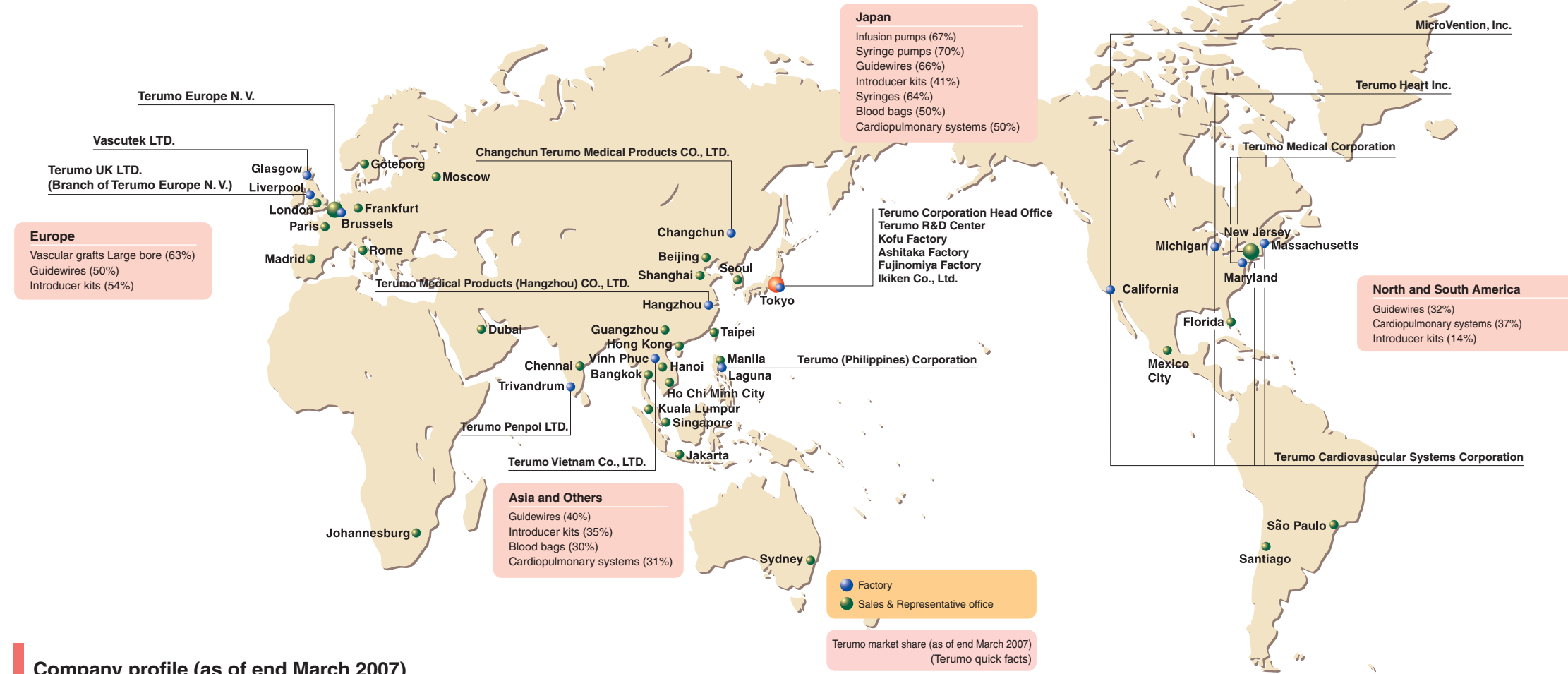


Social and Environmental Report 2007



Business Overview

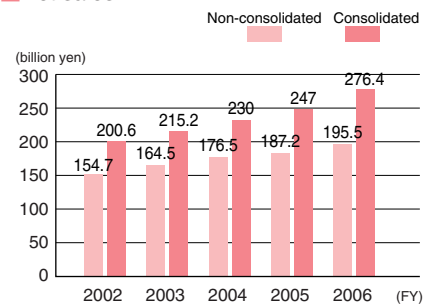
Terumo products are produced and sold throughout the world, and are used in over 150 countries worldwide. Terumo will continue to contribute to the world in the future through health care.



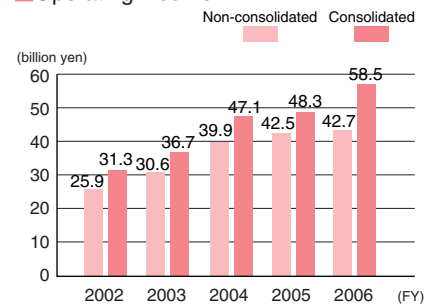
Company profile (as of end March 2007)

Company name : TERUMO CORPORATION
 Date of establishment : September 1921
 Paid-in Capital : 38.7 billion yen
 Consolidated net sales : 276.4 billion yen (consolidated)
 President : Akira Takahashi
 Number of employees : 11,572 (parent: 4,211)
 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 pharmaceuticals, nutritional food supplement, blood bags, disposable medical devices, interventional systems, cardiovascular systems, vascular grafts, peritoneal dialysis, blood glucose monitoring system, medical electronic, and digital thermometers.
 Corporate stock : 1st Section of Tokyo Stock Exchange

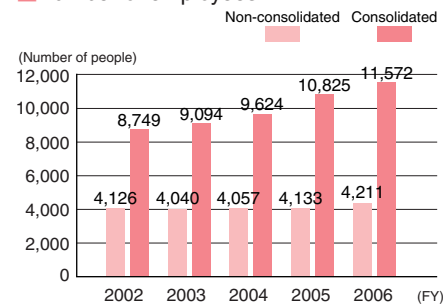
■ Net sales



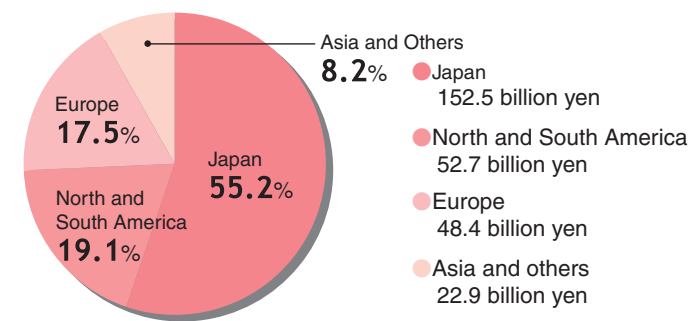
■ Operating income



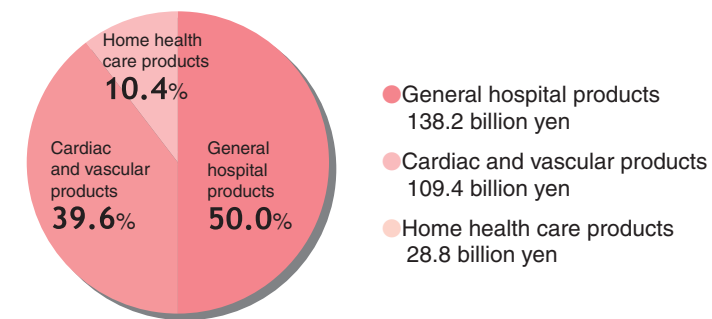
■ Number of employees



■ Net sales by region (FY2006 consolidated)



■ Net sales by segment (FY2006 consolidated)



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Contributing to society through a commitment to 'Gentle' health care

Committed to Gentle Health Care

Since Terumo was founded in 1921, we have maintained the same Corporate Philosophy: Contributing to Society through Health Care. Throughout our history, we have remained committed to the safety of health care. In the 1960s, we developed the first disposable syringes and needles in Japan, in order to prevent infectious diseases. We subsequently launched the first blood bag and the first IV solution soft bag to be manufactured in Japan.

In the present day, dramatic progress in health care technologies is transforming the needs of medical institutions. Amidst these changes, we express our commitment to health care through our vision statement: 'Gentle' Health Care.

It is not enough to save patients: we must also ensure that our patients feel more at ease by reducing medical malpractice and accidents. We must also minimize the pain, discomfort, and physical and mental anguish patients feel from diagnosis and treatment surgery.

At the same time, it is necessary to greatly reduce the time, cost, and risks of healing the side effects of health care - surgical scars and other unwanted effects other than the illness or injury itself. This will bring more efficiency and economic to medical institution.

I believe that at its core, the medical device industry is people-friendly, or in other words, 'Gentle'. As we pursue this core value, we remain committed to improving our technologies and services that will help us achieve 'Gentle' Health Care, and contribute to society as well.

Responding to increasingly diverse health care needs

In order to achieve 'Gentle' Health Care, it is also necessary for medical professionals to use medical devices correctly. We thus opened the Terumo Medical Pranex West in 2002, and the Terumo Medical Pranex East in 2007, as practical training institutes for achieving this goal. In addition to providing training to medical professionals, facilities serve as centers for the development of medical devices that meet the actual needs of medical institutions.

In this way, we offer complete solutions, including both "hard" solutions - product development - and "soft" solutions - such as training - in order to meet the needs of medical institutions. We also look for new solutions together with medical professionals. I believe that this attitude will be demanded even more strongly in the future.

Needs for products themselves are also becoming increasingly diverse. One example of these is our commitment to home and preventive medical care, which are becoming increasingly vital as Japan's society ages and health care costs rise. We are helping to popularize and improve the quality of home and preventive health care by developing medical devices that patients and their families can use at home easily and securely, and by providing accurate and correct information about day-to-day health management.

Over the past few years, Terumo has also been actively expanding its businesses globally, and it is vital for us to develop products from this perspective as well. Needs differ according to national and regional culture, medical circumstances, and other factors, and we strive to offer products that best meet the needs of each location.

It goes without saying that as a company contributing to society, we must also develop products to reduce environmental impact, including reducing the amount of waste produced. We are committed to a development style that can achieve this while at the same time ensuring safety at a high level.

Spreading and maintaining our vision

People are the driving force behind of our many initiatives. At Terumo, we have always held people-based management as one of our management policies. Based on our philosophy that associates are an asset and not a cost, we have strived to attain our vision of a company that grows in balance with its people through work. As we continue to globalize our businesses, we will unflinchingly maintain and spread this vision.

Provide 'Gentle' Health Care, and 'Contribute to Society through Health Care.' It is Terumo's social responsibility to pursue and maintain this Corporate Philosophy. We will continue to advance a wide range of activities, while renewing this idea.

July 2007



Akira Takahashi
Representative Director & President



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.

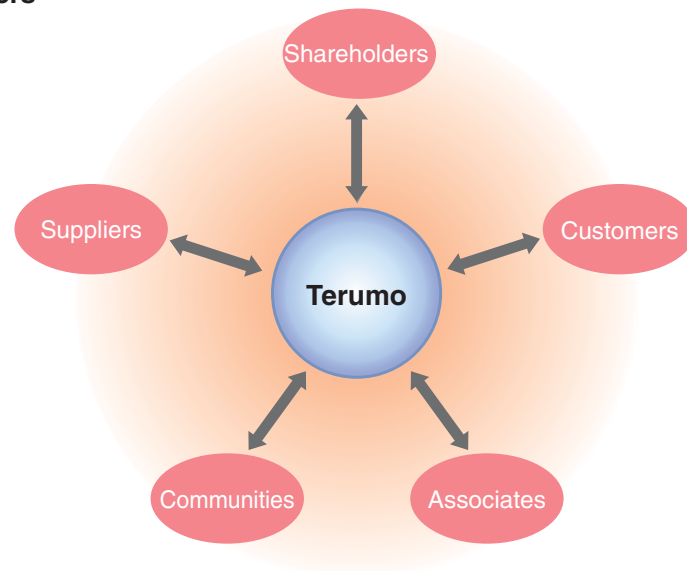
●Respect for our Associates (Employees)

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.

Terumo's stakeholders



●Shareholders

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

●Customers

We have a wide range of customers, from medical 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 and fully comply with relevant laws and regulations in our dealings with our suppliers.

●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.

●Communities

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

Feature

Committed to 'Gentle' Health Care

What does Terumo mean by 'Gentle' Health Care?



At Terumo, the vision that guides our corporate activities is 'Gentle' Health Care. The goal of 'Gentle' Health Care is not simply to cure illnesses and injuries; 'Gentle' Health Care enables health care that maintains quality of life (QOL) by minimizing the various types of damage and impact on the patient. We believe that this will put the patient at ease, and establish an environment in which the patient can receive diagnosis and treatment in comfort.

Part of this commitment is our pursuit of minimal invasive therapy, which has been drawing a great deal of interest in recent years. We are developing and disseminating interventional systems and other new technologies at the global level, in order to minimize the physical damage suffered by patients when compared to ordinary surgery. This reduces hospitalization time, and reduces the patient's mental anguish and economic burden. Our development of such products as the world's thinnest injection needles, which cause less pain, are also part of this commitment.

We are also committed to improving safety and reliability. Although it is also vital to improve the skills of medical professionals, at the same time our role is also to make health care credible by developing devices that prevent mistakes and accidents, and reducing the risk of health care by making it more efficient.

Additionally, as Japan's population rapidly ages, and the importance of home medical care and preventive medicine consequently grows, there is a need to improve the quality of home health care in this country. By resolving these issues from a variety of angles, our commitment to 'Gentle' Health Care is fulfilling the expectations of society, and this is truly what is supporting the advancement of our company.

Making 'Gentle' Health Care a Reality

Terumo Medical Pranex™ comprehensive medical training facility



Contributing to society through health care: Terumo's goals for Pranex

We believe that our responsibility as manufacturers of medical devices does not stop at manufacturing and marketing medical devices; we must strive to create safe, high-quality, gentle health care, and through this, to contribute to society. This is the role that Terumo must fulfill.

Terumo Medical Pranex is comprehensive medical training facility we opened in 2002 in order to achieve this vision. The goal of the institution is to offer a wide range of solutions to medical institutions combining physical products with the value of software and services, fusing the skills of medical professionals with

Terumo's product-engineering capabilities.

Situated on an expansive property in a rich natural setting, the fully equipped facility includes a simulation hospital with the same functions and



Clinical engineers receive operation training on cardiovascular systems

equipment as a real hospital, as well as the latest training equipment. The facility provides opportunities for practical training for medical professionals, including physicians and nurses, pharmacists, and clinical engineers, as well as students studying to be medical professionals.

Pranex is also a center for the development of medical devices. Terumo associates work here to develop new devices, communicating at a deeper level than ever before possible, and uncovering the needs of medical institutions in depth. The facility also serves to educate our associates, improving their expertise regarding our products and health care, and enabling them to serve as more credible partners to medical institutions.

Through this wide range of initiatives, we strive to contribute to the advancement of health-care technology, eliminate hidden risks at medical institutions, and create a new type of health care that enables patients to receive treatment in comfort and with peace of mind.

Improving safety and reliability: Eliminating hidden risks in the day-to-day operations of medical institutions

A wide range of risks exist at medical institutions. In addition to cases leading to actual medical accidents, there are near-miss incidents as well, in which medical professionals narrowly avoid major medical accidents.

Many of these medical accidents and near-miss incidents, however, could be prevented given a training environment for improving the skills of health care procedures. That is why Pranex has an on-site simulation hospital called the Hospital Studio, complete with operating rooms, ICU, wards, and a staff station. The Hospital Studio provides training to medical professionals and students.



Simulation training in response to sudden changes in patient conditions

Terumo staff support training starting from the preparatory stages. Here, students and professionals can train in communicating with each other and with patients, as well as such basic skills as giving injections and administering intravenous injections (which account for over 30% of near-miss incidents), in a realistic hospital room fitted just like a real hospital, and using real-world medical equipment. In their training, students learn the types of situations where medical accidents and near-miss incidents are most likely, enabling medical professionals to provide care with confidence. This in turn puts patients at ease, and helps make health care safer.



MRs also receive training in order to correctly explain to physicians how to operate medical devices

Awareness Training

One of the key concepts of training programs at the Hospital Studio is Situational Awareness. Ordinary actions performed in health care settings without conscious awareness create a multitude of risks. An awareness of this fact is the fundamental step toward preventing mistakes and accidents.

In our training, we repeatedly practice team health-care role playing in a clinical setting. We film this on video, and then after the training is complete, check it objectively on the monitor. We check and verify each action performed in the role playing, not only whether each individual's actions were appropriate as well. This enables us to improve the quality of team health care, which is indispensable in modern medicine.

Awareness also plays a key role in product development. This enables more direct communication between medical professionals and developers in a setting like that of a medical institution. Additionally by attaching sensors to the physicians and nurses at Pranex, and analyzing their lines of movement, it is possible to identify issues and risks in medical institutions that had gone unnoticed before.



The Hospital Studio is used to provide training in an environment very similar to that of an actual medical institution



Training is videotaped, and repeatedly verified

Interview with Keiko Yamamoto, RN, Associate Director, Nursing Department, Tokyo-kita Social Insurance Hospital "The training at Pranex was high effective"

Working toward effective & efficient nonhospital training Utilizing Terumo Medical Pranex

Training nurses is one of the most important duties of the nursing management. This is why it is vital to create an in-hospital training and education program. For example, at our hospital, all new nurses undergo a three-month training program. This includes a preceptorship (mentoring) program, where experienced nurses mentor the new ones, teaching them all the know-how, and nursing techniques that they have learned, and giving them individualized instruction on the effective application of nursing techniques to care for patients; we also have a half-day training program (group training every Friday afternoon) at the hospital.

In June, 15 new nurses and 10 senior nurse instructors used Terumo Medical Pranex for training in basic techniques. The nurses who underwent the training were able to learn basic techniques. In addition, the senior nurses had been performing training habitually; by giving instruction in a new setting, they were able to confirm constantly advancing nursing technologies and techniques, as well as look back over their own nursing experience. Performing the kind of training that we performed at Pranex at our hospital would have been taken time and effort, including arranging for the physical space and equipment, as well as cleanup. For a medium-sized hospital like ours, Pranex is very useful, because utilizing it allows us to perform training efficiently. Additionally, it is quite pleasant to train under blue skies in a natural setting. We leave the site feeling refreshed.



I believe that if other medical-device manufacturers created training centers like Pranex and created an industry licensing system, it would give nurses more opportunities to voluntarily improve their skills, and enable us to provide more complete health care services. I hope that Terumo will maintain such a good position in this field, continue to provide this kind of training, and influence the industry to move in this direction.



Keiko Yamamoto, RN, Associate Director, Nursing Department, Tokyo-kita Social Insurance Hospital



Commitment to securely introducing the latest health care technologies

Polishing skills in the simulator

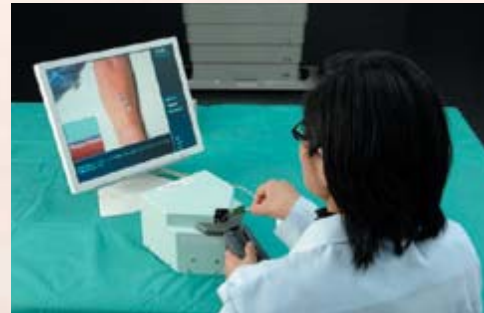
As procedure health care becomes more sophisticated and complex, an increasingly high level of skill is being demanded of medical professionals. Until now, however, opportunities for the kind of practical training needed to attain this level of skill have almost never been provided in Japan.

For this reason, we have created a Simulation Zone, enabling training in new medical techniques of minimal invasive therapy using interventional systems, utilizing simulators.

Interventional systems are a technique of diagnosis and medical treatment performed while imaging the blood vessels via X-ray using a contrast medium. It requires significant experience to image the vessel anatomy in three dimensions. Here, we use a silicon model that reproduces the vascular system down to a minute level of detail, supporting the acquisition of interventional-system surgical skills through repeated training while actually viewing the imaging results.

Virtual-reality training is also highly effective. The latest simulator, consisting of an integrated computer monitor and hand-operated interventional-system control box, is able to reproduce a wide range of vascular states, and operating the controls feels closer to actual manipulation.

Introducing the latest medical techniques and improving physicians' skills in this way makes procedures more effective, while at the same time reducing the amount of time required for surgery and treatment, which in turn helps reduce the physical and economic burden on the patient. It is a mission of Pranex for many physicians to learn the latest techniques.



Venous injection simulator



Simulator for operating cerebral-aneurysm treatment coils



Coils for treating cerebral aneurysms

The Practice Zone provides opportunities for more practical learning and research

The Practice Zone enables medical professionals to further improve the new medical skills they have learned in the Simulator Zone, in preparation for their real-world introduction at their medical institutions. The Practice Zone includes a surgery room and X-ray imaging room equipped with the latest equipment, and provides an environment that enables a wide range of testing and training in order to ensure mastery of acquired skills.



Terumo associates and medical professionals also collaborate in joint research and testing in order to develop new medical devices, including trials of the latest medical technologies, with a focus on the field of cardiovascular disease. We strive to develop and improve new medical techniques and devices, including trials and evaluations of the medical devices we have developed. Pranex provides an opportunity to create new value for medical institutions through collaboration between medical professionals and Terumo.

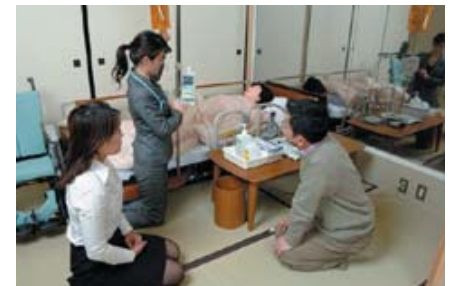


Responding to the growing home health care field

With the rapid aging of the Japanese population and rising health care costs, the concept that health care must be provided in a hospital is undergoing a massive transformation. Health care is becoming a part of everyday life, including keeping good health in the home, home nursing care, and the growing importance of self checks.

In order to respond to this growth in the field of home health care, we have built a Simulation Home at Pranex that models the home of a person requiring medical care at home, such as peritoneal dialysis (PD) or the use of an oxygen inhaler. We have test subjects spend several hours in the Simulation Home going about their normal home routines. Their behavior is recorded via video and other means, which we then verify; we also interview the test subjects. We are developing medical devices that incorporate the perspective of universal design in order to facilitate their use by medical professionals, while also enabling their safe and comfortable use by patients and their families. We are thus committed to preventing errors in home health care, and improving its safety and quality.

We also plan to use our Simulation Home to conduct role playing with nurses who visit patients' homes. We are tackling new challenges in the field of home health care, advancing a number of initiatives in order to help improve the quality of care in this area, while receiving the feedback of everyone involved as well.



The Simulation Home is used to develop medical devices used in the home



Observing the behavior of test subjects in the Simulation Home

CSR Performance (Targets and Achievements)

We have expanded the content of our environmental and 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	Voluntary Targets (Medium to Long-Term Targets)	Results for FY2006	Evaluation	Relevant page	Initiatives beyond FY2007
Promoting compliance	● Continue compliance training.	● Provided compliance training to new employees, mid-career hires, and new leaders.	○	P14	● Continue compliance training.
Internal control initiatives	● Continually review and develop internal-control system.	● Reviewed internal-control system.	○	P13	● Continually review and develop internal-control system.
A highly accessible call center	● Over 95% of calls received. Incoming calls answered within 2.5 seconds.	● 98% of calls received. Incoming calls answered within 2.65 seconds.	△	P17	● Maintain rate of over 95% of calls received, and incoming calls answered within 2.5 seconds.
Promoting employment of disabled employees	● Maintain a disabled-person employment ratio of 1.8%.	● 1.87% as of end-March 2007.	○	P20	● Maintain a disabled-person employment ratio of 1.8%.
Promoting occupational safety	● No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.	● Zero work-related deaths or serious injuries in FY 2006 (two in previous year); eight other work-related accidents (eight in previous year).	△	P20	● No work-related deaths or serious injuries, and fewer work-related accidents than the previous fiscal year.
Career advancement of female employees	● Train and promote employees based on skills and performance, without gender bias.	● Women make up 3.1% of management positions (as of end-March 2007).	△	P19	● Train and promote employees based on skills and performance, without gender bias.
Promote fair hiring	● Conduct hiring based on skills, without regard to race, nationality, gender, religion, physical disability, or other factors.	● Educate hiring managers and create manuals.	○	P20	● Continue to practice fair hiring and educate hiring managers.

Environmental Performance

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

Initiatives	Voluntary Targets (Medium to Long-Term Targets)	Results for FY2006	Evaluation	Relevant page	Initiatives beyond FY2007
Determine the environmental impact of our business activities	● Quantitatively determine the environmental impacts of development, production and sales activities.	● Continued to conduct environmental impact assessments. ● Continuing to investigate substitutes for HCFCs.	△	–	● Continue conducting environmental impact assessments. ● Continue to investigate substitutes for HCFCs.
Environmentally friendly products	● Remove mercury from health care practice. ● Respond to European regulations.	● Promoted sales of electronic sphygmomanometers to hospitals. ● Achieved compliance with Chinese RoHS Directive. ● Developed products compliant with RoHS Directive. ● Achieved compliance with Taiwanese battery regulations. ● Recovered and recycled used small rechargeable batteries.	○	P26 P30 P33	● Continue to develop products compliant with RoHS Directive and to build an assurance system.
Pollution prevention	● Maintain dichloromethane emissions of no more than 99 tons.	● Emissions of dichloromethane were 74 tons. ● Carried out voluntary measurement of ethylene oxide density at boundaries of facility grounds. ● Installed additional equipment for treatment of ethylene oxide waste gas at Ashitaka factory.	△	P28	● Maintain dichloromethane emissions of no more than 99 tons. ● Continue to investigate targets for reducing ethylene oxide emissions. ● Continue voluntary measurement of ethylene oxide 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.	● Reduced CO ₂ emissions per sales unit by 27% from FY1990 levels. ● Installed high-efficiency turbo refrigeration units at Kofu factory. ● Joined Team Minus 6%, and carried out in-house Eco Campaign.	○	P27	● Continue to achieve voluntary targets. ● Investigate energy utilization at our overseas sites.
Waste reduction	● Reduce the amount of landfill waste to less than 1% of the total amount of waste at all sites in Japan, with exception of sales offices.	● Achieved zero emissions at R&D Center (research laboratory). ● Continued zero emissions at production sites (the Fujinomiya factory, the Ashitaka factory) and head office [Zero emissions means the amount of landfilled waste is below 1% of the total amount of waste produced]	○	P29	● Continue to reduce the amount of landfill waste to less than 1% of the total amount of waste at all sites in Japan, with exception of sales offices. ● Expand use of electronic manifests in Japan.
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. ● Carried out environmental audits at all factories	○	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. ● Introduce Terumo Environmental Management System at all group production sites in Japan.
Encouraging volunteer activities	● Encourage volunteer activities.	● Implemented the Terumo Mt. Fuji Reforestation plan (natural reforestation using native tree varieties). ● Supported volunteer activities, including participation in Tamagawa River Cleanup Campaign (Tokyo) and Umezawa Beach Cleanup (Kanagawa).	○	P22	● Continue to support volunteer activities, including continuation of the Mt. Fuji Reforestation plan.
Facilitating environmental communication	● Publish social and environmental reports. ● Initiatives for environment month.	● Published the Social and Environmental Report 2006. ● Environment Month initiatives (all factories in Japan involved in clean-up of garbage in local areas). ● Gave seminars on environmental law. ● Posted special features on Environment Month on corporate intranet Website. ● 1,637 associates voluntarily participated in eco programs with employee involvement. ● Gave lecture at Japan Society of Risk Management for Preventive Medicine Symposium. ● R&D Center Environment Promotion Committee and Terumo Penpol Limited (India) received environmental awards.	○	P24	● Publish the Social and Environmental Report 2007. ● Conduct initiatives for Environment Month. ● Continue 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.	● Conducted on-site studies at two sites in the United States and site in India.	○	P31	● Conduct on-site studies in the Philippines. ● Achieve compliance with REACH and other chemical regulations outside Japan.

Corporate Governance / Internal Control

Open and transparent management is a demand that cannot be neglected. Terumo is committed to perfecting thorough corporate governance and internal control to ensure fair and sound corporate activities.

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

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 (full time) 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.

In March 2007, we formulated Internal regulations on reporting by the board of directors to statutory auditors, which makes it possible for auditors to be notified of various matters.

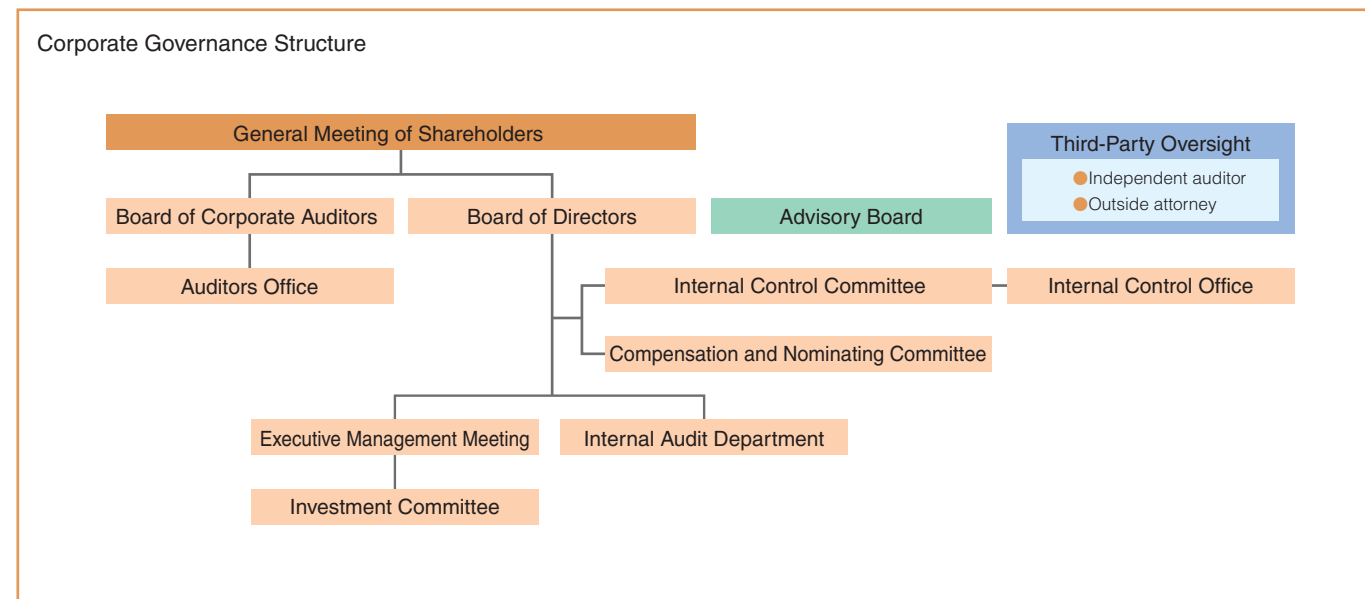
Our internal auditors operate the Internal Audit Department, which holds monthly liaison meetings between the board of corporate auditors, in order to enable collaboration between the board of corporate auditors and other auditing bodies. The office also holds regular meetings with our financial auditors, 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. In order to implement the decision by the board, we set in place the Terumo Code of Ethics as the standard of business activity. The Internal Committee reviews matters relating to internal control, including execution follow-through on internal-control decisions. The Internal Control Department, which is tasked exclusively to internal control and provides executive administration for the Internal Committee, plays the leading role in the establishment and improvement of the 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.



Compliance

As a good corporate citizen, each associate is committed to thorough compliance in line with the spirit of the Terumo Code of Ethics.

Core Philosophy of Compliance

As a company involved in health care, we have conducted our businesses with a strong sense of ethics, in keeping with our corporate philosophy of Contribution 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 basic rules, and explicitly prohibits actions that may violate the code, even if they may benefit the company. Starting this fiscal year, we are having all officers and employees sign a Terumo Code of Ethics Declaration, as proof that they will comply with the Terumo Code of Ethics.

●Compliance System

The Internal Control Committee deliberates key compliance issues. We have additionally created the Internal Control Department, which promotes education, training, and other measures to ensure that compliance is thoroughly practiced, in collaboration and cooperation with compliance-related divisions and non-business units.

●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, e-mail, postal

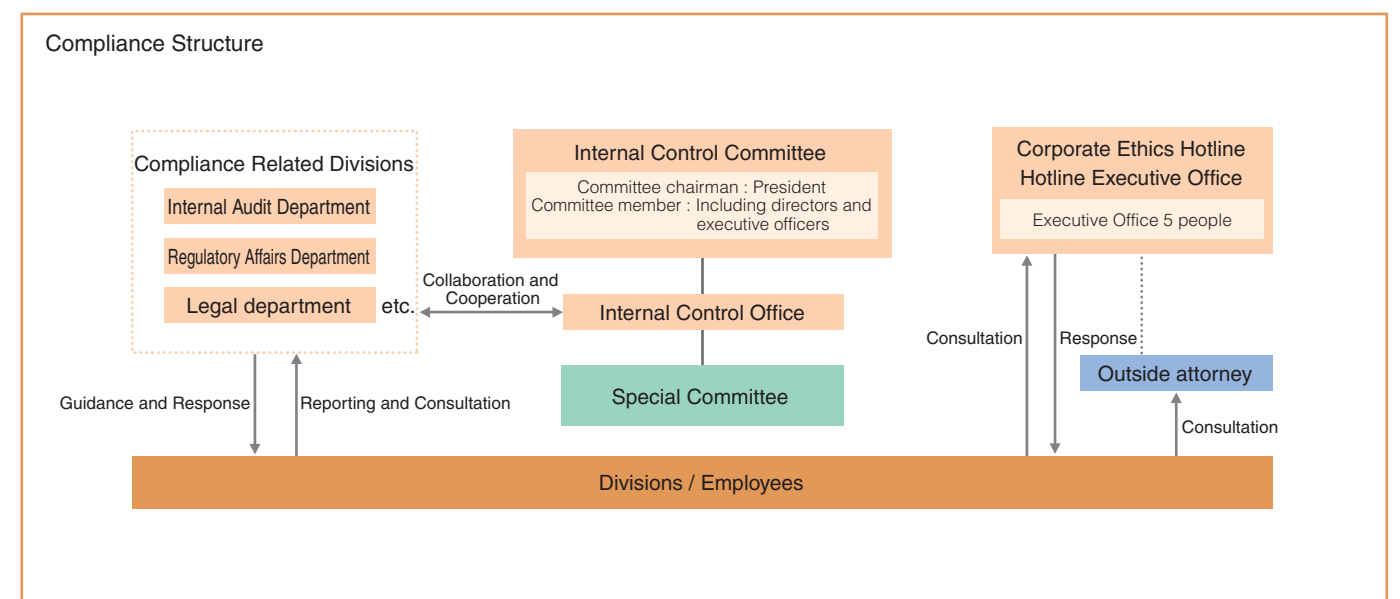
mail, and other means. In order to ensure the anonymity of the persons contacting the hotline, the counselors and outside attorneys staffing the hotline office are thoroughly versed in privacy protection and prohibitions against penalizing people contacting the hotline. The hotline staff responds politely and attentively to each contact from the viewpoint of the persons consulting. We currently receive an average of approximately two consultations per month.

●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 appropriate experiments and confirm their completion, and appropriately feed, care for, manage, and self-check 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.



Quality Initiatives

We are committed to improving the quality of all processes, from manufacturing to services, in order to enable our customers to utilize our products safely and securely.

Quality assurance system

In 1995, we developed a quality management system as the central pillar of maintaining and improving quality at Terumo. It is impossible to satisfy customers merely by remedying any issues that occur. A true commitment to quality means keeping issues from arising in the first place. We have obtained ISO13485 certificate as one of our systems for issue prevention, and are committed to maintaining and improving quality through our global quality assurance system.

Quality policy

Our executives set up quality policies in order to develop and operate our quality management system, and maintain its effectiveness. Each division also sets policy targets based on these quality policies. In this way, the policies of top management are incorporated into individual targets.

QUALITY POLICY

In order to deliver safety and reliability to healthcare fields, we shall

- pursue products valuable for our customers;
- understand our own roles in the quality system and practice them, and
- always review and improve our ways of doing business.

30 June, 2004

TERUMO Corporation

Takashi Wachi

Akira Takahashi

Chairman

President

Quality audits

Internal audits objectively evaluate whether our quality management system is being appropriately complied with and operated, in order to maintain and improve quality. These audits delve deeply into details, and provide guidance for improvement if issues are found. This is something that is not possible with external audits.

We have introduced a certification system for the selection of internal auditors; only those who meet predetermined standards can perform internal audits. The Quality System Committee supervises internal audits, and manages the sharing of internal-audit planning and implementation, and corrective measures. The committee's secretariat reports to the president.

We undergo yearly external audits in order to comply with the Japanese Pharmaceuticals Affairs Law, as well as ISO13485, MDD (Medical Device Directive), IVDD (In Vitro Diagnostic Medical Device Directive), and CMRD (Canadian Medical Device Regulations). The state of laws and regulations is changing globally. Each year the hurdles grow higher, making external audits increasingly vital.

Initiatives to improve quality

When customers use our products, they naturally must provide the benefits and effects expected by the customer. The customer can only be satisfied by meeting these expectations. It is possible, however, for various issues to prevent a product from functioning or performing adequately. Analysis of information from our customers shows that poor manufacturing quality—that is, defects—are not the only reason for product issues.

In order to continue to provide products that meet our customers' expectations, it is not enough to ensure "manufacturing quality" in our manufacturing related division; we must also provide accurate information to our customers, and maintain and improve our services, user training, and maintenance, in order to enable our customers to use our products safely and securely.

Improving our overall quality capabilities in all these processes requires a conscious commitment by everyone responsible for quality in all divisions, including divisions directly involved with production—development, design, and manufacturing—as well as marketing, sales, and the Head office.

Relations with Customers: Medical Professionals

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

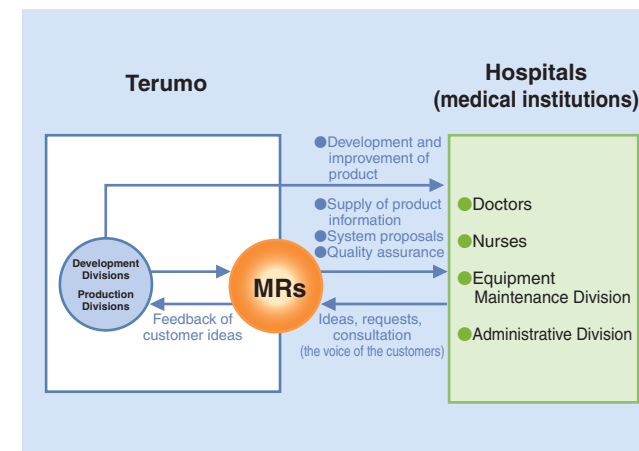
Our Philosophy of customer relations

Our customers include medical professionals, patients, and members of the public with an interest in health. 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 our products are also vital. Direct and close communication with customers is important to establish safe health care. We remain committed to helping people lead healthy lives, both through product development and services.

Relations between medical professionals and medical representatives

Medical representatives (MRs) handle communication with medical professionals. Our medical representatives actively communicate with medical professionals, including visiting hospitals, providing information for the correct use of Terumo products, and providing the latest related health-care information. They also help us develop new products and improve existing ones by uncovering the issues faced by medical professionals, and communicating these issues back to the company.

Recently, our medical representatives have begun moving beyond merely providing information about products to also meet the operational needs of medical institutions, including health care safety and improving the efficiency of health care. We expect their roles to further expand in the future.



System solutions for safer and more efficient health care

Reforms to the health care system are making the lack of nurses increasingly severe. Meanwhile, medical care procedure is growing increasingly sophisticated, and the consequent medical accidents have become a major concern. Ensuring medical safety through such means as nurse education has become a vital task for hospital management.

Against this backdrop, we have developed a Solution Pack with the goal of greatly reducing material preparation work. We developed the Solution Pack by analyzing the interventional system diagnosis process in detail using industrial engineering methods, putting all the products used for the procedure sequentially into a single package. This enables even less experienced staff to quickly make accurate preparations, reducing the time required for individualized patient care—which is the essential role of the medical professionals.



Solution Pack™

Statement by medical representative

"If all we do is introduce products to our customers, they won't accept them. We have got to constantly think of how we can make proposals that solve the overall issues faced by medical institutions. Through their process for considering the adoption of new products, institutions utilizing our Solution Pack commend us for thinking seriously about the relationship between improving the customer's work processes and health-care safety. I hope to continue to contribute to medical institutions through a wide range of these types of proposals."



Yumiko Miura
Kanto Branch
Interventional Systems Company

Relations with Customers: General 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 about 1,500 calls per day from our customers, including general customers, patients, medical institutions, and dealers. The Terumo Call Center takes each of these calls. We would like to earn the trust in Terumo through direct communication with our customers.

We have products designed for medical 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 who are experts in each area. Our communicators represent Terumo when they respond to our customers' inquiries. For this reason, newly appointed communicators undergo two to



The Terumo Call Center

four 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 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.

●Reflecting customer feedback in our products

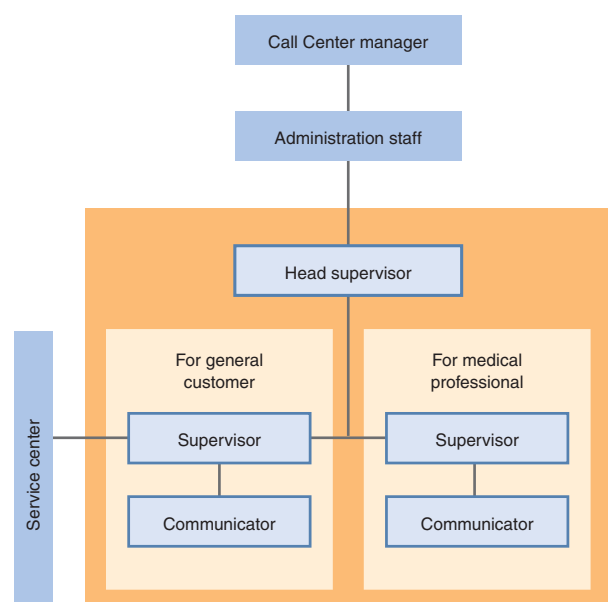
Accurately answering our customers' inquiries is not the only role of the Terumo Call Center; it also feeds back product needs to the company. We keep a record of customer feedback because it is an important guide for development. We also regularly meet with our product engineers, actively discussing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

In 2005, we launched the Terumo digital Thermometer C220 in Japan; 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 without waking a sleeping baby, we also added a backlit to the display. We also added the capabilities to set a buzzer sound that is easy to hear, and to turn off the buzzer in order to avoid waking up sleeping children. Additionally, we used a highly sensitive sensor, greatly reducing the time needed to take a temperature (down to 25–40 seconds). The valuable feedback we received from our customers thus enabled us to develop a better product.



This baby-friendly infant clinical thermometer was developed thanks to customer feedback

Organizational chart of the Terumo Call Center



Development of Home Health care products

●Offering products linking health care with the home

As Japan's society ages and health care expenditures rise, the Japanese are becoming increasingly interested in preventive medicine. Present society is also increasingly beset by lifestyle diseases; one example of these is metabolic syndrome, which is widely reported in the media. It has consequently been recognized that in addition to hospital diagnosis and treatment, the home health care also is vital, and the health-care field has become actively committed to utilizing blood-pressure readings and other data taken in the home for diagnosis and treatment.

Terumo offers products that contribute to preventive medicine and health management, including clinical thermometers, as well as blood pressure monitors and blood glucose monitors. The ARM-IN blood pressure monitor was designed for ease of use at home, while measuring blood pressure using the same blood-vessel noise as a doctor. Using the ARM-IN, patients can measure their blood pressure simply by placing an arm in the device. A long-term memory feature also supports long-term and continuous blood-pressure management. Patients can also use the ARM-IN MEMO to store blood-pressure data measured in the home, and bring the display of this data with them to the hospital.



The ARM-IN™ PLUS has a long-term memory



ARM-IN™ MEMO display

The ARM-IN™ Memo has a long-term memory and graph display. The display can also be removed and carried.

●Developing easy-to-use products from a human engineering perspective

Using facilities at our home office and Terumo Medical Pranex that reproduce a home environment, we are developing products to be easy to use by such means as analyzing the behavior of customers using our products from a human-engineering perspective.

Our WOMAN°C digital thermometer for women was developed with a human-engineering perspective to shape and weight, in order to reduce the burden on women who take their temperature orally during the busy morning hours. We also had an all-woman team fine-tune the product for ease of use from a woman's perspective. We are thus committed to developing products that suit the needs of the customers who use them.



The WOMAN°C™ is awarded the Good Design Award and the Nikkei Sangyo Shimbun Award for Excellence



Measuring how easy it is for women to hold the digital thermometer in the mouth in a simulation home environment

Terumo hosts Lifestyle Disease Prevention Seminar

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 fiscal 2005, we began organizing Lifestyle Disease Prevention Seminars, targeting the general public. A cumulative total of about 4,000 people have attended the seminars. At these seminars, specialist physicians give lectures providing appropriate knowledge, with a focus on high blood pressure and diabetes, and how to improve lifestyle diseases, in order to raise awareness of preventing lifestyle diseases. We remain actively committed to our products as well as publishing information.



A Lifestyle Disease Prevention Seminar



The seminar venue

Relations with Associates

At Terumo, we believe that our employees are our most valuable “assets.” For this reason, we call the employees “associates.” And we believe in people-based management. We support the development of human resources to allow our associates to take maximum advantage of their capabilities, and find fulfillment and motivation in their work.

Associate Spirit

Each of our associates pledges to independently tackle new challenges, leverage the power of the team through mutual respect, and offer customers higher levels of quality and service. In 1996, we distributed a pamphlet called “Associate Spirit,” which contains four key concepts put forward by our associates.



Respect for human rights

The Terumo Code of Ethics states, “We strive to respect individuals and for cross-cultural understanding; we do not discriminate on the basis of race, nationality, gender, religion, disability, or other factors.” Specifically, we are committed to thoroughly eliminating discrimination, including incorporating respect for human rights and measures to prevent sexual and moral harassment.

Our human resource system in Japan supports the personal development of each associate

At Terumo, we consider our associates to be valuable assets of the company. We have introduced a human-resources system that supports efforts by our associates to achieve personal development (a commitment to improve asset value).

●ACE consultation*

Once a year, we hold Associate Challenge Education (ACE)* systems consultation, where associates meet with their supervisors to seriously discuss personal strengths and weaknesses, their future career plans, personal development plans, and more. After the associate and supervisor have each confirmed the details of the interview, it is managed in electronic format, and used for skills evaluation, personnel transfers, personal development support, and career planning.

●ACE in-house recruiting system*

We believe that people should choose their own jobs, in order to harness their full capabilities doing the job they want. Based on this belief, we have introduced the ACE in-house recruiting system, which enables associates who have records of strong job performance to put themselves forward to take on new challenges in a new position. To date, over 200 people have applied under this system, resulting in about 70 job transfers.

The name of this system (ACE) also reflects our desire to develop each of our associates into “aces.”

●Voluntary and selective training*

Terumo training is based on the concept that associates who have shown results in their work should step forward and participate. We hold “Leader Executive Organization” (LEO)* Seminars (about 30 students/year; average age 40) and LEO Jr. Seminars (about 30 students/year; average age 30), which are selective training programs for next-generation leaders. They are offered to large numbers of talented personnel each year. The 180 graduates of these seminars are active in many different divisions of the company.

The name of the seminars (LEO) also reflects the potential to develop into “lions” (i. e. top management at Terumo) in the future.

●Cross rotation*

We believe that experience and insights gained through trial and error in other fields greatly contribute to the development of the associate. We practice cross rotation with our division and branch managers, in order to give them experience in other fields. For example, we might rotate a factory manager into a branch manager position, or a branch manager into a position as general manager of a Head office division.

●Workplace experience, practical sales training, and in-house study*

At Terumo, we strive to create a corporate culture that is always oriented toward the workplace, and focused on the customer. In fiscal 2006, we started workplace experience that enables associates from the Head office divisions and Research and Development divisions to gain experience in sales, and also introduced an in-house study program to get to know other divisions. We created this system as a reflection of feedback from our associates that they wanted opportunities to get to know other divisions without transferring into them, in order to broaden their horizons and improve communication between divisions. New research and engineering associates also receive five months of practical sales training.



In-house study from the Head office division to the Research and Development division

Valuing diversity and individuality, and rewarding effort

We value each associate's individuality, creating a culture that takes advantage of our people's diverse qualities.

●Commitment to harnessing the skills of senior associates*

We have introduced a New Career System in order to give our senior associates opportunities to take advantage of their wealth of knowledge and experience. This system is available to associates in management positions who have reached a predetermined age, but unlike general executive officer/director retirement programs, this system enables associates to report places where they can harness their expertise themselves, determining each associate's subsequent role and workplace through discussions between the company and the individual.

●Pride Award “Genbano hokori”**

We evaluate not only high-performing employees, but associates who work behind the scenes as well. Such kind of efforts also make a huge contribution to our company's performance. We created the Pride Award in order to praise the achievements of these associates. Winners of the award must be recommended by their fellow associates.



2006 Pride Award

Communication with associates

At Terumo, we are committed to creating an open corporate culture with active communication. We emphasize an attitude by associates of seeking broad discussion and debate beyond the bounds of the organization.

●Get Excellent Terumo (GET) 85 Campaign

Fiscal 2006 marked the 85th anniversary of our founding. To commemorate the occasion, we ran a GET 85 Campaign with the theme of ‘Innovation’ for future growth. The campaign challenged each associate to pledge small-innovation targets, and then follow through on their words. A GET 85 Forum was held, bringing together representatives from each workplace to discuss innovations that associates should carry out at the individual level. The forum was the site for a wide range of discussion.

We also invited 350 associates who achieved innovations to attend an award ceremony. This ceremony also provided an opportunity for active communication, including discussions with associates from outside Japan and presentations on innovation case studies.



●Idea Contest

In 1999, we introduced an Idea Contest (nicknamed ‘Icon’) for associates to provide suggestions on products, business models, and the like. To date, 14 suggestions received through ‘Icon’ have become commercial products. In fiscal 2006, we received 3,371 ideas, three of which received the Grand Prize.

Work-related accidents and mental-health measures

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. We are also committed to creating a healthy and supportive working environment. Our mental-health measures take the conditions of each individual into account, including educating and raising the awareness of managers, as well as assignment of returnees from leaves of absence to rehabilitation before returning to their jobs, in order to smooth their return to the workplace.

* Note that these programs are available in Japan only

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 medical professionals.

We focus on activities that contribute to society through our business activities. One example is the provision of medical devices and other emergency disaster relief supplies to areas struck by large-scale disasters. Another is television programs that provide 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.

We also have a variety of initiatives that enable us to contribute to our local communities as a good corporate citizen, and actively participate in a wide range of efforts by local communities, including blood donation, river cleanups, and reforestation.

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.

●Providing health and weather forecasts nationwide

We have offered the Health and Weather Forecast—a forecast of the effects that the day's weather can have on health and illness—since 2004 via television, radio, newspaper, and our Website. In 2007, we began including forecasts on the relationship between the weather and blood pressure, in addition to our other forecasts relating to joint pain, UV rays, and so on. Health Weather Forecast (Terumo Website): <http://kenkotenki.jp/>

●“KARADA no Kimochi” health information TV program

In April 2006, we began offering a new kind of health-information television program called *KARADA no Kimochi* (“How we feel”). 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 in Japan

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.

●Java Earthquake (Indonesia)

We sent ¥1 million worth of relief—chiefly urgently needed medical devices—to regions struck by the Java Earthquake in Indonesia. The relief included syringes and infusion sets. Additionally, we exchanged information with related groups and hospitals in Indonesia through PT.Terumo Indonesia.

●Noto Peninsula Earthquake (Japan)

In March 2007, an earthquake occurred off the coast of the Noto peninsula in Japan. This was the first magnitude-6 earthquake ever recorded in Ishikawa prefecture since record-keeping began, and the damage was severe. We provided nutritional food relief to the Earthquake Task Force in Monzen, Wajima through our Kanazawa branch.

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 donations.

●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 Hangzhou city. In 2007, the factory commemorated its 10th year of operation by founding the Terumo Fund at Zhejiang University, which is one of the top three universities in China. This effort is based on our corporate philosophy of Contribution to Society through Health Care, with the hopes of enabling more people to study health care, and in turn enabling as many people as possible to benefit from health care.

Through grants from the Terumo Fund, we are funding research at Zhejiang University aimed at creating new types of medicine fusing Eastern and Western medicine. The Fund also contributes to improving the quality of health care in China by providing scholarships to approximately 300 talented Zhejiang University students over a three-year period.



Signing ceremony for the Terumo Fund



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 Fujinomiya city in Shizuoka, 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 plan in cooperation with the NPO Mt. Fuji Natural Reforestation Group, aimed at reforesting Mt. Fuji with native tree varieties 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 2006, 100 associates and their families participated in this project. We culled just underbrush from around planted and naturally growing saplings. We are also working to contribute to the development of rich natural forests on Mt. Fuji into the future, including giving a nature observation class to children participating in the event.



Participants in the Mt. Fuji Reforestation Project held on August 2006

●Christmas decorations for hospice patients

About a week before Christmas, a team of associate volunteers decorates the walls of the Terumo Shonan Center building with Christmas lights, and lights fireworks on Christmas. This project was started in 1997 in order to help patients hospitalized at a hospice across the street and their families as well as community residents to enjoy Christmas. We have been carrying out this project each year ever since.



Christmas illumination decorated by employees

●River and beach cleanup

We also participated in the annual Tamagawa River Cleanup Campaign for the 12th time. The Tamagawa River Cleanup Campaign is a large-scale beautification project with over 1,000 participants, including local youth baseball teams, local governments, and local industries. We advertise the campaign on our corporate intranet, and encourage associates to volunteer. We also organized a beach cleanup in the town of Ninomiya in Kanagawa prefecture, which is near our Shonan Center.



Participants in the Tamagawa River Cleanup

●Encouraging associates to donate blood

As a company involved in health care, we strive to raise our associates' awareness of contributing to society. We encourage them to actively donate blood, which is an easy way to get involved in volunteering. In fiscal 2006, 786 associates donated blood.

●First aid program

Each year, over 100 associates learn first-aid skills through our first-aid training workshop. The workshop teaches CPR (cardiopulmonary resuscitation) and other general emergency treatment, as well as how to use automated external defibrillators (AEDs), which are becoming increasingly widely deployed. We have also installed AEDs at our factories and other large facilities, and improve our associates' skills through in-house training and the like, preparing associates to be able to render emergency first aid when it is needed.



First-aid training workshop at Ashitaka factory



First-aid training workshop at Kofu factory

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 ISO14001: 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. The ultimate decision-making authority for environmental management is the Environment Committee. This committee sets companywide policies and targets for environmental conservation, tracks the status 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.

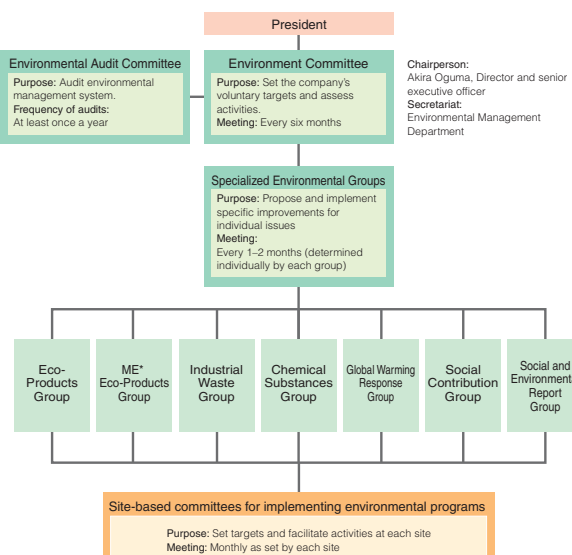
Message from the Environment Committee Chairperson

While we use the Earth's resources in our various business activities, we must continually strive to minimize our impact on the environment. We will continue to plant this concept in the awareness of each of our associates.



Akira Oguma, Director and senior executive officer, Chairperson, Environment Committee

Companywide Organization for Environmental Management:



* ME: medical electronics

Environmental Communication / Environmental Auditing

Terumo has a number of environmental education programs, including training for new associates as well as for internal auditors.

We work to promote environmental conservation activities by implementing an in-house system of environmental awards. Furthermore, we continue to conduct environmental audits with the goal of reducing the environmental risk of our factories and R&D center in Japan.

Status of environmental education

New-employee training

We provide environmental training to our newly hired associates (i.e. employees). At the training, we explain Terumo's Environmental Policy and the environmental activities that associates should perform, increasing our new associates' understanding of our environmental activities.



Environmental training for newly hired associates

Environmental practitioner training

In December 2006, We conducted a training seminar by an outside lecturer (The Energy Conservation Center, Japan (ECCJ)) at Terumo Medical Pranex for internal auditors and energy managers from each site to learn about the revised Law concerning the Rational Use of Energy, and the Law Concerning the Promotion of the Measures to Cope with Global Warming.



Environmental practitioner training

Outside Lecture: Japan Society of Risk Management for Preventive Medicine Symposium

In March 2007, a Terumo associate gave an educational lecture on environmental accounting at the Fifth Japan Society of Risk Management for Preventive Medicine Symposium: "Safety, cost, and efficiency of medical care."

The health-care safety field strives to track the costs of safety management in health care, and evaluate its overall efficiency. The lecture showed that the cost-tracking methods of environmental accounting can be used to track health-care safety costs, which are difficult to track due to the difficulty in distinguishing them from ordinary operations. The audience showed great interest in the lecture's case studies on environmental-accounting cost tracking and the description of environmental accounting guidelines, and the lecture sparked active discussion.

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 FY2006, the environment committee of our R&D Center and Terumo Penpol Limited (India) received awards for achieving zero emissions.



The R&D Center environmental committee



Terumo Penpol Limited (India)

Year	Name	Group and Project Awarded
FY2006	Bronze Award	R&D Center environmental committee, "Achievement of Zero Emissions" Terumo Penpol Limited, "Achievement of Zero Emissions"

Outside awards

In FY2006, the following sites received outside awards.

1. Fujinomiya Factory
 The Japan Electric Association Kanto Region Electric Efficient Committee awarded the factory with the FY2006 Award for Most Electric Efficient company, in recognition of the factory's commitment to rationalizing its use of electric power.



FY2006 Award for Most Electric Efficient company

2. Head Office (Hatagaya)
 Shibuya City awarded our head office with a Special Prize in the FY2007 Shibuya City Awards for Owners of Large Commercial Buildings for its active commitment to reducing waste and promoting recycling and reuse in the building.



Special Prize, FY2007 Shibuya City Awards for Owners of Large Commercial Buildings

Status of internal environmental audits

In order to prevent legal violations, social issues, and the like, we continue to conduct internal environmental audits of compliance with environmental laws and environmental performance targeting our domestic factories and R&D Center, with the goal of reducing our environmental risk from the present into the future.

Audit items

- 1) Clarify environmental laws and ordinances, and check compliance
- 2) Check status of environmental risk management
 - Check the legal compliance and effectiveness of our pollution-prevention organization, and the state of our environmental management organization
 - 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 results

- 1) With regard to waste management, although some portions of waste-disposal contracting standards did not meet the fine points of the law, there were no major violations. Additionally, all sites have been audited and have achieved a "zero emissions" rating (meaning the amount of landfilled waste is below 1% of the total amount of waste produced).
- 2) There were no violations of environmental law in our business activities or findings by government agencies in FY2006.

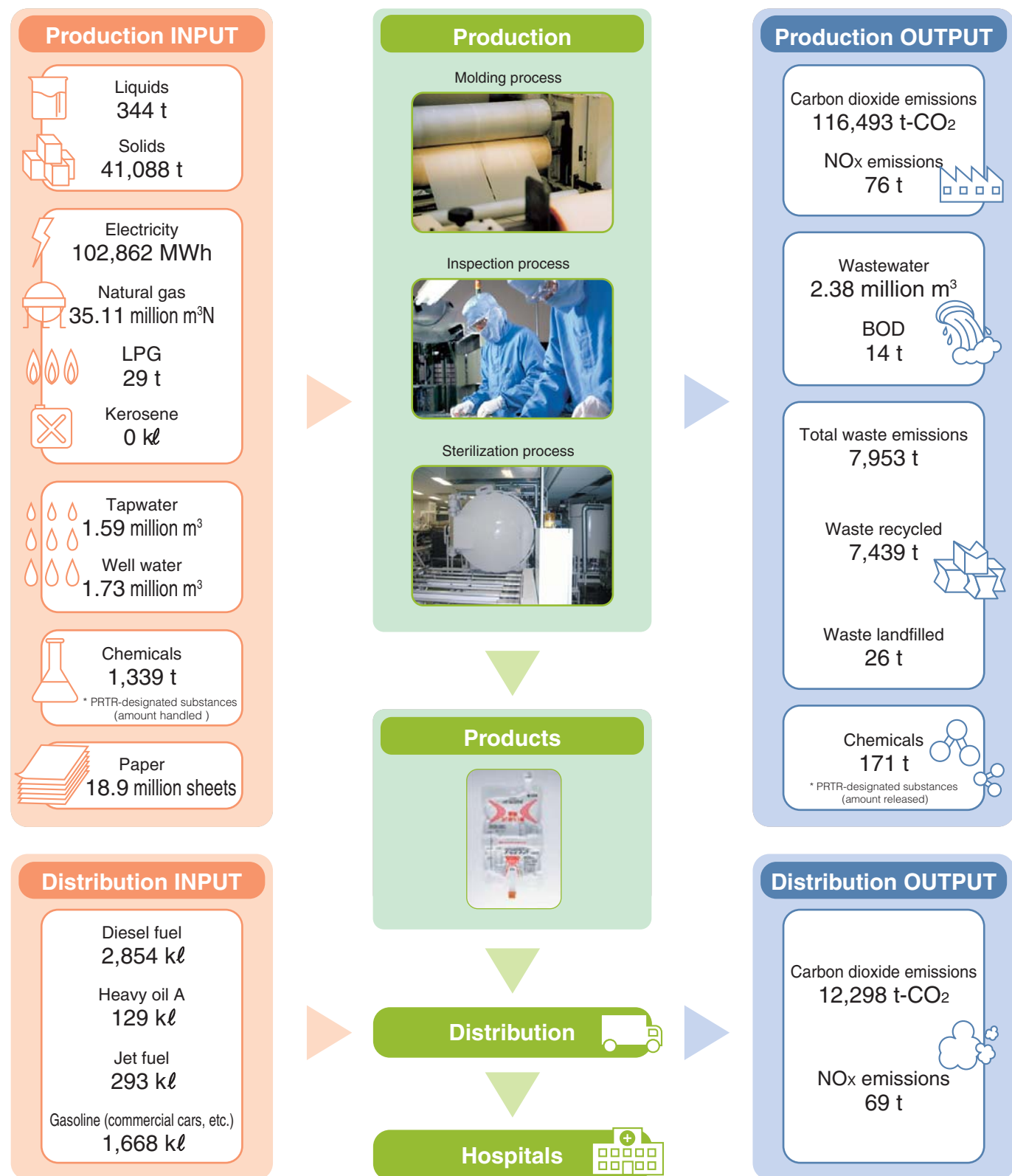


Status of internal environmental audits

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 uses these values as indicators. We are striving to reduce environmental loads in this manner.

Material Flows



* NOx emitted in distribution were calculated using the coefficients in the Environment Ministry's "Environmental Activities Evaluation Program (April 2002)."
 * Change in scope of distribution statistics: Until FY2005, we collected statistics for distribution from our factories to our distribution warehouses. Starting in FY2006, however, we expanded the scope to cover distribution from our factories to our buyers, in accordance with revisions to the Law concerning the Rational Use of Energy.

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

Our ME Eco-Products Group works to bring the entire Terumo group into compliance with regulations for electrical and electronic equipment worldwide.

The group's members are mainly from factories producing medical electronics (ME) products, as well as our R&D Center, which is in charge of analysis and evaluation techniques, and related internal "Company" divisions. The group is divided operationally 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 investigates quality assurance systems.

● ELEMANO™ electronic sphygmomanometer complies with RoHS Directive

The ELEMANO electronic sphygmomanometer was developed with the goal of eliminating mercury from medical institutions, by replacing the mercury sphygmomanometers (blood-pressure meters) that are currently the norm at medical institutions. We have made this product even more environmentally friendly by modifying it to contain no more than the regulatory limits of lead solder and five other substances regulated by the RoHS Directive. In July 2006, we started shipments of the ELEMANO as a RoHS Directive-compliance device.

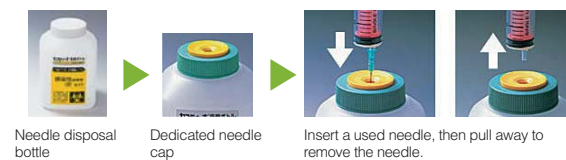


ELEMANO™ electronic sphygmomanometer complies with RoHS Directive

Ensuring safety during waste disposal

● Used needle disposal bottles

Made from thick plastic, these containers can be safely disposed of, because they are not easily punctured by needles. By replacing the special cap, the needle can be removed after use simply by inserting it into the cap, preventing puncture accidents.



Needle disposal bottle, Dedicated needle cap, Insert a used needle, then pull away to remove the needle.

● Environmentally friendly product sales timeline

1980	Changed syringe gasket from rubber to thermoplastic elastomer that does not generate SOx emission at incineration
1981	Changed IV solution container material from PVC to ethylene-vinyl acetate (EVA) copolymer
1983	Began sales of electronic thermometer that do not use mercury
1989	Changed glass vacuum blood collection tubes to polyester plastic material, which is easier to incinerate
1991	Began sales of IV administration sets using PVC-free polybutadiene tubes
1992	Sales of electronic sphygmomanometer for hospital use as part of efforts to eliminate mercury with awareness of the medical institution environment
1994	Began sales of balloon catheter systems made from thermoplastic elastomer
1996	Began production of new type of IV administration sets with plastic needles; elimination of metal needles facilitates sorting and incineration within the hospital
1998	Made syringes smaller and lighter; syringe waste volume reduced by about 25%
1999	Changed PD (peritoneal dialysis) solution container material from PVC to polypropylene, reducing waste volume by 40%
2001	Began sales of PVC-free IV administration sets for infants and small children
2002	Began sales of IV administration sets using TOTM in place of DEHP plasticizer
2004	Comprehensive high-calorie IV solution with vitamins, sugars, amino acids, and electrolytes receives Eco Product Promotion Committee Chairperson Award

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 greater than the regulatory limits of these substances in Europe.

Application of RoHS Directive to medical devices postponed

The application of the RoHS Directive to category 8 (medical devices) and category 9 (monitoring and control devices) is currently postponed. UK-based evaluatory institute ERA was contracted by the European Commission to evaluate replacement technologies and other matters, and published its final report in September 2006. The report recommended that the RoHS Directive be applied to most medical devices starting in 2012, to in-vitro diagnostic devices starting in 2016, and to active implanted medical devices starting in 2020, or that these last should be permanently exempt.

● Puncture needles for blood glucose monitors

Our MEDISAFE blood glucose monitors are used mainly by diabetic patients. MEDISAFE measures the concentration (level) of glucose in the blood by injecting the finger with a (puncture) needle, and taking a blood sample. Used puncture needles must be handled with care, because they are sharp implements to which blood is adhered. MEDISAFE is constructed so that the needle only protrudes during use; when needles are installed and discarded, the actual needle is not exposed, ensuring safety before and after use.



Puncture needle for blood glucose monitors

Preventing Global Warming

In April 2007, the United Nations Intergovernmental Panel on Climate Change (IPCC) reported that the effects of global warming are beginning to be seen at the global scale.

We at Terumo continue our efforts to prevent global warming and reduce our CO2 emissions.

Initiatives to reduce CO2 emissions

In FY2006, we successfully reached our target reduction in CO2 emissions per unit production by introducing high-efficiency turbo refrigeration units and low-voltage capacitors for improved power factor, and by initiatives to reduce power in cooling-water pumps and air conditioning, using inverters/VFDs for lighting, etc. Due to increased production consequent to an increase in exports, however, CO2 emissions of our domestic plants themselves rose, breaking a three-year reduction streak. Although we expect our domestic production to continue to grow, we will strive to reduce our emissions by such means as revising our air-conditioning systems.

●Kofu factory: Tangible benefits from installing high-efficiency turbo refrigeration units, and linking air-conditioning cooling-water pipes

In FY2006, our Kofu factory's air-conditioning refrigeration units were up for refurbishment. The factory took this opportunity to replace the existing absorption refrigerators with high-efficiency turbo refrigeration units, at the same time linking the cooling-water pipes on the factory's east and west lots. This enabled the refrigeration units on the east and west lots to operate more efficiently than when they operated independently. Thanks to these measures, the factory reduced its CO2 emissions by 4,400 tons per year.



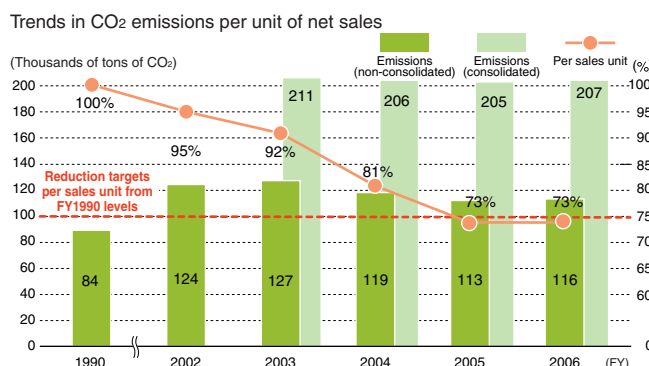
The high-efficiency turbo refrigeration unit (Kofu Factory)

●Initiatives to reduce the environmental impact of distribution

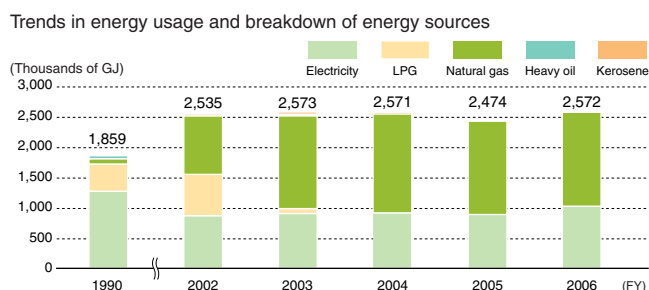
Reducing the amount of energy used for transporting products has become an important theme in the fight to prevent global warming. Additionally, as of April 2006, cargo owners in Japan are obligated to reduce the energy used to transport their cargo.

At Terumo, we are committed to efficient distribution. We are reducing the amount of energy used to transport our products via a modal shift to shipping contractors with high transportation efficiency, sea shipping, and the like, and we are eliminating and integrating distribution centers. In accordance with the enactment of the revised the Law concerning the Rational Use of Energy, we began tracking data on the environment impact of distribution in FY2006. We strive to build an efficient distribution infrastructure as a cargo owner and to reduce emissions, by such means as improving the ratio of truck to sea transport in order to continue to reduce our environmental impact, and by improving the load ratios of our delivery vehicles.

Target for Reduction of CO2 Emissions
Reduce carbon dioxide emissions per sales unit to 25% less than FY1990 levels by FY2010



* CO2 emissions from electric power are converted using the official conversion coefficient of Tokyo Electric Power Company



* Converted into CO2 emissions and calorific values using the conversion coefficient in accordance with the Ordinance on the Calculation of Emissions of Greenhouse Gases Consequent to the Business Activities of Specified Emitters (March 2006, Ministry of Economy, Trade and Industry, Ministry of the Environment Ordinance 3).

Joining Team Minus 6%

In June 2006, we joined Team Minus 6%, a national project organized by the Japanese Ministry of the Environment. Additionally, during the period from July to October, we carried out Eco Challenge 2006, which is an eco-campaign targeting all associates and their families that included activities to prevent global warming in the home, as well as initiatives at our factories and offices to conserve energy. A total of 1,637 associates and their families participated in the campaign, striving to prevent global warming as good corporate citizens.

チャレンジ項目	出来る項目からはじめましょう!	CO2削減効果の目安(年間)	7/24~8/6	7/31~8/6	8/7~8/13
立会社でエコ					
明かりをこまめに消す。		5kg			
エレベーターをなるべく階段を使う。		0.02kg/回			
紙を無駄にしない。		2.9kg/kg			
1日5分間のアイドリングストップを行う。		3.9kg			
家庭でエコ					
冷蔵庫の温度を1℃高めに設定する。		31kg			
食器を洗う温度を低めに設定する。		2.7kg			
家族が同じ部屋で眠る。		2.4kg			
テレビ番組を減らし、1日1時間テレビ利用を減らす。		1.3kg			
電気製品の電源をコンセントに切る。		8.7kg			
夜中にポットやジャーの保温を止める。		31kg			
お風呂の残り湯を洗濯に利用する。		1.7kg			
シャワーを1日1分家族全員が減らす。		6.5kg			
明かりをこまめに消す。		5kg			
買い物袋を持ち歩き、各包装の買戻しなどをする。		5.3kg			
1日5分間のアイドリングストップを行う。		3.9kg			
週2日往復8kmの車の運転をひかえる。		1.8kg			
オリジナル・エコ:その他、取り組みがありましたらご自身で設定して下さい。					

Eco Challenge Sheet

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 Chemical Substances Group, consisting of members from our factories and R&D Center, leads our initiatives to monitor and reduce our use and emissions of chemicals. We track substances designated by the PRTR Law and other substances on a monthly basis, and prioritize efforts to reduce emissions from their source.

●Initiatives to reduce ethylene oxide emissions

In FY2006, we reduced our emissions of ethylene oxide by introducing a catalyzing oxidation treatment system at our Ashitaka factory, which is capable of neutralizing ethylene oxide to a lower concentration than conventionally possible. In the future, we must better track the amount of ethylene oxide adsorbed to our products, which is a cause of trace levels of emissions. Additionally, although we calculated emissions of ethylene oxide in FY2006 by estimating levels of adsorption, we must continue to validate the accuracy of these estimates.

We have set voluntary concentration controls* of 4.3 µg/m³, which is equivalent to environmental standards, in order to track concentrations of ethylene oxide at the vent outlets of our sterilizers and treatment systems, as well as emissions at such other sources as product warehouses. We also manage emissions to reduce ethylene-oxide concentrations on our facility grounds.



Equipment for the treatment of EOG emissions

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

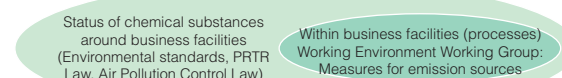
●Initiatives of the Working Environment Working Group

The Law Concerning the Examination and Regulation of Manufacture, etc., of Chemical Substances, the PRTR Law, the Air Pollution Control Law, and others require regulations in accordance with the toxicity and exposure of chemicals, and to reduce environmental risk via voluntary initiatives.

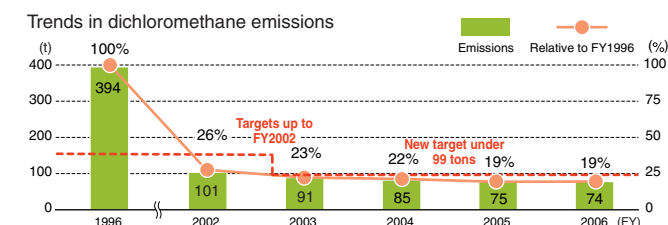
We have set up a Working Environment Working Group within our Chemical Substances Group, which promotes initiatives to reduce the environmental risk of chemical substances, through a policy of improving the conditions of chemicals in the environment surrounding our facilities by ascertaining and improving the working environments of processes in which chemicals that are a source of emissions are handled.

- Measures for emission sources
 - Ascertain working-environment conditions, and reduce site emissions risk/switch to low-risk substances through process improvements
 - Enhanced voluntary controls of volatile organic compounds (VOCs)
 - Put compliance and environmental communication into practice

Scope of initiatives by Working Environment Working Group



Target for Reduction of Chemical Emissions
Bring dichloromethane emissions below 99 tons



Substances designated by the PRTR Law and substances under voluntary management

Substance	Amounts	Fujinomiya	Ashitaka	Kofu	R&D	Total
Ethylene oxide gas	Handled	11.2	39.5	19.4	0.0	70.1
	Emitted	2.4	2.0	1.8	0.0	6.2
	Transferred	0.0	0.0	0.0	0.0	0.0
Dichloromethane	Handled	0.0	2.9	116.1	0.0	119.0
	Emitted	0.0	1.5	72.0	0.0	73.5
	Transferred	0.0	1.4	0.0	0.0	1.4
HCFC-141b	Handled	53.1	0.0	11.4	0.0	64.5
	Emitted	52.2	0.0	9.2	0.0	61.4
	Transferred	0.9	0.0	0.0	0.0	0.9
HCFC-225	Handled	3.4	14.7	3.7	0.0	21.8
	Emitted	3.4	5.5	0.4	0.0	9.3
	Transferred	0.0	9.2	0.0	0.0	9.2
Di-(2-ethylhexyl) phthalate	Handled	602.7	10.3	409.7	0.0	1,022.7
	Emitted	0.0	0.0	0.0	0.0	0.0
	Transferred	0.0	0.0	16.6	0.0	16.6
Toluene	Handled	0.8	0.0	3.2	7.4	11.4
	Emitted	0.5	0.0	0.9	0.0	1.4
	Transferred	0.3	0.0	2.3	2.9	5.5
Di-(2-ethylhexyl) adipate	Handled	0.0	0.0	3.5	0.0	3.5
	Emitted	0.0	0.0	0.0	0.0	0.0
	Transferred	0.0	0.0	0.3	0.0	0.3
Hydrogen fluoride	Handled	0.0	5.9	0.0	0.0	5.9
	Emitted	0.0	2.3	0.0	0.0	2.3
	Transferred	0.0	0.0	0.0	0.0	0.0
Tetrahydrofuran (Substance under voluntary management)	Handled	6.8	11.7	2.0	0.0	20.5
	Emitted	5.5	10.1	1.6	0.0	17.2
	Transferred	1.4	1.6	0.4	0.0	3.4

* PRTR: Pollutant Release and Transfer Register

●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 completed early registration with the Toyota office of the Japan Environmental Safety Corporation (JESCO). In FY2006, three additional transformers containing PCBs were found, and stored at our Ashitaka factory.

There were 375 pieces of heavy electrical equipment which could potentially contain trace amounts of PCBs. Our analysis of the PCB content of this equipment (including manufacturer warranties) found 23 pieces of equipment to have trace amounts of PCB. There were also 51 pieces of equipment that could not be analyzed, because their sealed construction prevented sampling. We will re-analyze this equipment when they reach end of life.

PCB-containing equipment inventory

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

Waste Reduction and Water Conservation

We are committed to reducing landfill waste, recycling, and conserving resources with the goal of zero emissions at our head office, R&D Center, and all factories in Japan. We are also committed to reducing our water usage.

Waste reduction

Reducing the amount of landfilled wastes

Our manufacturing processes and business activities at our R&D Center and offices generate a variety of waste. We are committed to combating waste. In FY2006, we set a new voluntary target: Reduce the amount of landfilled wastes to less than 1% of the amount of total waste at all sites in Japan, with the exception of sales offices.

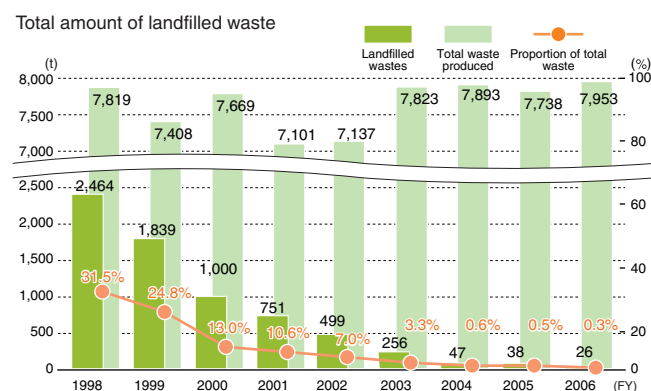
In FY2006, 0.3% of our total waste by volume was sent to landfills, meaning that we achieved our target for the third straight year going back to FY2004. We will continue to strive to enhance our waste risk management, with an emphasis on the following three points.

- 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

Targets for Reduction of the Amount of Landfilled Wastes

Reduce the amount of landfilled wastes to less than 1% of the total amount of waste in Japan, with exception of sales offices.

* Starting this fiscal year, we consistently use the term "total waste emissions" rather than "total waste."



On-site checks of waste-treatment contractors

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 FY2006, we conducted on-site checks at 26 contractor sites.

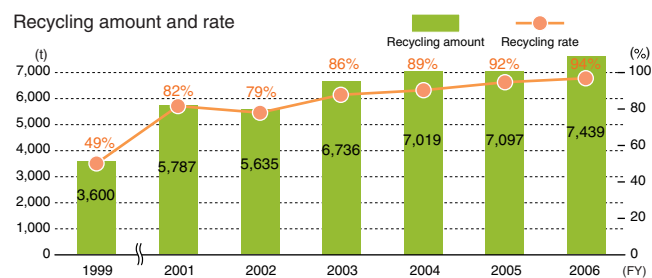


On-site checks of waste-treatment enterprises

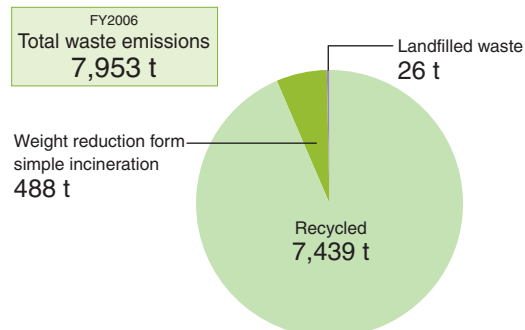
Promoting recycling

We separate, collect, and recycle the wide variety of waste produced in our manufacturing processes, and at our R&D Center and offices. Due to safety concerns, it is difficult to reuse plastic medical devices and pharmaceuticals as products, but we recycle their materials and recycle them into recycle plastic fuel (RPF) by thoroughly separating waste. We also desiccate the organic sludge produced by our wastewater treatment facilities; it is then processed into organic fertilizer by a fertilizer manufacturing company, and used by farmers.

Thanks to the results shown by these efforts, in FY2006 we achieved a recycling rate of 94%.



Total companywide waste emissions and breakdown of disposal or treatment method



We have achieved zero emissions at all business facilities in Japan

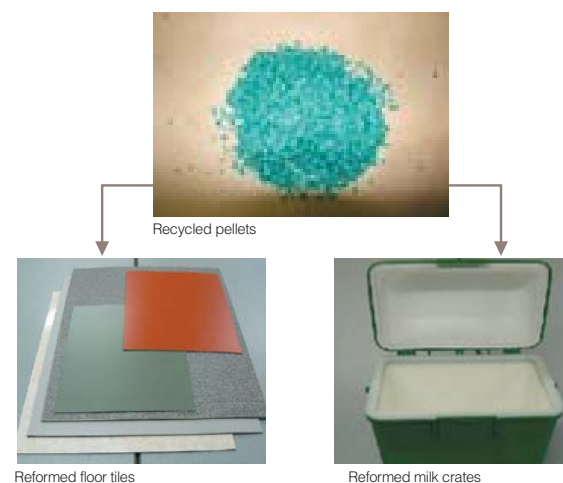
In FY2006, we achieved zero emissions at all our factories in Japan, our head office, and our R&D Center. Our R&D Center has an issue particular to organizations performing research and development: its experiments produce many different types of waste, including waste liquid and incombustible medical waste. For this reason, disposal of the center's waste was a major hurdle, but the center succeeded at achieving zero emissions through the combined efforts of everyone at the center to separate waste into 45 different categories, and revise the methods and rules for waste disposal. Terumo defines zero emissions as less than 1% of total waste by volume sent to landfills.



R&D Center cleaning staff

Terumo's recyclable waste put to use

One example is the recyclable plastic waste that we separate at our factories. They are collected by specialized recyclers, and converted into plastic pellets. The recycled pellets are delivered to processors, who use them to make floor tiles for offices and homes, milk crates for home deliveries, sprinkler hoses, and other products. We will continue to strive to effectively utilize our recyclable waste.

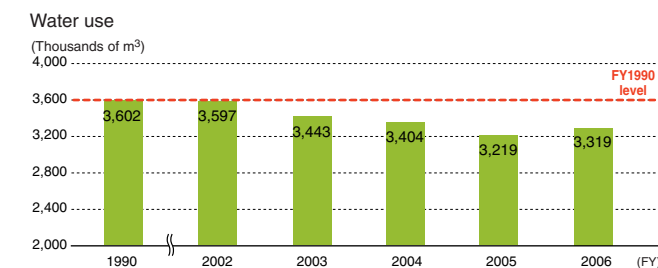


Water conservation

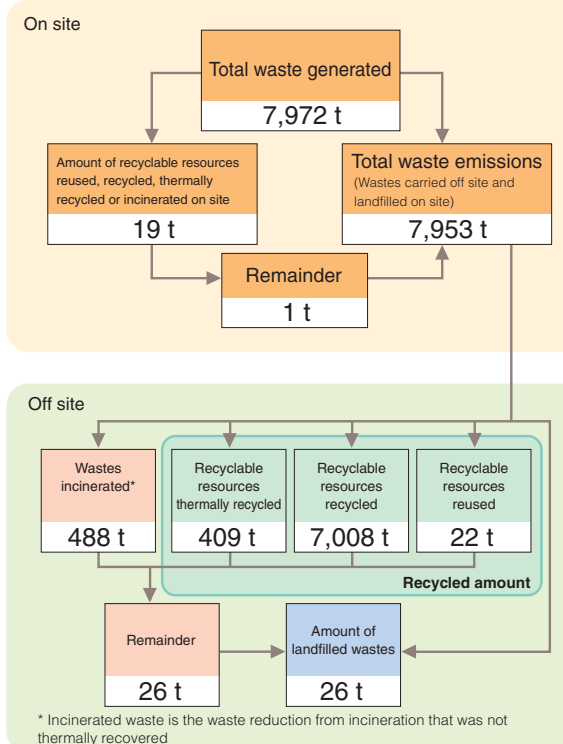
At Terumo we are optimizing water resource use by circulating and reusing cooling water in order to reduce our usage of water resources. In FY2006, our water usage rose by about 3% against the previous year, to 3,32 million m³, due to increased production. Although we expect production levels to continue to rise, we will maintain our utilization of water resources to no more than FY1990 levels.

Target for Water Use Reduction

Keep water use down to FY1990 level



Waste Stream



Initiatives to Recycle Small Rechargeable Batteries

We continue to recycle small rechargeable batteries in accordance with the Law for Promotion of Effective Utilization of Resources. The Japan Portable Rechargeable Battery Recycling Center (JBRC), which promotes the recycling of small rechargeable batteries, collects and recycles the used small rechargeable batteries from Terumo products. We have also made several improvements to make our waste products easier to separate, including displaying a recycle logo. 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 FY2006 (April 2006 to March 2007)

	Nickel-cadmium	Nickel-hydride	Lithium ion	Small sealed lead-acid
(Unit: Kg)	6,382	61	2	347

Initiatives at Overseas Sites

Our efforts to conserve the environment are not limited to Japan; our overseas sites in Asia, Europe, the United States, and elsewhere are also actively working toward environmental conservation.

We track the energy usage, waste volumes, and other indicators at each of our business sites, and work to effectively utilize resources.

Initiatives at overseas sites

Terumo Penpol achieves zero emissions

Terumo Penpol has achieved zero emissions at its factory, securing recycling routes by thoroughly separating and collecting all waste, and crushing, separating, and otherwise processing its waste, through mutual understanding and cooperation between the waste-producing divisions and the divisions responsible for treating waste. The company now plans to circulate and reuse cooling water for its machinery, equipment, and air conditioning, in order to conserve water.



Terumo Penpol Limited

Initiatives by Terumo Cardiovascular Systems Ashland factory

1. Energy conservation

Ashland factory has introduced high-efficiency fluorescent lights and fluorescent lights with motion detectors. The plant is also actively introducing energy-efficient equipment, and is striving to reduce its energy utilization. As an example, the factory had been operating a single water-cooling system, but increased its energy efficiency by splitting this into six compact compressors.



High-efficiency water-cooling system

2. Occupational health and safety initiatives

In processes where solvents are used, box enclosures with ventilation ducts are installed near the workers' hands. In order to minimize the volatilization of solvents, solvents are separated into small vials that are easy to open and close, and used inside the box enclosures. In this way, the factory takes the working environment into full consideration, including improvements to prevent evaporated solvents from



A work process

spreading into the room. In FY2006, the factory reported one injury/hospitalization to OSHA (the US Occupational Safety and Health Administration). The factory received an award from the NSC (the US National Safety Council) for storing occupational safety records in above-average condition.



Award from the NSC

On-site studies at overseas facilities

Terumo Penpol Limited (India)

Survey team members: One (from Terumo head office)

We surveyed the factory's compliance with environmental law, energy conservation and waste management, and environmental risk. The team made no findings. The company periodically reports the environmental impact of energy, waste, and wastewater. There have been no findings or guidance from the site's neighbors or government agencies. Regarding environmental-related risk, the land history of the factory grounds has been ascertained, and it was confirmed that there are no soil pollutants. There were also no PCBs in use or storage. Although asbestos was used in part of the roofing material of the plant building, we confirmed that the locations where asbestos was used were identified, and it was eliminated through disposal and other means; thus, there were no problems linking to major environmental risk.



On-site survey at Terumo Penpol Limited

Terumo Cardiovascular Systems Ashland factory (asbestos, United States)

Survey team members: Two (from Terumo head office)

Since the site is relatively small, the survey focused on the state of management of chemicals used in production, and the state of management of the working environment. No findings were made in the survey. Regarding environmental-related risk, the land history of the plant grounds has been ascertained, and it was confirmed that there are no soil pollutants. There were also no PCBs or asbestos in use or storage. As a result, there were no problems linking to major environmental risk.

Site data

At Terumo, we work hard every day to effectively utilize resources and reduce emissions of substances that impact the environment. This section reports environmental impact at our production sites in Japan and overseas in FY2006.

Sites	Location	Total CO ₂ emissions* ¹ (thousands of tons)	Water usage (thousands of m ³)	Total waste (tons)	Hazardous waste (tons)	Recycled amounts (tons)
Fujinomiya factory	Fujinomiya, Shizuoka	45.7	1,716	3,519	11	3,443
Ashitaka factory	Fujinomiya, Shizuoka	13.7	375	978	97	831
Kofu factory	Nakakoma county, Yamanashi	47.2	1,057	3,111	16	2,897
R&D Center	Ashigarakami county, Kanagawa	8.3	153	179	53	134
Hatagaya home office	Shibuya, Tokyo	0.9	10	167	0	134
Ikiken Co., Ltd.	Sayama, Saitama	0.1	0.5	35	0	7
Terumo Medical Corporation Terumo Cardiovascular Systems Corporation	Maryland, USA	24.9* ²	75	1,027	87	238
Terumo Cardiovascular Systems Corporation	Michigan, USA	3.4	7	667	14	218
Terumo Cardiovascular Systems Corporation	California, USA	0.9	5	37	3	8
Terumo Cardiovascular Systems Corporation	Massachusetts, USA	0.4	4	195	0	89
Terumo Europe N. V.	Leuven, Belgium	29.8* ²	61	1,200	357	440
Terumo Europe N. V.'s UK factory	Liverpool, U.K.	0.1	0.3	460	0	254
Vascutek LTD.	Glasgow, U.K.	1.5	13	92	6	24
Terumo Medical Products (Hangzhou)	Zhejiang, China	12.5	616	121	22	82
Changchun Terumo Medical Products	Jilin, China	2.1	34	152	0	152
Terumo (Philippines) Corporation	Manila, Philippines	12.5	61	283	21	94
Terumo Penpol LTD.	Kerala, India	2.7	38	377	0	362

*1) Converted into CO₂ emissions using the conversion coefficient in accordance with the Ordinance on the Calculation of Emissions of Greenhouse Gases Consequent to the Business Activities of Specified Emitters (March 2006, Ministry of Economy, Trade and Industry, Ministry of the Environment Ordinance 3).

*2) CO₂ emissions of Terumo Medical, Terumo Cardiovascular Systems (Maryland), and Terumo Europe are calculated based on the supplier's emission factor. Emissions of other overseas sites are calculated based on the default emission factors of the Ordinance on the Calculation of Emissions of Greenhouse Gases Consequent to the Business Activities of Specified Emitters.

Green Procurement and Purchasing

Terumo has surveyed the toxic content of our parts and materials and created a conformity assurance system in order to comply with 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.

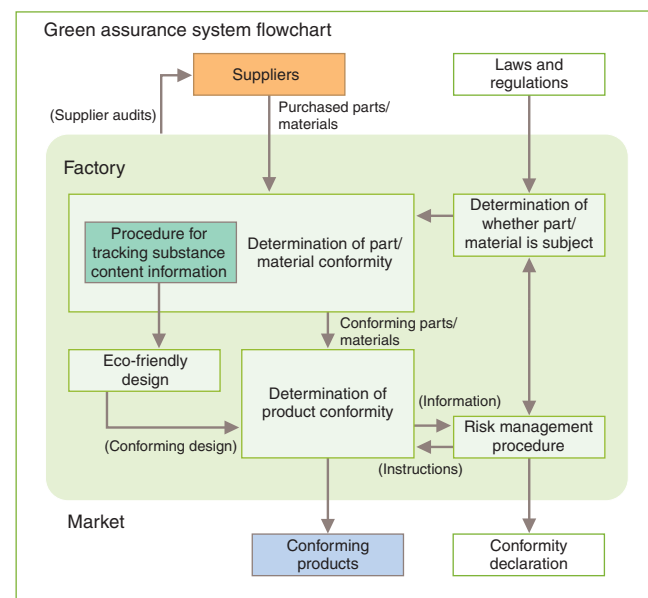
Developing a green conformity assurance system

European environmental regulations (RoHS/WEEE), as well as Chinese and Japanese law, restrict the use of hazardous substances in electrical and electronic equipment (or require labeling). Meanwhile, building an assurance system to bring medical devices, which are not yet targeted by the EU's RoHS Directive, into conformity with these regulations (a conformity assurance system) is a vital mission for eco-friendly operation.

Our basic policy on conformity assurance is to not let harmful substances into the factory, and to not let them out. This concept is not vastly different from the traditional concept of quality assurance for medical devices. It was necessary, however, to add new rules to the management procedures, due to the need to handle management elements not conventionally present. We thus added the following management steps; the main elements of these had already been stipulated.

1. Procedure for determining which items are subject to assurance system
2. Procedure for determining conformity of purchased parts and materials, and shipped products (Created determination flow and determination standards for purchased parts/materials. Partially implemented)
3. Procedure for tracking information about substances contained in purchased parts/materials (Created instructions for investigating substance composition, and began periodic investigations in FY2007)
4. Procedure for eco-friendly product design (Provide results of substance composition investigation via database, and educate on conformity)
5. Procedure for risk management (Risk analysis/improvement instructions/determination of whether self declarations are allowed)

In the future, we will build an overall conformity assurance system by integrating each of these procedures into our quality management system in turn.



Green Purchasing

Terumo is promoting green purchasing and has set guidelines relating to supplies for production processes, offices, and other equipment. Performance for FY2006 is as shown in the chart below. We plan to continue to increase our green purchasing rate.

Green purchasing in FY2006 (Units: Quantities: 1000s of items Dollar values: 1000s of yen)

Sites	Data type	Total	Eco Mark products breakdown	Breakdown of products conforming to the Green Purchasing Law	Breakdown of green mark products			
Head office and sales offices total	Purchase quantity	23	12	52%	14	60%	6	25%
	Total	12,815	8,416	66%	8,497	66%	6,120	48%
Factory total	Purchase quantity	48	24	50%	27	57%	5	10%
	Total	18,812	8,979	48%	8,489	45%	3,175	17%

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 2007, we own 814 vehicles for company use. Of these, 791 are 1-star or higher low-emission vehicles (LEVs). 97% of our vehicle fleet are low-emission vehicles.



Low-emission vehicle fleet

Vehicle type	No. of vehicles
☆☆☆☆ 75% below FY2005 exhaust gas standard	121
☆☆☆ 50% below FY2005 exhaust gas standard	599
☆ 25% below FY2000 exhaust gas standard	71
None	23
Total	814

Views of Third Parties on Terumo's Social and Environmental Report 2007



Junichi Mizuo

CEO Professor, Graduate School of Tokyo Institute of Technology
Professor, Graduate School of Surugadai University

Professor Mizuo has a Ph.D. in business administration, and is director of Surugadai University's Institute for Economic Research. He is an associate of Shiseido Co., Ltd., director of the board of the Nippon Academy of Management Education, and external member of the Institutional Review Board and the Ethical Review Board of the Kanagawa Medical Practitioners Association. His publications include "Enhancing Management Capabilities through CSR" (Tokyo Keizai Inc.).

Terumo Corporation ("Terumo") has expressed its commitment to contributing to society through healthcare through the five statements of its corporate philosophy: "open management," "enhanced value," "safety and reliability," "respect for our associates" and "corporate citizenship." Below are my views of this report as a third party, based on my perspective of having promoted the fusion of the theory and practice of CSR, while promoting CSR at the operational level in the corporate setting, and building a theory of CSR in the university setting.

Points to be commended

1. Terumo shows a sincere commitment to providing 'gentle' health care, and appropriately discloses information about its actions.

As a manufacturer of medical devices, Terumo's CSR activities are distinguished by a commitment to improve the safety of healthcare, and as Japan's population rapidly ages, to improve the quality of home health care—care given outside of medical institutions— including home medical care and preventive medicine. I was also able to learn about how Terumo carries out initiatives in these areas in collaboration with all health care stakeholders, including hospitals, physicians, and nurses. This is because unlike hospitals and physicians, Terumo has few opportunities to interact directly with patients, and this is its main business domain as a manufacturer of medical devices.

Specifically, Terumo disclosed its attitude of contributing to society in collaboration with these stakeholders through special features in this report. This included providing a venue for training via simulators and training to prevent medical accidents at the Terumo Medical Pranex comprehensive medical training facility, as well as providing a "practice zone" where a wide range of testing and training can be performed.

2. Terumo fully discloses information relating to management quality in pursuit of 'gentle' health care.

Terumo does a good job of disclosing "Passive" CSR through corporate governance, internal control, and compliance, which form its business foundation. Terumo also does a good job of disclosing "Active" CSR in its main businesses. Terumo conducts "active" CSR through its promotion; Medical Pranex, which follows the spirit of "continuity and change"— evolving while retaining Terumo's essential qualities; the activities of the Terumo Call Center; a global quality assurance system that covers everything from products backed by ISO13485 certification to services; and environmental conservation on the plant floor.

Areas for improvement

1. Enhance activities taking the customer's perspective into account, and report on these activities.

Terumo's main customers are physicians, nurses, and other medical professionals, and patients. Learning these customers' opinions of the company through a dialog with them is also an important CSR activity.

Terumo has made progress since last year in reporting with an awareness of its stakeholders, including impressions on using the Pranex by the Vice Director of Nursing at Tokyo-Kita Social Insurance Hospital, the statement by a medical representative on relations between medical professionals and medical representatives, and other initiatives at medical institutions.

Terumo now must take the next step by seeking to understand its customers' needs at a deeper level through stakeholder dialogs from the viewpoint of customer satisfaction. It will become even more vital to maintain a philosophy of integrating corporate goals and stakeholder expectations into the business strategy, and offering enhanced value, with the core belief that the solution is at the medical institution.

I believe that this will also enable Terumo to create new business domains as a manufacturer of medical devices, help it to improve the quality of life (QOL) of patients throughout the world and the quality of home health care from the health-care domain in general, and enable the company to achieve sustainable growth.

2. Increase the involvement of associates (employees) in evaluating and improving CSR activities.

Given its policy of "people-based management," this is an especially vital task for Terumo.

Last year, Terumo carried out a number of activities involving its associates. For example, it held a Female Medical Representative Forum, performed workplace pride awards, and operated a GET 85 campaign.

It is now even more vital for Terumo to think from the perspective of its associates through such means as assigning supporters to promote CSR, based on the Associate Spirit. For example, Terumo should learn and harness its associates' views of CSR activities, as well as their understanding and demands of CSR activities, including the utilization of this Social and Environmental Report and proposals for improvements. This is because associates are important stakeholders, while at the same time the key people for promoting these activities.

CSR activities start when employee satisfaction is achieved, and I am confident that this will lead to customer satisfaction.



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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. A special feature showcases Terumo Medical Planex as one of our initiatives for achieving Gentle Health Care.

Our social report describes our new quality initiatives, describing Terumo's quality assurance policy and systems. Additionally, in FY2006 we received a third-party opinion on this report from the same opinion leader as last year, in order to continually evaluate our initiatives.

Our environmental report was compiled with reference to the Environmental Reporting Guidelines (FY2007 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 2006 Fiscal Year (FY2006) (1 April 2006 to 31 March 2007)
Some of the reported activities extend past April.

■ Publication

December 2007

■ Next planned publication

December 2008