Social and Environmental Report 2008
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

Corporate data (consolidated)

- Net sales
  - FY 2007: 306.4 billion yen
  - FY 2006: 279.4 billion yen
  - FY 2005: 247.0 billion yen
  - FY 2004: 230.0 billion yen
  - FY 2003: 215.2 billion yen

- Operating income
  - FY 2007: 65.9 billion yen
  - FY 2006: 58.5 billion yen
  - FY 2005: 48.3 billion yen
  - FY 2004: 42.1 billion yen
  - FY 2003: 36.3 billion yen

- Number of associates
  - FY 2007: 12,322
  - FY 2006: 11,522
  - FY 2005: 10,821
  - FY 2004: 9,926
  - FY 2003: 8,994

Net sales by region (FY 2007)
- Japan: 126.5 billion yen (41.2%)
- Europe: 58.8 billion yen (19.2%)
- Asia and Others: 28.4 billion yen (9.3%)
- North and South America: 23.5 billion yen (7.7%)

Net sales by segment (FY 2007)
- General hospital products: 152.0 billion yen (49.8%)
- Cardiac and vascular products: 124.8 billion yen (40.7%)
- Interventional products: 23.5 billion yen (7.7%)
- Blood transfusion products: 6.1 billion yen (2.0%)
- Consumer health care products: 56.8 billion yen (18.5%)
- Blood bags, blood processing products, etc.: 58.8 billion yen (19.2%)
- Digital thermometers, blood pressure monitors, diabetes products (OTC market): 47.1 billion yen (15.3%)
- Blood transfusion products: 215.2 billion yen (69.9%)
- General hospital products: 306.4 billion yen (100.0%)

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 boundaries 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.
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)

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

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

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

Respect for our Associates (Employees)
- We emphasize respect for the individual, promote intercultural understanding, and encourage openness in the workplace in accordance with our concept of the “Associate Spirit” as we prepare to meet the challenges of the future.

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

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.

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.

We have a wide range of customers, including medical professionals, patients and the general public. We offer all of our customers safe, high-quality products and services while maintaining close communication with them.

We create work environments that enable each associate to take maximum advantage of his or her abilities, and from our associates with the skills that will enable them to be active on the global stage.

We utilize the unique opportunities presented by our business to help increase the coverage of better health care environments, as well as to advance our initiatives to give due consideration to the lifestyles and environments of communities.
Feature Story

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*, 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 been permitted heart transplant operations to be carried out for the first time. Researchers have been engaged in the development of heart transplants far exceeds the number of donors. In these circumstances, researchers have been engaged in the development of an artificial heart.

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 waiting for heart transplants in Japan would 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.

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*, of the total number of deaths.

The heart is a vital organ that pumps blood to supply the entire body. It is made up of two atria, right and left, and of 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 those 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 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 the 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.

Mechanism of Terumo’s heart assist device DuraHeart®

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.

Terumo began development of an artificial heart

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®, 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.”

L* DuraHeart is the trade name used in Europe.

First, we attempted to insert a technology that would enable the centrifugal pump in the cardio-pulmonary bypass system, which we ourselves developed, to be applied to the artificial heart. The company directed its attention to the joint research project promoted by Dr. Tsuaki Akutsu, 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.

**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 the 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** 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 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.

**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 the impeller to reduce its weight and size while maintaining functionality.

A patient who has undergone an artificial heart implant must carry out daily maintenance of the system themselves. For this reason, the artificial heart itself 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 a laptop computer and these parts can easily be carried in a 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.

**Marketing begun in Europe in 2007**

We started the clinical trial of the DuraHeart system in Germany in 2004 and acquired CE Marking** 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.

**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.
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.

### Social Performance
- High-quality cost-effective delivery of goods, maintaining over 95% of incoming calls answered within 2.5 seconds.
- No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.
- Career advancement of female associates — Promoting occupational safety —
  - Maintained rate of over 95% of incoming calls answered within 2.5 seconds.
  - Continued compliance training.
- Promote fair hiring — Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.
  - Conducted hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.

### Environmental Performance
- Determine the environmental impact of our business activities —
  - Conducted environmental impact assessments.
- Encouraging volunteer activities —
  - Implemented the Terumo Mt. Fuji Replanting Project and social responsibility activities.
- Facilitating environmental communication —
  - Published the Social and Environmental Report 2007.
- Environmentally friendly products —
  - Published environmental reports.
- Using resources and energy effectively —
  - Reduced CO2 emissions by 25% from FY 1990 level by FY 2010 (per sale unit).
  - Reduced CO2 emissions by 25% from FY 1990 level by FY 2010 (per sale unit).
- Waste reduction —
  - Reduced the amount of landfill waste to less than 1% of the total amount of waste at all sites in Japan, with the exception of sales offices.
  - Continued to achieve compliance.
- Pollution prevention —
  - Maintained a disabled-worker employment ratio of 1.8%.
- Establishment of environmental management systems —
  - Maintained compliance with the Terumo Environmental Management System at factories and the R&D Center in Japan.
- Compliance with environmental laws and ordinances —
  - Conducted measurement of ethylene oxide density at boundaries of facility grounds.

### Targets and Achievements of CSR Activities

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relevant Page</th>
<th>Voluntary Targets (Medium to Long-Term Targets)</th>
<th>Results for FY 2007</th>
<th>Evaluation to FY 2007</th>
<th>Initiatives for FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal control initiatives</td>
<td>13-14</td>
<td>Continuously review and develop internal control system.</td>
<td>Reviewed internal control system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting compliance</td>
<td>14</td>
<td>Continue compliance training.</td>
<td>Provided compliance training to new graduates, mid-career hires and new managers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A highly accessible call center</td>
<td>17</td>
<td>Maintain rate of over 95% of incoming calls answered within 2.5 seconds.</td>
<td>95.7% of incoming calls answered within 2.11 seconds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting employment of disabled workers</td>
<td>—</td>
<td>Maintain a disabled-worker employment ratio of 1.8%.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting occupational safety</td>
<td>—</td>
<td>No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career advancement of female associates</td>
<td>—</td>
<td>Train and promote associates based on skills and performance, without gender bias.</td>
<td>Women make up 2.9% of management positions (as of end of March 2008).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote fair hiring</td>
<td>—</td>
<td>Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 1

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relevant Page</th>
<th>Voluntary Targets (Medium to Long-Term Targets)</th>
<th>Results for FY 2007</th>
<th>Evaluation to FY 2007</th>
<th>Initiatives for FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal control initiatives</td>
<td>13-14</td>
<td>Continuously review and develop internal control system.</td>
<td>Reviewed internal control system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting compliance</td>
<td>14</td>
<td>Continue compliance training.</td>
<td>Provided compliance training to new graduates, mid-career hires and new managers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A highly accessible call center</td>
<td>17</td>
<td>Maintain rate of over 95% of incoming calls answered within 2.5 seconds.</td>
<td>95.7% of incoming calls answered within 2.11 seconds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting employment of disabled workers</td>
<td>—</td>
<td>Maintain a disabled-worker employment ratio of 1.8%.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting occupational safety</td>
<td>—</td>
<td>No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career advancement of female associates</td>
<td>—</td>
<td>Train and promote associates based on skills and performance, without gender bias.</td>
<td>Women make up 2.9% of management positions (as of end of March 2008).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote fair hiring</td>
<td>—</td>
<td>Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relevant Page</th>
<th>Voluntary Targets (Medium to Long-Term Targets)</th>
<th>Results for FY 2007</th>
<th>Evaluation to FY 2007</th>
<th>Initiatives for FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine the environmental impact of our business activities</td>
<td>—</td>
<td>Quantitatively determines the environmental impacts of development, production and sales activities.</td>
<td>Investigated substitutes for HCFCs*.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encouraging volunteer activities</td>
<td>26</td>
<td>Encourage volunteer activities.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilitating environmental communication</td>
<td>26, 30</td>
<td>Publish social and environmental reports.</td>
<td>Conduct initiatives for Environment Month.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmentally friendly products</td>
<td>27-28</td>
<td>Remove mercury from health care products.</td>
<td>Respond to regulations of different countries.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using resources and energy effectively</td>
<td>29-30</td>
<td>Reduce CO2 emissions by 25% from FY 1990 level by FY 2010 (per sale unit).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste reduction</td>
<td>31</td>
<td>Reduce the amount of landfill waste to less than 1% of the total amount of waste at all sites in Japan, with the exception of sales offices.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pollution prevention</td>
<td>32</td>
<td>Maintain dichloromethane emissions of no more than 99 tons.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of environmental management systems</td>
<td>33</td>
<td>Maintain compliance with Terumo Environmental Management System at all factories and the R&amp;D Center in Japan.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with environmental laws and ordinances</td>
<td>35</td>
<td>Confirm compliance with laws, ordinances and agreements relating to environmental protection, as well as rigorous legal compliance overseas.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 3

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relevant Page</th>
<th>Voluntary Targets (Medium to Long-Term Targets)</th>
<th>Results for FY 2007</th>
<th>Evaluation to FY 2007</th>
<th>Initiatives for FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal control initiatives</td>
<td>13-14</td>
<td>Continuously review and develop internal control system.</td>
<td>Reviewed internal control system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting compliance</td>
<td>14</td>
<td>Continue compliance training.</td>
<td>Provided compliance training to new graduates, mid-career hires and new managers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A highly accessible call center</td>
<td>17</td>
<td>Maintain rate of over 95% of incoming calls answered within 2.5 seconds.</td>
<td>95.7% of incoming calls answered within 2.11 seconds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting employment of disabled workers</td>
<td>—</td>
<td>Maintain a disabled-worker employment ratio of 1.8%.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting occupational safety</td>
<td>—</td>
<td>No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career advancement of female associates</td>
<td>—</td>
<td>Train and promote associates based on skills and performance, without gender bias.</td>
<td>Women make up 2.9% of management positions (as of end of March 2008).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote fair hiring</td>
<td>—</td>
<td>Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability or other factors.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 4

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relevant Page</th>
<th>Voluntary Targets (Medium to Long-Term Targets)</th>
<th>Results for FY 2007</th>
<th>Evaluation to FY 2007</th>
<th>Initiatives for FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine the environmental impact of our business activities</td>
<td>—</td>
<td>Quantitatively determines the environmental impacts of development, production and sales activities.</td>
<td>Investigated substitutes for HCFCs*.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encouraging volunteer activities</td>
<td>26</td>
<td>Encourage volunteer activities.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilitating environmental communication</td>
<td>26, 30</td>
<td>Publish social and environmental reports.</td>
<td>Conduct initiatives for Environment Month.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmentally friendly products</td>
<td>27-28</td>
<td>Remove mercury from health care products.</td>
<td>Respond to regulations of different countries.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using resources and energy effectively</td>
<td>29-30</td>
<td>Reduce CO2 emissions by 25% from FY 1990 level by FY 2010 (per sale unit).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste reduction</td>
<td>31</td>
<td>Reduce the amount of landfill waste to less than 1% of the total amount of waste at all sites in Japan, with the exception of sales offices.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pollution prevention</td>
<td>32</td>
<td>Maintain dichloromethane emissions of no more than 99 tons.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of environmental management systems</td>
<td>33</td>
<td>Maintain compliance with Terumo Environmental Management System at all factories and the R&amp;D Center in Japan.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with environmental laws and ordinances</td>
<td>35</td>
<td>Confirm compliance with laws, ordinances and agreements relating to environmental protection, as well as rigorous legal compliance overseas.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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-technology management system, risk-management system, management efficiency system, internal control systems of Terumo Group and the validity of corporate auditor audits.

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 reasonable 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, providing the use of an internal reporting system, and implementing internal audits by the Internal Audit Department.

Efforts to Ensure Compliance

Corporate Ethics Hotline

In 2003, we created a Corporate Ethics Hotline, operating under the motto “all associates improving the company together” and “creating a culture of openness.” This whistleblowing 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 testing, care, management and in-house health checks of animals to achieve the three Rs* stipulated in the 2005 revision to the “Responsible.

* The principle of the three Rs: The three Rs 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 Rs when conducting research. The 2005 revision to Japan’s Act on Welfare and Management of Animals states the principle explicitly.
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.

Communication with Customers

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.

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.

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*4 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.

Intervention training

Endovascular intervention*6 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.

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 absorb 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.

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.
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 around-the-clock. 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.

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.

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 encasing 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.

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 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 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.

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.”

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.

Terumo’s unique container structure, “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 encasing 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.

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 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 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.

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.”

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.”
Quality Initiatives for Safe and Secure Products

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 healthcare topics, can be comprehensively understood. As a good corporate citizen, we aim for high-quality communications that are easy to understand.

Maintaining quality is an important responsibility for companies involved in healthcare 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.

Terumo Social and Environmental Report 2008

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 requirements with the advanced quality management system based on the existing pharmaceutical GMP (Good Manufacturing Practice) standard. In later years, Terumo obtained ISO13485*1 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.

Quality assurance system that meets international standards

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

Quality policy at the factory

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

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 knowledge 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)*2, an evaluation method developed in Japan.

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.

competitive 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.

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 conducted at the factory

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 requirements with the advanced quality management system based on the existing pharmaceutical GMP (Good Manufacturing Practice) standard. In later years, Terumo obtained ISO13485*1 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.

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 healthcare. For the first time we also created a display section for our products so that attendees could see them up close.

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 our IR activities*3 conducted in fiscal 2007. 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.

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

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

Staff Comment

Takao Ito

Terumo’s Track

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 healthcare itself.
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) 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 systems that support the “lions” (top management).

**Systems that Support the Development of Associates**

#### Development of Associates

- **Terumo Social and Environmental Report 2008**
- **BRICs**
- **LEO**
- **ACE**
- **Prize Award “Genbano hokori”**
- **Idea suggestion system “Think-!”**
- **Basic clinical training and practical sales training**
- **Internal exchange**
- **In-house systems to enhance the power of frontline associates**

---

**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.”

**BRICs**

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

**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 rise into “top management.”

**Prize Award “Genbano hokori”**

In Japanese.) To reward and recognize the associates who work steadily behind the scenes and make a huge contribution and take pride in their work. (This kind of pride is referred to as genbano hokori in Japanese.)

**Idea suggestion system “Think-!”**

Introduced first as the “Icon” program in 1999 and renewed 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.

**Basic clinical training and practical sales training**

At our comprehensive health care training facility, Terumo Medical Phoenix, (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 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.

**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.

**In-house systems to enhance the power of frontline associates**

#### Pride Award “Genbano hokori”

Terumo has an established Global Award system to recognize the associates who have demonstrated noteworthy results.

- **Pride Award “Genbano hokori”**
- **Internal exchange**
- **In-house systems to enhance the power of frontline associates**

---

*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 rise into “top management.”

---

**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 overseas)

---

*3 T3: Stands for Technique Transfer Training.

**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

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 part-pm, 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.

WEB http://www.terumo-taion.jp/

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

Emergency relief 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.

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’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.

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 yen per year (one year + 1.5 million yen
State 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.

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 conducts free classes on the relationship between body temperature and natural body cycles. In June 2008, the institute led 31 11th-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.

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

Informativematerialhelpedchildrenunderstandtheirbodiesandhealth

Ms. Misa Shibasaki
Teacher
Miyagaya Elementary School, Yokohama City

My students were surprised to see the differences in their body temperatures 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—that 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 healthy 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.

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 ISO140011, 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

Environmental Audit Committee
To audit Terminal environmentsmanagement system
Frequency of audits: Annually or a year

Specialized Environmental Groups

To propose and implement specific improvements for individual issues
Meeting Held: Every two months (determined individually by each group)

Environmental Management

To set targets and initiatives for each site
Monthly/annually on a site-by-site basis

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.

Environmental Bulletin Board in Fujisawa Factory

Guest Comment

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 flooding. 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.

Communication for Enhancing Environmental Awareness

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.

Increasing environmental awareness at the Ashtaka Factory

The Environmental Bulletin Board installed at Terumo’s Ashtaka 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.

The Terumo Mt. Fuji Reforestation Project

Asst. 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 flooding. 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.

For more information on Terumo’s Environmental Policies, visit our website at http://www.terumo.com/eng/ENV_Policy.html

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 enable continuous improvement of business operations by repetition of the four processes of plan, do, check and act.
Making efforts to be friendly to both people and the environment

To reduce the risk of infection and the amount of handling, Terumo developed 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.

Digital thermometer, 1983

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

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 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 Triis (2-ethylhexyl) trimellitate (TOTM)*, an alternative plasticizer.

Syringe, 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.

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, 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 by increasing the efficiency of the oxygen generation process. We also installed a smaller compressor that uses less power.

Oxygen concentrator, 2003

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 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.

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.

Continuous ambulatory peritoneal dialysis bag, 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, 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

Prefilled syringe

Blood pressure monitor

Oxygen concentrator

Prefilled syringe

Continuous ambulatory peritoneal dialysis bag

Type: blood pressuremonitor

Type: oxygen concentrator

Type: balloon catheter

Type: PTCA balloon catheter

Digital Thermometer

Syringe

Comparison of volume of discarded syringes (left: conventional syringe; right: new syringe)

Syringe

IV solution set

Oxygen yield: An index indicating the percentage of oxygen extracted from the air.

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, polystyrene, polystyrene) in amounts higher than a specified level.

Oxygen concentrator

Blood pressure monitor

Prefilled syringe

Continuous ambulatory peritoneal dialysis bag

IV solution set

Syringe

Digital Thermometer

Oxygen yield

Blood pressure monitor

Oxygen concentrator

Prefilled syringe

Continuous ambulatory peritoneal dialysis bag

IV solution set

Syringe

Digital Thermometer

Oxygen yield

Blood pressure monitor

Oxygen concentrator

Prefilled syringe

Continuous ambulatory peritoneal dialysis bag

IV solution set

Syringe

Digital Thermometer

Drug adsorption: A phenomenon characterized by adsorption of the active ingredient into the material of the IV solution set, leading to a reduced dosage.

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.

Syringe: Specifically, the barrel of our injection syringes.

Oxygen yield: An index indicating the percentage of oxygen extracted from the air.

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, polystyrene, polystyrene) in amounts higher than a specified level.

* Drug adsorption: A phenomenon characterized by adsorption of the active ingredient into the material of the IV solution set, leading to a reduced dosage.

* 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.

* Syringe: Specifically, the barrel of our injection syringes.
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 2003 we enhanced our target reduction ratio—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 6% 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 those 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 were fixed at about 400 points along these pipeworks to remove the flœcculated 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.

Preventing Global Warming

- Target for Reduction of CO2 Emissions: Reduce CO2 emissions per unit of net sales by 70% relative to the fiscal 1990 level by fiscal 2012
- Trends in CO2 emissions per unit of net sales

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

* Masashi Uematsu
  Department Supervisor, Production Department, 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 kJ 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 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.

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*7 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.

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

Tokuji Hirai
Product Manager

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 I have something important to discuss. Planning my schedule efficiently helps me to minimize the amount of time I spend driving.

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

*7 10 Recommendations for Eco-Driving: Earth-friendly driving techniques recommended by the national “Team Minus 6%” project to cut greenhouse gas emissions. [http://www.team-6.jp/ecoDrive/]

Joining Team Minus 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 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.

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.

Efforts made by participants are scored and points are converted into a monetary amount for donation to environmental organizations.

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

*7 10 Recommendations for Eco-Driving: Earth-friendly driving techniques recommended by the national “Team Minus 6%” project to cut greenhouse gas emissions. [http://www.team-6.jp/ecoDrive/]
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 target, we urge rigid adherence to the proper sorting of waste and continue to refine our waste treatment methods and rates. 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.

- **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.

- **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 potential 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 food tins 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.

- **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 potential 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 food tins 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.

- **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 revalidation 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 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.

- **Promotion of green purchasing**
  We promote green purchasing through our established guidelines for selecting office and stationary 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Total payment**</th>
<th>Eco Mark products* (including Japanese Eco Mark and Green Mark)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial paper</td>
<td>20,245,000</td>
<td>10,515,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>12,825,000</td>
<td>6,412,500</td>
</tr>
<tr>
<td>Other office supplies</td>
<td>21,935,000</td>
<td>10,967,500</td>
</tr>
</tbody>
</table>
| Note: Since the revelation of falsifications regarding the content of waste paper in recycled paper, correction of the criteria for green purchasing was seen as necessary. The above results, however, were calculated according to the current content indicated by Eco Marks and Green Marks."

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

** PCB: Polychlorinated biphenyls
We then measured the noise outside the factory and confirmed the noise at some places about 100 m distant from the boundary. Investigating the cause of the complaint, we found that the noise, which was due to the vent outlets of exhaust air ducts at our Ashitaka Factory. Upon prompt and appropriate response to requests for improvement tasks, the exterior noise was reduced to acceptable levels.

2) Audit results

1) With regard to waste management, some documents were not prepared as required. Major noncompliance, 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.

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.

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.
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