it is also important to make efforts to help ordinary people acquire a better understanding not only of our business, but the unfamiliar areas within health care itself.

^{*1} **Pharmaceutical GMP:** A regulatory system to ensure the safe manufacturing and quality maintenance of products throughout all phases, from the receipt of materials to manufacturing and shipment of products.

^{*2} **ISO13485:** An ISO standard to assure the quality of medical devices and equipment.

^{*3} **Initial quality control:** A system to reaffirm quality and product specifications of new products when shifting to mass production.

^{*1} **IR activities:** Corporate activities by which corporate information necessary for making investment decisions is provided to shareholders and investors in a fair manner and on an ongoing basis.

Systems that Support the Development of Associates

At Terumo, we refer to our employees as “associates.”

Our associates are required to continually develop and refine their abilities, think and act independently and make valuable contributions to the development of the company.

We believe our value as a company is equal to the sum of the value of our associates.

Our associates work hard to improve themselves, and the company rewards them by providing them with valuable opportunities to demonstrate their abilities to the utmost extent.

Terumo's unique associate development program supports our associates

ACE consultation (self-evaluation and career consultation)

Once a year, we hold Associate Challenge Education (ACE)^{*1} consultations, whereby all associates below the level of section chief meet with their supervisors on a one-on-one basis to discuss their personal strengths and weaknesses, future career plans, personal development plans and more. The details of the interview are entered on the intranet Web site by the associate and supervisor, and the data is utilized for skills evaluations, personnel transfers and professional development support.

ACE in-house recruiting system

We believe that allowing people to do the jobs they want is the best way to harness their full capabilities. We introduced the ACE in-house recruiting system based on this belief. Since the inauguration of the system, more than 250 people have applied, resulting in about 90 personnel transfers. We recently recruited in-house staff for overseas

Staff Comment

I applied for a transfer through the ACE in-house recruiting system and moved from sales to the Strategy Planning Dept. The move has allowed me to acquire more experience

Yusuke Shinpo

Strategy Planning Dept. (BRICs candidate)



I applied to work in one of the BRICs countries under the ACE in-house recruiting system for the following three reasons: (1) I am interested in working overseas; (2) I want to expand my work experience beyond sales; and (3) I want to put myself in a challenging environment. Taking on new challenges not only leads to personal growth, but also gives me the opportunity to acquire experience that will be an asset to my career. The company's future challenge is to actively develop its global business, including in the BRICs countries. With this in mind, I would like to take advantage of all opportunities I have to enhance my abilities, not only by learning foreign languages but also by developing my management skills.

positions based in BRICs^{*2} countries. Out of nearly 30 applicants, seven associates were chosen.

Job rotation

We believe that experience, insights and perspectives gained in other fields greatly contribute to the professional development of our associates. We therefore practice job rotation targeting junior to management-level associates to provide them with this kind of varied experience. For example, we might transfer an associate from the manufacturing division to the sales division or from the sales division to the head office division. As one of the prerequisites for promotion at Terumo is experience in different fields, this also translates into concrete career benefits for our associates.

Voluntary and selective training

Terumo's training is conducted based on a voluntary and selective system in which associates who have demonstrated noteworthy results can participate in additional training at their own request or by the recommendation of their supervisor.

Each year we hold two selective training programs for next-generation leaders known as the Leader Executive Organization (LEO)^{*3} Seminar and the LEO Jr. Seminar. Each seminar is attended by around 30 participants, with the average age of 40 for the LEO Seminar and 30 for LEO Jr. We make it a rule to implement job rotation for all participants following the seminars, because practical training is just as important as theoretical learning. More than 200 graduates of these seminars have already distinguished themselves in divisions across the company.



Young up-and-coming associates with future leadership potential take part in LEO Seminars by their own application or by recommendation of their supervisors

In-house systems to enhance the power of frontline associates

Pride Award “Genbano hokori”

Terumo has an established Global Award system to recognize the accomplishments of our associates all over the world. The

company's performance, however, is not attributable only to those associates working in the high-performing or “glamorous” divisions. Associates who work steadily behind the scenes also make a huge contribution and take pride in their work. (This kind of pride is referred to as *genbano hokori* in Japanese.) To reward and recognize the achievements of these associates, we created the Pride Award. The award is presented at a ceremony held in September each year to five or six recipients selected from hundreds of candidates nominated by their peers.



Winners of the Pride Award “Genbano hokori” in 2007

Internal exchange

We have introduced an internal exchange program to provide our associates with work experience in different divisions and help them acquire a broader perspective. The program was created in response to requests from our associates for opportunities to get to know other divisions without having to permanently transfer and has proven to have various benefits. For example, associates at our head office or research & development divisions can acquire a first-hand understanding of customer needs and demands by spending time in the sales division. Associates working in the manufacturing division can pick up new techniques by transferring temporarily to other factories. The program, which can last anything from one week to half a year, has also proven to have the additional effect of improving communication between divisions.

Basic clinical training and practical sales training

At our comprehensive health care training facility, Terumo Medical Pranex, (see page 15)

where many of our associates undergo skills training, we have created a culture that focuses trainees' minds on our customers' needs and the practical demands of their actual workplaces. Training



Training for newly hired associates to learn the basics of clinical practice at the Terumo Medical Pranex

programs provided at the facility range from basic clinical training for newly hired associates to advanced clinical training for sales staff (medical representatives).

In addition, we provide new engineering associates with five months of practical sales training and associates working in the corporate staff divisions with a week of on-site training, in which they accompany MRs as they carry out their normal duties.

Idea suggestion system “Think-!”

Introduced first as the “Icon” program in 1999 and renamed in 2007, the “Think-!” program provides a forum for associates to submit their own suggestions for new products, business models and the like. Out of the more than 20,000 submissions received so far, more than 30 product ideas have already reached the market and the potential for commercialization of 500 more is currently under review.

Training in Japan for associates from overseas factories

“T3^{*1}” is a training system for associates working at our overseas factories to learn manufacturing techniques and control at our factories in Japan. In fiscal 2007, with the support of the national government's JITCO^{*2} program, we welcomed 43 trainees from our Hangzhou Factory and 23 from our Changchun Factory, both in China, and another 105 from our factory in the Philippines. Each person received training in various operational processes including assemblage and packaging, risk identification and total product management.

Since this system was introduced in 1995, 950 overseas trainees in total have benefited from it. Terumo's overseas facilities also practice associate-oriented management.



Associates from our Hangzhou Factory in China undertook training in Japan. A total of 950 trainees from our factories overseas have participated in the program so far

*1 ACE: As well as being an acronym for “Associate Challenge Education,” the program's name reflects our intention to shape each of our associates into an “ace.”

*2 BRICs: The four countries of Brazil, Russia, India and China, with similarly rapidly developing economies.

*3 LEO: Stands for Leader Executive Organization. It also refers to the purpose of the program, which is to identify and develop those associates with the potential to grow into “lions” (top management).

*1 T3: Stands for Technique Transfer Training.

*2 JITCO: Japan International Training Cooperation Organization. JITCO, founded in 1991, is a public interest corporation jointly administered by the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, and the Ministry of Land, Infrastructure, Transport and Tourism. It provides advice, information and support to companies and organizations who wish to invite foreign trainees and technical interns to Japan.

Contribution and Exchange with Local Communities

As well as making important contributions in the area of health care in the form of outstanding products and services that benefit both patients and medical professionals, Terumo also actively contributes to the wider community, such as by providing health-related information and donating supplies for disaster relief. We are committed to undertaking these activities as part of our role as a good corporate citizen and responsible member of society.

● Providing information to manage health

A national health and weather forecast

The *Terumo Health and Weather Forecast*, a daily weather forecast that also provides information about how the day's weather and temperature may affect health, has been broadcast and published since 2004 on television, the radio, in newspapers and on our Web site. In 2007, we began including "forecasts" related to the relationship between weather and blood pressure, in addition to those for joint pain, UV rays and others.



WEB <http://kenkotenki.jp/>
(Japanese only)

KARADA no Kimochi health information TV program

Terumo-sponsored television program, *KARADA no Kimochi* ("How we feel") has been on the air since 2006. The program provides health tips related to everyday life, such as how to prevent or alleviate various ailments and simple exercises to relieve specific symptoms. The *Terumo Health and Weather Forecast* is broadcast within this program.

KARADA no Kimochi weekly health TV program
Broadcast on Sundays from 7:00 to 7:30 am on CBC/TBS,
a national network with 28 stations across Japan

● Terumo's Lifestyle Disease Prevention Seminars

The daily management by each person of his or her own health is vital for the prevention of lifestyle diseases. In addition to the health-related information we publish on the Internet and in booklet and other forms to assist people in this regard, we began organizing Lifestyle Disease Prevention Seminars targeted at the general public in fiscal 2005. A total of about 5,000 people have attended the seminars to date.



Lifestyle Disease Prevention Seminars targeting the general public are well received

● Emergency disaster relief activities

We offer medical devices and equipment, pharmaceuticals and other emergency relief supplies to areas struck by natural disasters.

Donating medical devices and equipment to areas struck by the Sichuan earthquake

The earthquake that occurred in Sichuan province of China in May 2008 caused critical damage to local medical institutions, resulting in a shortage of pharmaceuticals and medical devices and equipment. Terumo donated 36 million yen worth of urgently required supplies in the form of approximately 225,000 infusion sets and 5,000 blood bags. To ensure their effective use in the field, Chinese instruction manuals were also enclosed.



Emergency relief supplies donated to afflicted areas in Sichuan

● Initiatives for harmonious coexistence with communities and society

In addition to providing funds and grants for health care development, Terumo actively promotes activities to deepen the understanding local people and communities have about the company.

Terumo Lifescience Foundation

The Terumo Lifescience Foundation subsidizes and promotes research on science and technology, including in the fields of life sciences, bioengineering and pathological biochemistry.

In July 2007, to mark the 20th anniversary of its foundation, a commemorative ceremony was held at the Terumo Medical Pranex. At the ceremony, results of applications for research grants for fiscal 2007 were announced, letters of appreciation and grants were presented and a lecture was given.

WEB <http://www.terumo.co.jp/zaidan/>

Improving the quality of health care in China with Terumo Fund

In 2007, to commemorate the 10th year of operation of our Hangzhou Factory (Terumo Medical Products [Hangzhou] Co., Ltd.) in China's Zhejiang province, we established the Terumo Fund in conjunction with Zhejiang University with the aim of providing health care benefits to as many people as possible. Terumo Fund grants are given to support research investigating Eastern and Western medical traditions with a view to creating new types of medicine by fusing the two. The Fund also contributes to improving the quality of health care in China by providing scholarships to talented students.

Outline of the Terumo Fund

Name of fund	Terumo Fund
Application	Research grants and scholarships
Total amount of fund	500,000 yuan per year x three years = 1.5 million yuan
Fund operation period	2007 to 2009

Presenting an annual Christmas gift to a hospice

Each year, about a week before Christmas, a team of Terumo volunteers decorates the walls of the Terumo Shonan Center building with Christmas lights and, on Christmas Day, puts on a fireworks display. This project was started in 1997 to bring Christmas cheer to patients hospitalized at a hospice across the street, their families and local residents and has been carried out every year since.



Christmas illumination created by Terumo associates

Holding company tours for elementary school students

Terumo Head Office has held company tours for students of neighboring elementary schools since 2005. The tour held in October 2007 was attended by 25 second-year students and five guardians. Participants were encouraged to pick up and examine our products, which, as well as being fun, led to their improved understanding of the company and what we do.

Classes held by Terumo Body Temperature Research Institute

The Terumo Body Temperature Research Institute*1 conducts free classes on the relationship between body temperature and natural body cycles. In June 2008, the institute led 31 fifth-year students from Miyagaya Elementary School in Yokohama city through an examination of the physical and mental changes that occur in the body after eating breakfast and taught them how to check their own body temperature.



Class where school children investigated changes in their own body temperature and made presentations

WEB <http://www.terumo-taion.jp/>
(Japanese only)

Guest Comment

Informative material helped children understand their bodies and health

Ms. Misa Shibasaki

Teacher
Miyagaya Elementary School, Yokohama City



My students were surprised to see the differences in their body temperature before and after eating breakfast, which were shown using thermography, as well as the graph showing that eating breakfast increased concentration and memory. Many of them inserted this graph in the booklets that they each created after the class, and tried to convince readers—their schoolmates—of the importance of having breakfast. I think that they developed a very solid understanding because they could see the changes they felt in their own bodies being scientifically confirmed.

*1 **Terumo Body Temperature Research Institute:** A Terumo research institute that investigates health from the perspective of body temperature and provides information and suggestions for healthier living.

Promoting Environmentally Friendly Business Activities

Aiming to achieve harmony between “people-friendly health care” and “environmentally friendly health care,” Terumo has played an active role in promoting the coexistence of human beings with the global environment by establishing our Basic Environmental Policy and Environmental Management System. The company continues to search for ways to strike an even balance between human safety and environmental preservation in the field of health care.

Basic Environmental Policy for environmental conservation

According to our corporate philosophy of “Contributing to Society through Health Care,” we established an Environmental Management Department in 1997 and developed our Basic Environmental Policy in 1999. Based on this policy, Terumo, a leading company in the health care industry, has since been engaging in a range of activities aimed at protecting the global environment.

Terumo's Environmental Policy

Guided by our corporate philosophy of “Contributing to Society through Health Care,” 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:

- Ascertain the environmental impact of our activities
- Developing environmentally friendly products
- Preventing pollution
- Making effective use of energy and resources
- Reducing waste

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

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.

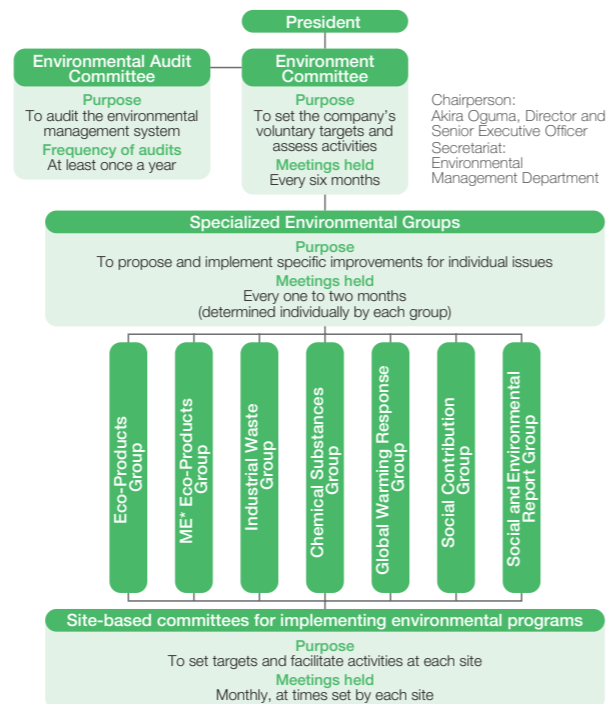
Terumo conducts in-house informational and educational activities in an effort to increase its employees' environmental awareness.

Adopted in December 1999

Introduction of the environmental management system

We are working to improve our environmental performance by establishing an efficient and effective environmental management system that focuses on the true core of ISO14001^{*1}, the PDCA cycle^{*2}. As the ultimate decision-making authority for environmental management, the Environment Committee sets company-wide policies and targets for environmental conservation and confirms the status of activities and the like every six months. There is also an Environmental Audit Committee, which is responsible for conducting internal audits to ensure that each site is effectively operating its environmental management system. We describe and explain the contents of these activities in our social and environmental report to ensure we maintain high transparency in our management system.

Company-wide Organization for Environmental Management



*ME : medical electronics

^{*1} ISO14001: The international standard that sets out the requirements for establishing an environmental management system that helps to reduce the environmental impact of organizational activities, products and services.

^{*2} PDCA cycle: A management cycle designed to realize continuous improvement of business operations by repetition of the four processes of plan, do, check and act.

Communication for Enhancing Environmental Awareness

As clearly stated in our Basic Environmental Policy, “Terumo conducts in-house informational and educational activities in an effort to increase its employees' environmental awareness.” We strive to deepen communication with our associates through seminars and the presentation of environmental awards. We also conduct external programs that include outdoor environmental activities and encourage family members of our associates to participate.

The “Green Project”

In May 2008, Terumo launched a project, known as the “Green Project,” in which associates play a central role in devising and proposing ways to limit the company's environmental impact, such as by developing environmentally conscious products and saving resources, including packaging materials. Various projects are currently in progress. For example, a project called “Think-! ECO” is actively soliciting eco-friendly ideas from all associates.

Environmental training for associates

We provide environmental training for our newly hired associates once a year to ensure that they have a thorough understanding of our Basic Environmental Policy and their own obligations with regard to environmental activities. In February 2008, we held a training seminar for internal auditors and energy managers at each of our sites and invited Mr. Akira Kobayashi from the Energy Conservation Center, Japan (ECCJ) to give a presentation on the Act on the Rational Use of Energy.

Awards for in-house environmental conservation activities

In fiscal 1999, Terumo established an in-house system of environmental awards to honor the policies and activities that produced outstanding results in terms of environmental conservation. In fiscal 2003, the company extended its award program to the entire group.

Year	Name	Group and Project Awarded
Fiscal 2007	Bronze Award	Industrial Waste Group, “Promotion of Effective Utilization of Resources”
		Masashi Uematsu Maintenance Department Production Division, Kofu East Factory “Promotion of Energy Saving in Kofu Factory” (See page 29)

Increasing environmental awareness at the Ashitaka Factory

The Environmental Bulletin Board installed at Terumo's Ashitaka Factory in 2002 is updated once a month with the latest news to help increase employee environmental awareness. Articles featured concern topics such as the environmental impact of energy use and industrial waste generation by factories, global warming and how it works and tips on how to save energy at home. Graphs and illustrations are included in the articles to facilitate understanding.



Environmental Bulletin Board in Ashitaka Factory

The Terumo Mt. Fuji Reforestation Project

Terumo has two factories in Fujinomiya city in Shizuoka, which take water from springs at the foot of Mt. Fuji to use in the production processes for medical devices and equipment, pharmaceuticals and other products. To protect the area's natural environment, which is what keeps the water clean, the company has been undertaking the Terumo Mt. Fuji Reforestation Project in cooperation with NPO Mt. Fuji Natural Reforestation Group, an NPO since 2003.

Guest Comment

Reforestation based on cooperation and experience

Toshio Nakajima

Director, NPO Mt. Fuji Natural Reforestation Group



The year 2008 is the sixth year we have jointly undertaken this reforestation project with Terumo. In previous years we have reforested only less wild areas that have not suffered damage caused by feeding deer. This year, however, we would like to try reforesting different types of areas, namely truly wild areas, bringing our past experience to bear. We hope that all those participating will be inspired to think about other ways in which they can contribute to the preservation of the natural environment. The sharing of knowledge among participants will be an important component of future activities.

Environmentally Friendly Products



Terumo seeks to assure product safety through good design and to develop products with minimum environmental impact. We are striving to develop products that are helpful to medical professionals and patients as well as to friendly the global environment. The company is making ongoing efforts to respond to the needs of society.

Making efforts to be friendly to both people and the environment

To reduce the risk of infection and the amount of handling, Terumo develops products that assure a higher level of safety by continuously improving their design and materials. Our pursuit of people-friendly health care is helping us to realize environmentally friendly health care.

IV solution product in a soft bag, 1981

In 1981, we stopped using bags made of polyvinyl chloride (PVC), which when incinerated generates toxic gases such as dioxin, switching instead to ethylene vinyl acetate (EVA). Furthermore, we combined several drugs in one bag to reduce the amount of waste generated at the time of mixing prior to injecting. In 2004, we received the President's Prize of the ECO-Product Promotion Council for our high-calorie electrolyte fluid for IV solution containing multivitamin, glucose and amino acid.



IV solution product in a soft bag

Digital thermometer, 1983

Terumo, which advanced as a company in step with the development of the clinical thermometer, marketed the first domestically produced predictive digital thermometer in 1983. In 1985, Terumo completely terminated production of mercury thermometers, which were made of glass and carried the risk of cracking and leaking mercury.



Digital thermometer

IV solution set, 1991

In 1991, we began marketing an IV solution set using a tube made of polybutadiene, a non-PVC compound that induces no drug adsorption*¹ and generates no toxic gas at the time of incineration. Unlike PVC-based products, this product contains no di (2-ethylhexyl) phthalate (DEHP), a plasticizer that may have adverse effects on the testes, that is, testicular toxicity. In 2003, we also started selling an IV solution set using Tris (2-ethylhexyl) trimellitate (TOTM)*², an alternative plasticizer.



IV solution set

Product packaging, 1998

In 1998, we stopped using product packaging materials containing PVC, replacing them with mainly paper and polyethylene film. We also adopted compact packaging to make transportation more efficient and thus reduce CO₂ emissions.

Syringe, 1998

In 1998, we reduced the size and weight of our syringes*³ while maintaining volume and functionality. This improvement enabled a 25% reduction in waste volume. These efforts have helped us save not only resources used as product materials but have contributed to a reduction of CO₂ emissions during transportation.



Syringe



Comparison of volume of discarded syringes (Left: conventional syringe; Right: new syringe)

Prefilled syringe, 1999

Terumo, in pursuit of safety and ease of use, in 1999 developed a prefilled syringe. This integrated device decreases both the risk of infection and the workload of medical professionals and also leads to a reduction in the volume of waste generated at the time of drug infusion.



Prefilled syringe

Continuous ambulatory peritoneal dialysis bag, 1999

Terumo was the first company in Japan to introduce a dialysis bag for continuous ambulatory peritoneal dialysis (CAPD) made with polypropylene (PP) rather than PVC. Moreover, we reduced the thickness of the film and eliminated the use of packaging for the drainage bag to save resources, reduce weight and minimize the load during transportation. In this manner, we succeeded in reducing the volume of waste by 40%.



Continuous ambulatory peritoneal dialysis bag

Oxygen concentrator, 2003

Because patients who use oxygen concentrators to receive oxygen at home were finding that they frequently had to leave them switched on for long periods of time, we improved the oxygen yield*¹ by increasing the efficiency of the oxygen generation process. We also installed a smaller compressor that uses less power.



Oxygen concentrator

Blood pressure monitor, 2006

We developed a new blood pressure monitor in 2006 as part of our campaign to replace medical-use products containing mercury with safer alternatives. Although the RoHS Directive*² does not currently apply to medical devices and equipment, we are now in the process of commercializing a more environmentally friendly version of the device that is fully compliant with the directive, meaning it does not contain hazardous substances, including lead solder, at values exceeding those specified.



RoHS Directive compliant blood pressure monitor

Balloon catheter for percutaneous transluminal coronary angioplasty (PTCA), 2007

In 2007, we began marketing a PTCA balloon catheter that can be used for treating vessels of various diameters and various types of thrombus formation (see page 18). Because this new balloon catheter can be used on its own to treat a range of lesions, fewer different types of catheters are needed, resulting in resources being saved.



PTCA balloon catheter

*¹ Drug adsorption: A phenomenon characterized by adsorption of the active ingredient into the material of the IV solution set, leading to a reduced dosage.
 *² TOTM: An alternative plasticizer, TOTM has a lower testicular toxicity than DEHP plasticizer if they are used in the same amounts. TOTM plasticizer is minimally eluted into drugs or blood.
 *³ Syringe: Specifically, the barrel of our injection syringes.

*¹ Oxygen yield: An index indicating the percentage of oxygen extracted from the air.
 *² RoHS Directive: The restriction of the use of certain Hazardous Substances is a directive limiting the sale of the products containing six hazardous substances (lead, mercury, cadmium, hexavalent chrome, polybrominated biphenyl [PBB], polybrominated diphenyl ether [PBDE]) in amounts higher than a specified level.

Preventing Global Warming

The protection of the global environment is a prerequisite for Terumo's business activities. To promote further reduction of CO₂ emissions, we reviewed our reduction target in fiscal 2007. We have also been strongly promoting the importance of preventing global warming through our full participation in the "Team Minus 6%" campaign and "ECO Challenge" activities.

Adoption of a stricter reduction target

Following our review of our CO₂ emission reduction target, in fiscal 2008 we enhanced our target reduction rate—expressed by the rate of reduction of CO₂ emissions per unit of net sales relative to the fiscal 1990 level—from 25% to 50%. Business activities began since then have been based on the revised level.

Efforts to control CO₂ emissions

In fiscal 2007, we introduced highly detailed energy-saving measures including year-round operation of high-efficiency turbo refrigeration units and prevention of steam trap leakage. As a result of these efforts, our fiscal 2007 CO₂ emissions per unit of net sales were reduced by 8% relative to fiscal 2006 and by 35% relative to fiscal 1990. With the increase in exports, however, production has increased and CO₂ emissions from domestic factories reached a plateau during these years, despite the continuous downward trend in the years prior to fiscal 2004. In the future, we plan to make further efforts in this regard by converting our fuel source from gas to electricity, which emits less CO₂.

Prevention of steam trap leakage at Fujinomiya Factory

Fujinomiya Factory has piping installed throughout the facility to supply steam to heat various lines. Steam traps are fixed at about 400 points along these pipeworks to remove the flocculated water that accumulates at lower temperatures. After many years of use, these steam traps were no longer functioning properly and occasionally allowed steam to leak. In fiscal 2007, therefore, we meticulously checked the steam traps and identified points where leakage frequently occurred. We then began more frequent inspections of such points and succeeded in reducing energy consumption by about 0.5% of that of the entire factory.

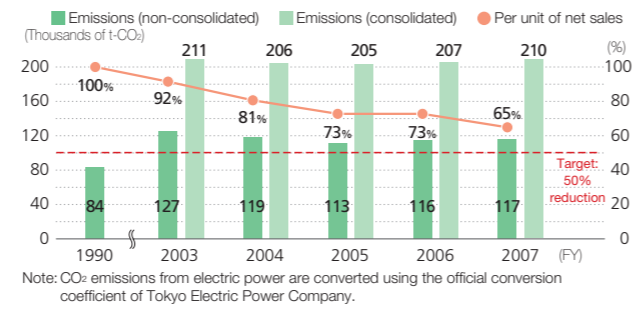
Introduction of emergency lighting with motion detection sensors at the R&D Center

The Fire Defense Law previously required that stairs and corridors be lit at all times. However, the relaxation of the law enabled us to install emergency lighting equipment with motion detection sensors at the same time as we were conducting our scheduled replacement of the emergency batteries for this lighting equipment. This enabled us to reduce our annual electric power consumption by 54,534 kWh.

Target for Reduction of CO₂ Emissions:

Reduce CO₂ emissions per unit of net sales by 50% relative to the fiscal 1990 level by fiscal 2012

Trends in CO₂ emissions per unit of net sales



Staff Comment

Energy saving in Kofu Factory by efficiently combining electric and steam refrigeration units

Masashi Uematsu

Maintenance Department, Production Division, Kofu East Factory



When we first introduced new electric-powered high-efficiency turbo refrigeration units to produce cold water at our Kofu Factory, we intended to use the units in combination with our conventional absorption refrigeration units, which are powered by steam. Although we carried out repeated simulations of simultaneous operation of the two types of units in advance, the cold water actually flowed toward the absorption refrigeration units with limited internal resistance, preventing efficient operation. After experimenting with both the temperature setting and the setting of the inverter for the cold water pump we were able to determine the optimal settings to efficiently supply cold water to the production lines. The efficient simultaneous operation of the refrigeration units has resulted in an energy saving of 1,659 kl of crude oil equivalent.

Reduction of the environmental impact of distribution

The need to reduce the amount of energy used for transporting products has become a major theme in the fight to prevent global warming. We are reducing the amount of energy used to transport our products via a modal shift*¹ to shipping contractors with high transportation efficiency, sea shipping and the like, and we are integrating and eliminating distribution centers. As a cargo owner, we are continually striving to construct an efficient distribution infrastructure and reduce CO₂ emissions.

Promotion of modal shift

An example of Terumo's promotion of modal shift is the mainline transportation system from our Fujinomiya Factory to the Fukuoka Warehouse, which we are shifting toward marine transportation. In fiscal 2007, marine transportation accounted for 69% of the transportation between these two facilities, up from 36% in fiscal 2006.

Joining Team Minus 6%

Terumo joined "Team Minus 6%," a project organized by the Japanese Ministry of the Environment, in 2006. Since then, we have promoted various initiatives for the prevention of global warming in line with the aims of the campaign.



みんなで止めよう温暖化
チーム・マイナス6%

Terumo's "ECO Challenge" volunteer campaign

As part of our annual "ECO Challenge" program, Terumo associates and their family members voluntarily carry out various environmental conservation activities both at home and at work. In fiscal 2007, 1,908 individuals participated in this program, which is ultimately aimed at encouraging the adoption of "eco lifestyle" practices in daily life.

Efforts made by participants are scored and points are converted into a monetary amount for donation to environmental organizations. This year's donation was made to the Children's Forest Program organized by the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA), an environmental NGO. The

donation is used to provide environmental education to children all over the world and supports reforestation activities of planting and nurturing seedlings.

Energy-saving driving

In April 2008, we conducted an examination of the driving practices of all sales representatives at all domestic branches, checking them against the *10 Recommendations for Eco-Driving**² published by the Team Minus 6% campaign. This program has been launched in an effort to cut our CO₂ emissions from work-related driving by 10%. In addition, in the 23 wards of Tokyo, our associates have made a commitment to use public transportation wherever possible for work-related travel.

Staff Comment

I keep only one box in the vehicle. Fuel consumption can be improved by efficient planning

Tokuji Hirai

Kanazawa Branch

Before, I used to carry around 70 kg's worth of materials in my work vehicle, which is the equivalent of having another adult male passenger. Thinking about what I could do to help the environment, I came up with the idea of limiting the amount of materials to that which would fit in a single box. This "ECO BOX" that I now carry has improved my vehicle's mileage. I also try to find out my customer's schedule in advance and plan my visits and other tasks around it. I always make an appointment to meet my customers when we have something important to discuss. Planning my schedule efficiently helps me to minimize the amount of time I spend driving.



*¹ Modal shift: Shifting the mainline transportation system to a form of mass transportation such as marine or railway transportation.

*² 10 Recommendations for Eco-Driving: Earth-friendly driving techniques recommended by the national "Team Minus 6%" project to cut greenhouse gas emissions.

WEB <http://www.team-6.jp/ecodrive/>

Effective Utilization of Resources

Global resources are limited. Terumo utilizes the resources it needs to conduct business in the most effective and efficient way possible.

We monitor the input and output of resources across the entire business, improving processes so that the reduction of waste and further recycling can be achieved throughout the company.

Our efforts to minimize our environmental impact are continuous and ongoing.

Making efforts to reduce the amount of landfilled waste

Manufacturing processes and business activities at our factories, R&D Center and offices generate a variety of waste. We have therefore set a target of zero waste emissions—defined as “an amount of landfilled waste equal to less than 1% of the total amount of waste generated”—for all of our sites in Japan, excepting our sales offices. To ensure we achieve this reduction target, we urge rigid adherence to the proper sorting of waste and continue to refine our waste treatment methods and rules. In fiscal 2007, only 0.4% of our total waste by volume was disposed as landfill, meaning that we achieved our target for the fourth consecutive year.

Promoting recycling

While our Industrial Waste Group (one of our specialized environmental groups) plays a big role in sharing important information among sites, all our associates make efforts to recycle. Due to their unique properties and product safety concerns, it is not usually possible to recycle our products for use in other medical products. We do, however, recycle their component materials for use in other plastic products including floor tiles and recycled plastic fuel (RPF). Also, organic sludge generated from wastewater treatment is recycled into organic fertilizer. Our recycling rate improves every year and reached 94% in fiscal 2007.

Auditing waste-treatment contractors

To confirm that the sludge and waste plastics generated by Terumo are appropriately processed throughout all stages of treatment, we have prepared a checklist that we use in our regular audits of our waste collection and disposal contractors. In fiscal 2007, we audited 36 contractors.

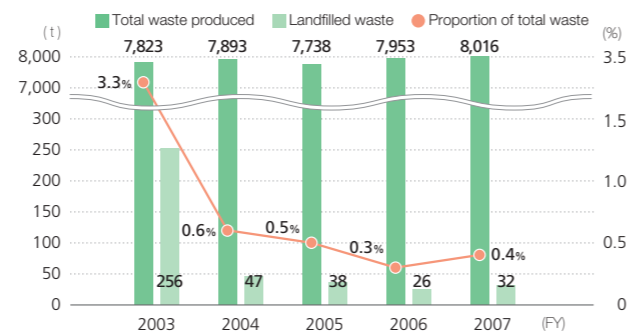


Auditing a waste-treatment contractor

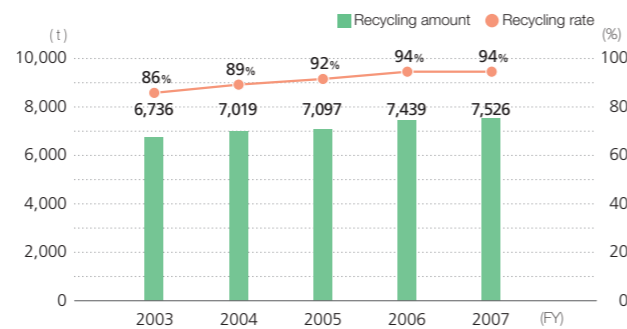
Target for the Reduction of Landfilled Waste:

Reduce the amount of landfilled waste to less than 1% of the total amount of waste generated (sales offices excepted) (= Zero waste emissions)

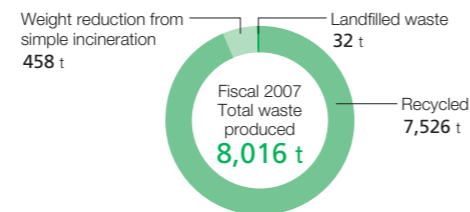
Total amount of landfilled waste



Recycling amount and rate



Total domestic waste and breakdown of disposal or treatment method



Chemicals Management and Promotion of Green Purchasing

As clearly declared in our Basic Environmental Policy, “Terumo sets voluntary targets and works to conserve the environment.”

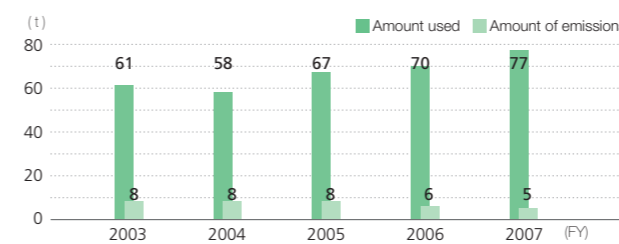
Terumo makes continuous efforts to become an environmentally friendly company by taking various approaches to reduce our environmental impact. For example, we monitor and control chemical substances according to our own strict voluntary management targets and promote green purchasing.

Introduction of stricter chemicals management

Initiatives to reduce ethylene oxide emissions

Although we used more ethylene oxide in fiscal 2007, the detoxifying treatment system introduced in fiscal 2006 contributed to a reduction in emissions of the chemical. We will continue to utilize our refined verification methods to track the exact amount of ethylene oxide adsorbed into our products—which is one of the causes of trace levels of emissions—to ensure a high level of accuracy is maintained. With voluntary concentration controls*¹ set at 4.3 µg/m³, which is equivalent to environmental standards, we track concentrations of ethylene oxide at the vent outlets of our sterilizers and treatment systems, as well as emissions at such other sites as warehouses. We also manage emissions to ensure that the ethylene oxide concentrations measured along the boundaries of our facilities remain below 4.3 µg/m³.

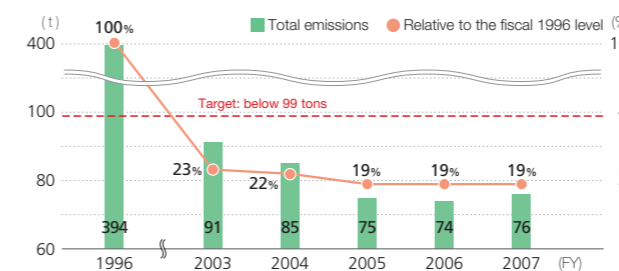
Trends in use/emissions of ethylene oxide



Target for Reduction of Chemical Emissions:

Controlling dichloromethane emissions to below 99 tons

Trends in dichloromethane emissions



Aiming at appropriate PCB*² management

In accordance with the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes and the Waste Management and Public Cleansing Law, we have removed all transformers, fluorescent light ballasts and other equipment containing PCBs. To ensure the prompt and appropriate disposal of these materials, we completed early registration with the Toyota office of the Japan Environmental Safety Corporation (JESCO). We also identified 375 pieces of heavy electrical equipment that potentially contained trace amounts of PCBs and conducted an investigation (including examining manufacturer warranties). Trace amounts of PCBs were detected in 23 pieces of the equipment. Another 51 pieces of equipment could not be analyzed due to their sealed nature. These will be examined when they reach the end of their life.

Inventory of equipment containing PCBs

Storage site	Fluorescent light ballasts	Capacitors	Reactors	Transformers
Fujinomiya Factory	459	23	0	0
Ashitaka Factory	419	17	2	3

Promotion of green purchasing

We promote green purchasing through our established guidelines for selecting office and stationery supplies and other equipment used in production processes and workplaces. This is an ongoing activity that complements our other approaches to environmental conservation.

Results of green purchasing for fiscal 2007

*thousands of items; **thousands of yen

Category	Data	Overall result	Eco Mark products	Products compliant with the Law on Promoting Green Purchasing	Green Mark products
Head office/sales offices (total)	Number of items purchased*	20	10 51%	13 62%	6 30%
	Total payment**	16,553	8,666 52%	9,113 55%	6,982 42%
Factories (total)	Number of items purchased	53	27 50%	30 57%	6 12%
	Total payment	23,875	10,500 44%	10,515 44%	3,996 17%

Note: Since the revelation of falsifications regarding the content of waste paper in recycled paper, correction of the criteria for green purchasing has been considered. The above results, however, were calculated according to the current contents indicated by Eco Marks and Green Marks.

*¹ Voluntary concentration controls: as defined by the Environmental Risk Assessment of Chemical Substances (second edition), Ministry of the Environment.

*² PCB: Polychlorinated biphenyl



Environmental Auditing for Enhanced Reliability

As clearly declared in our Basic Environmental Policy, "Terumo abides by the environmental laws, ordinances, agreements and other legal provisions of all countries," and "has established a system to facilitate environmental efforts and it promotes and audits those efforts." In this manner, the company conducts regular internal environmental audits to prevent illegal acts and environmental problems.

Status of internal environmental audits for fiscal 2007

To prevent illegal acts and environmental problems and reduce environmental risk, we conduct internal environmental audits of Terumo Group factories and its R&D Center.

Audit tasks

- 1) Clarify environmental laws and ordinances, and check compliance
- 2) Check the status of management of environmental risk items and their performance:

- Status of operation of our environmental management organization
- Status of waste management and related risk management
- Progress and results of energy management and energy conservation projects
- Status of chemicals management and related risk management

Audit results

- 1) With regard to waste management, some documents were not prepared as required. Major nonconformance, however, was not detected at any site.
- 2) Although management systems were generally established in line with actual conditions, programs to establish more efficient management systems have been launched.



Implementation of internal environmental audit

Prompt and appropriate response to requests for improvement

Neighboring residents requested us to reduce the noise leaking from the vent outlets of exhaust air ducts at our Ashitaka Factory. Upon investigating the cause of the complaint, we found that the noise, which could not be heard near the boundaries of the factory, could clearly be heard at some places about 100 m distant from the boundary.

We realigned the direction of the vent outlet so that it faced toward the facility and fixed a silencer behind the outlet to reduce the noise. We then measured the noise outside the factory and confirmed the silencing effect of these countermeasures.

Internal auditing of overseas sites

Terumo also audits its overseas sites. In fiscal 2007, we audited Terumo (Philippines) Corporation, focusing on its compliance with environmental laws, management of environmental facilities, environmental conservation activities (energy saving, waste treatment, recycling) and workplace environment and occupational health and safety. We detected no critical risks or illegal operations.



Auditing Terumo (Philippines) Corporation

External on-site inspection by regulatory authorities

In fiscal 2007, regulatory authorities conducted an external on-site inspection of specified factories and offices focusing on environmental issues including the status of chemicals management, compliance with the Air Pollution Control Law, compliance with the Water Pollution Control Law and status of energy management. Following these inspections, we received no remedial directions from authorities.

Staff Comment

Internal environmental auditors give us strict but appropriate instructions, which benefit future environmental activities



Kazuaki Takahara

Chairman, Environmental Promotion Committee, Fujinomiya Factory

Environmental programs have been promoted in line with the environmental management system at each site. To examine whether the system functions effectively from the perspectives of legal compliance and environmental risk management, auditors conduct an internal environmental inspection once a year, checking our activities and providing us with advice. The special auditors conduct this inspection in an objective and impartial manner. As well as evaluating the current status of compliance, the auditors also provide instructions that lead to more effective operation. We further utilize the audit results by sharing them with other sites, which allows us all to better promote environmental programs.



Independent Review of Terumo's Social and Environmental Report 2008



Junichi Mizuo

Professor, Faculty of Economics, Surugadai University

Director, The Institute for Economic Research, Surugadai University
Lecturer, Graduate School, Tokyo Institute of Technology
Lecturer, Senshu University
Doctor of Business Administration
Director of the board, Nippon Academy of Management Education
Director of the board, Japan Society for Business Ethics Study
Associate of Shiseido Co., Ltd.
External member of the Institutional Review Board and the Ethical Review Board of the Kanagawa Medical Practitioners Association
Author, *Enhancing Management Capabilities through CSR* (Toyo Keizai Inc.) and other publications

The corporate philosophy of Terumo Corporation ("Terumo") is "Contributing to Society through Health Care." Its *Social and Environmental Report 2008* provides details on the activities it undertakes in the name of that principle.

As a corporate employee, I have promoted practical ways of introducing CSR. As a university researcher, I have attempted to clarify the theory that underlies CSR and have advocated the "integration of theory and practice." I have drawn upon these experiences in conducting this independent review of Terumo's *Social and Environmental Report 2008*. In addition to examining the report, before conducting the review I was also permitted to visit Terumo Medical Pranex.

Points that deserve high praise

- 1) Aiming to achieve "people-friendly health care," Terumo has made genuine efforts and promoted various activities in cooperation with its stakeholders, which are accurately disclosed in the report.

In keeping with its corporate philosophy, "Contributing to Society through Health Care," Terumo takes a comprehensive approach to promote cooperation with doctors and nurses and the development of medical devices and equipment and drugs. This attitude is accurately reflected in the report.

For example, the report contains a description of Terumo's efforts to develop and market the DuraHeart, its magnetically levitated centrifugal left ventricular assist system. After 12 years of concerted development efforts, Terumo finally began selling the device—the world's first and a jewel in the company's crown—in Europe in 2007. Terumo also promotes various activities through its Terumo Medical Pranex, a comprehensive health care training facility. It regards its customers to be both medical professionals, including doctors, nurses and clinical technicians, and patients. Both the facility and the attitude reflect the company's stated aim to provide safe and high-quality "people-friendly health care."

- 2) At Terumo, management and associates work together to realize "environmentally friendly health care." The company's concrete efforts in this regard are described in sufficient detail in the report.

Taking its responsibility as a leading company in the health care field seriously, Terumo is guided by its Basic Environmental Policy and its aim to harmonize safe health care with a healthy environment. In fiscal 2008, the company made a firm commitment to "launch practical projects to address environmental issues" and the genuine efforts made by Terumo following this determination are appropriately described in the report. Among these, the reduction of CO₂ emissions by 50% relative to the fiscal 1990 level, which was determined as the five-year, medium-term target, deserves high praise. Furthermore, the company is attempting to reduce the environmental impact of its business activities and use of substances, to manage chemical substances and to control waste and water usage. The company calculates the results of such activities and clearly discloses them in the report as numerical data.

Points that require further improvement in the future

- 1) Clarification of the management cycle of CSR activities

In the process of developing its fiscal 2008 voluntary targets, Terumo is advised to consider not only the results of the previous year, but several other factors as well. For example, the expectations of today's society for Terumo in terms of CSR programs should be closely examined. Terumo's management resources, including its human resources, materials, financial resources and information—all of which are unique to Terumo—should also be analyzed to clarify the company's particular advantages and disadvantages, which can then inform the development of a "strategic CSR" program. It is important to create a CSR matrix in which individual tasks and items can be prioritized and this ranking of priorities publicly disclosed. Activities thus undertaken should be dealt with in the report in the following manner: the plan as developed should be clearly described and then the result (do), evaluation (check) and improvement (act) should be discussed for comparison. This approach will lead to the preparation of a well-organized report.

- 2) Cooperation among management, associates and the labor union and the promotion of trilateral CSR activities

Terumo has established the provision of "people- and environment-friendly health care" as its corporate mission. The company, therefore, must place priority on carrying out CSR-related activities in a way that integrates the efforts of the management, associates and the labor union. Promoting a common understanding and opportunities for collaboration with the labor union is particularly important in addressing issues concerning human rights, labor and the environment. This does not simply mean that the labor union is expected to accept the company's CSR strategy as presented, but rather that the union plays an active role in developing the strategy from the beginning. Naturally, the company's management, associates and labor union should maintain a responsible attitude and work to promote mutual understanding. When these prerequisites are met, the views of associates and the labor union can be disclosed and the results of improvements can be reported in the following fiscal year, thus ensuring the company fulfills its accountability responsibilities. Such approach would enhance CSR awareness among associates and members of the labor union and serve as the basis of the sustainable development of Terumo.



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Editorial policy

This report was created with the goal of promoting communication between Terumo and its stakeholders and society by providing information about the social and environmental aspects of our business activities in an easy-to-understand manner.

The report includes a message from our president, which firmly expresses our commitment to people- and environment-friendly health care based on our corporate philosophy of "Contributing to Society through Health Care." A special feature showcases our product, the "DuraHeart," the world's first left ventricular assist system combining centrifugal pump and magnetic-levitation technologies, which we began selling in Europe in 2007.

This year a new section titled "Responsibilities to Shareholders and Investors" has been added to the report. It describes Terumo's policy on information disclosure and specific related activities. We have also included an independent observer's review of this report (from the same expert who provided last year's review), which we request and publish as part of our ongoing evaluation of our own initiatives.

Reference guidelines

Environmental Reporting Guidelines (FY 2007 edition),
Japanese Ministry of the Environment
Environmental Performance Indicators for Businesses (FY 2002 edition),
Japanese Ministry of the Environment

Scope

Terumo Corporation (including some overseas sales offices)

Period covered

The 2007 fiscal year (April 1, 2007 to March 31, 2008)
Some of the reported activities extend into and beyond April 2008.

Publication date October 2008

Next planned publication date September 2009

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