Annual Report 2012
Terumo Corporation was founded in 1921 by several medical scientists, including Dr. Shibasaburo Kitasato. Based on a corporate mission of “Contributing to Society through Healthcare,” Terumo has broadened its business scope beyond its roots in the production of clinical thermometers to include promoting the increased use of products that contribute to safe medical treatment, and developing advanced medical devices.

Today, Terumo is pursuing global business development, aiming to contribute to improved healthcare standards around the world.

Dr. Shibasaburo Kitasato (1853–1931)
- First chairman of the Japan Medical Association
- Discovered immune antibodies against tetanus toxins and established a related blood serum treatment
- Discovered the bacterium responsible for bubonic plague, becoming a pioneer in preventive medicine
- Founded the Institute for Infectious Diseases in Japan (present day National Institute of Infectious Diseases)

© Courtesy of the Kitasato Institute archives

Origin of the Terumo Name
The name “Terumo” comes from the German pronunciation of the word, “Thermometer.” Thermometers have been an integral part of Terumo’s development and history—a fact forever embedded in the Company’s name.

Thermometer

© Courtesy of the Kitasato Institute archives
“Contributing to Society through Healthcare”

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

“Terumo’s unique technology makes medical treatment kinder and gentler”

Open Management

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

Enhanced Value

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

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

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.
Striving for Minimally Invasive Neuroendovascular Therapy

A cerebral aneurysm is a localized dilation or ballooning of the blood vessel in a cerebral artery. The rupturing of a cerebral aneurysm can lead to a life-threatening subarachnoid cerebral hemorrhage or intracerebral hemorrhage. One way to treat a cerebral aneurysm is to perform a craniotomy to clip the root of the aneurysm and block the blood flow. Another treatment is a neuroendovascular therapy in which a platinum coil is deployed inside the aneurysm via a catheter. In Europe and North America, catheter-based neuroendovascular therapies are used in over 50% of all treatments of cerebral aneurysm. The percentage in Japan is about 30% at present but this neuroendovascular therapy is likely to increase in the future as it reduces the physical strain on patients and does not require a lengthy hospitalization.

Terumo’s Innovative Technologies Are Helping Many Patients

The treatment of cerebrovascular diseases with neurointerventional techniques has been developing and improving at an unbelievable pace, most notably in the last decade with the impact of endovascular technologies. These new techniques have allowed us to perform less invasive non-surgical procedures. Terumo Group company, Microvention has been highly involved in the R&D of new devices that have had a great impact on these evolutionary endovascular tools, which ultimately help our patients. I strongly believe that Microvention will continue to play a major role in developing new technologies that will expand the field of stroke treatments.

H. Saruhan Çekirge, M.D.
Hacettepe University Hospitals
Ankara, Turkey
Aiming for Cutting-edge Coronary Intervention Treatments

OFDI* employs light applied to the inside of blood vessels from the tip of a catheter, and constructs an intravascular cross-sectional image through a new technology that analyzes the reflection from the vessel walls.

OFDI achieves high resolution images, and is highly promising in its ability to display the condition of inner vessel wall and stent apposition, which have been difficult to detect in the past, further helping physicians to provide even safer and more effective coronary interventions.

* OFDI: Optical Frequency Domain Imaging

3D intravascular image
Physicians are able to confirm the condition of inner vessel wall and stent apposition.

Gaining Previously Unavailable Information on the Inside of Blood Vessels

I am impressed by Terumo’s OFDI technology. The quality and resolution of images are really amazing and superior to the existing imaging technologies. I have high expectations that OFDI will support physicians in providing even safer and more efficient interventional procedures.

Bernard Chevalier, M.D.
Clinique Jacques Cartier
France
Coronary Intervention via the Wrist to Get Patients Walking Immediately after the Procedure

Of the coronary intervention treatments available, inserting the interventional system at the artery of the wrist is gaining popularity around the world. This treatment allows the patient to be able to walk soon after the procedure, and puts less strain on the body. It also shortens the hospital stays, which is expected to help lower the economic burden associated with medical treatment.

At the same time, the blood vessels that link the wrist and heart are smaller and tortuous, requiring a catheter that is small, flexible and that will not damage the blood vessel. The procedure also requires advanced skills of physicians, so a proper training environment is important. Terumo provides support on both fronts, helping to spread this patient-friendly treatment.

20 Years Since the First Coronary Intervention Through the Wrist
Terumo Has Been a Good Partner for Physicians

It has been twenty years since I first started doing coronary interventions initiated at the wrist. Compared to the insertion of a catheter from the groin, the opening is small and there is less blood loss, reducing the physical strain on the patient. Terumo has been a good partner for physicians, helping to make this procedure more widespread by providing support in terms of both product development and training to enhance physicians’ skills.

Ferdinand Kiemeneij, M.D., PhD.
Onze Lieve Vrouwe Gasthuis
Netherlands
Contributing to Medical Safety and Skill Development of Healthcare Professionals—Terumo Medical Pranex

Terumo Medical Pranex is a “mock hospital,” a training center for medical professionals, fully equipped with various simulators and hospital facilities that reproduce actual clinical situations. The center is able to conduct various types of training to meet the needs of medical professionals, from instruction in basic skills such as drawing blood and giving injections, to guidance in advanced medical techniques for specialists, and enhance collaborative work among physicians and nurses, and others. While providing support to enhance the quality of medical treatment, Terumo is deepening its partnership with customers.

Comprehensive training facility
Terumo Medical Pranex™
More than 10,000 medical professionals visit annually

The Ability to Learn Techniques in a Realistic Environment

Through repeated practice performing treatments and procedures we acquire the feel and sense of a technique, giving us confidence when working for patients. Pranex provides the opportunity to learn techniques in a realistic environment, making it a valuable facility for everyone concerned with better medical safety. I have high expectations for Terumo in terms of product development and support to enhance safety in medical treatment.

Yaemi Nakano
Vice Director, Tokyo Medical University Hospital, Director of Nursing
Transfusion Medicine Supporting Cancer Patients

One of the side effects of chemotherapy using anti-cancer drugs or radiation therapy is a reduction in blood components such as red blood cells and platelets. Platelets play an especially vital role in hemostasis. Since a reduction in platelets increases the risk of hemorrhage and makes bleeding difficult to stop, platelets need to be supplemented through transfusion.

Terumo offers its automated blood collection system for the efficient collection of platelets during blood donation, which helps blood centers better meet the needs of patients receiving transfusions.

Comment from a Marketing Personnel

Contributing to the Transfusions Needed around the World

Terumo’s automated blood collection system is a technologically advanced, efficient way of collecting platelets. It allows blood centers to collect the right blood products at the right time. This is especially important when a critically ill patient needs a specific blood component, as many cancer patients do when they suffer blood loss due to a surgery, complication or platelet loss due to chemotherapy.
Greater Effectiveness of Vaccine Injections

The development of new vaccines to prevent infectious diseases and harness the immune system to fight cancer has been advanced. Reducing the amount of vaccine that is injected per person allows more people to be vaccinated. Terumo has developed an injection device that makes vaccination more effective by allowing a small amount of vaccine to be injected intradermally (just beneath the skin), where immune system cells are highly concentrated. With pharmaceutical company, Daiichi Sankyo Co., Ltd., we are co-developing a new vaccine utilizing Terumo’s intradermal injection device. These efforts contribute to the development of vaccines with broad applications from prevention to treatment.

Comment from an R&D Engineer
Contributing to Healthcare through the Development of Intradermal Injections

I began developing intradermal injection devices by focusing on the enhancement of vaccine effectiveness. One of my roles is to develop a device that provides reliable injections in the thin parts of the skin, and is people-friendly in that it doesn’t hurt or evoke fear. Another role is to work through the entire development process together with pharmaceutical companies, including evaluation on the enhancement of vaccine effectiveness.
Helping the Elderly Walk without Fear of Falling

Muscle strength declines with age, making people more prone to stumble or fall, and this anxiety leads them to avoid going out. A broken bone as a result of a fall is one of the reasons the elderly become bedridden. Socks that lift the toe make it less likely that a person will stumble. Terumo is helping the elderly live vibrantly and healthily through the prevention of injury or illness.

Lessening the Risk of Falls Also Helps to Avoid Broken Bones

As people age their toes naturally droop, increasing the risk of stumbling on even an only slightly uneven surface or falling. Walking is an extremely important exercise, as it helps prevent osteoporosis, which lessens the likelihood of broken bones. Lifting up the toe of the foot will allow people to walk without falling, and help them avoid broken bones. I previously felt that it was easy to walk as long as shoes fit properly, but socks are also an extremely important factor.

Shigeaki Hinohara, M.D.
Chairman of the Board of Trustees, St. Luke’s International Hospital
Never Allow a Disruption in Medical Care— the Great East Japan Earthquake

Terumo reaffirmed its mission as a company in the wake of the Great East Japan Earthquake.

Our mission is to “never allow a disruption in medical care” by maintaining a stable supply of products to healthcare providers around the world.

We have implemented various measures based on this resolve. At our Japanese factories we installed gas engine-based in-house power generators to supplement the power supply and ensure that the production process continues to operate. To maintain our logistics network we dispersed our customer service centers, warehouses and data centers between the Kanto and Kansai regions. We also decentralized our production facilities domestically and overseas, and took other measures to ensure a stable supply structure.

Comment from Personnel of Maintenance Section in Factory
Maintaining a Stable Supply

The mission of the maintenance section to which we belong is to maintain a stable energy supply and work environment necessary for production. The interventional systems products and oxygenators made at our factory are used at medical facilities throughout the world, so production cannot be stopped. Last year’s disaster reaffirmed the importance of the role that we play. We will keep a firm resolve to persevere should another catastrophe strike, and make a concerted effort as a team to continue our maintenance activities in order to “contribute to society through healthcare.”
A Message from the President

Continuously “Contributing to Society through Healthcare”

Terumo was established in 1921 by a group of medical scientists led by Dr. Shibasaburo Kitasato, known in Japan as “the father of modern medicine.” Their aspiration was to create a superior clinical thermometer to protect peoples’ health, and we continue to respect and maintain this same spirit. In accordance with our corporate mission of “Contributing to Society through Healthcare,” we provide a stable supply of high-quality, superior products, and proactively address the host of social issues that surround healthcare.
Continued Pursuit of New Value

The environment surrounding the healthcare industry has been undergoing a dramatic transformation. In developed countries, reducing medical costs and improving the quality of life have become major issues, shaped by changes in the social landscape like aging populations and slowing economies. In developing countries, meanwhile, economic development is spurring growing needs with respect to healthcare.

Terumo draws on its unique technologies in the pursuit of new value to address such public needs. In addition to the effort to improve treatments more effective, we are working to lessen the physical strains on patients, as well as to enhance the economic efficiency of medicine through shorter hospital stays and other means. As medical devices are only effective when used properly, we also provide technical training and other types of support to medical professionals for the safe use of advanced technologies. Further, as a medical device manufacturer developed to cope with Japan’s graying society, we are working to proactively address the issues of aging populations around the world.

A Stronger Foundation for Sustainable and Profitable Growth

Terumo conducts global management with the goal of “sustainable and profitable growth” in order to continuously contribute to society through healthcare. We are expanding our overseas production base to meet the growth in global demand over the medium to long term, as well as to bolster our price competitiveness and resilience to the strong yen. We will establish a new factory in Vietnam, the second in the country, and expand the production scale of existing factories in Vietnam and the Philippines, as well as taking other measures to strengthen our global production competency. At the same time, in recent years the U.S. FDA and other countries’ government authorities have tightened regulations, requiring an even stricter system of quality control. We will remain steadfast in our infrastructure investments, establish an unshakable foundation for sustainable growth, and strive to ensure safety and reliability.

Corporate Governance Principle

Terumo has formulated a corporate governance principle aimed at ensuring it remains a trusted corporation. We have set internal rules requiring that at least 20% of directors be independent directors, and that more than half of corporate auditors be external corporate auditors, along with other steps to reinforce the board’s oversight function and improve the quality of decision-making. We have also established a Corporate Governance Committee with the aim of enhancing transparency and objectivity of management. The chairperson and more than half of the members of the committee are independent directors. The committee recommends candidates for directorships, evaluates director performance and deliberates on compensation proposals. We believe that along with better systems, a corporate culture to create “a highly motivating and challenging workplace with open and candid communication, with forward looking spirit,” is vital to effective governance, and are taking action to foster such values.

Shareholder Returns

Terumo will stably increase dividends with a target payout ratio of 30% over the medium to long term, linked to business performance and investment plans. I believe that my mission is to do my utmost in management to achieve sustainable growth, and contribute to healthcare around the world. Thank you for your unwavering support of Terumo.

Yutaro Shintaku
President & Representative Director
Cardiac & Vascular Business
Terumo contributes to cutting-edge treatments including cardiac and vascular surgery, and interventional procedures performed inside blood vessels.

General Hospital Business
We provide devices and systems used for treatments at hospital bedsides and in the home, with a focus on safety and ease of use.
Note: The Consumer Healthcare Business was merged with the General Hospital Business in April 2012.

Blood Management Business
Terumo provides support for transfusions through high quality and efficient collection and processing of blood from donors, as well as for treatments of patients with blood diseases.
**Cardiac & Vascular Business**

In Japan, sales of “Nobori,” our drug-eluting coronary stent, enjoyed favorable sales, while intravascular ultrasound imaging catheter, “ViewIT,” achieved a large increase in sales.

Outside of Japan, sales of “Nobori” increased in Europe, Asia, and Latin America, while interventional systems products showed favorable growth in sales, driven by the increasing popularity of TRI (interventional treatment of approaching the coronary artery from the blood vessels of the wrist) in North & Latin America.

Consequently, net sales of the Cardiac & Vascular Business increased by 11.1% compared with the previous fiscal year to 160.6 billion yen.

**General Hospital Business**

In Japan, I.V. solutions and some other products whose sales had temporarily dropped, affected by the earthquake, showed signs of steady recovery, while semi-solid nutritious foods for the chronic care market and commissioned business of Drug & Device (D&D) has seen steady growth. However, compared with the previous fiscal year, domestic sales decreased.

Outside of Japan, sales were steady in Asia and Latin America, increasing on a constant currency basis, but were badly affected by the appreciation of the yen. Consequently, net sales of the General Hospital Business dropped by 1.9% compared with the previous fiscal year to 154.3 billion yen.

**Blood Management Business**

In Japan, sales of blood bags affected by the earthquake in the first half recovered, and total sales increased compared with the previous fiscal year.

Outside of Japan, “TACSI,” our automated blood component processing device, enjoyed favorable sales in Europe, pushing up total sales for the business. CaridianBCT (now Terumo BCT), which was acquired in April 2011, grew, driven by good sales of therapeutic apheresis products. As a result, net sales in the Blood Management Business increased by 192.5% compared with the previous fiscal year to 71.8 billion yen.

---

Note: Fiscal 2010 figures for each business segment exclude elimination or effects from accounting period reconciliation.
Overview by Geographic Segment
FY2011 (Year ended March 31, 2012)

**Japan**
Sales in Japan were driven by significant contributions from such products as drug-eluting stents, prefilled syringes, and blood bags. As a result, net sales increased by 7.5% year on year to 190.5 billion yen.

**Europe**
Sales increased for interventional systems products such as drug-eluting stents. In the Blood Management Business, sales were boosted by revenue from recently acquired CaridianBCT, along with an increase in sales of automated blood component processing devices. Net sales increased by 33.0% on a constant currency basis.

Despite the impact of exchange rates, net sales increased by 26.7% to 71.7 billion yen.

**Americas**
Interventional systems products showed favorable growth in sales, driven by the increasing popularity of TRI. Performance was also lifted by sales from CaridianBCT in the Blood Management Business. Sales increased by 50.5% on a constant currency basis. The significant impact of exchange rates, however, resulted in net sales of 79.1 billion yen, up 38.8% from the previous fiscal year.

**Asia and Others**
Sales of interventional systems products continued to grow steadily in China and other countries. In the Blood Management Business, sales were boosted by revenue from CaridianBCT, along with favorable sales of blood bags. Sales increased by 28.2% on a constant currency basis, but results were negatively affected by exchange rates. As a result, net sales increased by 21.1% year on year to 45.4 billion yen.

Note: Figures by geographic segment exclude intersegment transactions or the effects of adjustments.
Consolidated Five-year Summary
Terumo Corporation and subsidiaries
Years ended March 31

<table>
<thead>
<tr>
<th>FOR THE PERIOD:</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 FY '07</td>
<td>2009 FY '08</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥306,382</td>
</tr>
<tr>
<td>Operating income</td>
<td>66,942</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>65,346</td>
</tr>
<tr>
<td>Net income</td>
<td>43,382</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>69,683</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>(28,070)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>41,613</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>3,082</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>15,754</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>15,954</td>
</tr>
<tr>
<td>Depreciation and amortization (Note 1)</td>
<td>17,812</td>
</tr>
<tr>
<td>Net income—basic</td>
<td>¥220.30</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>32.00</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,489.10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AT YEAR-END:</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>¥218,072</td>
</tr>
<tr>
<td>Current liabilities (Note 3)</td>
<td>114,457</td>
</tr>
<tr>
<td>Working capital</td>
<td>103,615</td>
</tr>
<tr>
<td>Total assets (Note 3)</td>
<td>410,919</td>
</tr>
<tr>
<td>Total net assets</td>
<td>288,868</td>
</tr>
<tr>
<td>Capital stock</td>
<td>38,716</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER STATISTICS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>15.0% 13.0% 13.7% 9.9% 7.0%</td>
</tr>
<tr>
<td>ROA</td>
<td>11.2% 9.3% 10.1% 7.6% 4.3%</td>
</tr>
<tr>
<td>Shareholders’ equity ratio</td>
<td>70.3% 73.4% 74.5% 79.8% 50.9%</td>
</tr>
<tr>
<td>Number of shares of capital stock at year-end (in thousand shares)</td>
<td>193,929 189,898 189,895 189,881 189,879</td>
</tr>
<tr>
<td>Number of associates (in persons)</td>
<td>12,322 13,439 13,740 14,761 18,112</td>
</tr>
</tbody>
</table>

(Notes) 1. The amortization of goodwill is included in depreciation and amortization.
2. Effective April 1, 2002, a new accounting standard for earnings per share was adopted. The amounts per share of common stock shown in the consolidated financial summary for prior years have not been restated.
4. Adjustments were made to the accounting periods of five consolidated subsidiaries in Asia with fiscal years ending in December to make them consistent with that of the Company. The outcome of these adjustments was a 15-month accounting period from January 1, 2010 to March 31, 2011, which increased net sales, operating income, and net income by ¥1,923 million, ¥970 million and ¥685 million, respectively.
Corporate Data
As of June 30, 2012

Head Office
44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
Tel: +81-3-3374-8111

Date of Establishment
September 17, 1921

Paid-in Capital
¥38,716 million

Number of Employees
4,959
18,440 (Consolidated)

Investor Information
As of March 31, 2012

Number of Shares Authorized
840,000,000 shares

Number of Shares Issued
189,880,260 shares

Number of Stockholders
26,756

Stock Listing
First Section of Tokyo Stock Exchange

Security Code
4543

Trading Unit
100 shares

Principal Stockholders

<table>
<thead>
<tr>
<th>Stockholder</th>
<th>Number of Shares (thousands)</th>
<th>Percentage of total shares issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust)</td>
<td>13,331</td>
<td>7.0%</td>
</tr>
<tr>
<td>The Dai-ichi Life Insurance Company, Limited</td>
<td>10,129</td>
<td>5.3%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust)</td>
<td>9,411</td>
<td>5.0%</td>
</tr>
<tr>
<td>Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>8,271</td>
<td>4.4%</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>6,958</td>
<td>3.7%</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>5,611</td>
<td>3.0%</td>
</tr>
<tr>
<td>Mizuho Corporate Bank, Ltd.</td>
<td>5,105</td>
<td>2.7%</td>
</tr>
<tr>
<td>Olympus Corporation</td>
<td>4,715</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust and Banking Corporation</td>
<td>3,831</td>
<td>2.0%</td>
</tr>
<tr>
<td>Terumo Life Science Foundation</td>
<td>3,680</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Terumo owns 1,067 treasury shares at the end of March 2012, but these are excluded from the Top 10 Large Shareholders because they have no voting rights.

Composition of Issued Shares by Type of Stockholders

<table>
<thead>
<tr>
<th>Type of Stockholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign companies</td>
<td>28.4%</td>
</tr>
<tr>
<td>Trust and banking companies</td>
<td>26.8%</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>19.2%</td>
</tr>
<tr>
<td>Other companies</td>
<td>11.2%</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>9.9%</td>
</tr>
<tr>
<td>Securities companies</td>
<td>4.5%</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

© TERUMO, TERUMO MEDICAL PRANEX, Nobori, ViewIT, and TACSI are trademarks of TERUMO CORPORATION.
© Registered Trademark
© TERUMO CORPORATION