

Social and Environmental Report 2006



'Gentle' health care for the patients of the world

From safe medical devices to safety at all healthcare institutions

As a manufacturer of medical devices, our role is to provide safe health care by developing medical devices that meet the needs of healthcare institutions, while achieving both economy and efficiency. At Terumo, we believe that in order to pursue safety at all healthcare institutions, we must offer products as well as systems and services. We are working actively on developing devices that help prevent medical accidents, and offering opportunities for education and training in order to ensure the correct use of our products, while incorporating the feedback we receive from doctors, nurses, and other health care professionals on the front lines of medicine.

People's lives depend on medical devices. As a manufacturer of medical devices, it is thus our responsibility to maintain high standards of quality in our products. We must never allow medical care or medical devices that are supposed to cure illnesses to cause new ones. Maintaining the safety of health care requires considerable knowledge and ingenuity. We are striving to minimize risk in healthcare through medical devices. We manufacture our products according to quality and environmental standards that exceed international standards in seven countries, including Japan, as well as the United States, Belgium, China, the Philippines, and India. Our products are used by hospitals in more than 150 countries worldwide. As a dedicated manufacturer of medical devices, I believe that we can contribute to society by expanding our global network; creating development, production, and sales systems suited to each country in our network; and offering high standards of health care to the public.

From the development of leading-edge medical devices to preventive medical care

As the populations of the industrialized world age, the numbers of cases of lifestyle diseases are skyrocketing. This is increasing people's interest in health and expectations of health care.

One of the medical devices in which we specialize is the catheter. The applications of catheters have begun to expand from treatments for myocardial infarction and other forms of heart disease, to interventional therapy for the livers, obstetrical and gynecological ailments, and even the cerebrovascular diseases. We are building our minimally invasive therapy businesses in the United States, including the acquisition of a manufacturer of endovascular coils for the treatment of cerebral aneurysms using catheters. The United States is at once the world's largest healthcare market and our most important source of information and technology from leading-edge healthcare institutions, and we believe that this was a first step toward achieving this.

We have developed the DURAHEART ventricular assist system. This system has given great hope to victims of advanced heart failure for whom only organ-transplant treatment was previously available. We are continuing clinical trials in Europe, which has a well developed environment for clinical trials of medical devices, with the aim of bringing this product to market as quickly as possible.

New advances in medical techniques and the development of medical devices to perform these techniques go hand in hand, and as a dedicated manufacturer of medical devices, this is the greatest contribution we can make to society. We are making at most efforts to realize preventive medical care that maintains health and medical care that minimizes physical and financial impact, based on our corporate philosophy of Contribution to Society through Health Care.

Meanwhile, poverty and other issues have created qualitative and quantitative disparities in access to healthcare services worldwide. We pioneered the development of disposable needles in Japan, with the goal of preventing infectious diseases. As a corporation that operates globally, as a manufacturer of medical devices, and as a company involved in healthcare, there are many ways in which we can help to resolve these issues. With a deep awareness of our corporate social responsibility, we are committed to offering 'Gentle' health care to maintain and restore the health and lifestyles of the people of the world.



Takashi Wachi
Representative Director & Chairman



Akira Takahashi
Representative Director & President

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Corporate Philosophy

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.

Five Statements

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 slogan "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 good corporate citizens.

Feature

Our commitment to 'Gentle' Health Care



Terumo was founded by Dr. Shibusaburo Kitasato (the discoverer of the pest bacillus) and colleagues in 1921, with the objective of enabling clinical thermometers to be produced in Japan. In the 85 years since, we have carried on our founding mission of contributing to society through health care. During these periods, our founding, health care in Japan and around the world has made dizzying progress; consequently, the needs of healthcare institutions have changed greatly. We have kept pace with these changes, remaining focused on the needs of healthcare institutions and society, as we constantly strive to identify ways in which Terumo can help.

Today, advances in healthcare technologies and medical devices have enabled health care that is less physically taxing and less painful than ever before. Patients are now being saved from ailments for which in the past, there was no medical cure.

Meanwhile, the demand for safe health care continues to grow. In April 2005, Japan's Pharmaceutical Affairs Law underwent a major revision, the first time the law has been revised in over 40 years. The revised law requires strict safety-control regimes for both medical devices and pharmaceuticals.

Amidst these circumstances, society needs Terumo to focus its efforts on the development of safe devices that help prevent medical accidents, and medical devices that can alleviate the pain suffered by patients through their treatment. We recognize that achieving this will also help us achieve of our corporate vision of 'Gentle' Health Care. Naturally, this will not be easy; but we at Terumo are committed to achieving this goal, focusing on health care from a wide range of perspectives in order to gain the trust of health care professionals and patients alike.

Our commitment to offering products and services that give peace of mind to health-care professionals

Making products to prevent medical accidents and infections

One of Terumo's most vital contributions is the provision of medical devices and pharmaceuticals that the busy staff of healthcare institutions can use safely and easily. Preventing medical accidents and infections in particular is a major issue facing healthcare institutions, and we have worked to help resolve this issue through a wide range of creative and innovative products and services.

One example of this is our pre-filled syringe: a syringe that is pre-filled with a drug to prevent the erroneous administration of medicines. This product is a particularly powerful tool in emergencies. Pre-filled syringes drew a great deal of attention in Japan following the Hanshin Earthquake; the earthquake scattered about medicines, and many of the glass ampoules were broken. In 1999, we launched sales of the world's first plastic pre-filled syringe. Unlike ordinary syringes, which are designed solely for injecting drugs into the body, our pre-filled syringes incorporate high levels of technology and expertise in order to meet the demand to function as drug containers, safely maintaining the drugs they hold for several years.



Pre-filled syringes help keep patients from being given the wrong drugs

In June 2006, we launched sales of AMIGRAND, another product incorporating unique innovations. AMIGRAND is an IV

solution that contains such essential nutrients as carbohydrates, amino acids, and vitamins, all in one prepared bag. AMIGRAND has many benefits: it helps keep staff from forgetting to add required nutrients, and helps prevent microbe contamination when mixing solutions. The IV solution inside the bag is partitioned by a number of separators, and the product cannot be used unless the separators are opened immediately before administration. This resolves several issues, including changes to the composition of the solution due to the mixing of many different drugs, and forgetting to break the separator seals.

Collecting information in close contact with healthcare sites and gaining hints for development is the most important key to Terumo's product development. It gives us great joy to be able to develop products with Terumo's signature ingenuity, and contribute to the people supporting health care. Yet we are never content to rest on our laurels, and remain constantly determined to develop new products that meet the needs of health-care professionals.



AMIGRAND designed to prevent the flow of solution until the partition has been opened.

Offering training opportunities to maximize the benefit of medical-device functionality

In order to fully harness the functionality of a medical device, it is necessary to become proficient in its use. But as a continuing succession of ever more-sophisticated medical devices is developed, this is creating an increasingly heavy physical and mental burden on health-care professionals. In June 2006, Terumo established the Terumo Medical Pranex in order to help resolve this issue. In addition to offering a wide range of training, from such basic skills as administering injections and infusions, to new medical techniques with high degrees of difficulty, Terumo Medical Pranex also provides health care professionals with opportunities to actively exchange information.



A training seminar

Due to the increasing societal need for this kind of training, we are currently building an annex to Terumo Medical Pranex, with a target of completion by March 2007. Besides enhancing our individual training system, this new building will offer a new Virtual Hospital capable of reproducing the day-to-day actions of health care professionals, enabling experiments in an environment nearly identical to that of a hospital. This will allow the analysis and study of a wide range of issues involving medical devices using a human-engineering approach, including medical-device operation, as well as the movement routes of the staff that use them. We continually strive to increase the added value of our products themselves, as well as create peace of mind in the health care institution as a whole, including training systems and a wide range of other services.

Nurse training conducted in FY2005

Hospitals : 82
Nursing associations, etc. : 23
Total facilities : 105
(Cumulative total trainees : about 5,000)



Terumo Medical Pranex

Interview with Dr. Kenji Fujiwara, director general, Yokohama Rosai Hospital

Safe medicine is only possible when medical practitioners, patients, and the entire nation unite

Over the past decade or so, concepts like practicing medicine from the patient's perspective and worry-free access to high-quality health care have become embedded in the national consciousness. In order to create a worry-free health-care environment, medical practitioners, patients, and the entire nation must unite. Medical practitioners must truly internalize the awareness that physicians, nurses, pharmacists, therapists and other health-care professionals must be unified to give safe medicine top priority. Specifically, we must hold frequent conferences within the hospital; carefully and clearly explain to patients and their families about their illnesses and treatments; maintain health-care safety committees; and thoroughly analyze near-miss incidents and other treatment cases, and devise and implement improvements.

Meanwhile, patients and their families should work together with health-care professionals, with an understanding of their illnesses and treatment. That is one of the reasons why I would like to hold community classes and the like.

Our number-one challenge is minimizing errors.

It all gets back to observing the sites where medical care is provided.

Health-care providers are human, and as such, errors are unavoidable. One of our top issues is the creation of a system of checks in order to prevent errors. We need not only double and triple self-checking but also checking by third-party professionals. We have begun an effort with two other "rosai" (work-related accident) hospitals in the Kanto area to implement a system of mutual checking with other hospitals.

One cause of errors is fatigue. Japan only has one fifth the number of physicians per 100 beds as the United States, and only one fourth the number of nurses. It is unavoidable that continued overwork will make health-care workers more prone to errors. I want to improve this situation by increasing the level of amenities in the hospital, allowing health-care providers to take breaks more comfortably, and revising our work scheduling system to enable them to take better advantage of their days off.

Terumo is already actively committed to developing products to prevent accidental needle punctures, products to simplify the work of our staff, and the like. These kinds of products are essential for practicing safe health care. Terumo's recent provision of opportunities for training on the use of medical devices is also a great help. I am aware of this need daily, but on its own, the hospital lacks the time or resources to provide training on medical devices. There are also many areas where I would like to see commitments by Terumo, including environmentally friendly medical devices and medical devices that are friendly to health-care professionals. The first thing is to observe the site where health care is provided. If there are any problems, you must thoroughly analyze the causes and implement improvements. I think this is the same of both health-care providers and medical-device manufacturers.



Dr. Kenji Fujiwara, director general, Yokohama Rosai Hospital

Our commitment to easing the burden health care places on patients

Providing health care with smaller incisions and less pain

When people receive health care, they want to be comfortable, with the least pain possible. Medical devices play a major role in achieving this desire shared by all patients. For example, in the past major surgery was the most common form of cardiac and vascular treatment, but a succession of new technologies have been developed for treating vascular diseases from the inside using catheters (thin tubes), greatly changing the way that treatment is performed. These new forms of treatment (interventional treatment) eliminate the pain of major surgery and create smaller incisions, reducing the physical burden on patients. They also reduce the financial burden on patients, by reducing hospital stays and medical bills. With the many benefits of such treatments, we are convinced that treatment methods will continue to change.

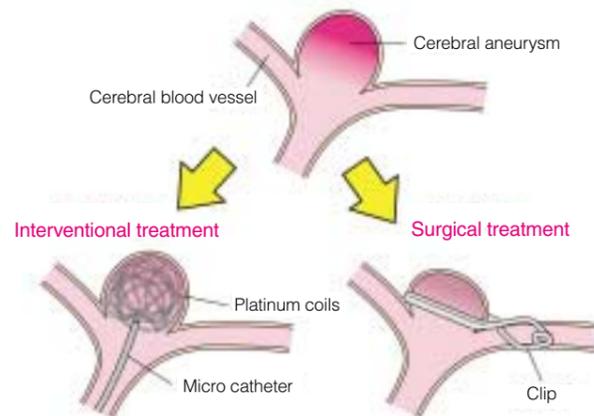
Terumo has long developed a wide range of products used in interventional treatment, with a focus on cardiac and vascular products, and we will continue to develop the new products that lead global health care.

The ANACONDA stent-graft (endovascular grafts) makes it possible to treat abdominal aortic aneurysms without major surgery. Abdominal aortic aneurysms are lumps formed in the aorta of the abdominal region due



ANACONDA
Stent-grafts for abdominal aortic aneurysms
(Manufactured by Vascutek LTD., the UK based subsidiary of Terumo)

Treatment of Cerebral Aneurysms



mainly to arterio sclerosis. Conventionally, they were treated with major surgery, by opening up the abdominal region. ANACONDA is a stent-graft that is delivered to the affected region via arteries using a catheter, and strengthens the inner walls of the aorta. As such, the ANACONDA can greatly alleviate the physical burden placed on the patient.

In March 2006, US-based MicroVention Inc. joined the Terumo Group. MicroVention manufactures coils used in interventional treatment for cerebral aneurysms. Every year, more and more treatments are being performed that pack coils into the region from inside the blood vessels in order to prevent ruptures of cerebral aneurysms, rather than performing open-head surgeries.

Terumo thus develops and offers medical devices aimed squarely at benefiting patients in a wide range of fields, including cardiac, abdominal, and cerebral vascular treatments. We will continue to make at most efforts to improve our technologies in order to meet patient needs.

Preventive medical care for an aged society

The contribution of preventive medical care before medical treatment is growing ever more important.

Terumo has been developing a wide range of self-check devices that help to prevent lifestyle diseases, including clinical thermometers, as well as blood pressure monitors and blood glucose monitors. Since these devices are not used by medical professionals at health-care institutions but seniors and their families in the home, they must be more user-friendly and easier to use.

The proportion of senior citizens in Japan's population is reaching levels unprecedented in all of human history. In order to maintain a healthy lifespan, it is vital to manage health and learn better lifestyle from an early stage, rather than waiting until reaching old age. We are committed to helping to improve quality of life (QOL) by developing safe and easy-to-use products and actively publishing information on health*.



ARM-IN MEMO blood pressure monitor for household use



Terumo sponsored TV program
"KARADA no Kimochi" weekly health calendar
Sundays 7:00-7:30am
Broadcast on CBC/TBS nationwide 28-station network
(See p. 21 for details)



* Terumo Health & Weather Forecast Website
(See p. 21 for details)

TOPICS

NANOPASS 33 low-pain needle for syringe

With a tip just 0.2 mm wide, the NANOPASS 33 is the world's thinnest needle for insulin syringe. For diabetes patients who must inject insulin every day – especially small children – these daily injections are a major burden. The NANOPASS 33 was born of our search for a way to free children battling diabetes from this painful experience. We will continue to strive to develop medical devices that ease the mental and physical burden of patients, through our intimate knowledge of health-care institutions.



Winning the Good Design Grand Prize 2005

Business Overview

Terumo products are produced and sold throughout the world, and are used in over 150 countries worldwide. Terumo will continue to contribute to the world in the future through health care.

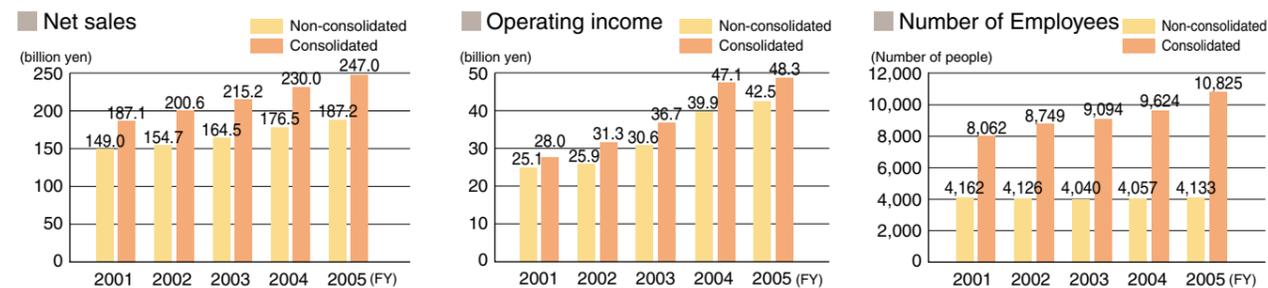


Company profile

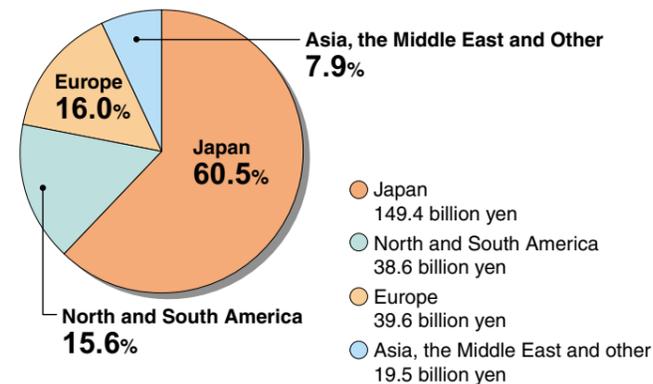
Company name : Terumo Corporation
 Date of establishment : September 1921
 Paid-in Capital : 38.7 billion yen
 Consolidated net sales : 247 billion yen (FY2005 consolidated)
 Chairman : Takashi Wachi, President : Akira Takahashi
 Number of Employees : 10,825 (March 2006)
 Head office : 44-1, 2-chome, Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan
 TEL +81-3-3374-8111

Main business : Manufacture and sales of medical products and equipment, including disposable medical devices, pharmaceuticals, nutritional food supplement, blood bags, catheter systems, cardiovascular systems, vascular grafts, peritoneal dialysis, blood glucose monitoring system, medical electronic, and digital thermometers.

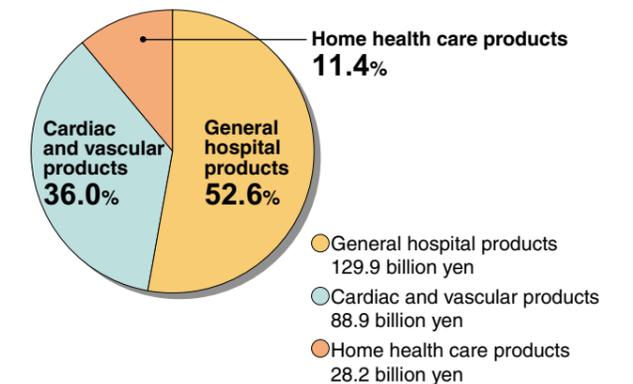
Corporate stock : 1st Section of Tokyo Stock Exchange



Net sales by region (FY2005 consolidated)



Net sales by segment (FY2005 consolidated)



CSR Performance (Targets and Achievements)

Starting this year, we have expanded the content of our social-performance report, publishing the results of our initiatives and our own evaluations of them.

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

Social Performance

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

| Initiatives | | Targets up until now | Initiatives up until now | Evaluation | Relevant page | Initiatives beyond FY2006 |
|-----------------------------|---|--|--|------------|---------------|--|
| Promoting Compliance | Promoting compliance | ● Compliance-related educational activities | ● Provided compliance training to new employees, mid-career hires, and new leaders. | ○ | P14 | ● Continue compliance training. |
| | Internal control initiatives | ● Creation of an internal-control system | ● Created internal-control system in accordance with the Corporation Law. | ○ | P13 | ● Continually review and develop internal-control system. |
| Relations with customers | A highly accessible call center | ● Over 95% of calls received. Incoming calls answered within 2.5 seconds. | ● 96.2% of calls received. Incoming calls answered within 2.49 seconds. | ○ | P17 | ● Maintain rate of over 95% of calls received, and incoming calls answered within 2.5 seconds. |
| | Improving customer service at the call center | ● Self-resolution rate: above 95%. | ● Self-resolution rate of 96.1%. Maintained the knowledge level by continuing training and skill checking. | ○ | P17 | ● Maintain self-resolution rate of above 95%. |
| Relations with society | Provision of the Health and Weather Forecasts | ● To produce nationwide forecasts. | ● Continued providing forecasts by television (25 prefectures) and newspaper /radio (Kanto region). In March 2006, expand forecast region from 32 prefectures to nationwide. | ○ | P21 | — |
| | Contributions to society | ● To continue valuable social contribution activities as a good corporate citizen. | ● Continued disaster relief, community volunteering, and other initiatives. | ○ | P21 | ● Continue valuable contributions to society as a good corporate citizen. |
| Relations with "associates" | Promoting employment of disabled employees | ● To maintain a disabled-person employment ratio of 1.8%. | ● Temporarily fell to below 1.8% during fiscal year, but 1.85% as of end-March 2006. | ○ | P20 | ● Maintain a disabled-person employment ratio of 1.8%. |
| | Promoting occupational safety | ● No work-related deaths or serious injuries, and the decreased number of labor accidents themselves from the previous year. | ● Two work-related accidents involving death/serious injury in FY2005 | × | P20 | ● No work-related deaths or serious injuries, and fewer work-related accidents than the previous year. |

Environmental Performance

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

| Initiatives | Voluntary Targets (Medium-Term Targets) | Results for FY2005 | Evaluation | Relevant page | Initiatives beyond FY2006 |
|---|--|---|------------|---------------|--|
| Determine the environmental impact of our business activities | ● Quantitatively determine the environmental impacts of development, production and sales activities. | ● Conducted environmental impact assessments on important environmental aspects of our business activities at factories and R&D centers for Japan (JEPIX). | △ | — | ● Continue conducting environmental impact assessments in accordance with JEPIX. ● Prepare voluntary promotional plans and undertake concrete initiatives for introducing substitutes for HCFCs. |
| Eco-product development | ● Remove mercury from health care practice. ● Respond to European regulations. | ● Completed compliance with WEEE Directive. ● Developed products compliant with RoHS Directive. ● Began recycling trade-ins. ● Recovered and recycled used small rechargeable batteries. | ○ | P26 | ● Create assurance system for parts and materials compliant with RoHS Directive. |
| Pollution prevention | ● Reduce dichloromethane emissions to under 99 tons for FY2005. | ● Reduced FY2005 dichloromethane emissions to 75 tons (target achieved). ● Surveyed buildings and products using asbestos. ● Removed locations in buildings using asbestos. ● Conducted voluntary measurement of EO emissions density at boundaries of facility grounds and renovated Fujinomiya factory equipment. | ○ | P28 | ● Maintain dichloromethane emissions of no more than 99 tons. ● Create targets for reducing ethylene oxide emissions. ● Install additional equipment for the treatment of EO emissions at Ashitaka factory. ● Continue voluntary measurement of EO emissions density at boundaries of facility grounds. |
| Using resources and energy effectively | ● Reduce CO ₂ emissions per sales unit by 25% from FY1990 level by FY2010 (revised target). | ● Reduced FY2005 CO ₂ emissions per sales unit by 28% from FY1990. | ○ | P27 | ● Comply with revised Energy Conservation Act. ● Join "Team Minus 6%" national campaign in Japan. |
| Waste reduction | ● Achieve 80% reduction over FY1996 by FY2005 in amount of wastes landfilled from sites in Japan, excluding sales operations. | ● Reduced the amount of landfilled waste from production sites in Japan to 98% below FY1996 levels (target achieved). ● Achieved zero emissions at production sites (the Fujinomiya factory, the Ashitaka factory, and the Kofu factory) and head office in Japan. [Zero emissions means the amount of landfilled waste is below 1% of the total amount of waste produced] | ○ | P29 | ● Maintain level of less than 1% of industrial waste sent to landfills at all sites in Japan, with exception of sales offices (revised target). |
| Establishment of environmental management systems | ● Maintain compliance with Terumo Environmental Management System in all factories and R&D centers in Japan. | ● Continued to maintain Terumo Environmental Management System at factories and R&D centers in Japan. ● Conducted environmental audits at all factories and R&D centers in Japan. | ○ | P23 P24 | ● Continue to maintain Terumo Environmental Management System at all factories and R&D centers in Japan. ● Conduct environmental audits at all factories and R&D centers in Japan. |
| Encouraging volunteer activities | ● Encourage volunteer activities. | ● Implemented the Terumo Mount Fuji Reforestation plan. ● Engaged in volunteer activities starting with the Tamagawa River Cleanup (Tokyo) and the Umezawa Beach Cleanup (Kanagawa). | ○ | P22 | ● Continue to encourage such volunteer activities as the Terumo Mount Fuji Reforestation. |
| Facilitating environmental communication | ● Publish environmental reports. ● Initiatives for environment month. | ● Published the Social and Environmental Report 2005. ● Environment Month initiatives (all factories in Japan involved in clean-up of garbage in local areas). ● Gave seminars on environmental law. ● ME Eco-Products Group and Hangzhou factory (China) won in-house environmental award. | ○ | P24 | ● Publish the Social and Environmental Report 2006. ● Conduct initiatives for Environment Month. ● Begin eco programs with employee involvement. |
| Compliance with environmental laws and ordinances | ● Confirm compliance with laws, ordinances and agreements relating to environmental protection, as well as rigorous legal compliance overseas. | ● Performed on site studies at two sites in China. ● Conducted internal follow-up study at Terumo Europe. | ○ | P32 | ● Conduct on-site studies at two sites in the United States and site in India. ● Sign environmental protection agreement with the city of Fujinomiya. |

Corporate Governance / Internal Control/ Compliance

Open management and fair corporate activity are present day demands that cannot be neglected by a good corporate citizen.

Terumo has been undertaking initiatives to strengthen corporate governance, internal control, and compliance in line with the spirit of the Terumo Code of Ethics specified in April 2000.

Core Philosophy of Corporate Governance

We are committed to continually improving our corporate value by offering valuable products and services in the health-care field, based on our corporate philosophy of Contributing to Society through Health Care. In order to achieve our corporate philosophy, we practice open management and good corporate citizenship, as stated in our Statements (Code of Conduct).

Directors, the Board of Directors and the Executive Officer

Terumo identifies improving the soundness and transparency of management as the foundation of corporate governance. As such, we ensure that two of the twelve 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.

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

Corporate Auditors and the Board of Corporate Auditors

Our board of corporate auditors consists of two internal corporate auditors and two external corporate auditors. Corporate auditors attend important meetings, including meetings of the board of directors, serving to monitor and audit management by viewing

important decision-related documents and the like. In 2005, we further enhanced our auditing processes by establishing an Auditors Office with a permanent staff.

Our internal auditors operate the Internal Audit Department, which holds monthly liaison meetings between the board of corporate auditors, in order to enable collaboration between the board of corporate auditors and other auditing bodies. The office also holds regular meetings with our financial auditors, through which they actively exchange views and information.

Information Disclosure Regime

The president has the ultimate responsibility for information disclosure. Our Information Disclosure Committee, consisting of representatives from relevant departments, promotes the timely and appropriate disclosure of corporate information.

Creation of an Internal-Control System

On May 18, 2006, the board of directors approved a Basic Internal-Control Policy in accordance with the Corporation Law.

The decision by the board made compliance with the Terumo Code of Ethics, which is our code of conduct, the basis for the execution of business activities; expanded and reorganized our Ethics Committee, which currently examines compliance-related matters; and created a new Internal Control Committee under the direct supervision of the board of directors. The Internal Control Committee reviews matters relating to internal control, including execution follow-through on internal-control decisions. The Internal Control Department (former Compliance Department), which is tasked exclusively to internal control and provides executive administration for the Internal Control Committee, plays the leading role in the establishment and improvement of our compliance system, risk-management system, information-storage management system, system for ensuring the validity of corporate-auditor audits, and internal-control systems of Terumo group companies in Japan and abroad.

Core Philosophy of Compliance

As health-care professionals, we have conducted our businesses with a strong sense of ethics, in keeping with our corporate philosophy of Contributing to Society through Health Care. In recognition of our roles, we will continue to conduct fair and honest business practices based on strict legal compliance and corporate ethics.

Terumo Code of Ethics

In 2000, we established the Terumo Code of Ethics, which is our employee code of conduct for day-to-day operations. The Terumo Code of Ethics lays out 10 action guidelines, and also explicitly prohibits actions that may violate the code, even if they may benefit the company. We also strive to ensure that all employees are aware of and understand the Terumo Code of Ethics, including publishing the Terumo Code of Ethics Guidebook, which explains the Terumo Code of Ethics in an easy-to-understand manner using examples, and providing education and training.

Compliance System

The above-mentioned Internal Control Committee reviews key compliance issues, and also has a permanent Compliance Subcommittee. The Compliance Subcommittee is responsible for promoting and ensuring thorough compliance, taking on the roles formerly played by the Compliance Department.

Corporate Ethics Hotline

In January 2003, we created a Corporate Ethics Hotline, operating under the mottoes "all employees improving the company together" and "creating a culture of openness." The hotline is open to all employees – both permanent and temporary without distinction – wishing to voice concerns over or seek advice regarding the details or status of the Terumo Code of Ethics. Employees can contact the hotline via telephone, email, postal mail, and other means. In order to ensure the anonymity of the persons contacting the hotline, the counselors and outside attorneys staffing the hotline office are thoroughly versed in privacy protection and prohibitions against penalizing people contacting the hotline. The hotline staff responds politely and attentively to each contact from the viewpoint of the persons consulting.

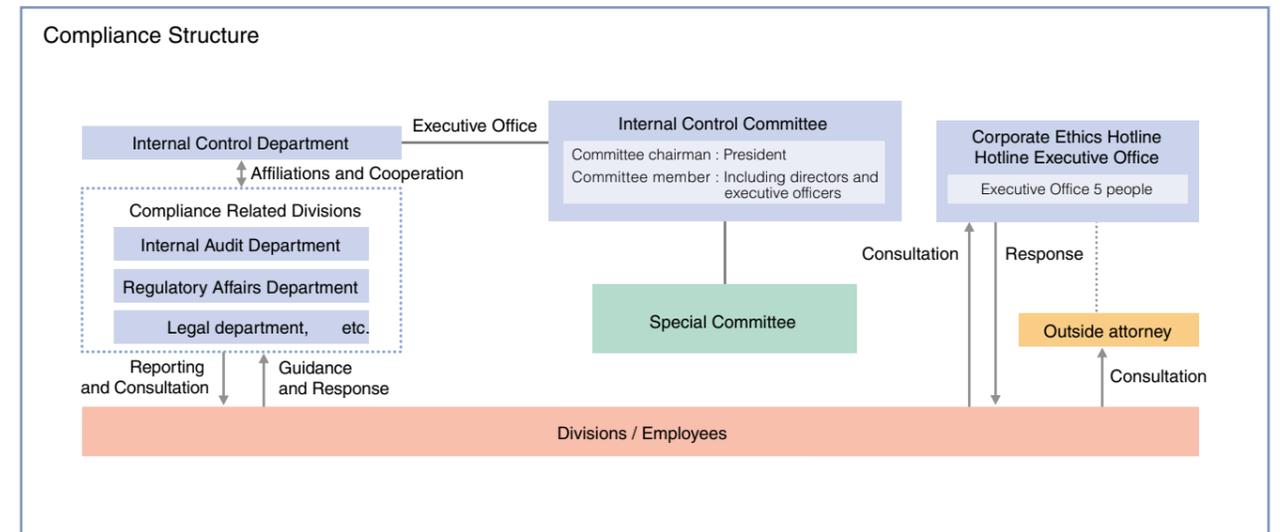
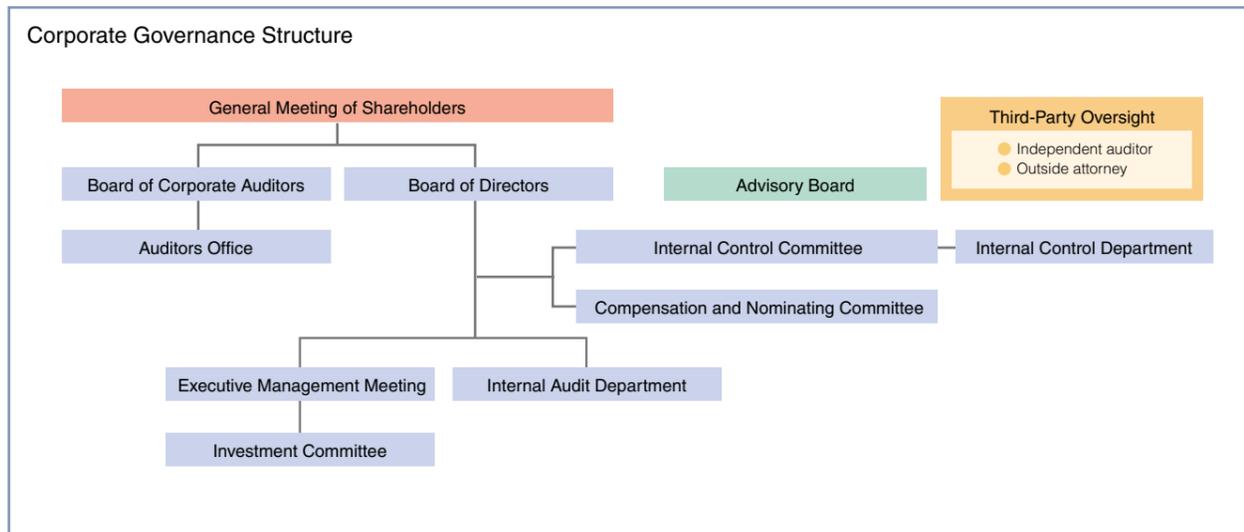
Respect for Bioethics

We give respect for life top precedence in our evaluation and development of medical-device and pharmaceuticals. We are committed to practicing both good ethics and good science, and observe all relevant laws and public guidelines, as well as establishing our own internal regulations.

We have created an internal committee on animal testing for research and development and product evaluations, and we educate employees, review testing plans, conduct and complete appropriate experiments, and appropriately feed, care for, manage, and monitor animals, in order to achieve the three R's* stipulated in the 2005 revision to the law, as well as the fourth 'R': Responsibility.

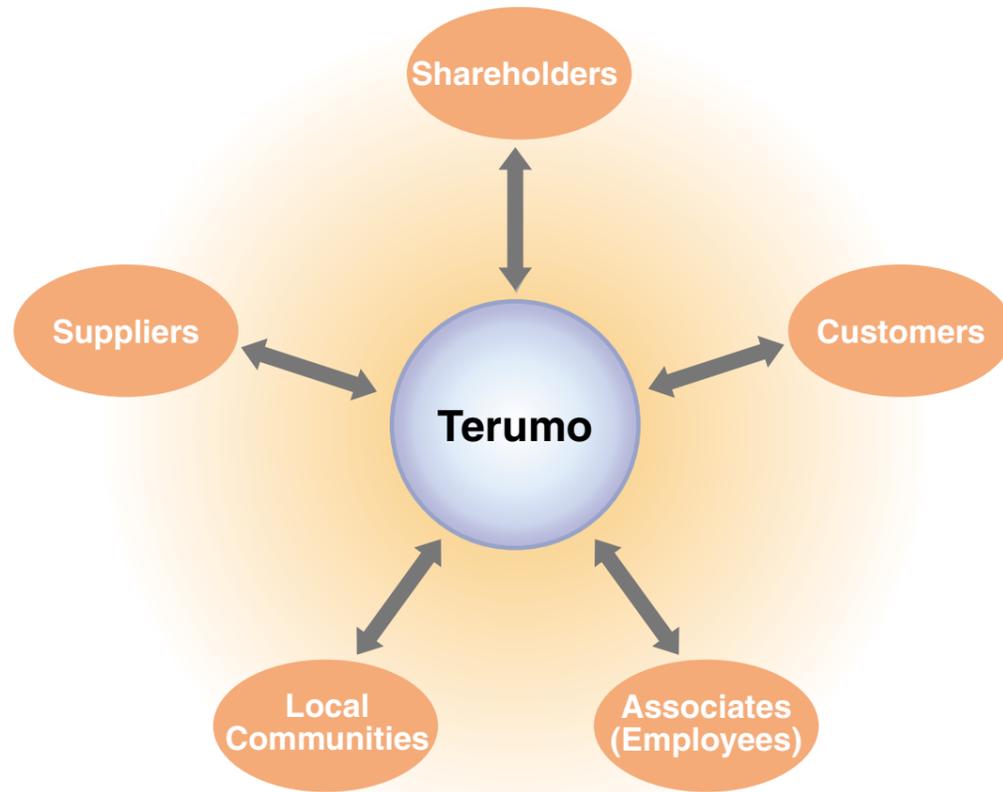
* Principle of the three R's :

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



Terumo's Stakeholders

Terumo has relations with a wide range of stakeholders. We build the best possible relationships with each of our stakeholders as we help create a better society through health care.



Shareholders

We are committed to continually improving our corporate value by offering valuable products and services in the health-care field, based on corporate citizenship, open management, and fair and honest business practices.

Customers

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

Suppliers

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

Associates

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

Local Communities

We utilize the unique opportunities presented by our main lines of business to help increase the coverage of better health-care environments, as well as advancing our initiatives with the lifestyles and environments of local communities in account.

Relations with Customers

Communication with our customers is the most important element to realize Terumo's corporate philosophy

Our Philosophy of Customer Relations

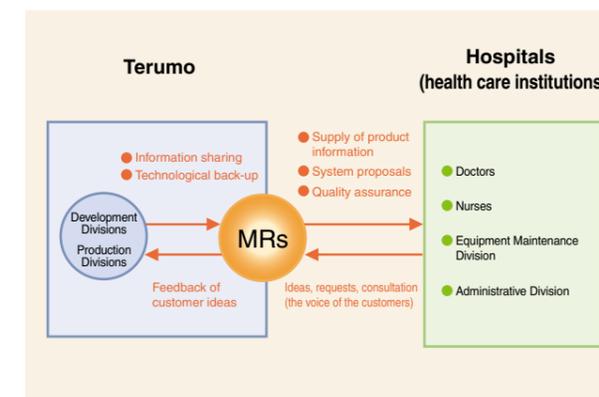
Our customers include health care professionals, patients, and members of the public with an interest in health or illness. One of Terumo's most important roles is accurately identifying the needs of our customers, and developing products to meet those needs. Meanwhile, activities that enable our customers to use our products with peace of mind are also vital. Direct and close communication with customers forms the foundation of safe health care. We remain committed to helping people lead healthy lives, both through product development and services.

Relations between health-care professionals and medical representatives

Medical representatives (MRs) handle communication with physicians, nurses, and other health care professionals. Our medical representatives actively communicate with health care professionals, visiting hospitals, ensuring that Terumo products are being used correctly, and providing the latest health-care information. They also serve to help us improve our products in order to achieve better health care, by uncovering the issues and needs of health care professionals.

Our products for healthcare institutions include products that are used by all hospitals, such as syringes, IV solution, and infusion pumps, and specialized products, such as catheters and cardiovascular systems. Each product is handled by a medical representative with proper training on that product. All of our medical representatives are certified by the MR Education and Accreditation Center of Japan, and strive to refine their expertise, attend conferences to absorb the latest scientific knowledge, and always be able to provide access to valuable information.

Relations with health care institutions (customers) through MRs



Medical representatives also contribute to hospitals' risk management

Recently, there has been a growing expectation and desire of safe and worry-free access to health care. At the same time, healthcare institutions are facing strong requirements to reduce health-care costs. Consequently, they must deal with two necessities that are fundamentally at odds: streamlining healthcare on the one hand, while preventing medical accidents on the other. As large numbers of healthcare institutions struggle with these difficult issues, Terumo contributes to hospitals' risk management by offering products that reduce the risk of medical accidents, providing training opportunities to polish health-care techniques, and more.

Medical representatives play an active role in development of leading-edge technologies

Medical representatives for catheters, cardiovascular systems, and other products must have high levels of expertise and the latest knowledge of medical techniques. It is vital to ensure that direct feedback from the healthcare institutions using our products reaches our R&D center and factory engineers for the development and improvement of our products. In order to achieve this, engineers involved with development and production personally visit healthcare institutions and communicate with the staff there, feeding back user preferences for ease of use and performance directly into product development and improvement. Our medical representatives also serve as a bridge between healthcare institutions and our development and production facilities.

Proposing systems that enable safe use of products

Infusion and syringe pumps are used widely by healthcare institutions. These devices must be maintained regularly, in order to prevent failures and accidents due to wear. It is also considered preferable to make equipment models and types as uniform as possible, because hospitals using many different types of equipment are susceptible to user error.

Terumo has delighted many healthcare institutions by offering equipment leases with maintenance included as a solution to this issue. A lease agreement makes it easier for the hospital to ensure that it is equipped uniformly with the latest devices, allowing it to reduce operator errors. The inclusion of maintenance service in the lease also allows healthcare institutions without dedicated maintenance staff to use our devices without worry.

One of our medical representatives' most important roles is approaching healthcare institutions' purchasing and management structures, and proposing risk-management solutions. We believe that rather than just selling products, offering solutions to help prevent medical accidents makes the presence of our medical representatives truly valuable.



Infusion pumps

Relations with Customers

Relations with General Customers The Terumo Call Center listens to what our customers have to say

Direct communication with large numbers of customers

We receive 1,500 calls per day from our customers, including general customers, patients, healthcare institutions, and distributors. The Terumo Call Center takes each of these calls. We continue to increase the trust in Terumo through direct communication with our customers.



The Terumo Call Center

We have products designed for healthcare institutions, general customers, patients receiving home medical care, and more. Due to the great differences in the knowledge required to respond to inquiries in each of these fields, our inquiries are answered by

communicators specially trained in each area. Our communicators represent Terumo when they respond to our customers' inquiries. For this reason, newly appointed communicators undergo about two weeks of training. After this, they continue to strive to maintain and improve communication that will satisfy our customers, with periodic level tests as well as continued training to acquire new knowledge and the like. We have a 24/7 support readiness for inquiries in fields with high urgency, such as home medical care patients.



We place mirrors in front of our communicators to help ensure they always respond to customer calls politely and with a smile.

Using customer feedback in our products

Accurately answering our customers' questions is not the only role of the Terumo Call Center; it also feeds back product needs to the company. We keep a record of customer feedback because it is a vital guide for development. We also regularly meet with our product developers, actively discussing ways to tie customer feedback into specific product development.

In 2005, we launched sales of the Terumo digital Thermometer C220; we were able to utilize the valuable feedback of our customers to make this product easier to use. We made the LCD display larger so it would be easier for seniors to see, and assuming that it would be used to take temperatures in dimly lit rooms, we also added a backlight to the display. Additionally, as people grow older they have difficulty hearing high-pitched sounds, so we modified the sound of the buzzer signaling that the thermometer is finished taking the temperature. We also added the capability to turn off

the buzzer, to avoid waking up sleeping children. Furthermore, we used a highly sensitive sensor, greatly reducing the time needed to take a temperature (down to 25–40 seconds). The thermometer also has a function that can display the last temperature measurement.



The Terumo digital Thermometer C220 was born of customer feedback

Committed to providing products and information linking health care with the home

Our commitment to offering products and services that can be continued on a daily basis

As Japan's society ages and healthcare costs rise, the Japanese are becoming increasingly interested in preventive medicine. Terumo offers products that help prevent illness and maintain health, including clinical thermometers, as well as blood pressure monitors and blood glucose monitors.

With the recent increase in lifestyle diseases, people are recognizing the importance of data measured daily in the home, and healthcare providers are also beginning to actively utilize this data for diagnoses. Management of health in the home has begun to play a more active role, not only in preventing illnesses, but also in preventing the progression of lifestyle diseases.

Our ARM-IN MEMO, blood pressure monitor, meets these modern needs, storing blood pressure data measured in the home, with a display that can be brought to the hospital. We are committed to enhancing our products and services to help people make health management a part of daily lives, so that it becomes second nature.

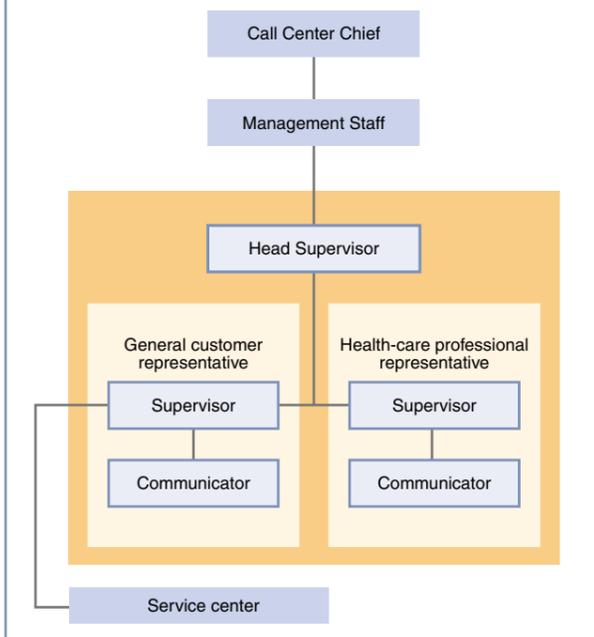


ARM-IN MEMO, blood pressure monitor for household use
The arm belt is integrated into the main unit, allowing users to easily measure their blood pressure simply by placing their arms into the loop.
The display can also be removed and carried.



ARM-IN MEMO display

Organizational chart of the Terumo Call Center



Terumo wins award for excellence in Corporate Telephone Support Contest

In November 2005, the Terumo Call Center beat out 54 competitors in the commercial division to win an award for excellence in the ninth annual industry Corporate Telephone Support Contest (organized by the Japan Telecom Users Association) on its first attempt at the contest. In the contest, a panel of ten experts reviews responses to telephone calls placed without previous warning. The response is judged in five categories, including initial response, sales skills, and communication skills. In the contest, Terumo's score was above the average in all categories. While the telephone is an easily accessible means of communication, the impression created by our telephone support also affects our reputation. Although the Terumo Call Center had previously evaluated the quality of our telephone support both internally and using outside trainers, we wanted to use this contest to see the impression that our telephone support has on our customers. We will continue to polish our telephone-support skills in order to maintain our outstanding performance as a call center.



Terumo Call Center employees who received the award

Terumo hosts Lifestyle Disease Prevention Seminar

Expanding disease prevention and health promotion into the home

In order to prevent lifestyle diseases, it is vital for the individual to manage his or her own health. In addition to offering products, we also publish information on health via the Internet, booklets, in-store pamphlets, and more.

In FY2005, we organized the Lifestyle Disease Prevention Seminar in ten places nationwide. A total of 3,000 people attended the seminars.

At the seminar, specialist physicians gave lectures aimed at the general public, providing correct knowledge on lifestyle diseases, with a focus on high blood pressure and diabetes, and how to improve lifestyle.

Japan's population will soon be the oldest in the world; we remain fully committed to helping people live long, healthy lives, working to extend not just the lifespan, but also the healthy lifespan.

Relations with "Associates"

Terumo believes in people-based management. We support the development of human resources to allow each associate to take maximum advantage of their capabilities, and find fulfillment and enjoyment in their work.

Associate Spirit

At Terumo, we do not use the word "employee", instead using the word "associate." Since 1996, we have put forward the Associate Spirit, our pledge to allow each associate to challenge themselves and harness their individuality, and in so doing harness the power of the team and offer greater value to our customers.



GET 85 Campaign

2006 marks the 85th anniversary of Terumo's founding. We are running a GET 85 Campaign, where each associate sets out targets for innovation and acts to achieve them. Many of our associates are working to achieve the innovations that they have pledged.



Supporting a wide range of training and education with focus on capabilities and performance

We support a wide range of training and education for our associates, respecting the level of effort and contribution of associates who think and act for themselves. We have a broad spectrum of programs aimed at getting veteran and junior associates to work together, creating a strong organization and individuals.

● Once a year, we hold ACE Interviews, where associates meet with their supervisors to discuss seriously such issues as personal strengths and weaknesses, future career path. After the associate and supervisor have each confirmed the details of the interview, it is managed in electronic format, and used for personnel transfers, training, and the like. We also have an ACE In-house Recruiting program where we accept applications for company positions, based on the philosophy that people should design their own careers. Many associates who have shown results in their workplaces have used this program to grab hold of new opportunities.

● We hold LEO* Seminars (about 30 people per year, average age 40) and LEO Jr. Seminars (about 30 people per year, average age 30), which are selective training programs for next-generation leaders in an environment of increasing diversity and globalization. Over a period of four to six months, the seminars instill a managerial perspective and give company recommendations at the group and individual level. The seminars are based on the concept that associates who have shown results in their work should step forward and participate, and select from about 200 applicants each year. We are currently looking into enabling participation by overseas associates as well.

*LEO :
Leader Executive
Organization



LEO Jr. Seminar

● We have introduced a New Career System for associates in management positions who have reached a predetermined age. This system reviews the roles of associates in management positions who have reached a predetermined age, but unlike general executive officer/director retirement programs, this system enables associates to report areas where they can harness their expertise themselves, determining each associate's new position through discussions between the company and the individual.

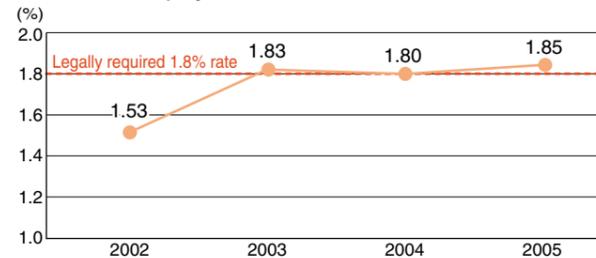
This system gives veteran associates an opportunity to utilize their rich experience and skills, as well as opportunities to increase their expertise. We support our associates' careers through each of their life stages, also providing opportunities for associates to continue to harness their expertise after they retire, including a re-employment system and registration with the temporary employment subsidiary.

Disabled employee rate

In FY2005, although our disabled employee rate temporarily fell to below the legally required minimum of 1.8% due to new hires and the like, we encouraged hiring of disabled employees at each of our sites, and as of end-FY2005 had an employment rate of 1.85%.

We remain committed to promoting employment of the disabled and creating an environment that facilitates communication by associates with disabilities and allows them to work safely and without impediment.

Disabled employee rate



Work-related accidents

We are working towards reducing work-related accidents. At each site, a Health and Safety Committee leads efforts to analyze work-related accidents and continual workplace safety patrols. Our production facilities have also introduced subcommittee activities and the 5S methodology, as we work to prevent accidents both from the perspective of the environment and human error.

Despite the fact that we worked to improve occupational health and safety with the awareness that we had to do anything possible to prevent major accidents, we had two deaths due to work-related accidents in FY2005. One death was due to an accident with factory equipment, and the other was due to a traffic accident. We took these two losses very heavily, and responded with thorough measures to improve equipment security, and provide traffic-safety classes in cooperation with local government authorities and others.

We will continue to promote education activities in order to prevent deaths and other serious work-related accidents, and increase each associate's awareness of health and safety.

Frequency rate*

| Frequency rate (FY) | 2002 | 2003 | 2004 | 2005 |
|----------------------|------|------|------|------|
| Terumo | 0.51 | 0.67 | 1.18 | 1.05 |
| Mfg. average | 0.98 | 0.98 | 0.99 | 1.01 |
| Medical mfg. average | 0.97 | 0.90 | 1.05 | 0.90 |

* "Frequency rate" is the number of deaths and injuries due to labor accidents per million hours worked, and indicates the frequency with which accidents occur.

$$\text{Frequency rate} = \frac{\text{deaths and injuries due to labor accidents}}{\text{total actual hours worked}} \times 1,000,000 \text{ hours}$$

Severity rate*

| Severity rate (FY) | 2002 | 2003 | 2004 | 2005 |
|----------------------|-------|-------|-------|-------|
| Terumo | 0.511 | 0.003 | 0.002 | 1.962 |
| Mfg. average | 0.12 | 0.11 | 0.11 | 0.09 |
| Medical mfg. average | 0.14 | 0.03 | 0.08 | 0.15 |

* "Severity rate" is the number of working days lost per 1,000 hours worked, and indicates the severity of injuries.

$$\text{Severity rate} = \frac{\text{total working days lost}}{\text{total actual hours worked}} \times 1,000 \text{ hours}$$

Training global human resources

We strive to develop our global human resources: we provide long-term training at our Japanese factories to Associates at our manufacturing subsidiaries elsewhere in Asia who are in charge of engineering, production, quality control, and other areas (about 280 people in FY2005).

I started working for Terumo in August 2003. I worked at Terumo's manufacturing subsidiary in Hangzhou, Zhejiang province, China, in charge of registration applications and production engineering for ME products. Since November 2005, I have been receiving technical training at the Ashitaka Factory in Shizuoka prefecture (he returned to China in July 2006). Being able to study Japan's sophisticated technologies directly is a great opportunity, and I feel that my contact with skilled engineers and leading-edge equipment has helped me improve my own skills during my training here. My dream is to create a division in China that is capable of product design and development. In the future, I would like to create products developed in China for the Chinese, and then create products that will sell globally. After I return to China, I will work to take advantage of my training so that I can play a central role in these efforts.



Zhu Weiwei, Engineering
Terumo Medical Products
(Hangzhou) Co., Ltd.

Efforts of our Women's Working Group

Our junior female medical representatives had been asking us questions: "How should a female medical representative plan her career?" "Isn't it about time we had a female branch manager?" These questions spurred us to organize a forum for female medical representatives from around Japan to gather and discuss their visions for personal growth.

At the forum, hard-working female medical representatives seriously discussed their frustrations, the strengths of women as medical representatives, and other matters. From the discussions, an image emerged of the areas where Terumo is currently lacking, and areas where the medical representatives had been overoptimistic. Forum participants also shared valuable thoughts on doing their jobs.

This forum has created new developments, leading to the creation of a mentor training program for senior female associates, and other opportunities for female associates to consult with and seek advice from each other.

We continue to work to create a work environment where female associates can thrive.



The Women's Working Group

Relations with Society

From providing medical devices for emergency disaster relief to publishing information on health, Terumo is committed to fulfilling its roles as a good corporate citizen, with a focus on contributing to society through our business activities.

Our Philosophy of Contributions to Society

As stated by our corporate philosophy of Contribution to Society through Health Care, we believe that our most important contributions to society are through our business activities themselves, including offering excellent products and services to patients and health-care professionals.

We have carried out a number of initiatives focused on contributing to society through our business activities. One example is the offering of medical devices and other emergency disaster relief supplies to areas struck by large-scale disasters. Another is a television program that provides information on the impact that changes in the weather can have on our health, as well as things to watch out for in our daily lives that will help keep us from getting sick, and keep existing illnesses from getting worse.

In addition to our contributions to society through our business activities, we also fulfill our roles as a good corporate citizen by actively participating in community activities, including blood donation, reforestation efforts, and river cleanups.

Providing Information that Helps Prevent Illnesses

Over the past several years, people's interest in the importance of preventive medicine has risen. Terumo strives to support healthy lives throughout society by providing information that helps prevent illnesses.

Expanding our health and weather forecasts nationwide

We have offered the Health and Weather Forecast – a forecast of the affects that the day's weather can have on health and illness – since April 2004 via television, radio, newspaper, and our Website. In March 2006, we renovated our Website and expanded our forecast coverage from 32 prefectures to all of Japan, in order to make our information available to a wider audience.

Terumo launches "KARADA no Kimochi" health information program

In April 2006, we began offering a new kind of health-information program called "KARADA no Kimochi". The program broadcasts health and weather forecasts, giving health tips with the theme of everyday lifestyle. We will continue to work to offer more and better information on health.



"KARADA no Kimochi" weekly health calendar (TV program)
Sundays 7:00-7:30am; broadcast on CBC/TBS nationwide 28-station network

Disaster Relief

Lack of drugs and medical supplies can become a serious problem in areas struck by major earthquakes, tsunamis, and other natural disasters. We offer medical devices and other emergency disaster relief supplies to areas struck by natural disasters.

Hurricane Katrina (United States)

In August 2005, we provided relief to areas in the United States devastated by Hurricane Katrina. Terumo has operated in the United States since the 1970s, and we continue to have a large number of production and sales facilities there, run mainly by our local subsidiaries. After the hurricane struck, there were many calls for support within the company. We provided relief equivalent to a total of ¥15 million, including medical devices used for prevention and treatment of infectious diseases, such as syringes, needles, and infusion administration sets, as well as donations by local employees and matching gifts from their companies, donations to the Blood Center of New Orleans, donations through the Japan Business Federation (Keidanren), and others.

Earthquake in Pakistan

The damage caused by the earthquake that struck Pakistan in November 2005 exceeded predictions. Through our Dubai branch, which is responsible for this region, we exchanged information with local organizations and hospitals in Pakistan, providing relief equivalent to ¥5 million, with a focus on such medical devices needed for first aid as blood bags, transfusion sets, and syringes to the stricken areas.

Contributing to Local Communities

Contributing to local communities is one of our most important roles as a good corporate citizen. Terumo participates actively in activities to benefit the community, including nature-conservation efforts and blood drives.

Helping to improve the quality of health care in China

In 1995, we established our Hangzhou factory (Terumo Medical Products (Hangzhou) Co., Ltd.) in Zhejiang province, China. The factory began operations in 1997, and has since developed extremely friendly relations with the city of Hangzhou. It marks the



Signing ceremony for the Terumo Fund

10th anniversary of the factory's incorporation in 2007, and we have decided to commemorate the event by founding the Terumo Fund at Zhejiang University. We created this fund based on our corporate philosophy of Contribution to Society through Health Care, with the hopes of enabling more people to study medicine, and in turn enabling more people to benefit from medicine. Zhejiang University is one of the top three universities in China, and Terumo also supports research into new types of health care fusing Eastern and Western medicine through grants from the Terumo Fund. The fund also helps to improve the quality of health care in China through scholarships to 300 of the university's top students in three years.



Zhejiang University

Outline of the Terumo Fund

| | |
|-------------------|--|
| Fund Name | Terumo Fund |
| Description | Research grants and scholarships |
| Total Fund Amount | 500,000 Yuan per year x three years = 1,500,000 Yuan |
| Fund Term | 2007 to 2009 |

Terumo Mt. Fuji Reforestation Project

Terumo has two factories in Shizuoka prefecture's Fujinomiya city, which use the water from springs at the foot of Mt. Fuji to produce medical devices, pharmaceuticals, and other products. Since 2003, we have been running the Terumo Mt. Fuji Reforestation Project in cooperation with the NPO Mt. Fuji Natural Reforestation Group, aimed at restoring the forests of Mt. Fuji after many trees were toppled by a typhoon, and developing a natural wooded area that can stand up to strong winds and create a source of groundwater.

In August 2005, we held our third Terumo Mt. Fuji Reforestation Project. About eighty people, consisting of associates and their families, participated in the project, clearing underbrush that would impede the growth of saplings. Each year, the number of participants increases, and we aim to contribute to the development of natural forests on Mt. Fuji by continuing our efforts.



Participants in the Mt. Fuji Reforestation Project held on August 6, 2005

Christmas decorations for hospice patients

About a week before Christmas, a team of employee volunteers decorated the Terumo Shonan Center with Christmas lights. We have been doing this each year since 1997, for the pleasure of patients at the hospice directly in front of the building. On the evening of December 23, we light off fireworks for the enjoyment of the hospice patients and their families, as well as community residents.



Christmas illumination decorated by employees

River and beach cleanup

We again participated in the annual Tamagawa River Cleanup Campaign in 2005. It was a major beautification effort with over 1,000 participants, including local youth baseball teams, local governments, and Terumo and other corporations. This was the 52nd time the event has been carried out, and we highlighted it on our company intranet news site, encouraging employees to participate. In 2005, we also organized a beach cleanup at Umezawa Beach in the town of Ninomiya in Kanagawa prefecture, which is near our R&D Center.



Participants in the Tamagawa River Cleanup

Encouraging employees to donate blood

Donating blood is the easiest way to get involved in volunteering. We encourage our employees to donate blood, both to increase their interest in the blood-donation system as members of a company involved in health care, and to raise their awareness of contributing to society. 622 employees donated blood in FY2005.

Environmental Management System

What Terumo aims for is safe health care and harmony with the environment. We established our Basic Environmental Policy in 1999, and it was based on our corporate philosophy, of contributing to society through health care. As a leading company in the health care field, we strive to protect the global environment.

Terumo's Environmental Policy Adopted in December 1999

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

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

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

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

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

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

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

Environmental Management System

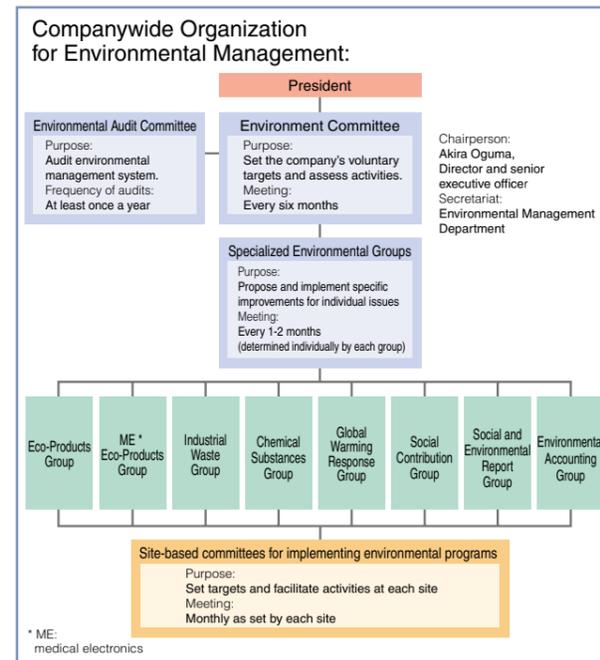
We are working to improve our environmental performance through an efficient and effective environmental management system that focuses on the true core of ISO 14001: the PDCA cycle. We ensure the transparency of these efforts by publishing descriptions of them each year in our Social and Environmental Report.

Each business site advances environmental initiatives based on voluntary targets set by our Environmental Committee. The figure to the right shows Terumo's companywide organization for environmental management. As the ultimate decision-making authority in the company, the Environmental Committee sets companywide policies and targets for environmental conservation, tracks the status of activities, and the like. There is also an Environmental Audit Committee, which is responsible for internal audits to ensure that each site is effectively operating its environmental management system, and works to maintain the objectivity and fairness of internal audits, and improve its independent auditing techniques.

Specialized environmental groups work to implement specific improvements for specific issues.

Site environmental committees propose and promote the implementation of site action plans in accordance with policies decided by the Environmental Committee, share information, and conduct education activities.

We emphasize the use of environmental accounting for site-internal management goals, and do not publish environmental accounting figures externally. For this reason, we have ended the activities of the environmental accounting group as a companywide organization.



Message from the Environment Committee Chairperson

Terumo's environmental-conservation activities are shifting from internal efforts – such as efforts involving paper, waste, and electricity – to the second stage of environmental-conservation activities (globalization efforts to reduce the impact on the area surrounding our sites and the environmental impact of our products). We are committed to improving our environmental-conservation efforts in order to win the trust of society.



Akira Oguma, Manager, Environmental management department Director and senior executive officer

Environmental Education / Environmental Auditing

Terumo has a number of environmental education programs, including training for new employees as well as for internal auditors. In FY2005, we trained the environmental managers at each of our sites, and lectured at an outside environmental seminar organized by the city of Fujinomiya. Furthermore, we conducted environmental audits with the goal of reducing the environmental risk of our factories and R&D center in Japan.

Status of Environmental Education

Training on environmental laws

In November 2005, we organized a training seminar at our R&D center by an outside lecturer for internal auditors and environmental managers from each site, with the goal of acquiring knowledge of legal regulations, with a focus on trends in revisions to environmental law.



Training on environmental laws

Environmental Seminar by the City of Fujinomiya

In February 2006, a Terumo employee gave a lecture at an environmental seminar organized by the city of Fujinomiya. Titled "Terumo's Environmental Initiatives," the lecture targeted environment division personnel from companies in the city.

Speaking on the topic of Terumo's energy-conservation efforts and our Social and Environmental Report, the lecturer highlighted a wide range of our initiatives, from such cutting-edge examples as the installation of a natural-gas cogeneration system, to more mundane examples, such as turning off alternating fluorescent lights, switching to inverters for fluorescent light ballasts, dummy tubes, and energy-efficient V belts. During and after the lecture, the participants from each company engaged in an active discussion.



Environmental Seminar by the City of Fujinomiya

In-house environmental awards

Terumo has applied an in-house system of environmental awards since FY1999, for policies and activities that produced outstanding results in terms of environmental conservation. In FY2003, we extended our award program to the entire Terumo group, and began evaluating our efforts globally.

In FY2005, the awards went to our ME Eco-Products Group for its global efforts to achieve compliance with the EU environmental regulations, and to our Hangzhou factory (China) for its waste-recycling efforts.

Group and Project Awarded

- ME Eco-Products Group
Environmental compliance for ME products (WEEE Directive & RoHS Directive)
- Terumo Medical Products (Hangzhou) Co., Ltd.
Terumo Hangzhou continued efforts to recycle solid waste



ME Eco-Products Group



Zhang Hong, Terumo Medical Products(Hangzhou) Co.,Ltd. (China)

Status of Internal Environmental Audits

In order to prevent legal violations, social issues, and the like, we have created an Environmental Audit Committee independent from our environmental management organization, with the goal of reducing our environmental risk from the present into the future. The committee conducts continual internal environmental audits of compliance with environmental laws and environmental performance at each of our sites.

Audit items

- 1) Clarify environmental laws and ordinances, and check compliance
- 2) Check status of environmental risk management
 - Check environmental-management organization structure
 - Check facilities relevant for energy, the air pollution, water contamination, noise, vibration, foul odors, and electromagnetic radiation, and check management of chemicals and waste
 - Check for complaints/instructions from local residents, local government agencies, and the like, and responses to them

Audit record

In FY2005, we conducted internal environmental audits at our factories (Kofu, Fujinomiya, and Ashitaka), and our R&D center in Japan.

Audit results

- 1) Sites were systematically educating legally qualified individuals as required by the Law concerning the Improvement of Pollution Prevention Systems in Specific Factories.
- 2) There was no direct impact on the areas surrounding the sites, and air pollution, water contamination, noise, vibration, odor, and electromagnetic radiation levels were all controlled within the corresponding legal limits.
- 3) Sites were striving to reduce emissions of chemicals and improve the accuracy of their tracking in accordance with the PRTR Law.
- 4) Although some portions of waste-disposal contracting standards did not meet the fine points of the law, there were no major violations. Additionally, each site was confident that its efforts would enable it to maintain its "zero emissions" status (meaning the amount of landfilled waste is below 1% of the total amount of waste produced).
- 5) There were no violations of environmental law in our business activities in FY2005.

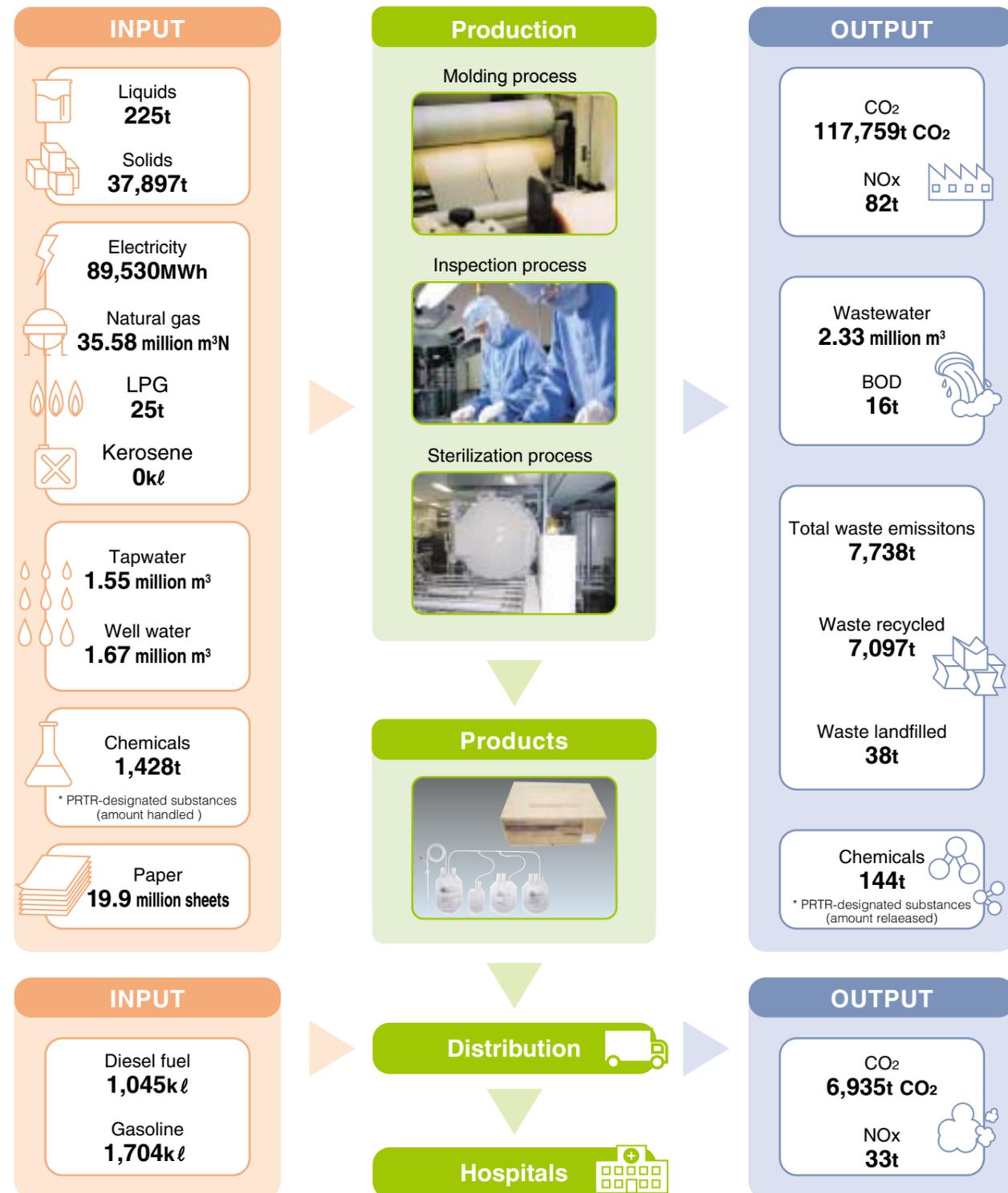


Internal environmental audits (Ashitaka Factory)

Business Activities and Material Flows

Terumo determines the environmental loads associated with production processes that use inputs of energy and raw materials, and create outputs like carbon dioxide, wastewater, and waste, and using these values as indicators, we are striving to reduce environmental loads.

Material Flows



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

Development of Environmentally Friendly Products

Terumo products are designed for safety and designed to reduce their environmental impact. We are striving to develop products that are gentle to people involved in health care and patients who come into contact with our products, as well as to the global environment, and we are working to respond to the needs of society.

Initiatives of the ME Eco-Products Group

The ME Eco-Products Group was created in 2004 in order to respond to EU environmental regulations for electrical and electronic equipment (the WEEE and RoHS Directives) at the Terumo Group level.

The group consists of analysis and evaluation technicians from our R&D Center and related divisions in the company, under the initiative of factories producing medical electronics (ME) products. The group is divided into two working groups: the legal regulation and market research group, which researches information on legal regulations and market trends; and the product environmental assurance group, which examines ways to create better quality-assurance systems. In August 2005, we completed compliance with the WEEE Directive. In 2006, we will begin producing RoHS Directive-compliant products.

WEEE Directive compliance

After collecting information from each of the EU countries and simultaneously sharing information with our overseas production facilities, three Japanese factories, Terumo Europe, and Terumo Cardiovascular Systems completed compliance with the WEEE Directive by August 2005, including such requirements on manufacturers as labeling required products with the designated markings, adding material to user's manuals to raise awareness of recycling, and bearing the cost of recycling.



RoHS Directive compliance

We began offering environmentally aware products before there was widespread public awareness of the issue, including switching from mercury to digital thermometers, and from mercury sphygmomanometers to electronic ones. Electronic and electrical medical devices are currently exempt from the RoHS Directive, but we have already begun to comply with this directive. (See P.33 for details)

Surveys of toxic content

Our Ashitaka (Suruga) factory tested all 5,500 parts it purchases for the presence of the six substances specified by the RoHS Directive. It provided feedback to the procurement and development departments on parts found to contain any of these substances, and moved to replace those parts.

Building a database of toxic substances/education

Our Ashitaka (Suruga) factory maintains a database of survey results, enabling it to prevent the use of designated toxic substances in newly developed products, and also serving as a tool to educate related departments.

Overview of the Waste Electrical and Electronic Equipment (WEEE) Directive

The EU has six million tons of waste electrical and electronic equipment (WEEE) per year (20 kg/person), and this amount has been increasing by 5% each year. 90% of WEEE is sent to landfills or incinerations without any treatment, causing the majority of lead pollution at landfill sites and incinerators. The purpose of the WEEE Directive is to reduce landfill volume and promote reuse and recycling by reducing waste electrical and electronic equipment. In order to achieve this goal, the directive obliges manufacturers to label products with recycling logos to facilitate separation and collection, provides information on waste treatment and recycling, and introduces such mechanisms as a system whereby manufacturers bear the cost of reuse and recycling. The directive went into effect in the EU in August 2005.

Overview of the Restriction of the use of certain Hazardous Substances (RoHS) Directive

The purpose of this directive is to prohibit the sale of products containing toxic substances. It specifies the following six toxic substances: lead, mercury, cadmium, hexavalent chromium, PBBs, and PBDEs (bromine-based flame retardants). As of July 2006, it is not possible to sell products containing these substances in Europe. However, electronic and electrical medical equipment is exempt from this restriction.

Commitment to Mounting with Lead-free Solder

In order to comply with the RoHS Directive, we established a technique for mounting electronic components on printed circuit boards using lead-free solder.

We started by establishing techniques for assessing reliability by collecting data under a variety of conditions of use, in order to be able to guarantee quality as medical devices. In fact, however, when you remove lead from solder its melting point rises from 183°C to 220°C. We found that this difference in temperature caused major barriers when mounting with lead-free solder. Temperatures above 240°C damage electronic components and printed circuit boards. This meant that we only had a margin of 20°C between the solder melting point of 220°C and this temperature of 240°C for mounting components. In addition, we discovered another problem: it was difficult to get lead-free solder to spread over the copper pattern on printed circuit boards.

We went back to the drawing board and completely revised our temperature parameters and pattern shapes and built up a new store of expertise on how to use lead-free solder. As a result, we are now confident about the possibility of developing techniques for mounting components with lead-free solder in commercial products. We will now begin initiatives to actually use lead-free solder in production.

We remain committed to tackling new technical challenges like mounting with lead-free solder, and further improving the quality of our products as medical devices.



Yasuhiro Yoshinaka, Production engineer
Engineering section,
Ashitaka (Suruga) factory

Preventing Global Warming

The weather caused massive levels of damage in 2004 and 2005, with typhoons, hurricanes, and torrential rains striking around the planet. These weather-related disasters are raising concern over global warming. We at Terumo continue our efforts to prevent global warming and reduce our CO₂ emissions.

Initiatives to Reduce CO₂ Emissions

In FY2005, Terumo's net product sales in Japan increased by 5% against the previous fiscal year. Meanwhile, we reduced our CO₂ emissions by 4% against the previous fiscal year through such efforts as introducing cooling-water pump inverters/VFDs, switching to inverters/VFDs in our air conditioning systems, low-voltage capacitors for power-factor improvement, inverters/VFDs in lighting systems, and the like. Starting in FY2006, we began to update our energy equipment, introducing new equipment with outstanding energy efficiency performance rather than simply updating existing equipment.

Kofu factory introduces high-efficiency turbo refrigeration units and improves water piping for air conditioning

Our Kofu factory's air-conditioning refrigeration units are due for updating in FY2006. On this update, we will replace the existing absorption refrigeration units with high-efficiency turbo units, at the same time connecting the cooling-water pipes in the eastern and western sections of the factory grounds. This enables the factory to operate its refrigeration units in tandem, which allows them to operate more efficiently than when they were operated independently. These measures will permit the factory to reduce its CO₂ emissions by 4,400 tons per year. Recognizing these measures, the New Energy and Industrial Technology Development Organization (NEDO) has approved a grant to subsidize their implementation.



The high-efficiency turbo refrigeration unit (Kofu Factory)

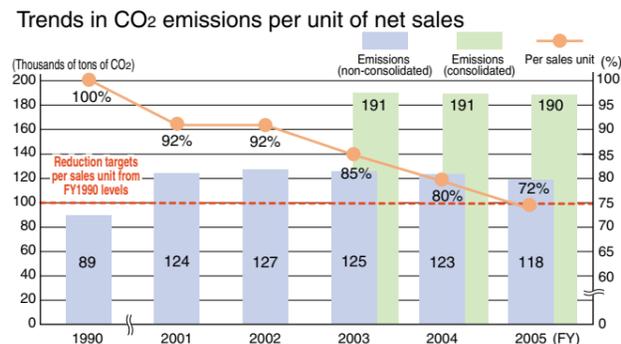
Complying with revised the Law concerning the Rational Use of Energy

In April 2006, major revisions to the Japan's Law concerning the Rational Use of Energy went into effect. We expect these revisions to cause our Kofu factory, Fujinomiya factory, Ashitaka factory, and R&D Center fall under the "type-1 designated energy management factories". Facilities so designated must appoint certified energy managers with expert knowledge in both heat and electricity; we will train them during the intervening period.

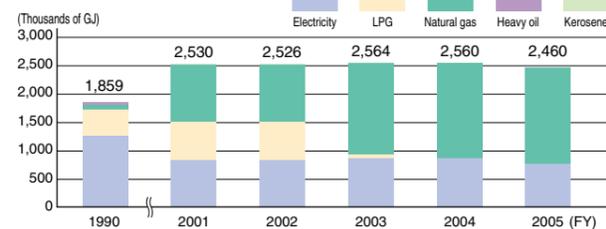
The revised law also creates a new obligation for cargo owners to make efforts to conserve energy in the shipment of cargo contracted consequent to their business activities. Relevant departments and logistics contractors are currently putting preparations in place to comply with this requirement.

Target for Reduction of CO₂ Emissions

Reduce carbon dioxide emissions per sales unit to 25% less than FY1990 levels by FY2010



Trends in energy usage and breakdown of energy sources



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

Example of efforts to reduce emissions

Introduction of low-voltage capacitors for power-factor improvement

Distortion in the power-current waveform of devices using inverter circuits causes the power factor to fall. Until now, we have countered this drop by placing a high-voltage capacitor in the primary side of each building's transformer in order to improve the power factor. In FY2005, our Ashitaka factory introduced a power-factor improving low-voltage capacitor on the secondary side of the transformer. This enabled the factory to reduce its electricity usage by 7 to 8%.



Full view and inside of low-voltage capacitor for improving power factor

Chemical Management

We continually monitor and control the usage and emissions of chemicals handled at our factories and R&D center. We are also reducing emissions and replacing chemicals in accordance with voluntary chemical-reduction targets.

Chemical Management Approach and Initiatives

Our Chemicals Substances Group, consisting of members from each of our sites, leads our initiatives to monitor and reduce our use and emissions of chemicals. We track chemicals designated by the PRTR Law and other substances on a monthly basis, and prioritize efforts to reduce emissions from their source.

We have created a voluntary target of reducing annual emissions of dichloromethane to no more than 99 tons for all sites combined. In FY2005, we met this target for the second year in a row. Our Ashitaka factory has greatly reduced the amount of dichloromethane it handles through the restructuring of its business activities.

Initiatives to reduce ethylene oxide emissions

Ethylene oxide is a gas that is used to sterilize medical devices. It is used widely for the sterilization of medical devices, because it has relatively low impact on their materials. There are no environmental standards for ethylene oxide, and Japan's Air Pollution Control Law does not set any standards for emissions of this substance.

We have set voluntary concentration controls equivalent to environmental standards in order to manage concentrations of ethylene oxide at our wastewater outlets, as well as emissions at such other sources as product warehouses. We have also set targets for the reduction of ethylene-oxide concentrations on our facility grounds.*

* Source: Environmental Risk Assessment of Chemical Substances, 2nd Edition (Ministry of the Environment)

Measures against asbestos

In FY2005, we inspected our each building in our factories, R&D center, sales offices, and head office for the presence of asbestos.

The survey found four buildings that used spray-on asbestos building materials. In three of these buildings, the materials were used in shielded areas that do not have external impact, such as ceiling cavities. We completed removal from the remaining building in May 2006.



Removing asbestos

Ashitaka factory installs additional equipment for treating ethylene oxide

We install and operate equipment to treat emissions of ethylene oxide gas (used for sterilization) and render it harmless at all sites using this substance. We are also working to find alternatives to ethylene oxide for sterilization.

In FY2006, we aim to further reduce emissions by installing a catalyzing oxidation treatment system at our Ashitaka factory capable of rendering low-concentration emissions harmless that cannot be treated by incinerators. These systems are currently in operation at our Fujinomiya factory and R&D center.



Equipment for the treatment of EOG emissions

Target for Reduction of Chemical Emissions

Bring dichloromethane emissions below 99 tons in FY2005

Trends in dichloromethane emissions



Substances designated by the PRTR Law and substances under voluntary management

| Substance | Amounts | Kofu | Ashitaka | Fujinomiya | Shonan | Total |
|--|-------------|------|----------|------------|--------|-------|
| Ethylene oxide gas | Handled | 19 | 36 | 12 | 0 | 67 |
| | Emitted | 2 | 3 | 3 | 0 | 8 |
| | Transferred | 0 | 0 | 0 | 0 | 0 |
| Dichloromethane | Handled | 121 | 3 | 0 | 0 | 124 |
| | Emitted | 72 | 0 | 0 | 0 | 72 |
| | Transferred | 0 | 2 | 0 | 0 | 2 |
| HCFC-141b | Handled | 11 | 0 | 20 | 0 | 31 |
| | Emitted | 8 | 0 | 20 | 0 | 28 |
| | Transferred | 0 | 0 | 0 | 0 | 0 |
| HCFC-225 | Handled | 2 | 14 | 4 | 0 | 20 |
| | Emitted | 1 | 12 | 2 | 0 | 15 |
| | Transferred | 0 | 2 | 2 | 0 | 4 |
| Di(2-ethylhexyl) phthalate | Handled | 477 | 16 | 652 | 0 | 1,145 |
| | Emitted | 0 | 0 | 0 | 0 | 0 |
| | Transferred | 16 | 0 | 0 | 0 | 16 |
| Toluene | Handled | 5 | 0 | 1 | 5 | 11 |
| | Emitted | 3 | 0 | 1 | 0 | 4 |
| | Transferred | 2 | 0 | 0 | 3 | 5 |
| Di(2-ethylhexyl) adipate | Handled | 4 | 0 | 0 | 0 | 4 |
| | Emitted | 0 | 0 | 0 | 0 | 0 |
| | Transferred | 0 | 0 | 0 | 0 | 0 |
| Hydrogen fluoride | Handled | 0 | 6 | 0 | 0 | 6 |
| | Emitted | 0 | 2 | 0 | 0 | 2 |
| | Transferred | 0 | 0 | 0 | 0 | 0 |
| Tetrahydrofuran (Substance under voluntary management) | Handled | 2 | 9 | 9 | 0 | 20 |
| | Emitted | 2 | 6 | 7 | 0 | 15 |
| | Transferred | 0 | 3 | 2 | 0 | 5 |

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

PCB management

In accordance with the Law concerning Special Measures against PCB and the Waste Management and Public Cleansing Law, we have removed all transformers, fluorescent light ballasts, and other equipment using PCBs, and centrally store them at two locations: our Fujinomiya factory and our Ashitaka factory. In order to quickly and appropriately dispose of these materials, we early-registered with the Toyota office of the Japan Environmental Safety Corporation (JESCO) in FY2005. Additionally, we have completely investigated and categorized devices corresponding to manufacturing periods where there is a risk of micro-contamination and the like through continuing surveys by the Japan Electrical Manufacturers' Association (JEMA).

PCB-containing equipment inventory

| Storage site | Fluorescent light ballasts | Capacitors | Reactors |
|--------------------|----------------------------|------------|----------|
| Fujinomiya factory | 459 | 23 | 0 |
| Ashitaka factory | 419 | 17 | 2 |

Heavy electrical equipment with possible trace PCBs

| Period of manufacture | Number of units |
|-----------------------|-----------------|
| Period B | 8 |
| Period C | 221 |
| Period D | 152 |

B: 1953-1972 (production of PCB and non-PCB in parallel)
C: 1973-1989 (production of non-PCB and recycled PCB in parallel)
D: 1990-2005 (production using non-PCBs)

Waste Reduction and Water Conservation

We are striving to reduce landfill waste, recycling, and conserving resources with the goal of zero emissions at our head office and all factories. We also have active projects to reduce our water usage.

Waste Reduction

Reducing the amount of waste sent to landfills

Our manufacturing processes and office business activities generate a variety of waste. We carried out a number of initiatives aimed at achieving our voluntary target of reducing the amount of waste sent to landfills to 80% less than FY1996 levels by FY2005 at all sites in Japan, with the exception of our sales offices.

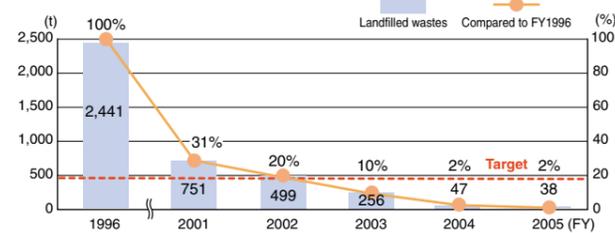
In FY2005, the amount of waste we sent to landfills was 98% less than our FY1996 levels, meaning that we achieved our target for the third straight year going back to FY2003. Starting in FY2006, we have set new voluntary targets, and we are working hard with a focus on the following three areas:

- Legal compliance : Compliance with the contracting standards in the Waste Management and Public Cleansing Law
- Reduction and recycling : Continued maintenance of zero emissions
- Waste risk management : Appropriate recycling and reuse

Targets for reduction of waste sent to landfills (revised in 2006)

Maintain level of less than 1% of total waste sent to landfills by volume at all sites in Japan, with exception of sales offices.

Wastes sent for landfill



Waste management

We have created a checklist for contracted waste treatment and disposal. We systematically conduct on-site checks at our waste collection and disposal contractors' sites to ensure that they properly dispose of our waste. Our Industrial Waste Group (one of our specialized environmental groups) shares information on the results of these checks between sites, efficiently confirming their status. In FY2005, we conducted on-site checks at 26 contractor sites.

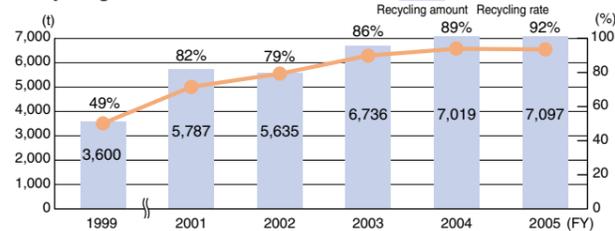


On-site inspection of waste disposal site

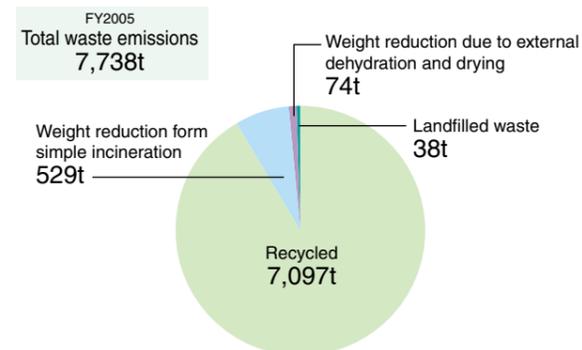
Promoting recycling

Terumo manufactures plastic medical devices and pharmaceuticals, but their characteristics make our products difficult to reuse. We thus separate, collect and recycle the various kinds of waste produced by our manufacturing processes and office business activities. As an example, we recycle waste plastic into raw materials for other products and RPF. We also work to reduce the amount of paper used by our offices, through such means as increased use of office automation and double-sided printing. Thanks to the results shown by these efforts, in FY2005 we achieved a recycling rate of 92%.

Recycling amount and rate



Total companywide waste emissions and breakdown of disposal or treatment method



Zero emissions

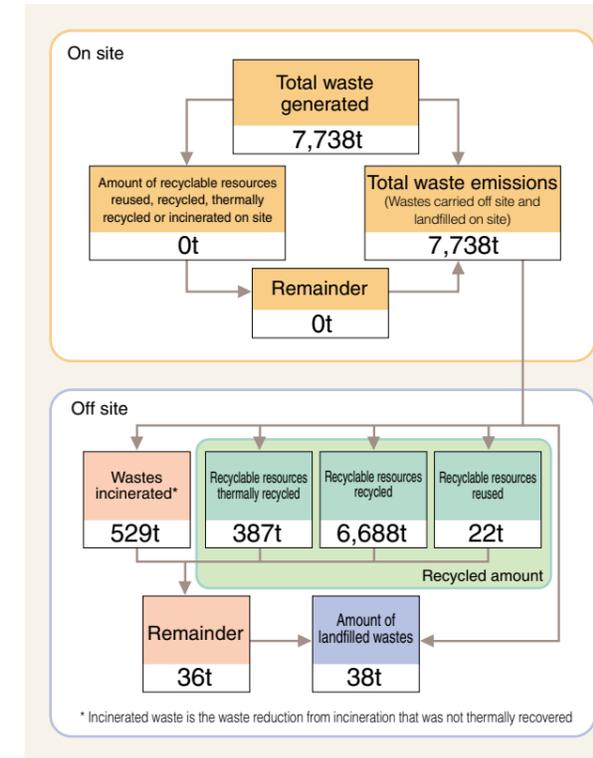
In FY2005, we achieved zero emissions at all our factories in Japan and our head office for the second straight year. Achieving zero emissions is an extremely difficult challenge for our R&D Center, because unlike our factories, it produces many different types of waste in small amounts and at irregular intervals. Nevertheless, we expect it to achieve zero emissions in FY2006 by thoroughly separating and collecting all waste on site, and securing recycling routes.

Terumo defines zero emissions as less than 1% of total waste by volume sent to landfills.



Floor waste recycling bins (R&D Center)

Waste Stream



Initiatives to Recycle Small Rechargeable Batteries

We recycle small rechargeable batteries in accordance with the Law for Promotion of Effective Utilization of Resources. The Law for Promotion of Effective Utilization of Resources went into effect in April 2001. This law obliges companies that manufacture small rechargeable batteries, and companies that manufacture or import devices using them, to collect and recycle these batteries.

We are a member of the Japan Portable Rechargeable Battery Recycling Center (JBRC), which promotes the recycling of small rechargeable batteries, and collect and recycle the used small rechargeable batteries from Terumo products. We also collect and recycle small sealed lead-acid batteries when replacing batteries during maintenance. We will continue to collect and recycle small rechargeable batteries.



Collection and recycling performance in FY2005 (April 2005 to March 2006) (Unit: Kg)

| Nickel-cadmium | Nickel-hydride | Lithium ion | Small sealed lead-acid |
|----------------|----------------|-------------|------------------------|
| 5,211 | 34 | 5 | 456 |

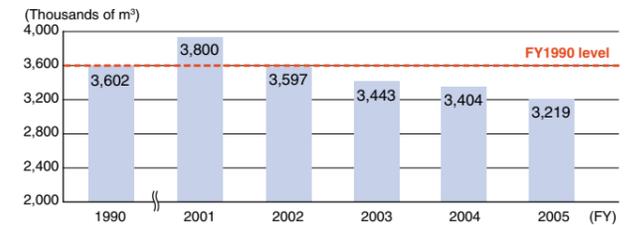
Water Conservation

At Terumo we are optimizing water resource use by for instance reusing cooling water in order to reduce the amount of water we use. Water use in FY2005 was 3.22 million m³, about 5% less than the previous year. In future we will maintain water use at or below FY1990 levels.

Target for Water Use Reduction

Keep water use down to FY1990 level

Water Use

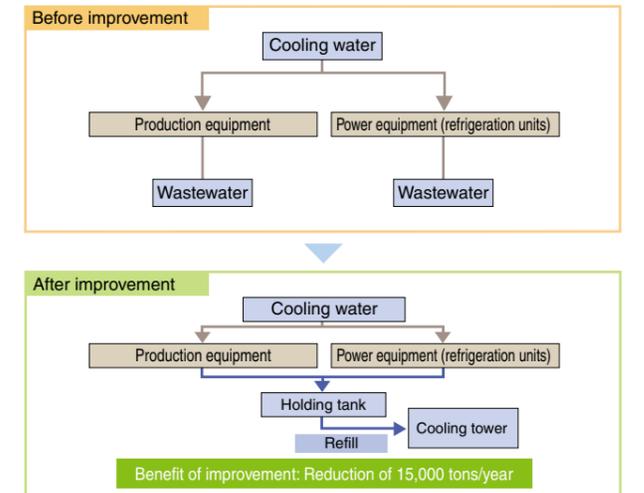


Example of reducing water usage at Ashitaka factory

Our Ashitaka factory has reduced its water usage by 15,000 tons per year by collecting cooling water discharged by its production and power equipment (refrigeration units) in a holding tank, and effectively using this water by supplying it to a cooling tower for air conditioning and the like.

We have implemented measures at each of our factories to effectively utilize water resources and conserve water in order to reduce our water usage, using the principles of the four R's of water (reduce, replace, reuse, and recycle).

A case study of the Fujinomiya factory (Re-use of the cooling water from the molding process)



Green Procurement and Purchasing

Terumo has conducted studies on containment of toxic substances in response to the EU's RoHS Directive. We have also enhanced our environmental-conservation initiatives with regard to green purchasing, including increasing our fleet of low-emission vehicles.

Green Procurement

Regulations on electrical and electronic equipment are spreading worldwide. In addition to the EU's RoHS (Restriction of the use of certain Hazardous Substances) Directive (effective July 2006), other countries are also enacting similar restrictions on the use of toxic substances and labeling obligations: China enacted its Administration on the Control of Pollution Caused by Electronic Information Products law effective March 2007, and Japan has enacted an ordinance revising its Law for Promotion of Effective Utilization of Resources effective July 2006. Although the medical electronic devices we manufacture are currently exempt from the RoHS Directive and Japanese law, we are moving proactively to achieve compliance with these regulations. We began studies on the toxic content of our parts and materials in the fall of 2003, and as of March 2006 have nearly completed our studies for all products. We will continue to collect information and create regimes based thereon for green procurement and assurance capable of complying with the RoHS Directive as well as the regulations of all countries in which we operate or market products.



Haruo Nobayashi, Quality assurance section, Ashitaka (Suruga) factory

Substances subject to RoHS Directive

| Substance | Toxicity |
|---------------------|--|
| Lead | Affects the blood, bone marrow, central and peripheral nervous system, and kidneys. Possible health effects include anemia, encephalopathy (including convulsions), peripheral neuropathy, gastric cramps, and kidney damage. Has reproductive and developmental toxicity in humans. |
| Cadmium | Repeated or long-term exposure to dust particles can cause lung congestion. Affects the kidneys, and may cause proteinuria or kidney failure. This substance may be carcinogenic in humans. |
| Mercury | Affects the central nervous system and kidneys, and may cause irritability, emotional instability, tremors, mental disorders, memory disorders, and speech disorders. There is a danger of cumulative damage. Conversion to organic mercury compounds in the environment by microorganisms makes it even more toxic. |
| Hexavalent chromium | Repeated or long-term contact could cause skin sensitivity. Repeated or long-term inhalation could cause asthma. Affects the respiratory tract and kidneys, and may cause nasal septum perforation or kidney damage. Shown to be carcinogenic in humans. May cause genetic damage to human reproductive cells. |
| PBBs | Persistent and bioaccumulative, and incineration generates polybrominated dibenzofurans. Carcinogenicity found in animal testing. |
| PBDEs | Persistent and bioaccumulative; some isomers may generate polybrominated dibenzofurans or polybrominated dibenzo dioxins when incinerated. electrical and electronic |

Note : Excerpted from international chemical safety card and environmental health criteria

Green Purchasing

Terumo is promoting green purchasing and has set guidelines relating to supplies for production processes, offices, and other equipment. Performance for FY2005 is as shown in the chart below. We plan to continue to increase our green purchasing rate.

Green purchasing in FY2005 (Units: Quantities: 1000s of items, Dollar values: 1000s of yen)

| Sites | Data type | Eco Mark products breakdown | Breakdown of products conforming to the Green Purchasing Law | Breakdown of green mark products | Total |
|-------------------------------------|-------------------|-----------------------------|--|----------------------------------|--------|
| Head office and sales offices total | Purchase quantity | 8 38% | 11 50% | 2 8% | 22 |
| | ¥ Total | 2,775 37% | 2,823 38% | 920 12% | 7,456 |
| Factory total | Purchase quantity | 22 48% | 24 53% | 4 8% | 46 |
| | ¥ Total | 7,153 37% | 7,249 37% | 1,815 9% | 19,343 |

Eco Mark

Products labeled with the Eco Mark have been recognized by the Japan Environmental Association Eco Mark Office as beneficial to environmental conservation. The goal of the mark is to make it easier for people seeking environmentally friendly lifestyles to select environmental friendly products.



Green Mark

In general, products using at least 40% recycled paper can be labeled with the Green Mark. Toilet and tissue paper must generally be 100% recycled paper to bear this mark, and copier paper and newspapers must generally use at least 50% recycled paper.



Low emission vehicles

As of March 2006, we own 836 vehicles for company use. Of these, 787 are 1-star or higher low-emission vehicles (LEVs). 94% of our vehicle fleet are low-emission vehicles.



Low emission vehicle

Low-emission vehicle fleet

| Vehicle type | No. of vehicles |
|---|-----------------|
| ☆☆☆☆☆ 75% below FY2005 exhaust gas standard | 45 |
| ☆☆☆☆ 50% below FY2005 exhaust gas standard | 599 |
| ☆☆ 25% below FY2000 exhaust gas standard | 143 |
| None | 49 |
| Total | 836 |

Views of Third Parties



Junichi Mizuo
COE Professor, Tokyo Institute of Technology
Professor, Graduate School of Surugadai University

Ph.D. Business Administration, Surugadai University
Head of the Institute of Economics, Surugadai University
Associate of Shiseido Co.,Ltd. and an external member of the Corporate Ethics Committee of Seibu Holdings
External member of Institutional Review Board of the Kanagawa Medical Practitioners Association
Publications include "Enhancing Management Capabilities through CSR" (Toyo Keizai Inc.), etc.

Terumo strives to fulfill its commitment to "contributing to society through healthcare" as stated its corporate philosophy. This report fully outlines the company's initiatives based on this philosophy, which consists of 5 statements: "open management", "enhanced value", "safety and reliability", "respect for our associates" and "corporate citizenship". The following is my views on this fiscal year's report from two perspectives: points to be commended and areas for improvement.

Points to be Commended

1. The company's firm conviction "to provide safe health care" in tandem with stakeholders and its initiatives to act under it were appropriately presented in this report.

As a maker of medical devices, it is vital for the company to be engaged in CSR activities with the focus on joint efforts with hospitals, doctors, nurses, and other stakeholders in the health care field, toward the common goal of "providing safe health care". It is because, unlike hospitals and medical practitioners, the company's core business is to make medical devices, which gives the company minimal opportunity to directly contact with patients who actually require them the most.

In this respect, I believe that the Special Features in this report fully reflected the company's determination to contribute to society in cooperation with its stakeholders through the provision of countermeasures against medical accidents and medical training for this purpose. The company's visions of providing "health care with minimal incisions and pain" and "preventive medicine for the aging society" ahead of time as stated in this report is also very forward-looking, which convinced me that the company is fully committed to contributing to the health of people around the world.

2. The report provided a full range of information on the company's concrete initiatives to fulfill its environmental policies

As a leader in the health care field, the company actively get involved in environmental conservation activities, with the aim of harmonizing safe medicine with the environment.

With the establishment of its own environmental policies in 1999, the company created an environmental management system. The system has enabled the company to numerically ascertain the environmental impacts it imposes and flows of materials through its business activities, as well as the company's efforts to reduce amount of CO₂ emitted, chemical substances handled, waste produced, and water used, for helping prevent global warming and preserve the environment. The fact that these figures are posed in the report in an accurate fashion is the evidence that the environmental management system has already taken root in the company.

It is notable that these initiatives are carried out not only in Japan but also its overseas offices, which has been reflected in its environmental education and auditing, green procurement and purchasing efforts, and eco-friendly product development.

Areas for Improvement

1. The company may need to make more efforts for reinforcing activities promoted through dialogue with it stakeholders, and reporting such efforts

I think it is necessary for the Social and Environmental report to clearly state stakeholders' evaluation on the company's action policies announced at the stakeholders' dialogue and other occasions.

In my opinion, it is vital for the company to integrate its goals with its stakeholder's expectations to form business strategies, aiming for creating new values. It is my belief that this will eventually promote the activities to improve the quality of life of patients around the world through its business activities in medial and other new areas as a medical device company, and lead to a sustainable development of the company.

2. The report should clearly show the company's relations with its associates (employees).

This would be the biggest future challenge for the company who operates under the banner of "people-based business." I believe the company should carry out its CSR activities from its associates' perspectives, by establishing a CSR promotion system (by appointing CSR promotion supporters), based on the Associate Spirits. It is because its associates are both one of its important stakeholders and key players in its CSR efforts. The full recognition of the associates' views and requests regarding CSR would serve as a springboard toward the goal of satisfying its employees, which in turn will lead to the higher level of customer satisfaction.

For example, from the viewpoint of an envisioned ISO 26000, an international standard on Social Responsibility of which the ISO is currently studying the possibility of introduction, gender equality issues would be one of the major hurdles that the company must overcome if it really values the associates' spirits. In this regard, it is urgent for the company to disclose current date on the number of female employees, the percentage of women in management positions, and its female recruitment plan, and set future targets regarding them. I fully believe that satisfying the needs of society through employ-led and company-wide CSR activities will eventually lead to a CSR activity taken under the initiative of employees for society as I propose.



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■ Editorial policy

This report was created with the goal of promoting communication with society by chiefly reporting the social and environmental aspects of our business activities in an easy-to-understand manner.

Our message from top management firmly expresses our commitment to 'Gentle' health care, based on our corporate philosophy of Contributing to Society through Health Care. The following features then showcase our initiatives, using two concepts as launching points: safe health care and low-pain health care.

In our social report, we define Terumo's stakeholders, presenting a Stakeholder Map. Additionally, in our Social and Environmental Report 2006, we have included the views of third parties for the first time, in order to increase the reliability of this report. Our goal is to contribute to society more effectively through the frank feedback of people from outside the company.

Our environmental report was compiled with reference to the Environmental Reporting Guidelines (FY2003 edition) and the Environmental Performance Indicators for Businesses (FY2002 edition) of the Japanese Ministry of the Environment.

■ Scope

Terumo Corporation (including some overseas sales offices)

■ Period Covered

The 2005 Fiscal Year (FY2005) (1 April 2005 - 31 March 2006)

■ Publication

October 2006

■ Next planned publication

October 2007