Annual Report 2014

The Terumo Group introduced its new corporate logo in August 2014.

The new logo captures our vision of standing at the beginning of a new stage, determined to build on our record of important accomplishments even as we preserve the value and trust we have built to date.

The curved line extending from left to right symbolizes that we are "rising to the challenge of innovation" in order to provide new value to medical frontlines. Its red color signifies the lives of patients and the passion of Terumo's associates*. Its shape—calling to mind the arc of the earth—articulates speed and action on a global scale. The green lettering spelling "TERUMO" represents the value we have created this point.

Under our new logo, Terumo associates across the globe will work in concert to ensure that we are living up to our corporate mission of "Contributing to Society through Healthcare."

* At Terumo, employees are called "associates" to emphasize a partnership and collaborative working.

Contents

Editorial Policy

This report was prepared to provide stakeholders with a clear, coherent description of the business activities we have undertaken to fulfill our corporate mission of contributing to society through healthcare, and to promote communication with society. As illustrations of the attitude Terumo brings to fulfilling its corporate mission, special sections provide concrete accounts of interventional therapy that reduces burden of patients, and of conditions surrounding blood transfusions in emerging countries. The brochure presents mainly information on business performance, while our website offers details on our environmental and social contribution initiatives.

Coverage

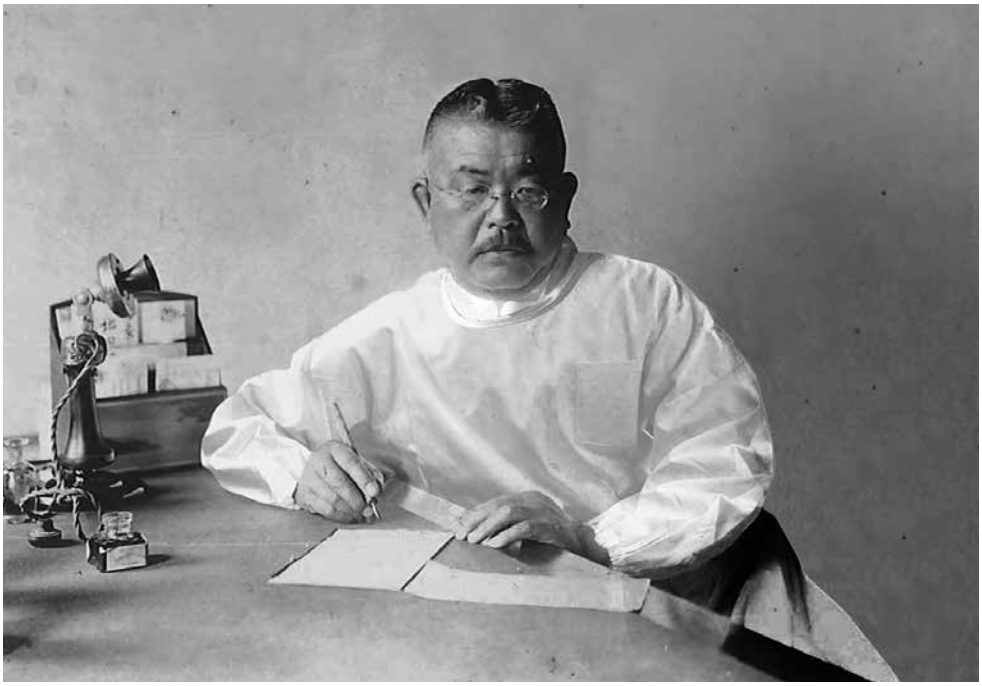
Report coverage includes to the extent possible those elements of the global Terumo Group falling within the scope of consolidated earnings statements. Coverage, however, differs in certain instances.

Reporting Period

This report covers activities for fiscal 2013 (April 1, 2013 to March 31, 2014). However, some of the most recent activities are also included.

Note Regarding Forward-Looking Statements

This report includes information on future plans, strategies, and business performance. This information represents judgments based on information available as of the time it was prepared. Changes in economic conditions, business environments, demand, currency exchange rates, and other factors, therefore, may cause actual business performance to differ significantly from forecasts or projections.



© Courtesy of the Kitasato Institute archives

Terumo Corporation was founded in 1921 by several scientists and doctors, including Dr. Shibasaburo Kitasato, to produce clinical thermometers in Japan. These vital medical devices had previously been imported, until they were cut off as a consequence of World War I.

The lifelong spirit of Dr. Kitasato, whose achievements received global recognition, is found in his statement: "Scientists should never feel self-satisfaction doing advanced research; the true objective is for the results to be put to use, thereby contributing to society."

"Contributing to Society through Healthcare," is both Terumo's starting point and unchanging corporate mission. Keeping Dr. Kitasato's spirit of innovation and challenge alive, we strive to bring outstanding innovation to medicine and enable the best possible care for patients.

Corporate Mission

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 patients and healthcare professionals.

Five Statements

Open Management:

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

Enhanced Value:

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

Safety and Reliability:

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

Respect for our Associates:

We emphasize respect for the individual, promote intercultural understanding, and encourage openness in the workplace in accordance with our slogan, “Associate Spirit,” as we prepare to meet the challenges of the future.

Corporate Citizenship:

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

Getting Patients with Cardiovascular Disease Back to Daily Life as Quickly as Possible

"I was able to get back to daily life in only a week. I go to work, I drive, and now I can go for walks, too."

Josias lives in a suburb of São Paulo, Brazil. A routine physical exam in December 2013 found one of his coronary arteries to be blocked by cholesterol and other substances that were preventing sufficient blood flow. In March 2014, Josias underwent an interventional procedure, in which a thin tube, called an interventional device, was used to open up the blocked artery from the inside and restore normal blood flow. Afterward Josias received a positive prognosis.

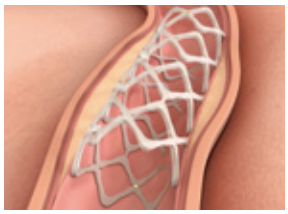
In the type of therapy Josias received, interventional devices are inserted into a blood vessel at the wrist and maneuvered to the heart. Then a long, thin balloon and a metallic tubular mesh structure called a stent are used to open up the blocked blood vessel from the inside. Because it involves much less blood loss than does the traditional approach of inserting an interventional device at the groin, and can even be performed on an outpatient basis, this therapy approach is gaining popularity throughout the world. To promote the use of therapies that place less physical burden on the patient, Terumo is offering products and training programs for use in locations across the globe.

Terumo Taking on Innovation

Pioneering Technology to Raise Therapeutic Efficacy

The stent used to treat Josias is called a drug-eluting stent (DES) and it has been coated with a drug for preventing a blood vessel from narrowing once again after an intervention procedure has been performed. Terumo is working to develop new methods for applying drugs to stents, creating stents with better properties, and extending the boundaries of DES technology in other ways as well. Some of our latest developments are incorporated in a new DES introduced to the European market in June 2014. Meanwhile, in ongoing development, we are focusing on the commercialization of a new generation of stent — a bioresorbable scaffold — that will be resorbed inside the body.

Drug is gradually released and takes effect



New generation of stent that will be resorbed inside the body

From a Medical Professional

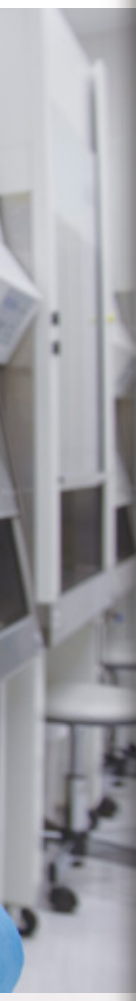
Terumo's technology clearly stands out in the market. Patients on whom I have used Terumo's drug-eluting coronary stents display favorable clinical results.

One could say that Terumo's continuous investment in its own research and development is contributing greatly to the delivery of therapy that provides better outcomes with lower physical stress for patients.

Prof. Dr. Expedito E. Ribeiro

Associate Professor of Cardiology of The University of São Paulo - Brazil

Director of Interventional Cardiology of Totalcor Hospital - SP



Systems that Enhance Safety for Medical Professionals Handling Anticancer Drugs

In cancer chemotherapy, anticancer drugs are used to suppress the proliferation of cancer cells. Anticancer drugs, however, not only destroy cancer cells, they also have side effects that damage normal cells and can cause serious health problems. These include leukemia and infertility in healthy people, and congenital birth defects. It has been pointed out that these health risks are a particular concern for the pharmacists and nurses who prepare anticancer drugs and administer them to patients as a normal part of their work. In the U.S. and Europe, the risks associated with accidental exposure to anticancer drugs have been well-known for some time and strict measures are taken to mitigate them. Such measures, however, have yet to be sufficiently implemented in Japan.

Terumo began selling a closed infusion system that enables the safe handling of anticancer drugs in Japan and Asia in 2010 and 2013 respectively. This system employs various innovations to reduce spraying, splashing, and leaking during the handling of anticancer drugs.

Terumo Taking on Innovation

Training Healthcare Professionals on Anticancer Drug Exposure Prevention

Terumo conducts practical training to inform medical professionals about the health risks that can arise from the spraying, splashing, or leaking of anticancer drugs, and to provide instruction in mitigation measures. Developing a shared awareness of these measures among all medical professionals involved in the treatment of cancer is recognized as not only enhancing safety for those handling anticancer drugs, but also resulting in better care for patients.

The Ministry of Health, Labour and Welfare's May 2014 notification to prefectural governments on safety measures for handling anticancer drugs is expected to boost awareness of this important topic in cancer treatment settings in Japan.

Training exercise using a fluorescent dye to simulate spraying, splashing, and leaking of an anticancer drug

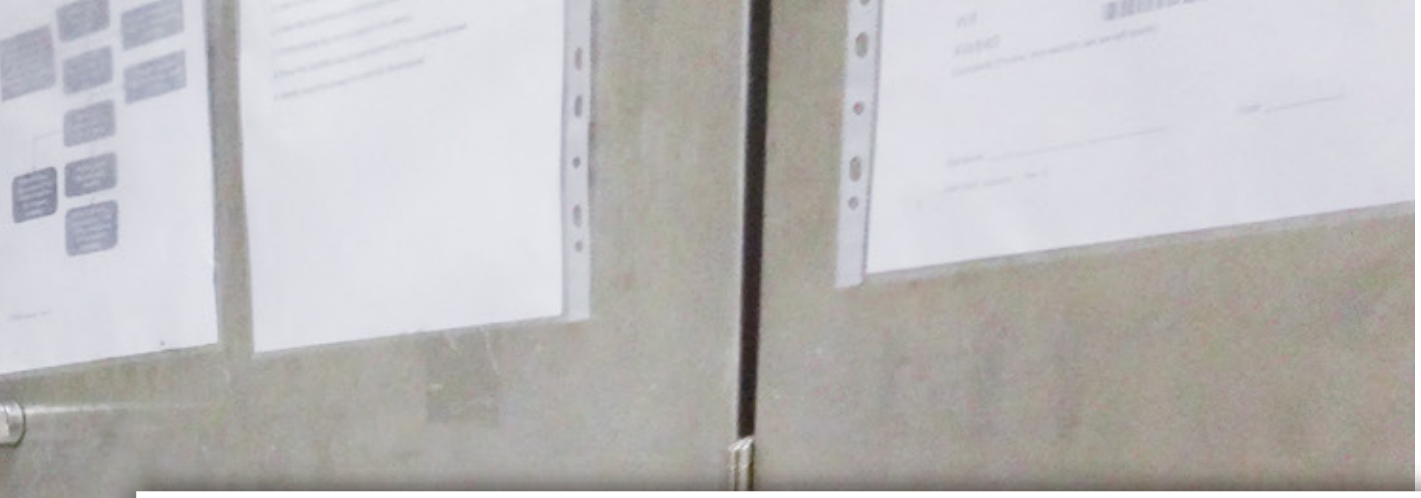
Closed infusion system focusing on safety in each step of the preparation and administration of anticancer drugs

From a Medical Professional

Terumo's anticancer drug infusion system has various innovations that reduce spray and splash—risks nurses previously had to be very careful about in preparing and administering anticancer drugs. If oncology nurses were to become ill from handling anticancer drugs, there would be negative impacts on patient care and significant damage to the operations of the hospital where they work. Considering the health and safety of individual medical personnel, therefore, ultimately protects patients and hospitals alike.

Sachiko Tachibana
Vice President, Head of Nursing
University of Fukui Hospital


MIRASOL



Providing Safer Blood Products to Patients in Developing Nations

In Africa, blood products used for transfusions often contain residual white blood cells and pathogens such as viruses and bacteria. For example, in Ghana, 10 to 15% of whole blood products are contaminated by bacteria and 50% contain malaria (plasmodium) parasites. For Africa as a whole, the WHO estimates that 5 to 10% of new HIV infections are due to unsafe blood. At a global level, the World Health Organization (WHO) believes that better blood safety strategies could prevent 160,000 new cases of HIV annually. While testing for pathogens in Africa is prevalent, existing testing methods are not always adequate to detect bacteria and viruses that are in a dormant period at the time of blood collection. In recent years, Terumo has focused on understanding how its own Pathogen reduction technology (PRT) system* could be used to improve the safety of blood products in developing nations. Terumo's PRT system uses ultraviolet light and riboflavin (vitamin B2), a naturally occurring substance, to reduce the pathogen load of viruses (e.g. HIV), bacteria and parasites (e.g. Malaria) and inactivate residual white blood cells. This system is already being used in several developed counties to process platelets and plasma products.

* Terumo's PRT system is in conformance with the Medical Device Directive and is available in select markets. However, Terumo's PRT system is not for sale in the U.S.

Terumo Taking on Innovation

Reduce Pathogen Loads of Blood Products to Make Them Safe for Patients

Terumo has embarked on a clinical trial in Ghana to support the future implementation of PRT for whole blood transfusions. We believe our PRT system will prove to be a valuable resource for patients in developing nations.

Terumo's Pathogen Reduction Technology (PRT) system

From a Medical Professional

This clinical trial will provide evidence that may greatly advance the provision of safe blood in Ghana and other developing countries. If Terumo's PRT system is shown to be effective, it could significantly improve the safety of whole blood for maternal hemorrhage, malarial anemia, and many more clinical conditions. I am hopeful that Terumo's PRT system can minimize the residual risk for high-prevalence infections and pathogens, such as malaria, for which no universal screening currently exists.

Dr. Shirley Owusu-Ofori

Transfusion Medicine Specialist and Head of Transfusion Medicine Unit at Komfo Anokye Teaching Hospital

Our Continuing Contribution to Globalized Healthcare

Terumo was established in 1921 to improve the public health by making high-quality thermometers. Today, that motivation lives on in our corporate mission of "Contributing to Society through Healthcare." The globalization of healthcare is driving major changes in the way we contribute. We will continue our quest to deliver new value to patients and healthcare professionals throughout the world.

Yutaro Shintaku
President and Representative Director

Recap of Fiscal 2013

In fiscal 2013, factors including the health insurance reform in the U.S. and fiscal austerity in Europe perpetuated the downward pressure on healthcare expenditure in developed countries. At the same time, the ongoing growth in demand for medical services in emerging countries was blunted by growing pressure to keep prices down.

Difficult as conditions were, however, Terumo has continued to grow by contributing to greater safety and efficiency in medical services, and providing therapies that improve medical cost efficiency and reduce burden of patients.

The Cardiac & Vascular Business, for example, introduced new products of interventional therapy for which application expand from the coronary to both the brain and lower extremities, and while laying the groundwork for the launch of new coronary intervention products in early fiscal 2014. Looking to a future of technologies with reduced stress on blood vessels, it also acquired an exclusive acquisition right in a French venture company developing such products.

For its part, the General Hospital Business introduced a range of new products, including enhancements to its offerings for safely administering drugs, systems equipped with data communications functions to prevent medical accidents, and devices that improve efficiency in medical settings.

The Blood Management Business globally expanded its systems to efficiently process blood preparations and broadened the application of therapeutic apheresis by strengthening R&D. It also moved ahead with plans to create a more robust production system through measures such as the establishment of a new factory in Vietnam.

As a result of the activities discussed above, we recorded fiscal 2013 net sales of 467.4 billion yen, up 16% year on year, and operating income of 65.3 billion yen, up 23% year on year. The challenges we faced include delays in both ramping up manufacturing and cost reduction for some new products, and the continuation of investments to improve our quality management system at the overseas factories.

Fiscal 2014 Agenda: Accelerating Growth and Boosting Profitability

With the revision of reimbursement prices in Japan, and additional outlays for quality management system improvements, fiscal 2014 will be particularly challenging on the profit front. Our response will be to effect a swift course correction aimed at achieving high growth and profitability through the initiatives discussed below.

1. Change Operation with Globalized "Business-led Management"

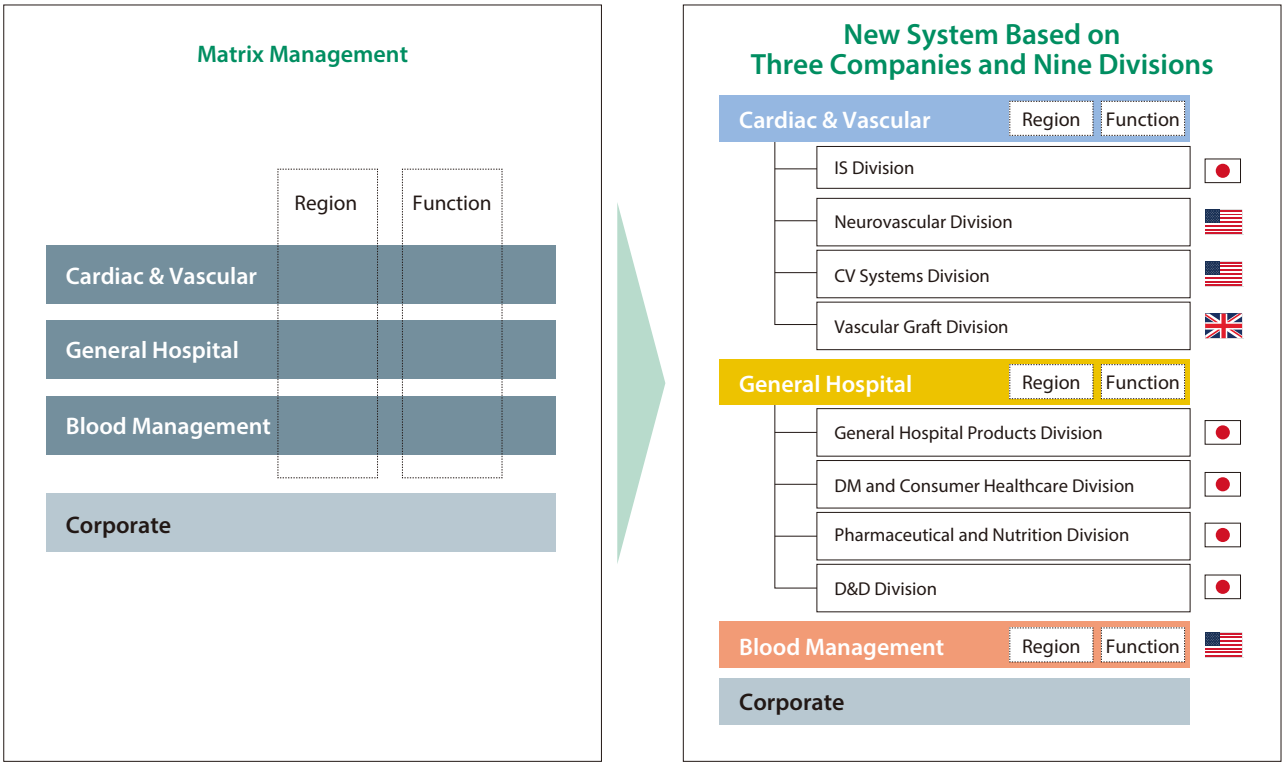
Until now, we have employed a matrix-style management approach with business segments along the vertical axis and functions and regions on the horizontal. In April 2014, however, we adopted a globalized business-led management organized around three core companies — the Cardiac & Vascular Company, the General Hospital Company, and the Blood Management Company — and nine divisions below them. Having each company manage sales, R&D, and production functions will clarify profit responsibility and speed decision making.

In addition, global management will be a key underlying theme. Divisions' headquarters have already been located in the places that make the most sense for pursuing R&D, production, marketing, and other strategies globally.

In the Cardiac & Vascular Company, for example, the Interventional Systems (IS) Division — in charge of products for interventional therapies for the coronary (heart) and lower extremities — is based in Japan, while the Neurovascular Division is led by the U.S. subsidiary, MicroVention, Inc. The CV Systems Division, overseeing activities in the field of cardiac surgery, is headed by another U.S. subsidiary, Terumo Cardiovascular Systems Corp.; and the Vascular Graft Division, which handles artificial vascular grafts used in surgical therapies, is led by the U.K. subsidiary, Vascutek Ltd.

The General Hospital Company will continue to be based in Japan, while the Blood Management Company's operations will be pursued through Terumo BCT, Inc., also a U.S. subsidiary.

New Globalized Business-led Management



Our corporate head office, meanwhile, will develop and implement portfolio strategies from a corporate-wide perspective and enhance corporate functions by putting in place infrastructure to support the global business activities of the three core companies.

2. Accelerate Shift to Higher-Margin Products

Through our new business-led management approach, we aim to increase the value we add, by strengthening our position in each company's area of specialty, and boost profit by revising production systems. Furthermore, through measures aimed at strengthening and increasing the efficiency of corporate functions at our corporate head office, we aim to accelerate the improvement in our profitability.

At a more specific level, the Cardiac & Vascular Company is aiming to achieve its growth with profit margin targets through development and sales of new products, and the transfer of production to locations outside Japan. These activities will be centered mainly in the IS Division, which recently (June 2014) released the new drug-eluting stent (DES) "Ultimaster" in the European market, and the Neurovascular Division, which is focusing on new neurovascular intervention devices.

Expanding the highly profitable DM and Consumer Healthcare Division and D&D Division will be the primary focus for the General Hospital Company, which will also set about rebuilding and reducing costs in businesses where profits have suffered. It has established the Business Structural Improvement Office to do this and will also move ahead with plans to transfer production to places outside Japan.

The Blood Management Company will expand its business

in therapeutic apheresis and cell therapy, which promise future market expansion, and shift production of some products including blood bags to Asia to further reduce cost.

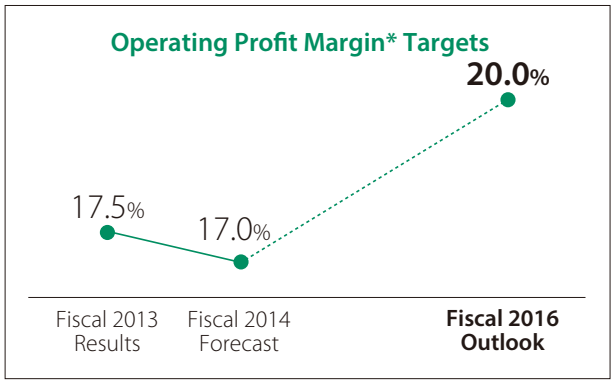
Meanwhile, the corporate head office will work to revamp logistics and lower procurement costs through its newly established Procurement Dept.

3. Write off Assets of Certain Business

The General Hospital Company's Pharmaceutical and Nutrition Division and the Cardiac & Vascular Company's CV Systems Division both recorded extraordinary losses for the previous fiscal year. In the current fiscal year, we will again take inventory of our businesses and facilities as a step for boosting corporate value over the long term and preparing for growth.

We will also push ahead with the development of major new products for the future and continue our search for M&A opportunities.

In this sense, fiscal 2014 is a year for securing our foothold for taking decisive steps that will lead to future growth. As a near-term goal, we have committed ourselves to achieving an operating margin of 20% (excluding goodwill amortization, etc.) for fiscal 2016.



* Operating profit margin before amortization of goodwill and other intangibles

As for shareholder returns, we aim to pay dividends that steadily increase, reflecting factors such as our performance and future investment plans. Our goal for the medium-to-long term call for a dividend payout ratio of 30%.

Global CSR Initiatives

In furtherance of our corporate mission of "Contributing to Society through Healthcare," we will advance communication that promotes even greater trust and understanding from all of our stakeholders, from customers to shareholders, employees, suppliers, and local communities, as we pursue social and environmental initiatives through our business activities.

In our CSR activities, we will strengthen our Group's legal compliance system and quality management system in production settings; formulate the Terumo Global EHS (Environmental, Health, and Safety) Policy; and take other actions as well that emphasize a global outlook.

Our long-term objective for the Terumo Group is to become a company with a global presence. Realizing that the key to doing that is people, we are working to foster a corporate culture that recognizes a diversity of viewpoints and promotes the development of people who, with the spirit of challenge and new ideas, can be the sources of innovation contributing to the betterment of healthcare.

The directions in which we are moving and the steps we are taking to achieve our objectives are described in detail in this annual report. Drawing on all of our capabilities, we aim to achieve sustainable and profitable growth, and further contribute to global healthcare. Your continuous support will be greatly appreciated as we move forward.

Yutaro Shintaku
President and Representative Director

Participation in United Nations

In 2012, Terumo became a signatory of the United Nations Global Compact. This action reflects Terumo's agreement with the Ten Principles of the compact, which relate to human rights, labor practices, the environment and anti-corruption measures.

Terumo has given shape to the mission of "Contributing to Society through Healthcare" by setting out Five Statements (formulated in 1996). These principles guide the Group's global business development to make a valuable contribution to healthcare worldwide. Going forward, Terumo will continue to fulfill its responsibilities as a global enterprise, while aiming to achieve sustainable growth.

The Ten Principles of the United Nations Global Compact

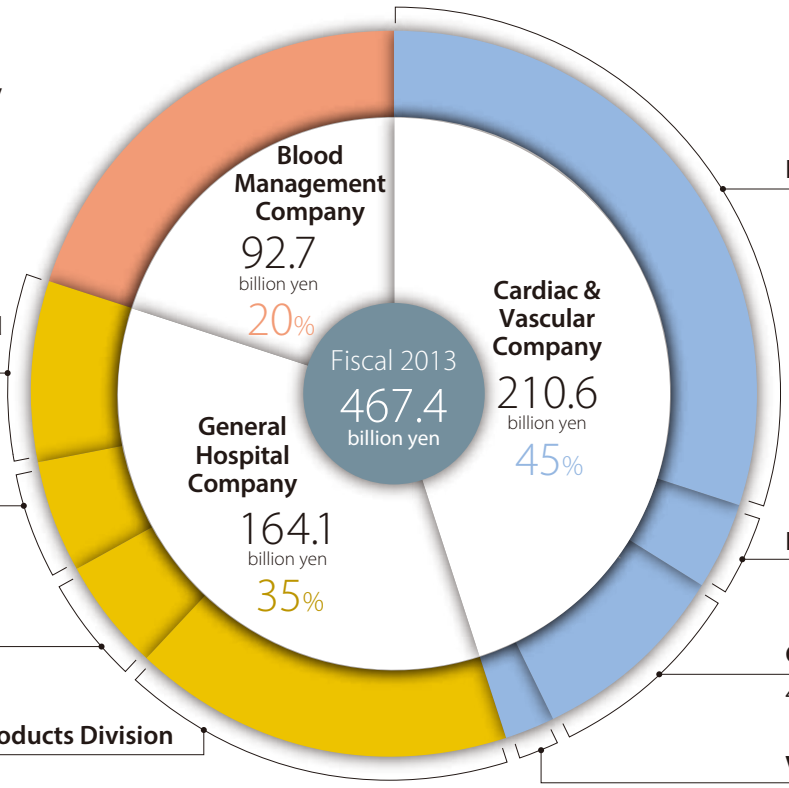
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labor;
	Principle 5	the effective abolition of child labor; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Business Overview

Terumo is Rising to the Challenge to Innovate in Three Business Areas

Terumo is "contributing to society through healthcare" by pursuing business activities through three companies. We provide optimal products and services to medical settings the world over. In pursuing higher quality in medicine, we introduce improvements for greater safety and ease of use, conduct training to promote proper usage of devices, and propose systems for responding comprehensively to the needs of medical settings.

Net Sales by Company



IS*1 Division
141.3 billion yen 30%

Neurovascular Division
17.4 billion yen 4%

CV*2 Systems Division
40.4 billion yen 9%

Vascular Graft Division
11.5 billion yen 2%

Pharmaceutical and Nutrition Division
36.8 billion yen 8%

D&D Division
22.3 billion yen 5%

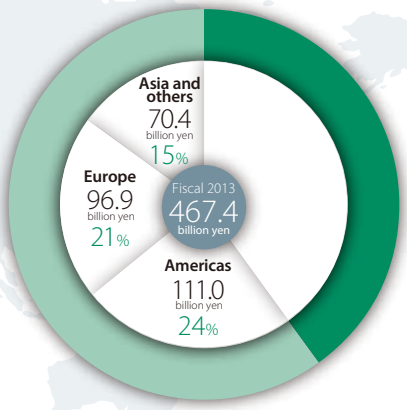
DM and Consumer Healthcare Division
24.1 billion yen 5%

General Hospital Products Division
80.9 billion yen 17%

*1 Interventional Systems
*2 Cardiovascular Systems

Net Sales by Geographic Area

Overseas
278.3 billion yen
60%



Japan
189.1 billion yen
40%

Cardiac & Vascular Company

The Cardiac & Vascular Company strives to make interventional procedures and surgery for treating heart and other types of vascular diseases less burden on patients

When cholesterol and other substances build up on the inside walls of blood vessels due to causes including lifestyle diseases, they can eventually result in heart attacks or angina. These can be treated by using an intervention device to open up a blocked blood vessel from the inside, in what is known as coronary intervention, or surgically opening up the chest and using a section of blood vessel from another part of the body, or an artificial blood vessel, to go around the location of the blockage—bypass surgery. The Cardiac & Vascular Company strives to reduce burden on patients and improve therapy outcomes. More recently, its endeavors have also come to include treatment of vascular diseases of the brain and lower extremities.

General Hospital Company

The General Hospital Company contributes to higher quality in medicine at large by providing medical devices and pharmaceuticals in systems designed to improve safety and convenience

Medical treatment settings have diversified and now extend from hospitals to patients' homes. Medical devices and pharmaceuticals, therefore, must incorporate performance and usage design considerations tailored to the settings in which they will be used. The General Hospital Company offers a series of systems comprising combinations of devices and pharmaceuticals optimized for patients and those providing care. The company provides added value through these systems, both in the form of greater safety in settings where medical treatment is provided and improved efficiency for those performing treatment procedures.

Blood Management Company

The Blood Management Company drives customer value and enhances patient outcomes through blood component, therapeutic apheresis, and cellular technologies

As a global leader in blood component, therapeutic apheresis, and cellular technologies, we are the only company with the unique combination of apheresis collections, manual and automated whole blood processing, and pathogen reduction. We believe in the potential of blood to do even more for patients than it does today. This belief inspires our innovation and strengthens our collaboration with customers.

Cardiac & Vascular Company

Through vigorous R&D and strategic alliances, we are creating valuable solutions and solidifying our presence in global markets

Shinjiro Sato
President, Cardiac & Vascular Company

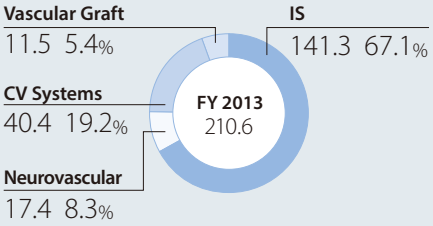
FY 2013 Results

Net Sales: 210.6 billion yen

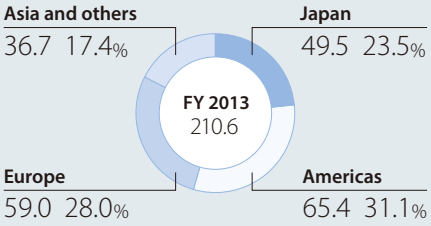
Operating Income: 43.9 billion yen

Operating Profit Margin: 21 %

Net Sales by Business (Billion yen)



Net Sales by Region (Billion yen)



Fiscal 2013 Results

Sales Growth Led by the IS Business

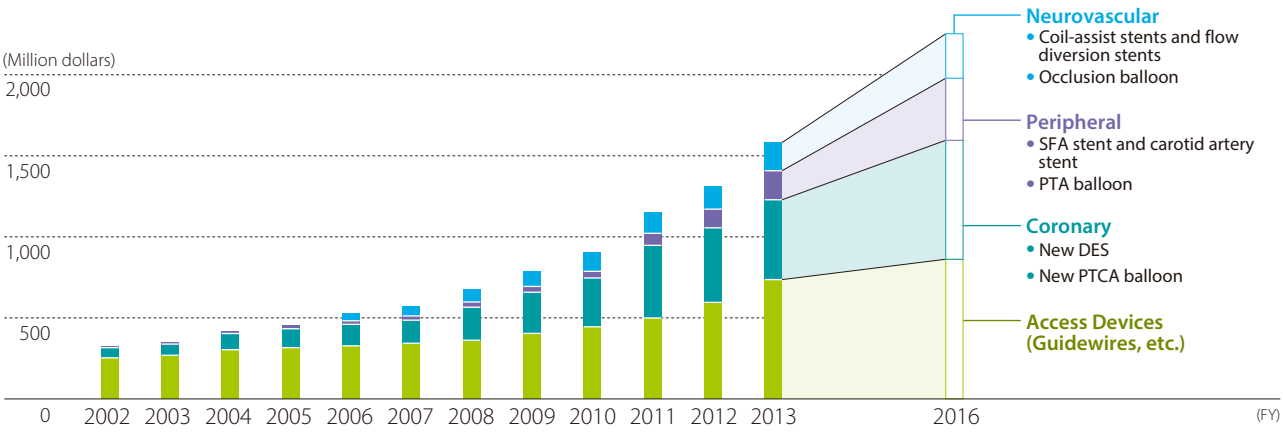
With strong performances in the growth-driving IS and Neurovascular Divisions, the Cardiac & Vascular Company posted a 24.1% year-on-year increase in net sales, to 210.6 billion yen.

In Japan, the Misago peripheral stent, the Hiryu Plus balloon catheter for coronary intervention, and other new therapeutic devices led a 7% increase in sales.

Outside of Japan, strong sales growth in the U.S. and Europe and emerging markets combined with positive exchange rate impacts to produce a 30% increase in sales. There was notably strong growth in both the IS and Neurovascular Divisions. The IS Division benefitted mainly from the growing popularity of TRI (Transradial intervention—interventional therapy performed by entering a blood vessel in the wrist), which Terumo is strongly promoting. The Neurovascular Division achieved double-digit sales growth with the addition of the Scepter occlusion balloon catheter, the FRED flow diversion stent, and other new products, along with its mainstay coils for treating cerebral aneurysm.

Turning to profit, ongoing investments by the CV Systems Division to improve the Ann Arbor plant's quality management system into line with U.S. Food and Drug Administration (FDA) standards weighed heavily on profits. Nevertheless, the IS Division—a key profit center—recorded significantly higher profits as a result of sales growth and strict cost control. This was despite a global price decline that negatively affected business conditions. With the addition of positive exchange rate impacts to the IS Division's strong performance, the

Growth Forecasts for the IS and Neurovascular Divisions



Cardiac & Vascular Company booked an overall 51% increase in profits, to 43.9 billion yen, with a margin of 21%.

Key Fiscal 2013 Initiatives

Strengthening Core Businesses while Pursuing Strategic Alliances

Fiscal 2013 was a year of significant progress in implementing growth strategies, particularly for the IS Division. Drug-eluting stents (DESs) comprise the largest segment of the interventional device market. They are also a key product for the IS Division, which entered the market with the Nobori stent and is now working on the Ultimaster stent as its next product. Another step forward was taken in fiscal 2013 toward developing the latter when it was granted a CE Mark, enabling commencement of European sales in fiscal 2014.

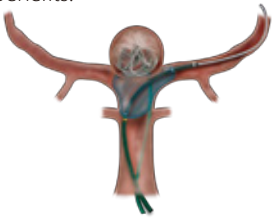
Looking further into the future, Terumo joined in the development of a new type of stent—a drug-eluting bioresorbable scaffold that, as its name implies, will be resorbed inside the body, eventually leaving no foreign substances. In more specific terms, we entered into a joint development agreement in which our proprietary coating technology will be used on a new bioresorbable scaffold under development by Arterial Remodeling Technologies S.A. (ART) of France. As part of the agreement, we also obtained exclusive acquisition rights for ART.

Another area in which medium-to long-term growth is expected is endovascular intervention. There, we signed a joint development agreement with Kaneka Corporation of Japan. In a related move, we also entered into a cooperation agreement with FMD Co., Ltd., another Japanese company, to facilitate access to the market for therapeutic guidewires. Both of these agreements are expected to open the door to a broad range of products and are a significant step toward achieving a competitive advantage in the field of endovascular intervention.

Fiscal 2013 was also year of important progress for our global production strategy. In the first of two important actions, we moved forward with a strategic shift of interventional devices manufacturing to our expanded Vietnam factory, lightening the burden on our mainstay Ashitaka Factory and improving our cost competitiveness.

In the second, we expanded production capacity at our factory in Costa Rica, which opened in fiscal 2012 to manufacture products for our high-growth Neurovascular Division. This enhanced the capability to meet expanding global demand and provide cost benefits.

Drug-eluting coronary artery stent, "Ultimaster"



Occlusion balloon, "Scepter"

Strategy Going Forward

Pursuing Sustainable and Profitable Growth by Building Global Capacity

Our first priority in pursuing sustainable and profitable growth is to develop business in key growth fields. In the area of coronary intervention, our new Ultimaster DES was launched in June 2014 in Europe and parts of Asia. The result of innovative design, the Ultimaster offers exceptional deliverability and, with its conformability contributes long-term clinical outcomes with little burden on the surrounding blood vessel. Heading toward the scheduled start of Japan sales in fiscal 2016, the Ultimaster will be the subject of marketing efforts that reflect our expectations for significant earnings.

In the Neurovascular Division, global expansion of stent and balloon products launched in fiscal 2013 will be followed by a series of market introductions for new products currently under development. Taking place over several years, these introductions will be aimed at maintaining high growth.

The next priority will be to undertake sweeping reforms to improve profitability. The improvement of profitability through cost management is more important under global trend of price pressure. A far-reaching improvement project to achieve competitiveness in global market is already moving forward at the IS Division's mainstay Ashitaka Factory.

Third on our list of priorities is the strengthening of quality management systems in production. As the percentage of sales volume in the U.S. market rises on a global basis, it is becoming more and more important for quality management systems to comply with the latest FDA standards. At the CV Systems Division's Ann Arbor factory, this has meant radical improvements in response to FDA findings, and we are hopeful that these efforts will pay off in fiscal 2014.

The fourth priority is evolution to a global management approach. The Cardiac & Vascular Company consists of four divisions, each of which has global headquarters functions and is responsible for not only operations but also financial performance. With markets outside of Japan accounting for roughly 80% of its sales, the Cardiac & Vascular Company is already operating under conditions in which its business competitiveness is determined by the efficiency of global operations. It is therefore currently working to globally strengthen the company's supply chain management.

The Cardiac & Vascular Company strives to remain abreast of global trend of the cutting-edge medical devices and provide solutions offering new value. It will continue investing in internal development, while also actively pursuing M&A and strategic alliance opportunities, in order to extend its competitive advantage going forward.

Cardiac & Vascular Company

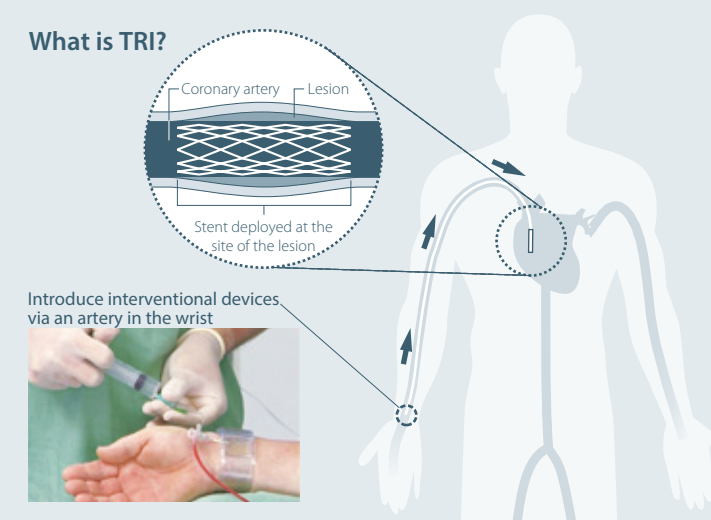
The Cardiac & Vascular Company contributes to cutting-edge treatments including cardiac and vascular surgery, and interventional procedures performed inside blood vessels

Pursuing Therapies that Minimize Physical Burden on Patients

Interventional Therapy Performed from a Blood Vessel in the Wrist (TRI)

To further reduce physical burden on patients when performing interventional therapies, an increasing number of practitioners have in recent years adopted an approach that gains blood vessel access at the wrist, rather than the groin.

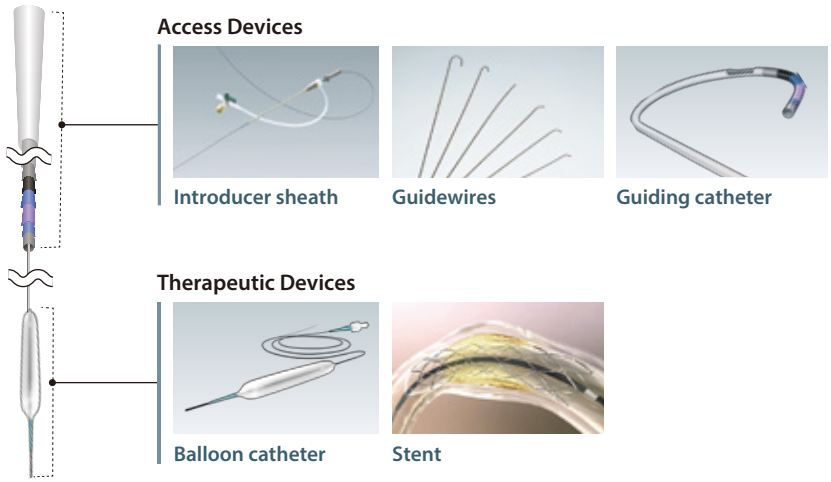
Terumo offers devices and training specialized for this approach.



Providing Comprehensive Solutions for Every Step from Blood Vessel Access to Treatment

Types of Interventional Devices

Combined with an access device that enables blood vessel access and guides to the lesion, therapeutic devices are delivered as a system.



Intravascular Imaging Systems

Intravascular Imaging Systems are used to confirm intravascular conditions before and after the use of a therapeutic device.

OFDI intravascular imaging system

Intravascular ultrasound system (IVUS)

Applying Interventional Techniques Approaches to Perform Therapies for the Entire Body

The Cardiac & Vascular Company uses technologies for coronary intervention to expand its line of products for performing neurovascular intervention therapies and peripheral intervention for the lower extremities.

Coronary Intervention (Coronary Blood Vessels)

Balloons and stents are used to improve coronary blood flow by directly opening up, and holding open, coronary blood vessels that have become blocked by the buildup of cholesterol and other substances.

Drug-eluting stent

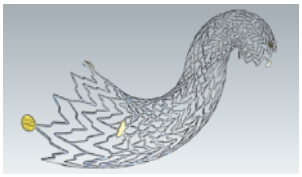
Neurovascular Intervention (Cerebral Blood Vessels)

Coils made of platinum and stents are used to prevent cerebral aneurysms from rupturing and causing subarachnoid hemorrhages.

Coil used to treat cerebral aneurysm

Peripheral Intervention (Peripheral Blood Vessels)

Balloons and stents are used to restore blood flow in peripheral (e.g. leg) blood vessels that have become blocked.



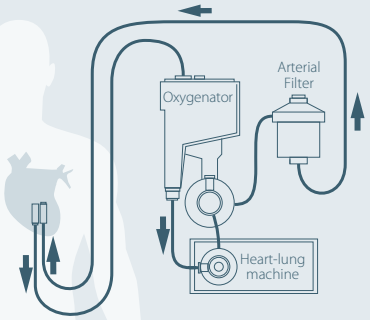
Peripheral Stent

Optimizing Cardiovascular Surgery

Cardiopulmonary Bypass System

The Cardiac & Vascular Company provides artificial vascular grafts used in cardiovascular surgery, and systems that temporarily perform the functions of the heart and lungs during cardiovascular surgery procedures. By improving the performance of these devices, we are helping to make surgery less physically stressful for patients.

What is a cardiopulmonary bypass system?



It helps to maintain the circulation of blood and the gas exchange during cardiovascular surgery.

Oxygenator with integrated arterial filter

Temporarily substitutes for the lungs to oxygenate blood.

Heart-lung machine

Temporarily substitutes for the heart to circulate blood.

Artificial thoracic vascular graft

Used to replace the disease portion of blood vessels.

The above are primary, but not all, products in the business field at the basis of the entire Terumo Group. Please note that product availability may differ by region.

General Hospital Company

Enhancing our line of high-value added products to improve safety and efficiency in medical settings, and to improve profitability

Hiroshi Matsumura
President, General Hospital Company

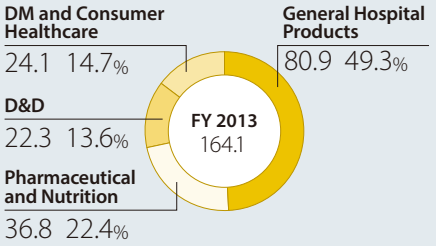
FY 2013 Results

Net Sales: 164.1 billion yen

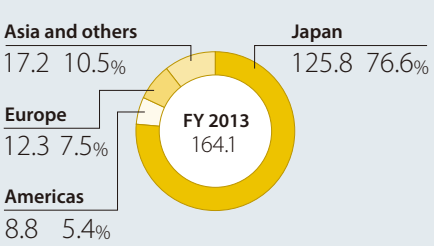
Operating Income: 20.8 billion yen

Operating Profit Margin: 13%

Net Sales by Business (Billion yen)



Net Sales by Business (Billion yen)



Fiscal 2013 Results

Earnings Structure Improvement a Key Issue

In fiscal 2013, sales increases in the General Hospital Company's D&D (Drug & Device) Division, which provides prefilled syringes (pharmaceuticals) and other products with added value enhanced through combinations of drugs and medical devices, and the DM (Diabetes Management) and Consumer Healthcare Division, helped to boost overall net sales 5.9% year on year, to 164.1 billion yen.

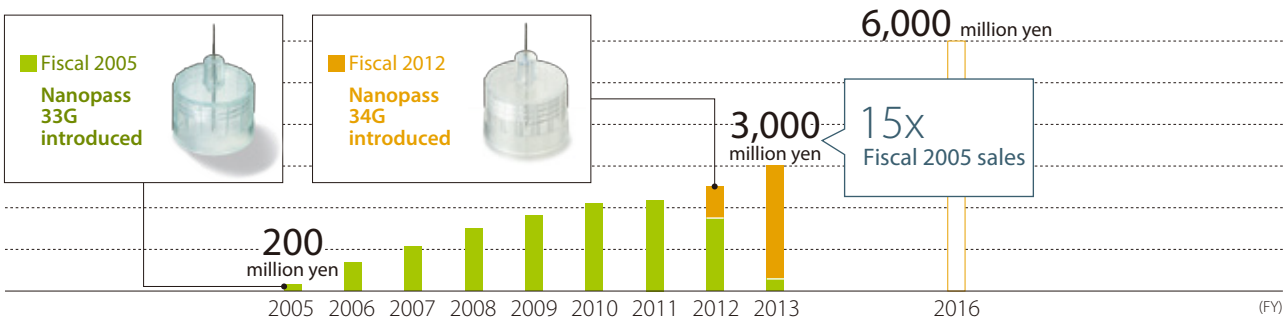
Earnings, however, declined. The causes for this unfortunate development were sales impacts from delays in getting new products off the ground in the mainstay General Hospital Products Division, which is developing business around its infusion products, and the effects of lower productivity at overseas factories. The operating margin (operating income before amortization and depreciation, divided by net sales) declined from 15% a year ago, to 13%, making improvement of the earnings structure a key issue going forward.

Key Fiscal 2013 Initiatives

Advancing Area Strategies for Diversifying Market Needs

With mounting pressure to control medical expenses in developed countries, medical device manufacturers must now focus on providing products that not only deliver performance and quality but also contribute to healthcare economics. In Japan, which accounts for over half of the General Hospital Company's net sales, these needs are growing amid an expanding market for elder-care products and services that contribute to long-term care medicine. In contrast, emerging markets are improving their medical infrastructures and generating growing demand for medical devices in general. Responding to such diversifying needs, the General Hospital

Nanopass Sales | Cumulative Nanopass sales surpass 1 billion units



Company is putting forth strategies tailored to the characteristics of individual markets to achieve greater earnings-yielding business performance.

Turning to a review of the main fiscal 2013 developments in each of our businesses in Japan, the core General Hospital Products Division introduced new infusion and syringe pump products with data communications functions.

Sales of prefilled syringes performed steadily both as products sold directly to hospitals and those sold through partnerships with pharmaceutical companies. Together with its pharmaceutical company partners, Terumo is developing prefilled syringes optimized for ease of use, safety in administration, stable storage, and delivery without impacting on the quality, taking the characteristics of the drug and the usage into consideration as specified by customers.

The DM and Consumer Healthcare Division recorded higher sales of its blood glucose monitors and pain-minimizing Nanopass 34G insulin injection needles.

Meanwhile, in the areas of cancer treatment and postoperative pain management, the D&D Division launched "Acelio Intravenous Injection 1000mg" — the first intravenous injectable acetaminophen antipyretic analgesic to enter the Japanese market — and is working to expand its business. Until now, acetaminophen has been available in Japan only as an oral medication or as a suppository (for children only). For palliative care, however, it was concluded that acetaminophen in an infusible form was necessary and Terumo was asked by the Ministry of Health, Labour and Welfare to develop such a product. Now, there are expectations that this new intravenous injectable acetaminophen will permit appropriate pain management also when oral administration and suppositories are not practical for postoperative care or use by cancer patients.

In overseas operations, low-return businesses in Europe and North America were reviewed as part of a business portfolio restructuring, while the General Hospital Products Division, with its infusion pumps and intravenous needles, led sales increases in Asia, and, Central and South America.

Regarding capital expenditures, production lines for prefilled syringes at the Fujinomiya Factory were expanded and investments were made to boost production of glucose monitoring related products at the Kofu Factory. Other investments were made in the building and production facilities at the new Yamaguchi Factory, where work is proceeding toward operational startup. Overseas, investments were made to expand production of syringes at the factory in the Philippines to achieve lower costs while maintaining quality.

SURFLO V3 IV catheter

Strategy Going Forward

Focusing on Improving Profitability and Expanding Offerings of High-Value-Added Products

The General Hospital Company will work to reduce production costs for its mainstay products and transform itself into a high-value-added business centered on medical safety. To steadily implement this strategy, the company will adopt a management approach that integrates development, production, and sales, and emphasizes speed of execution.

As the initial step, the company has established the Business Structural Improvement Office to restore profitability in the mainstay General Hospital Products and Pharmaceutical and Nutrition divisions. With regard to the General Hospital Products Division in particular, transfers of production to factories in China, the Philippines, and other Asian locations will be expanded to emphasize both quality and profitability.

As growth strategy, the General Hospital Company is enhancing its offerings of new product groups in fields requiring high-value-added products. In the mainstay General Hospital Products Division, it is currently working to boost productivity and expand sales for the SURFLO V3 IV catheter for infusion therapy with safety features, the SURPLUG AD series of closed infusion systems, infusion and syringe pumps with data communications functions that help to ensure correct drug administration, along with other new value-added products that contribute to efficiency and accident prevention in medical settings. These products are being offered not as individual components but as systems that bring greater overall safety and convenience to medical settings and reduce costs.

Efforts are being made to expand adoption of Chemoshield anticancer drug administration systems, which reduce the risk that oncology nurses will come into direct exposure with anticancer drugs. In the Pharmaceutical and Nutrition Division, attention is being focused on strengthening the nutrition business, which includes the new Mermed semi-solid food product for cases in which gastro-esophageal reflux is a concern, and the Terumeal series of calorie-dense food products for oral consumption.

The D&D (Drug & Device) Division is in a growing markets segment and working to develop its business by continuing to expand domestic market share for proprietary products and accelerating global strategic alliances. In the area of pain management, its growth efforts are focused on the "Acelio Intravenous Injection 1000mg" acetaminophen product discussed above.

The DM and Consumer Healthcare Division, also a growth driver, is striving to boost market shares for the HR Joint line of glucose, body temperature, blood pressure and other monitors equipped with data communications functions. At the same time, it is working to achieve greater adoption of Nanopass 34G needles.

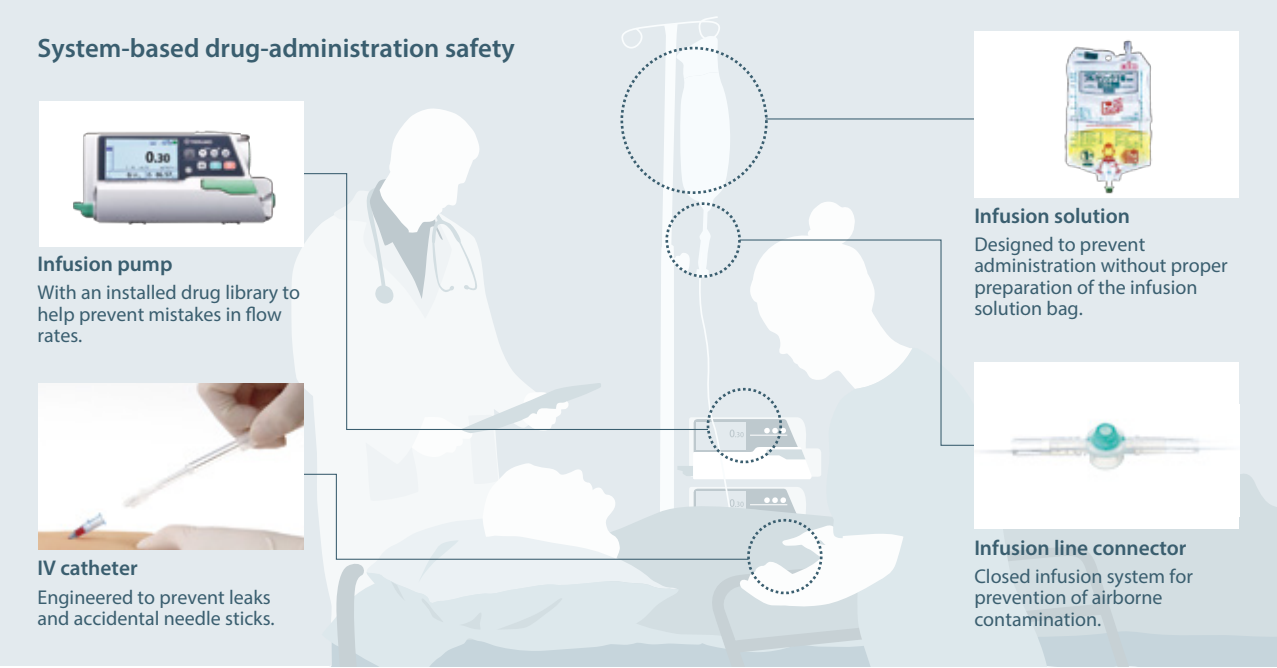
General Hospital Company

The General Hospital Company strives to improve safety and ease of use in therapy devices used in hospitals and in homes

Enhancing the Safety of Drug Administration

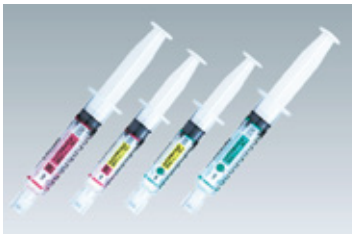
Infusion Systems

Infusion systems are used throughout hospitals from wards to intensive care units. Terumo develops infusion systems that offer greater safety by helping to ensure use of the right drugs, in the right amounts, and by reducing risks of airborne contamination and accidental needle sticks.



Drug & Device (D&D)

Combining drugs and medical device technologies, the General Hospital Company provides products that enable the safe handling of multiple drugs even in emergency medical settings.



Prefilled syringes
Prefilling syringes with drugs enhances safety in the administration of drugs.

Prefillable syringe
Terumo custom develops syringes to suit the characteristics of biopharmaceuticals and other drugs they will be used to administer.

Bringing Greater Efficiency to Daily Care

Nutritional Supplements

The General Hospital Company provides products optimized in terms of nutritional content, form, and palatability for people with special nutritional needs arising from hospitalization, advanced age, or other factors. Designed to simplify preparation, these products also consider the needs of caregivers.

Condensed liquid meal (Semi-solid)

Formulated with viscosity and water content levels for addressing gastroesophageal reflux and hydration needs.

Condensed liquid meal (For oral intake)

This product comes in a variety of flavors making it appropriate for use as an entrée or other type of meal item.

Measuring Devices System with Communications Functions

This system centrally manages patient data required for daily treatment, contributing to efficient nursing care and risk management.

A blood glucose meter, a blood pressure monitor, and a thermometer, each with communications functionality, which enhances efficiency in the management of vital signs.

Giving Peace of Mind to People Battling Cancer

Pain Management

The General Hospital Company provides medications for supporting the treatment of cancer patients.

Analgesic

Antiemetic

Terumo offers a line of pharmaceuticals consisting of various analgesics, including opioids, that can be administered in dosages adjusted to individual pain levels; antiemetics to suppress nausea during the administration of anticancer drugs; in addition to other products.
Offering a wide assortment of drugs, from original to generic, we also help to lighten drug costs for patients.

Closed Anticancer Drug Infusion System

This infusion system is designed to prevent direct contact with anticancer drugs during their preparation and administration, and allow pharmacists and nurses involved in the provision of chemotherapy to perform their jobs without fear of exposure to these powerful drugs.

Anticancer drug infusion system

This system mitigates the risk of direct exposure to anticancer drugs at every step from drug preparation to administration.

The above are primary, but not all, products in the business field at the basis of the entire Terumo Group. Please note that product availability may differ by region.

Blood Management Company

A global leader with a proven financial track record and history of driving customer value and enhancing patient outcomes

David Perez
President, Blood Management Company
President and CEO, Terumo BCT, Inc.

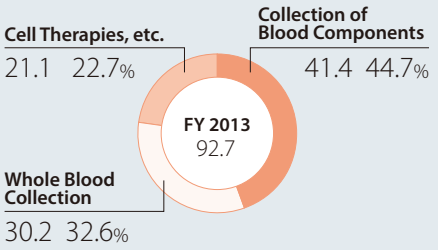
FY 2013 Results

Net Sales: 92.7 billion yen

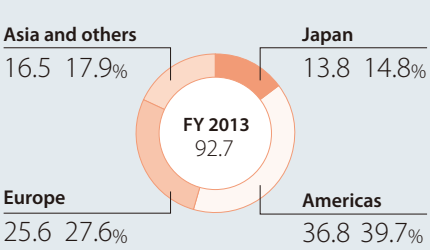
Operating Income: 18.6 billion yen

Operating Profit Margin: 20%

Net Sales by Business (Billion yen)



Net Sales by Business (Billion yen)



Unlocking the Potential of Blood

Terumo BCT is a global leader in the blood banking, transfusion medicine and cellular therapies industry. We have a strong history of innovation, quality and service combined with a steadfast commitment to our 5,000 associates, our stakeholders, customers in over 120 countries and the patients we ultimately serve.

Fiscal 2013 Results

Increased Sales and Profit Even under Challenging Environment

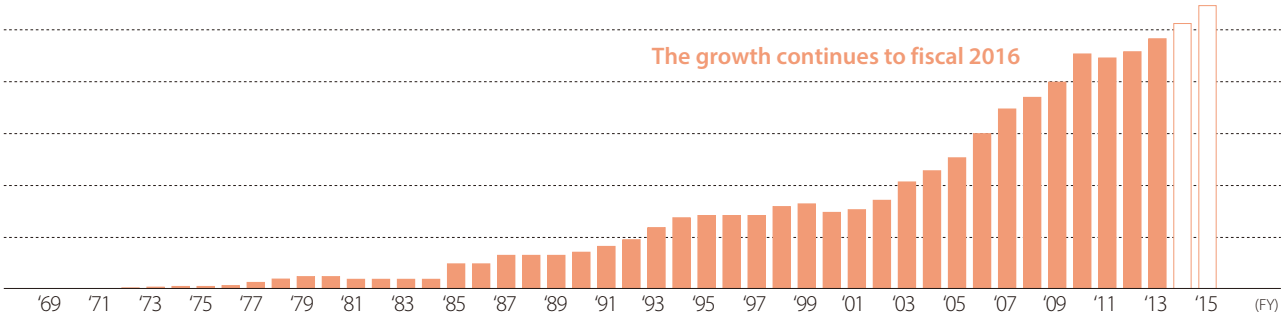
For fiscal 2013, we set ambitious goals and worked hard to achieve them. Even with the many challenges facing the healthcare industry—including reduced demand for blood components in developed markets due to patient blood management initiatives, the slower pace of regulatory approvals, healthcare cost containment initiatives and other powerful market forces—we continued to grow and strengthen our business.

We are proud to announce that our business grew at a rate that outpaced our competitors. We increased sales at 24.1% year-on-year to 92.7 billion yen, increased at more than twice the rate of our sales growth and increased cash flow.

Fiscal 2013 Key Strategies

- We focused on protecting and extending our market share in developed markets, while expanding our presence in developing markets, achieving strong growth in Africa, Asia, Eastern Europe, Latin America and the Middle East.

Blood Management Company Net Sales* | Sustained, profitable growth over the long term



* Net sales for fiscal 2010 and earlier are the totals for the pre-merger sales of Terumo Transfusion and CardianBCT. Actual foreign exchange rates were used for past years, while a projected rate was used for fiscal 2014.

- We leveraged our product portfolio—the most comprehensive in the industry—and diversified through strategic alliances and the launch of several new products from our innovation pipeline. Customers in both developed and developing countries are starting to invest in our newly introduced whole blood automation and pathogen reduction technologies. We also grew our therapeutic apheresis and cell processing businesses worldwide.

- We continued to strengthen our manufacturing capabilities, increasing our production capacity, controlling costs and providing excellent service to customers worldwide.

Strategy Going Forward

Looking Forward: Strong, Growing and Profitable

While sales growth will be challenging given the difficult market dynamics, our organization is poised to grow faster than both the overall market and our competitors. Our established strategies for long-term, sustainable, profitable growth have proven successful in the marketplace and we remain committed to them. We will continue to listen to our customers and deliver products that meet their needs and the needs of the blood donors and patients they serve.

Market Share: Protect, Extend and Expand

We will continue to protect and extend our market share in developed markets such as Japan, North America and Western Europe, while expanding our presence in developing markets such as Eastern Europe, Latin America, the Middle East and Southeast Asia. This tiered approach helps to offset decreasing demand for blood created by patient blood management initiatives in developed areas with the opportunity for sustainable, profitable growth in developing regions.

We will work to increase the adoption and accessibility of therapeutic apheresis in the areas of neurology, nephrology, hematology and immunotherapy, where our technologies offer promise for a wide range of diseases. We will also continue to drive global adoption of our whole blood automation, pathogen reduction and cell processing technologies.

Our well-established, global infrastructure provides a foundation for business development activities that will further expand our product portfolio. One example is our new agreement with Therakos Inc. to serve as their exclusive distributor in Australia, New Zealand and six Latin American counties.

Innovation: Leverage Our Comprehensive Portfolio and Innovation Pipeline

Our company was built through listening to and collaborating with our global customers in research, product development and innovation. These practices helped pave the way for next-generation applications and future innovations.

For fiscal 2014, our innovation and development budget will increase by approximately 18%.* In addition to increasing our investment in innovation, we have taken measures to improve our processes, driving faster time-to-market and better aligning new and next-generation technologies with market trends.

Global Manufacturing: Strategic and Strong

Within our industry, we are uniquely positioned to deliver exceptional service to customers across the globe. We will continue to implement a comprehensive global manufacturing strategy, with several key expansions designed to increase production, enhance business continuity and lower costs. With a new FDA-certified facility opening in Vietnam and expansions in the U.S., India and Northern Ireland underway, our ability to manage our cost of goods, productivity and efficiency has never been stronger.

Diversification: Support and Expand

With our three established core businesses—blood centers, therapeutic apheresis and cell processing—our company brings a wide range of solutions to the market and we will continue to focus on supporting these areas. We are optimistic for rapid growth in the area of cell processing, based on the clinical progress to validate the use of cell therapies to treat complex, difficult and widely prevalent diseases like cancer, heart disease and diabetes.

While these are challenging times for the global economy, it is also an exciting era for our organization. As the potential of blood is virtually unlimited, so too is the potential of Terumo BCT.

* Foreign exchange rate neutral

Headquarters in the U.S. state of Colorado

Vietnam factory completed in July 2014

Blood Management Company

We offer systems for the high-quality, efficient collection and processing of donated blood on a global basis. Furthermore, by expanding applications for our apheresis system, which employs outstanding centrifugal separation technology, we are providing patients with new options for treating various blood diseases

Enabling High-Quality, Safe Transfusions

Who needs blood transfusions?

People who have experienced a significant loss of blood

Whole-blood transfusions are performed for many types of surgeries and to treat victims of serious accidents.

People with diseases that prevent the body from making enough blood

Diseases in which patients become deficient in blood components because of diminished bone marrow function are treated with transfusions of blood components.

People with diseases that prevent the production of healthy blood

Diseases such as leukemia and thrombasthenia, in which there are abnormalities in the production of blood components, are treated with blood therapies.

Component Collection

This device allows blood centers to safely and efficiently collect needed blood components. It uses a single needle for repeated draw and return phases, and isolates the main blood components with continuous centrifugal separation technology, making it possible to collect platelets and plasma, and return red blood cells.

Automated blood collection system

Whole Blood Collection

Contributes to transfusion medicine with safe, efficient and high-quality collection and processing of donor blood.

Blood bag system with leukocyte reduction filter

Automated blood component processing system

Pathogen Reduction Technology

By inactivating pathogens and residual white blood cells that evade detection in blood products, this technology contributes to greater safety in blood transfusions. (Not available for sale in Japan.)

Pathogen reduction technology system

Providing New Options for Treating Intractable Diseases

Blood Therapies

Our therapeutic apheresis technology enables a broad range of customizable procedures, including therapeutic exchanges and depletions, performed with a high-level of automation that doesn't sacrifice the flexibility and control operators need to achieve procedure outcomes.

Our systems also enable adaptable cell collections and cell therapy with high yields and transplantation doses, as well as cell processing technologies for monocyte enrichment and versatile cell washing and concentration.

Therapeutic apheresis system

Cell Expansion

Our functionally closed, hollow-fiber bioreactor technology streamlines cell expansion through a reproducible, scalable, automated process. Specifically designed to address the space challenges and labor demands associated with cell therapy development, our system also reduces the contamination risks associated with manual expansion.

Cell expansion system

The above are primary, but not all, products in the business field at the basis of the entire Terumo Group. Please note that product availability may differ by region.

Financial Information

Five-Year Financial Summary (Consolidated)

Terumo Corporation and its Consolidated Subsidiaries
Fiscal years ended on March 31

Fiscal Year	FY 2009 (Ended March 2010)	FY 2010 (Note 3) (Ended March 2011)	FY 2011 (Ended March 2012)	FY 2012 (Ended March 2013)	FY 2013 (Ended March 2014)
	Million yen				
Net sales	¥316,009	¥328,214	¥386,686	¥402,294	**¥467,360**
Operating income	63,282	62,607	63,049	53,216	**65,289**
Income before taxes and minority interests	63,406	51,560	49,650	52,285	**52,908**
Net income	40,722	32,339	24,167	47,014	**34,096**
Net cash provided by (used in) operating activities	67,352	46,829	56,200	50,270	**96,260**
Net cash provided by (used in) investing Activities	(25,273)	(18,989)	(247,182)	(31,294)	**(52,745)**
Free cash flow	42,079	27,840	(190,982)	18,976	**43,515**
Net cash provided by (used in) financing Activities	(11,488)	(26,417)	182,982	(22,340)	**(31,786)**
Research and development expenses	17,528	20,356	24,322	27,129	**30,130**
Capital expenditure	18,440	21,562	21,132	25,715	**39,933**
Depreciation and amortization (Note 1)	19,909	20,392	28,835	32,554	**39,881**
Per Share Indicators (Note 2)			Yen		
Earnings per share (EPS)	¥107.22	¥85.15	¥63.64	¥123.80	**¥89.78**
Dividends	32.00	34.00	39.00	44.00	**58.00**
Book value per share (BPS)	834.47	882.66	927.62	1,152.21	**1,306.72**
Fiscal Year			Million yen		
Current assets	¥230,432	¥236,511	¥256,868	¥286,955	**¥310,986**
Current liabilities	99,732	78,846	157,998	115,844	**160,937**
Working capital	130,700	157,665	98,870	171,111	**150,049**
Total assets	425,508	420,038	692,520	771,032	**832,814**
Net assets	317,140	335,457	352,537	437,909	**496,245**
Capital	38,716	38,716	38,716	38,716	**38,716**
Management Indicators					
ROE	13.7%	9.9%	7.0%	11.9%	**7.3%**
ROA	10.1%	7.6%	4.3%	6.4%	**4.3%**
Shareholders' equity ratio (%)	74.5%	79.8%	50.9%	56.7%	**59.6%**
Shares outstanding as of the end of the fiscal year (thousands)	189,895	189,881	189,879	189,878	**189,875**
Employees as of the end of the fiscal year	13,740	14,761	18,112	18,893	**19,263**

Notes) 1. Including amortization of goodwill.

2. A 2-for-1 stock split was carried out for Terumo common shares, effective April 1, 2014. For information purposes, figures for net income per share and net assets per share have been adjusted to reflect what they would have been had the stock split had been carried out at the beginning of fiscal 2009.

3. The fiscal year ends of five Asian consolidated subsidiaries were changed to March 31 from December 31. As a result, fiscal 2010 for these companies lasted a total of 15 months, starting on January 1, 2010 and ending on March 31, 2011. The change in fiscal year ends had the effect of increasing net sales by 1,923 million yen, operating income by 970 million yen, ordinary income by 916 million yen, and net income by 685 million yen for fiscal 2010.

Net Sales and Income

Net Sales

Compared to the previous fiscal year, net sales increased 16.2% to 467.4 billion yen.

Of this amount, net sales in Japan came to 189.1 billion yen, up 1.7% year-on-year, reflecting ongoing sales growth of blood glucose monitoring systems at the General Hospital Company, as well as improved results for the Misago peripheral stent and a new percutaneous transluminal coronary angioplasty (PTCA) dilation catheter in the Cardiac & Vascular Company's IS Business, and increased sales of automated blood component collection systems and blood bags in the Blood Management Company. Outside Japan, net sales jumped 28.6% to 278.3 billion yen year-on-year, driven by increased sales of automated blood component collection systems and business expansion in emerging countries for the Blood Management Company, and a strong performance by the IS Business, particularly in the Americas.

Gross Profit

Gross profit totaled 242.0 billion yen, an increase of 17.7% compared to the previous fiscal year. Improved profits due to the depreciating yen and expanded lineups of highly profitable products in the Cardiac & Vascular Company and Blood Management Company offset the delay in ramping up sales of new products in the General Hospital Company, yielding the overall growth.

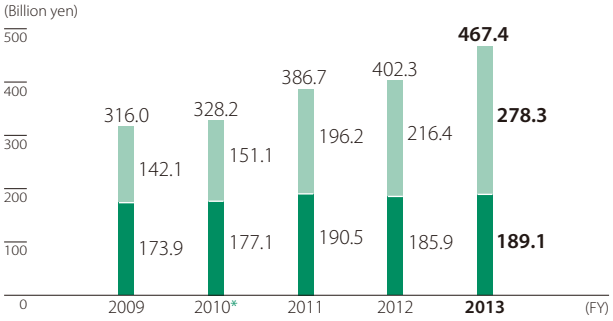
Operating Income

Operating income jumped 22.7% year-on-year to 65.3 billion yen. Despite increases in R&D expenses and general and administrative expenses (which included investments intended to foster business growth), operating income grew as a result of higher sales and gross profit, and the benefits of the depreciating yen.

Net Income

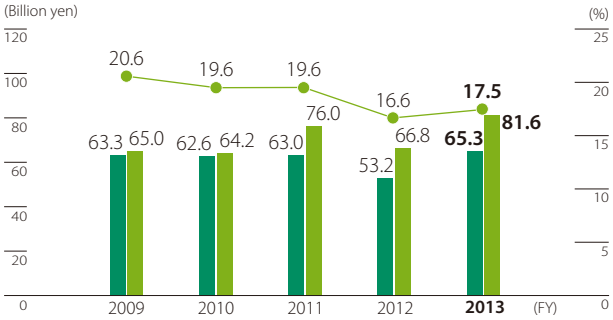
Net income decreased 27.5% year-on-year to 34.1 billion yen. The decrease was mainly due to impairment loss on noncurrent assets resulting from non-profitable business facilities, despite extraordinary income of 6.0 billion yen from a settlement received.

Net Sales (Japan■/Overseas■)



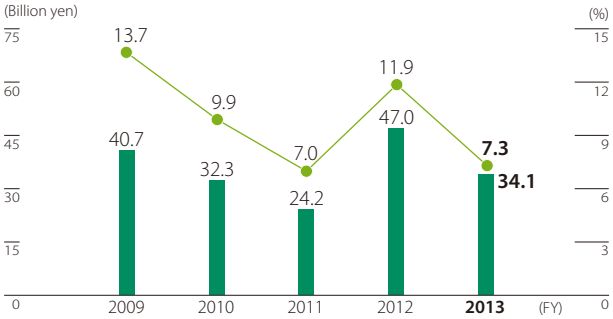
* A change in fiscal year-ends for some consolidated subsidiaries to March 31 (from December 31) in order to unify the fiscal year-end for all consolidated Group members added 1.923 billion yen to overseas net sales for fiscal 2010.

Operating Income■/Operating Income (before amortization of goodwill and other intangibles)*■/Operating Profit Margin (before amortization of goodwill and other intangibles)●



* "Goodwill and other intangibles" refers to goodwill and M&A-related intangible assets arising after the acquisition of Cardian BCT (but excludes Reveos-related R&D assets). This definition was set forth in the segment information for the fiscal 2013 earnings report.

Net Income■/ROE●



Results by Business Segment

Cardiac & Vascular Company

In Japan, the Cardiac & Vascular Company boosted sales by expanding its product ranges in individual therapeutic fields. Examples included Misago peripheral stents and Hiryu Plus PTCA dilation catheters in Interventional Systems. Outside Japan, the IS Business continued to generate strong results as TRI grew in popularity in North America. In the Neurovascular Business, sales of new products such as stents expanded globally.

As a result of these activities, the Cardiac & Vascular Company recorded a 24.1% year-on-year increase in net sales, to 210.6 billion yen.

General Hospital Company

In Japan, a delay in ramping up sales of newly released infusion systems-related products had a negative impact on sales and profits, but sales of prefilled syringes and products related to blood glucose monitoring systems continued to grow, driving up overall sales by 1.3% year-on-year. Outside Japan, sales expanded in all countries in Asia. As a result of these factors, net sales in the General Hospital Company rose 5.9% compared to the previous fiscal year, reaching 164.1 billion yen.

Blood Management Company

While competition intensified in Japan, sales of products for whole blood collection and of automated blood component collection systems increased, driving up overall sales by 7.3% year-on-year. Outside Japan, patient blood management programs negatively impacted demand in Europe and the United States, but sales of new automated blood component processing systems still managed to expand in Europe, and sales of automated blood component collection systems continued to grow in emerging countries. Owing to these factors, net sales in the Blood Management Company rose 24.1% year-on-year to 92.7 billion yen.

Fiscal 2013 Net Sales by Business Segment

Cardiac & Vascular Company

(Billion yen)

	IS	Neuro-vascular	CV Systems	Vascular Graft	Total
Japan	36.2	2.0	9.2	2.1	49.5
Americas	37.0	5.4	21.3	1.7	65.4
Europe	41.1	5.4	5.6	6.9	59.0
Asia and others	27.0	4.6	4.3	0.8	36.7
Total	141.3	17.4	40.4	11.5	210.6

General Hospital Company

(Billion yen)

	General Hospital Products	Pharma-ceutical and Nutrition	D&D	DM and Consumer Healthcare	Total
Japan	50.4	36.8	17.7	20.9	125.8
Americas	7.9	—	0.8	0.1	8.8
Europe	7.8	—	3.7	0.8	12.3
Asia and others	14.8	0.0	0.1	2.3	17.2
Total	80.9	36.8	22.3	24.1	164.1

Blood Management Company

(Billion yen)

	Collection of Blood Components	Whole Blood Collection	Cell Therapies, etc.	Total
Japan	6.0	6.9	0.9	13.8
Americas	20.3	5.8	10.7	36.8
Europe	8.7	9.9	7.0	25.6
Asia and others	6.4	7.6	2.5	16.5
Total	41.4	30.2	21.1	92.7

Balance Sheet and Cash Flow Information

Total Assets

Total assets rose by 61.8 billion yen, to 832.8 billion yen. The primary factors behind this increase included acquisitions of property, plants, and equipment, an increase in the market valuation of investment securities, and exchange rate impacts.

Liabilities

Liabilities increased by 3.4 billion yen, to 336.6 billion yen. This change was due primarily to a 15.8 billion yen increase in income taxes payable.

Total Net Assets

Net assets increased by 58.3 billion yen, to 496.2 billion yen. Contributing to this change were a 24.4 billion yen increase in retained earnings, a 3.8 billion yen increase in valuation difference on available-for-sale securities, and foreign exchange impacts.

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities came to 96.3 billion yen (compared to 50.3 billion yen provided in fiscal 2012). Income before income taxes totaled 52.9 billion yen; depreciation and amortization, 30.3 billion yen; amortization of goodwill, 9.6 billion yen; and income taxes paid, 2.9 billion yen.

Net Cash Provided by (Used in) Investing Activities

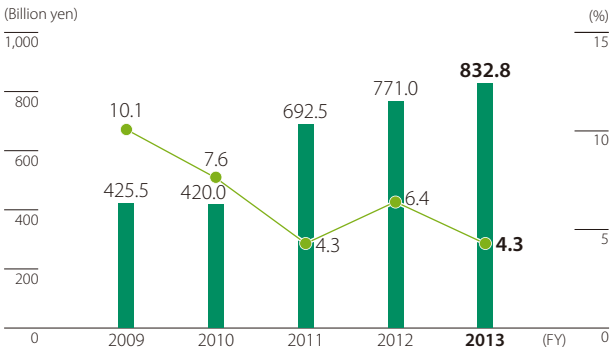
Net cash used in investing activities came to 52.7 billion yen (compared to 31.3 billion yen used in fiscal 2012). Outlays of 39.9 billion yen for property, plant, and equipment were the primary factor contributing to this result.

Net Cash Provided by (Used in) Financing Activities

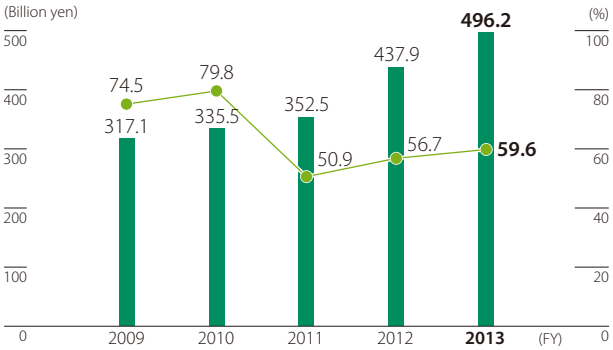
Net cash used in financing activities came to 31.8 billion yen (compared to 22.3 billion yen used in fiscal 2012). An 18.0 billion yen net decrease in short-term loans payable was the primary factor contributing to this result.

Reflecting the results discussed above, cash and cash equivalents as of the end of the fiscal year increased by 17.3 billion yen from the end of the prior fiscal year, to 92.5 billion yen on a consolidated basis.

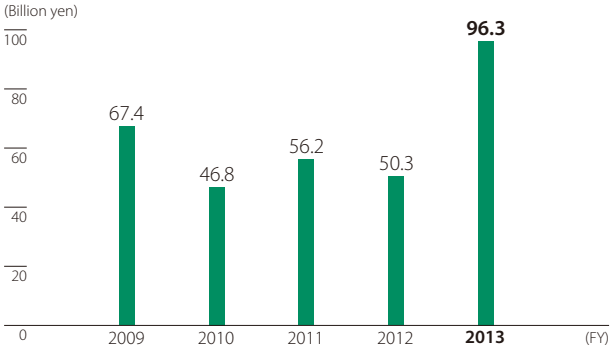
Total Assets■/ROA●



Total Net Assets■/Shareholder's Equity Ratio●



Net Cash Provided by Operating Activities



Cash Flow

(Billion yen)

	Fiscal 2012	Fiscal 2013	Change
Net cash provided by (used in) operating activities	50.3	96.3	46.0
Net cash provided by (used in) investing activities	(31.3)	(52.7)	(21.4)
Net cash provided by (used in) financing activities	(22.3)	(31.8)	(9.5)
Cash and cash equivalents at year end	75.2	92.5	17.3

R&D Activities

The Cardiac & Vascular Company commenced sales of the Glidesheath Slender sheath for TRI in the United States, along with flow-diverting stents and occlusion balloons for the neurovascular intervention markets in Japan and Europe. The Company also obtained CE mark certification for its Ultimaster drug-eluting stent in February 2014, and began sales in Europe in June 2014.

With the aim of expanding a future product pipeline, the Company secured exclusive acquisition rights for Arterial Remodeling Technologies S.A., a French company developing bioresorbable stents, and has concluded an agreement to pursue joint development and a series of investments. Terumo is also investing in Emergent Medical Partners II L.P., a U.S. venture capital fund, in an effort to gain the latest technological expertise. The Company has transferred a development project to an incubator center, and has started initiatives for achieving rapid commercialization.

As a result of these and other activities, fiscal 2013 R&D expenses came to 30.1 billion yen, 6.4% of net sales.

Cardiac & Vascular Company

This company's R&D work consists of research and development on interventional systems and cv products, led by Terumo's R&D Headquarters and Terumo Cardiovascular Systems Corporation, and research and development on neurovascular products, led by MicroVention, Inc.

The Cardiac & Vascular Company's R&D expenses totaled 16.0 billion yen for the fiscal year.

General Hospital Company

Led by Terumo's R&D Headquarters, research and development work is performed on products such as infusion devices, infusion fluids, prefilled syringes, digital thermometers, and digital blood pressure monitors.

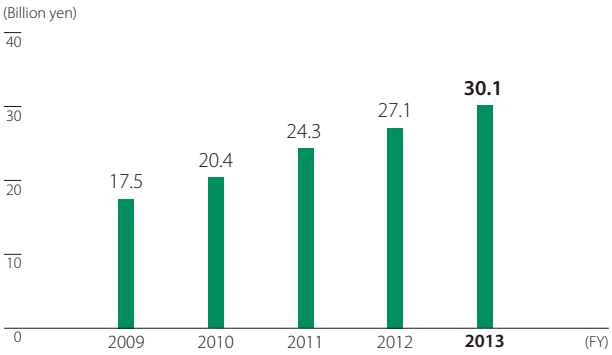
The General Hospital Company's R&D expenses totaled 6.6 billion yen for the fiscal year.

Blood Management Company

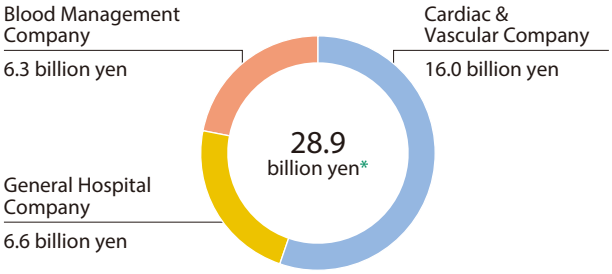
R&D work for this company consists of research and development performed primarily by Terumo's R&D Headquarters and Terumo BCT Holding Corporation on transfusion-related products.

The Blood Management Company's R&D expenses totaled 6.3 billion yen for the fiscal year.

R&D Expenses



R&D Expenses by Business Segment



* Total R&D expenses for fiscal 2013 include 1.2 billion yen for basic research that is being conducted at the R&D Headquarters and cannot be reasonably apportioned to the various companies.

Launch Statuses of Fiscal 2013 Pipeline Products

Field	Product	Region
Peripheral	Stent (Above the knee)	Japan
Neurovascular	Coil assist stent	China
	Flow diversion stent	Europe
	Occlusion balloon	Japan
Coronary	New PTCA balloon	Japan
	OFDI intravascular imaging system	Japan
	Slenderized introducer sheath for TRI	US
Ablation	Renal sympathetic denervation system (RSD)	Europe
	RSD for TRI technique	Europe
Blood Management	Automated blood component processing system (PRP method)	Europe
	Automated blood component processing system (BC method)	Europe
	Data management system (TACSI application)	Europe
	Therapeutic apheresis system (Bone marrow and stem cell application)	Japan
Infusion systems	Needless system	Japan
	Safety IV catheter	US, Asia
	Smart pump (infusion and syringe pump)	Europe

Business Risks

The following risk factors could negatively impact Terumo's operating results and financial position.

Changes in Government Healthcare Policies

In the healthcare industry, governments both in Japan and overseas continue to restrain healthcare costs and implement other reforms intended to raise the quality of healthcare. Large and unforeseen changes in government healthcare policy to which Terumo cannot respond could affect the Company's operating results and financial position.

Market Price Fluctuations

As part of its measures to restrain healthcare costs in Japan, the Japanese government enacts biennial revisions to government reimbursements for drugs, medical treatment, and medical equipment covered by the national health insurance scheme. In addition, intense competition and innovations in technology both in Japan and overseas could serve to greatly lower prices and adversely affect the Company's operating results and financial position.

Raw Material Price Fluctuations

Many of the raw materials Terumo uses for product manufacture are plastics and other materials derived from petrochemicals. A steep rise in the price of resources worldwide could increase the price of raw materials and adversely affect the Company's operating results and financial position.

Exchange Rate Fluctuations

Because Terumo's headquarters is located in Japan, all financial accounts of overseas subsidiaries are converted from local currencies into Japanese yen for the preparation of consolidated financial statements and other purposes. Exchange rate fluctuations therefore influence the conversion of those accounts into yen and result in either a gain or a loss for the Company.

We are coping with these fluctuations with structural methods, such as by transferring production to overseas factories and importing raw materials, along with the utilization of contracts to hedge against exchange rate volatility for trade receivables.

However, it is possible that unexpected exchange rate fluctuations could impact the Company's operating results and financial position.

Risks Associated with Overseas Operations

Terumo supplies products to more than 160 countries. It is possible that in the markets Terumo serves, recessions with a resulting contraction in demand, unanticipated political instability, or the sudden imposition of government regulations in those countries could impact the Company's operating results and financial position.

Quality Control

Terumo manufactures its products based on stringent quality control principles that are in accordance with good manufacturing practice (GMP) standards for pharmaceuticals and medical equipment and with the ISO quality management system standards.

However, it is conceivable that the quality of our products could be questioned if complications occur during the use of the products. In addition, even for cases where medical accidents clearly could not be a direct result of the Company's products, we are taking preventive measures and countermeasures to mitigate the possible occurrence of risks to our products in the future. Such occurrences could lead to a decrease in sales or rise in costs, which could affect the Company's operating results and financial position.

Legal Proceedings

Terumo faces the risk of being involved in lawsuits, disputes, and other types of legal proceedings both in Japan and overseas. The Company strives to minimize legal risks through such measures as continuous research efforts on the part of the Legal, Intellectual Property, and other departments and a system of internal checks. Reports on the risk management structure are provided to the Board of Directors and the Audit and Supervisory Board as needed. However, if the Company were sued by a third party for damages or an injunction against sales or any other major legal action were taken, it could affect the Company's operating results and financial position.

Other Risks

Other factors that could impact Terumo's operating results and financial position include changes in trade practices, terrorism, war, natural disasters, epidemics, and the worldwide spread of new strains of influenza.

Consolidated Balance Sheets

Terumo Corporation and its Consolidated Subsidiaries
Fiscal 2013 and Fiscal 2012

Assets	Million yen FY 2013 (March 31, 2014)	FY 2012 (March 31, 2013)
Current Assets:		
Cash and deposits	**¥ 95,619**	¥ 78,201
Notes and accounts receivable—trade	**101,520**	95,008
Less: allowance for doubtful accounts	**(1,394)**	(1,220)
Notes and accounts receivable—trade, net	**100,126**	93,788
Inventories	**93,966**	85,180
Deferred tax assets	**12,341**	11,258
Other current assets	**8,934**	18,528
Total current assets	**310,986**	286,955
Property, Plant and Equipment:		
Land	**21,758**	21,827
Buildings and structures	**148,177**	136,828
Machinery, equipment and vehicles	**209,614**	197,713
Lease assets	**1,590**	1,611
Construction in progress	**27,975**	17,794
Other equipment and furniture	**40,355**	38,504
	449,469	414,277
Less: accumulated depreciation	**(291,714)**	(269,452)
Net property, plant and equipment	**157,755**	144,825
Investments and Other Assets:		
Investment securities, including investment securities of unconsolidated subsidiaries and affiliates	**37,955**	30,305
Goodwill	**154,161**	149,322
Customer relationships	**93,969**	90,707
Deferred tax assets	**5,323**	5,154
Retirement benefit assets	**2,573**	—
Other assets	**70,092**	63,764
Total investments and other assets	**364,073**	339,252
Total assets	**¥ 832,814**	¥ 771,032

Liabilities and Net Assets	Million yen FY 2013 (March 31, 2014)	FY 2012 (March 31, 2013)
Current Liabilities:		
Short-term debt	**¥ 260**	¥ 18,046
Current portion of long-term debt	**4,652**	3,762
Current portion of bonds payable	**40,000**	—
Notes and accounts payable—trade	**38,148**	37,515
Lease obligations	**226**	277
Income taxes payable	**18,402**	2,609
Accrued expenses	**30,934**	25,802
Asset retirement obligations	**—**	420
Other current liabilities	**28,315**	27,413
Total current liabilities	**160,937**	115,844
Noncurrent Liabilities:		
Bonds payable	**40,000**	80,000
Long-term debt	**76,770**	78,712
Lease obligations	**299**	439
Provision for retirement benefits	**—**	1,248
Retirement benefit liabilities	**3,125**	—
Provision for directors' retirement benefits	**67**	199
Asset retirement obligations	**220**	156
Deferred tax liabilities	**47,796**	49,659
Other noncurrent liabilities	**7,355**	6,866
Total noncurrent liabilities	**175,632**	217,279
Total liabilities	**336,569**	333,123
Net Assets:		
Capital stock Authorized 840,000,000 shares in FY2013 and FY2012: issued 189,880,260 shares in FY2013 and FY2012:	**38,716**	38,716
Capital surplus	**52,104**	52,104
Retained earnings	**353,601**	329,189
Less: treasury stock, at cost	**(24)**	(9)
Total shareholders' equity	**444,397**	420,000
Valuation difference on available-for-sale securities	**11,270**	7,458
Deferred gains or losses on hedges	**(2)**	—
Foreign currency translation adjustments	**43,377**	10,099
Accumulated adjustments for retirement benefit	**(2,817)**	—
Total accumulated other comprehensive income	**51,828**	17,557
Stock subscription rights	**20**	—
Minority interests	**—**	352
Total net assets	**496,245**	437,909
Total Liabilities and Net Assets	**¥ 832,814**	¥ 771,032

Consolidated Statements of Income

Terumo Corporation and its Consolidated Subsidiaries
Fiscal 2013 and Fiscal 2012

	Million yen	
	FY 2013 (Ended March 31, 2014)	FY 2012 (Ended March 31, 2013)
Net sales	**¥467,360**	¥402,294
Cost of sales	**225,348**	196,606
Gross profit	**242,012**	205,688
Selling, General and Administrative Expenses	**176,723**	152,472
Operating income	**65,289**	53,216
Other Income (Expenses):		
Interest and dividends income	**799**	592
Royalty income	**117**	124
Foreign exchange gains	**3,250**	1,258
Equity in earnings of affiliates	**133**	177
Gain on sales of property, plant and equipment	**743**	78
Gain on transfer of businesses	**667**	892
Settlement income	**6,000**	—
Subsidy income	**—**	876
Interest expense	**(1,543)**	(1,304)
Loss on disposal of inventories	**(837)**	(678)
Loss on disposal of property, plant and equipment	**(995)**	(543)
Impairment loss	**(15,351)**	—
Directors' retirement benefits	**(33)**	—
Loss on liquidation of businesses	**(740)**	—
Loss on information system failure	**(1,186)**	—
Loss on valuation of golf club memberships	**—**	(3)
Environmental expenses	**—**	(391)
Other, net	**(3,405)**	(2,009)
	(12,381)	(931)
Income before income taxes and minority interests	**52,908**	52,285
Income Taxes:		
Current	**26,637**	7,179
Deferred	**(7,856)**	(1,961)
	18,781	5,218
Income before minority interests	**34,127**	47,067
Minority interests in income	**31**	53
Net income	**¥ 34,096**	¥ 47,014

	Yen	
Net Income per Common Stock:		
Basic	**¥ 89.78**	¥ 123.80
Diluted	**¥ 89.78**	—

Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.
Net Income per Common Stock has been adjusted retrospectively to reflect the effect of the stock split.

Cash Dividends per Common Stock	**58.00**	44.00

Consolidated Statement of Comprehensive Income

Terumo Corporation and its Consolidated Subsidiaries
Fiscal 2013 and Fiscal 2012

	Million yen	
	FY 2013 (March 31, 2014)	FY 2012 (March 31, 2013)
Income before Minority Interests	**¥ 34,127**	¥ 47,067
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	**3,811**	7,510
Deferred gains or losses on hedges	**(2)**	(2)
Foreign currency translation adjustments	**33,234**	39,157
Share of other comprehensive income of associates accounted for using equity method	**(3)**	3
Total other comprehensive income	**37,040**	46,668
Comprehensive Income	**¥ 71,167**	¥ 93,735
Attributable to:		
Shareholders of Terumo Corporation	**¥ 71,180**	¥ 93,648
Minority interests	**(13)**	87

Consolidated Statements of Changes in Net Assets

Terumo Corporation and its Consolidated Subsidiaries
Fiscal 2013 and Fiscal 2012

	Thousands	Million yen										
		Shareholders' equity				Accumulated other comprehensive income						
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Stock subscription rights	Minority interests	Total
Balance at March 31, 2012	189,879	¥ 38,716	¥ 52,104	¥ 290,529	¥ (4)	¥ (52)	¥ 2	¥ (29,023)	—	—	¥ 265	¥ 352,537
Dividends from surplus				(8,354)								(8,354)
Net income				47,014								47,014
Purchase of treasury stock	(1)				(5)							(5)
Net changes of items other than shareholders' equity						7,510	(2)	39,122			87	46,717
Balance at March 31, 2013	189,878	38,716	52,104	329,189	(9)	7,458	—	10,099	—	—	352	437,909
Dividends from surplus				**(9,684)**								**(9,684)**
Net income				**34,096**								**34,096**
Purchase of treasury stock	**(3)**				**(15)**							**(15)**
Net changes of items other than shareholders' equity						**3,812**	**(2)**	**33,278**	**(2,817)**	**20**	**(352)**	**33,939**
Balance at March 31, 2014	**189,875**	**¥ 38,716**	**¥ 52,104**	**¥ 353,601**	**¥ (24)**	**¥ 11,270**	**¥ (2)**	**¥ 43,377**	**¥ (2,817)**	**¥ 20**	**—**	**¥ 496,245**

Consolidated Statements of Cash Flows

Terumo Corporation and its Consolidated Subsidiaries
Fiscal 2013 and Fiscal 2012

	Million yen	
	FY 2013 (Ended March 31, 2014)	FY 2012 (Ended March 31, 2013)
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	**¥ 52,908**	¥ 52,285
Depreciation and amortization	**30,322**	24,603
Impairment loss	**15,351**	—
Amortization of goodwill	**9,559**	7,952
Equity in earnings of affiliates	**(133)**	(177)
Increase (decrease) in provision for retirement benefits	**(1,248)**	(535)
Decrease (increase) in retirement benefit assets	**(1,900)**	—
Increase (decrease) in retirement benefit liabilities	**1,506**	—
Increase (decrease) in provision for directors' retirement benefits	**(132)**	(3)
Increase (decrease) in allowance for doubtful accounts	**73**	(96)
Increase (decrease) in provision for directors' bonuses	**1**	(18)
Interest and dividends income	**(799)**	(592)
Interest expense	**1,543**	1,304
Foreign exchange gains	**(3,211)**	(2,977)
Gain on transfer of businesses	**(667)**	(892)
Settlement income	**(6,000)**	—
Gain on sales of property, plant and equipment	**(743)**	(78)
Loss on disposal of property, plant and equipment	**995**	543
Payment of cash contributions to retirement benefit trust	**(3,600)**	—
Directors' retirement benefits	**33**	—
Loss on liquidation of businesses	**740**	—
Loss on information system failure	**1,186**	—
Loss on valuation of golf club memberships	**—**	3
Subsidy income	**—**	(876)
Environmental expenses	**—**	391
Decrease (increase) in notes and accounts receivable—trade	**(507)**	986
Decrease (increase) in inventories	**(3,619)**	(10,590)
Increase (decrease) in notes and accounts payable—trade	**(1,096)**	3,925
Other, net	**4,850**	(79)
Subtotal	**95,412**	75,079
Interest and dividends income received	**1,020**	842
Interest expenses paid	**(1,522)**	(1,330)
Income taxes paid	**(2,876)**	(24,322)
Settlement received	**6,000**	—
Payments for directors' retirement benefits	**(33)**	—
Payments for information system failure	**(943)**	—
Payments for environmental expenses	**(798)**	—
Subsidy received	**—**	1
Net cash provided by operating activities	**96,260**	50,270
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	**(767)**	(561)
Proceeds from withdrawal of time deposits	**1,183**	2,803
Purchase of property, plant and equipment	**(39,933)**	(25,715)
Proceeds from sales of property, plant and equipment	**953**	322
Purchase of intangible assets	**(4,961)**	(6,759)
Payments for settlement of asset retirement obligations	**(420)**	(420)
Purchase of investment securities	**(1,824)**	(1,074)
Payments for acquisition of businesses	**(1,828)**	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(374)**	(956)
Purchase of stock of subsidiaries	**(1,519)**	—
Proceeds from transfer of businesses	**1,815**	1,373
Other, net	**(5,070)**	(307)
Net cash used in investing activities	**(52,745)**	(31,294)
Net Cash Provided by (Used in) Financing Activities		
Proceeds from short-term debt	**253**	1,264
Repayments of short-term debt	**(49)**	(1,279)
Repayments of long-term debt	**(4,007)**	—
Net increase (decrease) in short-term debt	**(18,000)**	(42,000)
Proceeds from long-term debt	**—**	28,613
Repayments of finance lease obligations	**(284)**	(579)
Purchase of treasury stock	**(15)**	(5)
Cash dividends paid	**(9,684)**	(8,354)
Net cash used in financing activities	**(31,786)**	(22,340)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**5,603**	4,736
Net Increase in Cash and Cash Equivalents	**17,332**	1,372
Cash and Cash Equivalents at Beginning of the Year	**75,166**	73,794
Cash and Cash Equivalents at End of the Year	**¥ 92,498**	¥ 75,166

Corporate Governance

Corporate Governance Policy

Basic Stance

In accordance with its corporate mission of “Contributing to Society through Healthcare,” Terumo Corporation responds to the expectations of customers, shareholders, associates*, business partners, communities at large, and other stakeholders worldwide by providing valuable products and services, to achieve sustainable growth and maximize corporate value over the long term.

Terumo has set forth its corporate mission and Five Statements on open management, enhanced value, safety and reliability, respect for our associates, and corporate citizenship. These statements govern the actions and decisions made by all Terumo associates.

Backed by its corporate mission and the Five Statements, Terumo promotes the creation of frameworks for honest and effective corporate governance. Together with a commitment to full accountability for its actions, Terumo strives to continuously earn the understanding and trust of those within and outside of the Company.

Terumo believes that a corporate culture to create “a highly motivating and challenging workplace with open and candid communication, with forward looking spirit,” is essential to effective corporate governance, and strives diligently to foster a culture of this kind.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

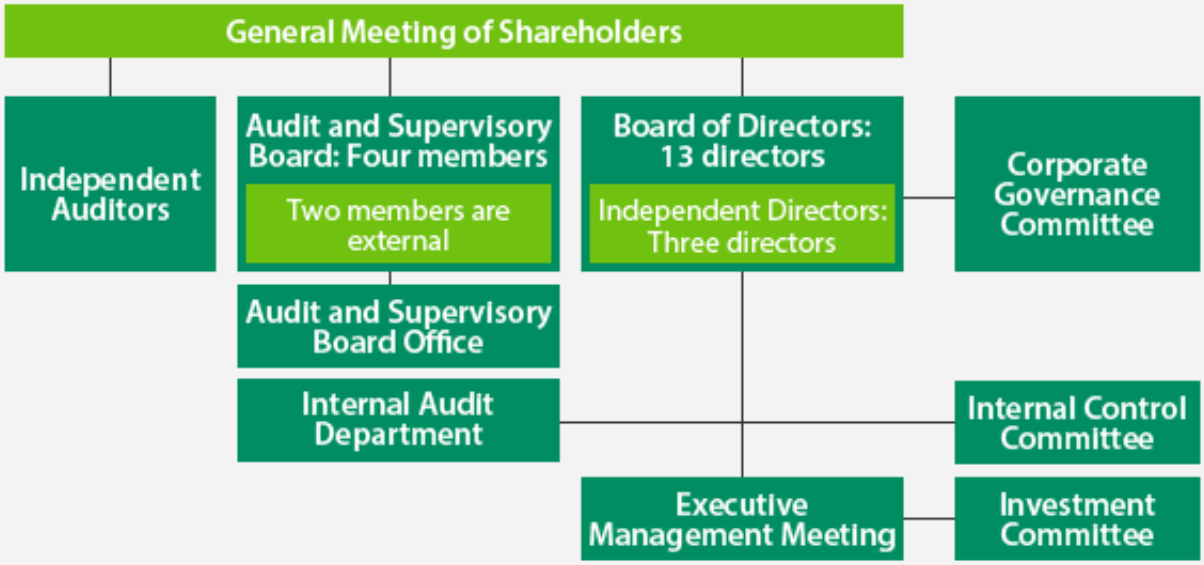
Corporate Governance Structure

Governance at Terumo is based on a “Company with a Board of Company Auditors” system (as defined in Japan's Companies Act) , in which business activities are supervised by the Board of Directors, and the Audit and Supervisory Board is entrusted with the auditing functions.

We have established the Corporate Governance Committee and Internal Control Committee to enhance objectivity and transparency in management decision-making, and strengthen oversight of business activities. Dedicated staff are assigned to support the audit function and strengthen governance in other ways as well. We believe that through these and other steps we can continuously increase our corporate value and maintain a highly transparent governance system for our operations.

Based on the corporate governance policy established by our Board of Directors, the board may have up to 15 directors, 20% or more of whom may be independent directors, and the Audit and Supervisory Board may have up to five members, at least half of whom must be external members. Independent directors and external Audit and Supervisory Board members must meet the Tokyo Stock Exchange's requirements concerning independent directors and external auditors. “Independent Director/Auditor Notifications of the appointment” have been submitted to the Tokyo Stock Exchange for all independent directors and external members of Audit and Supervisory Board, except one for whom a notification has not been submitted, in accordance with the rules of the firm he serves.

Corporate Governance Structure



Board of Directors

The Board of Directors presently consists of 13 members, three of whom are independent directors. Two directors (one internal and one independent) are women, and one (internal) is from outside Japan (elected at the 99th Annual General Meeting of Shareholders convened on June 24, 2014). In addition to the legally prescribed bodies detailed above, the Company has established the bodies described below with a view to further enhancing corporate governance.

Directors and Board of Directors

(1) Role of the Board of Directors

Decides matters as authorized by relevant laws and regulations, the Articles of Incorporation, and its own internal rules.
Monitors the performance of duties by the individual directors and executive officers.
Strives for optimal management decision-making with a view to maximizing corporate value.
Fulfills corporate governance functions.

(2) Composition of the Board of Directors

Consists of up to 15 directors, 20 % or more of whom may be independent directors.
Independent directors must satisfy the criteria to serve as independent directors/auditors as defined by the Tokyo Stock Exchange.
The Board of Directors is chaired by the Chairman and Representative Director of Terumo.

(3) Term of Office for Directors

The term of office for directors is one year, with reappointment possible.

Corporate Governance Committee and Internal Control Committee

The Company has also established the Corporate Governance Committee and Internal Control Committee as bodies that serve to enhance the transparency and objectivity of management.

Over half of the members of the Corporate Governance Committee are independent directors, and an independent director chairs the committee. The Corporate Governance Committee is an advisory body that deliberates and advises on the selection of candidates for directors, Audit and Supervisory Board members and executive officers, and on remuneration systems for them, Audit and Supervisory Board members, and executive officers. The Internal Control Committee works to enhance corporate governance by promoting risk management and compliance with regard to management, and administering the timely and appropriate disclosure of corporate information.

Corporate Governance Committee

(1) Role

Deliberates and advises on the following matters in order to heighten the fairness of the Board of Directors and management transparency.

- Corporate governance structure enhancement
- Selection of candidates for the positions of director, audit and supervisory board members and executive officer
- Establishment of remuneration systems for directors, audit and supervisory board members and executive officers

(2) Composition

Comprised of a maximum of six members drawn from independent directors, representative directors, and other individuals named by the committee chair. More than half of the membership must be independent directors who satisfy the criteria for serving as an independent directors/auditors as defined by the Tokyo Stock Exchange.

(3) Committee Chair

The chair of the Corporate Governance Committee is selected from among the independent directors by mutual vote of the committee members.

Internal Control Committee

(1) Role

Promotes risk management and compliance with respect to management, and administers the legally mandated and timely disclosure of corporate information.

(2) Composition

Comprised of directors appointed by the committee chair, general managers of relevant divisions, as well as the heads of specialized groups, the Internal Audit Department and the Internal Control Department. Audit and supervisory board members attend Internal Control Committee meetings.

(3) Committee Chair

The Internal Control Committee is chaired by the President and Representative Director of the Company.

Audit and Supervisory Board

The Audit and Supervisory Board is comprised of four members, two of whom are external members. It determines what governance practices should be in place, and what practices are in place, and works to ensure propriety in daily management activities, including Board of Directors functions. Audit and Supervisory Board members monitor the performance of duties by directors by, for example, attending Board of Directors, Executive Management and other important meetings, where they may state their fair and impartial opinions on management generally and on particular matters. To enhance the audit function, the Audit and Supervisory Board Office has been established, and is staffed with full-time personnel, as a support organization for the Audit and Supervisory Board members.

The Audit and Supervisory Board members hold monthly report meetings with the Internal Audit Department to receive reports on internal audits and financial reporting internal controls, and to undertake other activities aimed at ensuring a strong relationship with the Internal Audit Department. The Audit and Supervisory Board members also attend Internal Control Committee meetings and receive regular reports on the establishment, implementation, and evaluation of internal controls.

Regarding their cooperation with the independent auditors, the Audit and Supervisory Board members meet approximately six times annually with the independent auditors, actively sharing views and information, and receive reports on ongoing audits as needed. The Audit and Supervisory Board members also perform other activities, such as receiving reports as needed on financial reporting internal controls, to ensure that systems enabling the performance of fair audits are in place.

Audit and Supervisory Board Members and the Audit and Supervisory Board

(1) Role of the Audit and Supervisory Board Members and Audit and Supervisory Board

Audit and supervisory board members attend meetings of the Board of Directors and other important meetings, audit the execution of duties by the directors, and offer pointed input regarding management as required.
The Audit and Supervisory Board is responsible for the following:

- Preparation of audit reports
- Election and dismissal of full-time audit and supervisory board member
- Determining audit policies, methods for assessing the status of the Company's operations and financial assets, and other matters pertaining to the duties performed by the audit and supervisory board members

(2) Composition

Consists of up to five audit and supervisory board members, more than half of whom must be external audit and supervisory board members.
External audit and supervisory board members must meet the terms stipulated by Japan's Companies Act and satisfy the criteria to serve as independent directors/auditors as defined by the Tokyo Stock Exchange.
The chair of the Audit and Supervisory Board is elected by resolution from among the audit and supervisory board members.

(3) Term of office

The term of office for audit and supervisory board members is four years, with reappointment possible.

Internal Controls

In accordance with Japan's Companies Act, Terumo Corporation's Board of Directors has approved the Internal Control System Basic Policies, which are given below. The Internal Control Committee takes the lead in promoting the establishment of an internal control system within the Terumo Group.

Internal Control System Basic Policies

(1) Systems for Ensuring the Execution of Duties by Directors and Employees is Consistent with Relevant Laws and Ordinances and the Articles of Incorporation

① Steps are taken to ensure thorough compliance with the Code of Conduct of the Terumo Group, and confirm that every director and employee of the group understands the Code of Conduct of the Terumo Group. In addition, education and enlightenment activities are conducted on an ongoing basis to foster a sense of ethics and enhance compliance awareness among employees.
② The Internal Control Committee deliberates compliance and other important matters, and reports results on a regular basis to the Board of Directors.
③ The Internal Audit Department audits the group's status with regard to compliance, and regularly reports results to the representative directors and Audit and Supervisory Board.
④ Use of the internal whistle-blowing system is promoted to uncover activities that are legally questionable.

(2) Systems for Retaining and Managing Information on the Performance of Duties by Directors

① In accordance with the documentation management standards, information on the performance of duties by directors is recorded on paper or in an electronic form (both referred to as “documentation” below) and retained.
② A system is maintained that allows directors and audit and supervisory board members to view

these documents at any time.

(3) Rules and other Systematic Approaches for the Management of Risk

① Regarding individual quality, compliance, disaster, environmental, information security, and other types of individual risks, expert units for each risk category educate and guide employees on an ongoing basis in accordance with relevant rules and provisions

② The Internal Control Committee deliberates important risk management matters, and works with expert units and the compliance officers of group companies to establish a risk management system that spans the breadth of, and is optimal for, the Terumo Group. The Internal Control Department works to advance this system.

(4) Systems for Ensuring Efficiency in the Performance of Duties by Directors

The Executive Management Committee, Company Committee, Market and Product Strategy Committee, and other committees (all consisting of directors, executive officers, and others as members) make decisions toward the achievement of medium-term management and annual plans approved by the Board of Directors to enhance the Terumo Group's corporate value and promote the shareholders' common interest. To promote efficiency and speed, expert committees provide support, guidance, and oversight to the business units.

(5) Systems for Ensuring Proper Operations in the Corporate Group Consisting of the Company, its Parent Company, and Subsidiaries

① Regarding the Terumo Group, the Internal Control Committee, working in close cooperation with the heads of Terumo Corporation units and the compliance officers of group companies, reinforce systems for the swift and efficient communication of instructions and reports relating to the propriety of the group's operations. The Internal Control Department works to advance these actions taken by the Internal Control Committee.

② The Internal Audit Department conducts internal audits of the group and regularly reports results to the representative directors and the Audit and Supervisory Board.

(6) Matters related to Employees Who are Assigned to Assist Audit and Supervisory Board Members in the Performance of Their Duties and the Independence of Assigned Employees from Directors

The Audit and Supervisory Board Office, with its dedicated staff, supports the performance of audit work of audit and supervisory board members. Evaluations and transfers of the staff require the consent of the Audit and Supervisory Board.

(7) System for Reporting to Audit and Supervisory Board Members by Directors and Employees and Other Systems for Reporting to Audit and Supervisory Board Members

① Directors and employees may submit reports to audit and supervisory board members when necessary, based on legal provisions and the separately provided Internal Rules Governing the Reporting of Matters by Directors and Employees to Audit and Supervisory Board Members.

② When deemed necessary by an audit and supervisory board member, the audit and supervisory board member may receive reports as needed from directors or employees.

(8)

Other Systems for Ensuring that Auditing by Audit and Supervisory Board Members is Conducted Effectively

① The Audit and Supervisory Board and the representative directors regularly hold meetings to share opinions

② Audit and supervisory board members may attend Executive Management and other important meetings.

③ The Audit and Supervisory Board holds monthly meetings with the Internal Audit Department, meets regularly with the independent auditor, and will meet with the Internal Audit Department and the independent auditor at other times when necessary.

Executive Compensation

Compensation for directors other than the independent directors consists of a fixed portion, bonus, and stock options. Compensation for independent directors and Audit and Supervisory Board members consists of only a fixed amount. The process for determining compensation is described in the table below.

Compensation for directors and Audit and Supervisory Board members, and related matters, are disclosed within asset securities reports and business reports posted on Terumo Corporation's website.

Process for Determining Compensation for Directors and Audit and Supervisory Board Members

Category	Determination Process
Fixed Compensation	Within the compensation limit approved at the 66th Annual General Meeting of Shareholders, director compensation is decided by resolution of the Board of Directors, and Audit and Supervisory Board member compensation is decided in an Audit and Supervisory Board meeting.
Bonus	In light of factors such as each year's business results and business environment, bonus amounts are proposed in the Annual General Meeting of Shareholders and then submitted to the Board of Directors for approval.
Stock Options	Decisions on stock options are made by Board of Directors resolutions, within the compensation limit mentioned above.

Standards for payments of fixed compensation, (excluding Audit and Supervisory Board members) , bonus, and stock options are considered by the Corporate Governance Committee in light of information including that which is provided by an outside research organization on comparable standards used at other companies.

Timely Disclosure of Information

Terumo aims to be a company that is trusted throughout society. Emphasizing transparency, fairness, and continuity, we make information disclosures to shareholders, other investors, customers and other stakeholders as required by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange's timely disclosure rules. We also engage in timely and proactive disclosures of information that we believe to be effective in enhancing understanding of our company.

System for Timely Disclosures

In line with our Corporate Governance Policy, we have established the Disclosure Subcommittee to determine how proposed disclosures should be handled. Positioned under the Internal Control Committee, the Disclosure Committee makes its decisions based on considerations of necessity, disclosure timing, and matters of legality and propriety concerning the documentation proposed for disclosure.

Disclosure Subcommittee

(1) Subcommittee Structure

The Disclosure Subcommittee is composed of the heads of the Public Relations, Corporate Planning, Secretarial, and Internal Control departments. The head of the Public Relations Department chairs the subcommittee and convenes meetings, as necessary. If the chair determines it is necessary to do so, people who are not subcommittee members may also be asked to attend.
The Public Relations Department acts as the administrative section of the subcommittee, performing disclosure procedures, and taking and archiving meeting minutes.

(2) Subcommittee Role and Disclosure Procedures

When the heads of units and those responsible for the management of subsidiaries (together referred to as “responsible managers” below) have information that has resulted from business activities and could become subject to disclosure as an agenda item for the Board of Directors, Executive Management meeting, or Internal Control Committee (together referred to as “committee scheduled to meet” below) , that information is submitted to the Disclosure Subcommittee.
The Disclosure Subcommittee then considers the necessity, disclosure timing, and matters of legality and propriety concerning the information proposed for disclosure, and then instructs the responsible managers and the subcommittee's administrative section on the necessary action.
The committee scheduled to meet then deliberates the agenda and renders a final decision on disclosure.

Compliance

Compliance System

Terumo's corporate mission, “Contributing to Society through Healthcare,” is the goal not only of the company but of all associates who work for Terumo. We will continue to conduct honest and fair business practices based on strict legal compliance and corporate ethics in order to maintain our position as an ethical healthcare company.

To promote these honest and fair business practices, Terumo's Board of Directors approved a “Basic Policy on Internal Control Systems.” In accordance with this basic policy, we established the “Internal Control Committee” which deliberates and executes important group-wide compliance issues. In addition, based on the directions of the Internal Control Committee, each group company has appointed a “Compliance Officer” whose role is to facilitate and carry out compliance activities at each company. Through these activities, the Internal Control Committee receives and discusses important information to enhance group-wide compliance activities.

Compliance with the Code of Conduct of the Terumo Group

To go further toward meeting social expectations, we established the “Code of Conduct of the Terumo Group” in April 2008 to set standards for the conduct of daily business activities for the entire group, including overseas entities. In accordance with this code, we are striving throughout the Terumo Group to base our actions on social ethics, as well as on compliance with relevant laws and regulations.

The Code of Conduct of the Terumo Group, which is based on Terumo's corporate mission and “Heart of Terumo,” states that “each associate must conduct business activities honestly, take responsible actions for environmental conservation and make consistent efforts to enable the company to become a model and reliable corporate citizen.” We carry out training on the Code of Conduct tailored to each site and encourage associates to recognize the importance of corporate ethics. As a global company, we also clearly state and promote the need to respect human rights and eliminate discrimination in our Code of Conduct.

Appropriate Relationships with Public Officials

All Terumo associates observe the “Code of Conduct of the Terumo Group” and the “Terumo Group Global Anti-bribery Policy” (established in May 2013) in all dealings with public institutions, related officials and the employees of public medical institutions. These codes aim to ensure that all business is conducted in a fair, transparent, sound and honest manner. Full compliance is expected under Japan's Unfair Competition Prevention Act, the US Foreign Corrupt Practices Act, and other anti-bribery laws within the countries and regions where Terumo Group operates.

Combatting Anti-Social Forces

Avoiding relationships with anti-social forces is one of Terumo's corporate responsibilities. We, therefore, strictly refuse to become involved in any relationship with anti-social forces and engage in no transactions with companies, other organizations, or individuals with ties to anti-social forces.

Furthermore, we work with law enforcement authorities and other agencies to combat anti-social forces.

Status of Efforts to Combat Anti-Social Forces

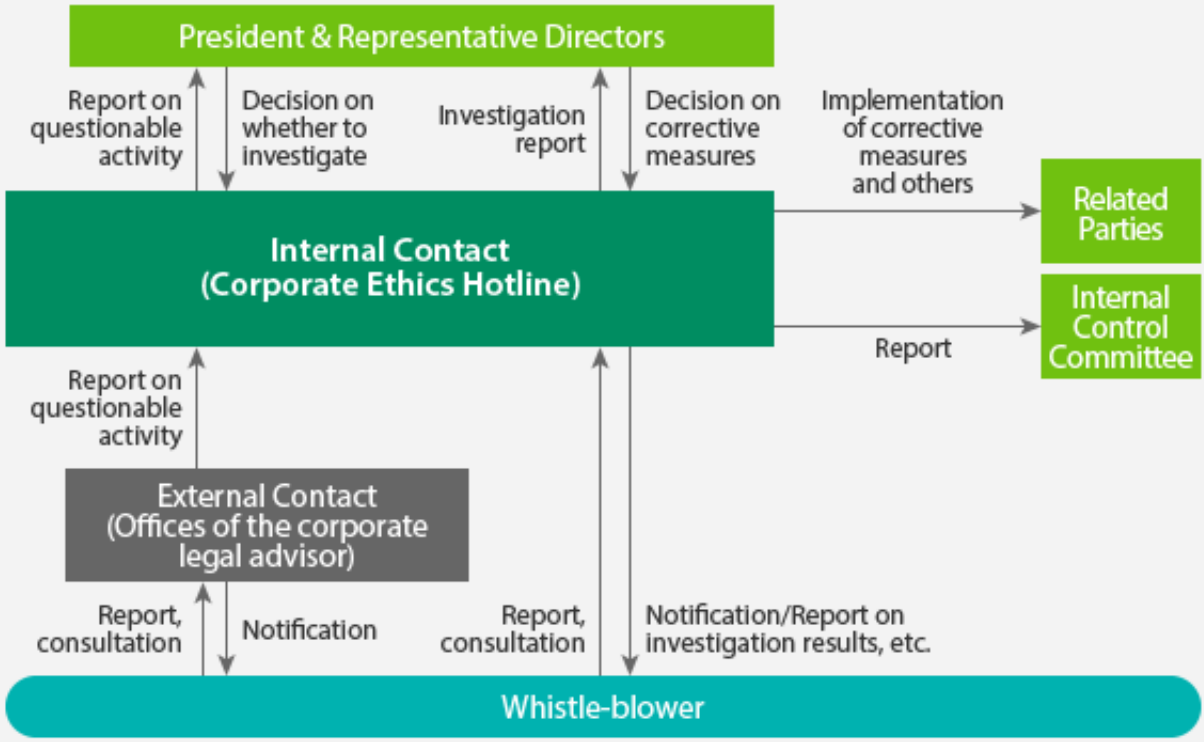
- The General Affairs Department coordinates responses to inappropriate demands by anti-social forces, and the prevention of such inappropriate demands has been made the specific responsibility of a designated associate within the General Affairs Department.
- We have established a system for cooperating with law enforcement authorities, Tokubouren (NPO assisting companies in combatting corporate blackmailers), legal advisers, and others, and acting on their advice and guidance.
- We have established a system for properly receiving information on anti-social forces from Tokubouren and other sources, and centrally managing it in the General Affairs Department.
- We have prepared the Manual for Combatting Anti-Social Forces and are promoting thorough understanding of its contents among everyone working at Terumo.
- We provide executives and associates with relevant information in a timely manner, conduct training, and take ther steps, as well, to promote awareness of the importance of combatting anti-social forces.

Corporate Ethics Hotline

We established a “Corporate Ethics Hotline” as an internal whistle-blowing system in 2003.

The Corporate Ethics Hotline enables all associates to report or consult on matters or situations they believe are inappropriate in light of the Code of Conduct of the Terumo Group. The system enables associates regardless of their employment status to contact this hotline by phone, e-mail or written letter on an anonymous basis. At the same time, we maintain an outside point of contact at the office of our corporate attorney. In these and other ways, whistle-blowers are assured their privacy and protection against retaliation as we promote the hotline's usage and address reported issues.

How the Corporate Ethics Hotline Works



Abiding by Industry Rules

Terumo abides by the Code of Practice, Promotion Code, Fair Competition Code, and other industry-based rules to ensure that it follows appropriate promotion practices for medical devices and pharmaceuticals. To further our efforts to fulfill our social responsibilities and engage in ethical business activities, we have also established the Terumo Code of Practice. Compliance with these industry and internal rules will remain a top priority going forward.

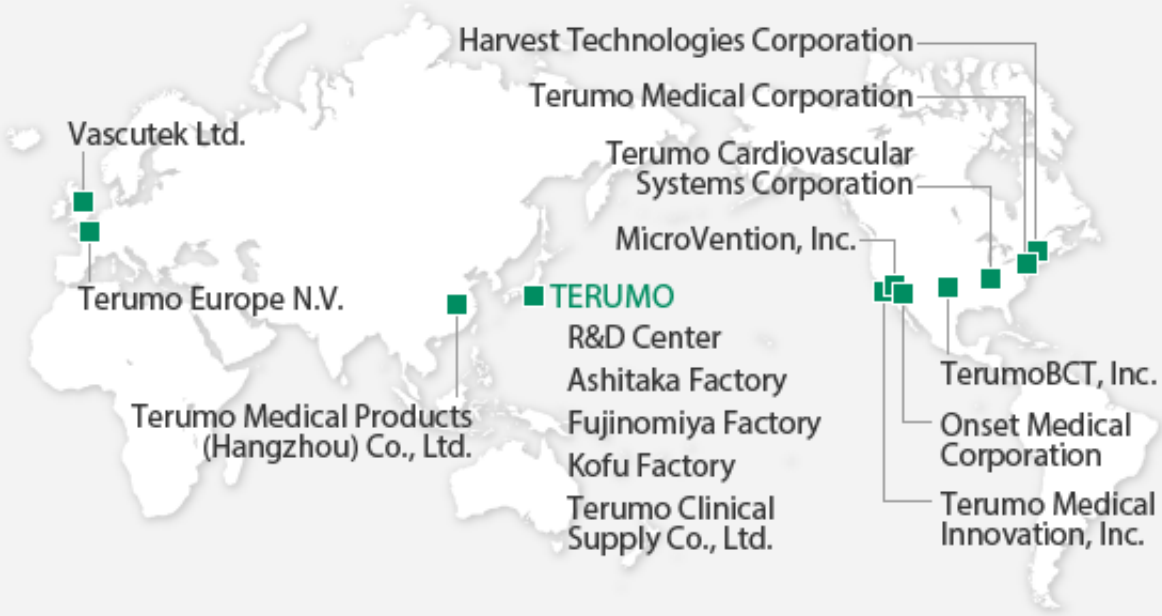
Intellectual Property

Global R&D System

At present, the global medical device market is undergoing seismic shifts. As the aging of Japan's society continues, the industrialization of healthcare and nursing care has led to a flood of new entrants from different business sectors. On the other hand, emerging countries are seeing rapid growth in their medical device markets as development of healthcare infrastructure progresses in step with economic advancement. Moreover, Western countries are demanding medical device products and systems offering even higher medical cost efficiency given that curtailment of medical expenses is a key priority.

As the market landscape becomes increasingly complex in these ways, Terumo is working to develop and introduce new products according to regional market needs, with the aim of growing into an enterprise with a strong presence on the global stage.

The Terumo Group's R&D Bases



Boosting Development with M&A

Since 2000, Terumo has been actively acquiring companies and technologies, and establishing subsidiaries, on a worldwide basis. Obtaining technologies, strengthening product lines, and capturing market share have been important objectives in undertaking these activities. Another key interest, however, has been the creation of synergies combining the fundamental technologies that have long been our strength, with those of other companies, to give rise to new value through technological innovation.

In the fiscal year ended March 31, 2012, for example, we acquired U.S.-based Harvest Technologies Corporation, a company with outstanding technological capabilities in cutting-edge medicine, most notably devices for harvesting various cells used to stimulate surgical wound healing and used in cellular therapy.

And in January 2012, we acquired technology from U.S.-based Onset Medical Corporation. Adding its unique large internal diameter sheaths to our own product line has solidified Terumo's leading position in the area of vascular access management.

Enhancing Development Capabilities through M&A

FY1999	Cardiac & Vascular •Acquired the cardiovascular business of US-based 3M Company
FY2002	Cardiac & Vascular •Acquired Vascutek Ltd., a UK-based maker of vascular and cardiovascular prosthetics
FY2005	Cardiac & Vascular •Acquired MicroVention, Inc., a US-based maker of neuro-interventional products
FY2008	Cardiac & Vascular •Acquired Clinical Supply Co., Ltd., a Japan-based maker of products used in the radiology field
FY2011	Blood Management •Acquired CardianBCT Holding Corp., a US-based maker of blood component collection systems Cardiac & Vascular •Acquired Harvest Technologies Corporation, a US-based developer of point-of-care cell therapies •Acquired Onset Medical Corporation, a US-based maker of large internal diameter sheaths
FY2012	Cardiac & Vascular •Formed strategic alliance with AngioCare Medical Technology Co., Ltd., a China-based developer of renal denervation technology
FY2013	Cardiac & Vascular •Acquired an exclusive acquisition right in France-based Arterial Remodeling Technologies S.A., a developer of bioresorbable stent technology •Invested in Emergent Medical Partners II L.P., a US-based investment fund, to gain access to new medical technologies

To realize synergies with these overseas subsidiaries, Terumo in recent years has actively assigned engineers from Japan to foreign subsidiaries to encourage co-development with local engineers.


PTA balloon catheter

Moreover, in order to respond to the healthcare regulations in each country, Group companies collaborate with one another and some of the headquarters functions of Terumo business divisions which have been placed overseas. By these means, Terumo has created a structure that enables faster global promotion of new products.

We have also been collaborating actively with other companies. In April 2013, for instance, we signed an agreement with Kaneka Corporation, to expand our peripheral-interventional business through the co-development of PTA (Percutaneous Transluminal Angioplasty) balloon catheters for use in treating peripheral (lower extremity) artery disease. In March 2014, we entered into an agreement with Arterial Remodeling Technologies S.A. (ART) of France to acquire an exclusive acquisition right in that company, which is developing a bioresorbable stent technology. Under the agreement, we will also pursue joint development of a drug-eluting bioresorbable stent and make staged investments in ART.

By actively collaborating with other companies, while we invest in our own development activities, we are expanding the markets we serve beyond our existing fields of business.

New R&D System Based on Globalized Business-led Management

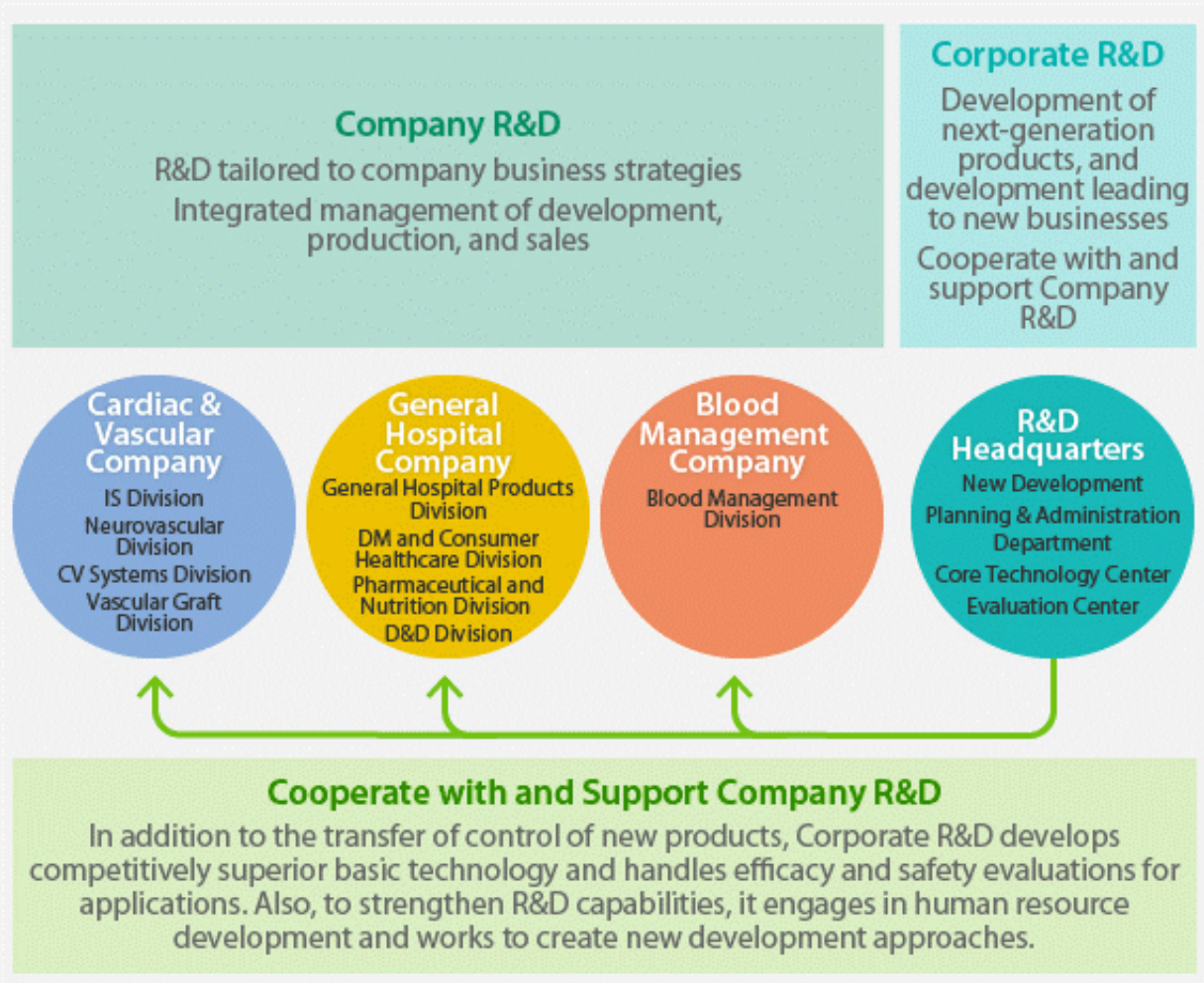
Anticipating our impending shift to a company-led global management approach in April 2014, we reorganized our R&D into two groups in July 2013.

One is Company R&D. This group is in charge of developing product pipelines that are consistent with the business strategies of the nine businesses responsible for the integrated management of everything from product development and production, to sales in their particular areas, based on the management strategies of the three companies.

The other group, Corporate R&D, is led by R&D Headquarters. Corporate R&D pursues R&D aimed

at coming up with next-generation products for existing businesses and creating new businesses for existing companies. It also performs functions for further developing Terumo's competitively superior basic technology and performs the evaluation functions for acquiring efficacy and safety data required for submitting regulatory applications. To strengthen Terumo's overall R&D capabilities, Corporate R&D engages in human resource development and works to create new development approaches.

New R&D System Based on Globalized Business-led Management



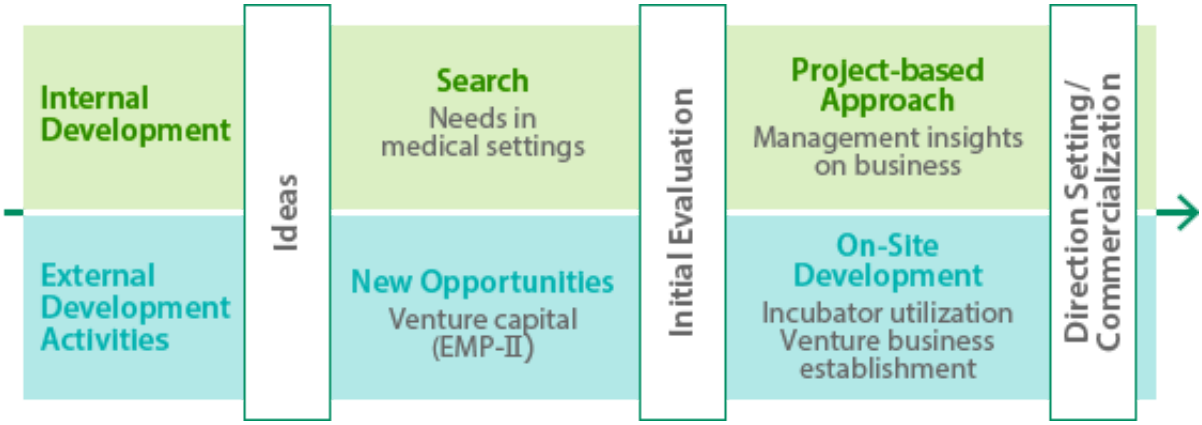
TOPICS

R&D Headquarters—Giving Rise to Innovation

Corporate R&D's mission is to create new value. Accurately assessing needs in medical settings, it advances new development activities focused on early commercialization. It has created a development system spanning everything from early stage development to commercialization along two axes—internal development and external development activities—and conducts broad searches in its efforts to create future product portfolios.

In internal development, it advances new search activities in specified fields and, by employing project teams with members including not only engineers but also associates from a broad range of functions, and outside experts, strives for speedy commercialization with a clear target.

Processes for New Development



External development activities take place on a global basis. Silicon Valley is a prime example. In October 2013, we committed to invest in Emergent Medical Partners II (EMP-II), a venture capital fund managed by Dr. Thomas Fogarty, a prominent cardiac surgeon and inventor. A key aim of this investment is to gain early access to technologies being developed by highly promising venture businesses. At the same time, we established Terumo Medical Innovation, Inc. and transferred it to the Fogarty Institute for Innovation, an incubator operated by Dr. Fogarty.

In in-house development, we aim to achieve clearly defined product objectives and speedy commercialization by pursuing discovery in defined areas and needs search in medical settings with project teams composed of not only engineers but also associates and outside experts across a wide range of functional axes.

Emergent Medical Partners (EMP-II) offices in Silicon Valley

Dr. Thomas J. Fogarty (right) and FII CEO Ms. Ann Fyfe

Upgrading, Improving, and Sharing Fundamental Technologies

Technologies that increase biocompatibility are one example of an essential technology commonly required for the development and manufacture of medical devices of all kinds. As such, biocompatibility technologies are improved on a daily basis and shared throughout the Terumo Group. Medical devices are used for diagnostic and treatment purposes by accessing the patient's body in many different ways. Some medical devices make contact with the surface of the patient's body, while others are inserted within the body or implanted in the body for extended periods of time. For this reason, a key priority is how to access the patient's body safely while minimizing any undesirable physical burden on the patient. Enhancing the biocompatibility of a product by developing materials that inhibit allergic reactions, blood clotting or other responses, and making structural enhancements, can be one factor that distinguishes a product as an outstanding medical device.

Furthermore, materials used in medical devices must offer various characteristics, such as light resistance, deformity resistance, sterilization resistance, and pharmacological compatibility, according to the application. Terumo's wealth of experience and technology in the materials field is put to good use in the entire process from the development and selection of appropriate materials, to processing and forming into shapes that reflect user-friendliness and other considerations.

In the performance of processing, molding, sterilization, and other production operations on these materials, Terumo applies an efficient, rigorous quality assurance system based on technologies and expertise (production technology) underpinned by many years of proven experience. In addition, each Terumo factory amasses production technologies related to the products it manufactures, while taking part in a cross-factory system to assist with production at other factories. This ensures a high-quality production system at all factories.

Organizational Capabilities: The Link in Translating Technologies Into Products

Medical devices represent the integration of an extremely diverse range of elemental technologies from a host of scientific disciplines, including physiology, biochemistry, pharmacology, cell technology, polymer technology, metal processing technology, and electronics. Because of their use within the human body, regulatory authorities in Japan and elsewhere have set the bar for safety exceptionally high for approving the manufacture and sale of these devices.

Basic Flow Chart from Development to Sales

As discussed earlier, the Terumo Group has a variety of elemental technologies, and the bulk of its human resources possess highly sophisticated expertise. However, to stay ahead in a medical devices industry made fiercely competitive by new entrants from outside industries, and deliver new products to society at a rapid, steady pace, the Company must have an organization framework capable of integrating existing in-house elemental technologies into concrete product development, controlling the flow linking these products to sales, and dealing with the very rigorous approvals process specific to medical devices.

To achieve this, Terumo's R&D Headquarters is strengthening its project management function for expediting research through to commercialization. The two-pronged structure consists of groups responsible for seeking out new medical needs and underdeveloped technologies to draw out new value, and those charged with developing these into products for mass production. The bases underpinning this structure are located in the R&D Center and key Terumo factories. This configuration establishes an environment in which the entire process from initial R&D stages for new products to mass production stages can occur unimpeded.

As part of this structure, Terumo‘s own evaluation center has the capacity to evaluate devices along physical, chemical and biological dimensions. The evaluation center can gather the experimental

data the R&D Headquarters and each factory need for R&D activities, enabling non-clinical studies, which precede clinical trials, to be performed in-house. This capacity has the added merit of enabling Terumo to acquire expertise in performing safety evaluations responding to a diverse range of technologies.

In addition, numerous departments are functionally interlinked from the early stages of development, allowing for efficient conversion of R&D activities into viable products. These departments include those that coordinate clinical trials, those responsible for submitting applications in compliance with foreign and domestic regulatory affairs laws and negotiating with approval bodies, those that research and oversee post-market product effectiveness and safety matters, and an intellectual property department charged with the research and protection of intellectual property rights. In recent years, Terumo has promoted strategic collaboration with overseas subsidiaries, leveraging its competitive edge in having multiple development bases overseas to swiftly incorporate technology and develop new products. For example, Terumo has conducted clinical trials based on European Union regulations, under which trials can be implemented more speedily than in Japan. It has also performed simultaneous, multinational clinical trials in close collaboration with subsidiaries. These trials are aimed at obtaining early approval by enabling the approval bodies of each country to share data obtained in their respective countries.

Terumo has honed this organizational framework—one that can smoothly support processes from product development through to sales—in the course of business activities over its long history as a medical device company, and as a result of such initiatives as proactive M&As and business alliances with other leading companies around the world in recent years. As such, this framework makes up a vital part of the intellectual assets that support Terumo's strengths.

Utilization of Intellectual Property in Each Business Segment

Basic Policy

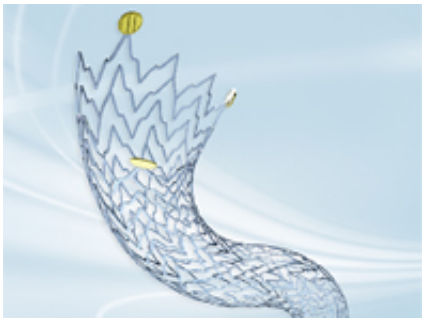
Terumo currently operates in three core business segments while exploring new fields expected to drive future business development. Each business segment has unique characteristics based on differences in products, intended users, and other attributes. Accordingly, Terumo plans and promotes optimal business development initiatives for each business segment by combining proper materials, production technologies, and regulatory affairs strategies.

The product management of each company is comprised of two components—advanced products and platform products. Advanced products are innovative, high-growth/high-margin, and short-life-cycle. Platform products are stable-growth/high-margin, long-life-cycle products offering upgraded and improved performance. In managing products, stable earnings of platform products are invested in advanced products, and then the brand image and technologies of advanced products feed back into platform products.

Cardiac & Vascular Company

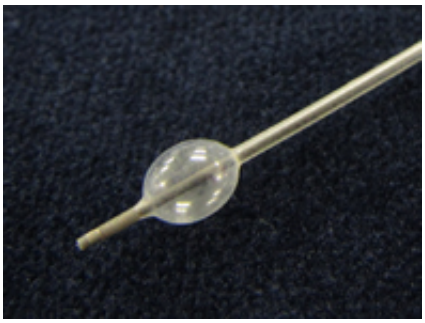
The Cardiac & Vascular Company is a good example of a business where Terumo combines two elemental technologies—coating and metal alloy/metal processing technologies. For example, we have incorporated superelastic metal alloy technology into our intravascular imaging guide wires, and laser processing technology into PTCA (Percutaneous Transluminal Coronary Angioplasty) balloon catheters. In addition, application of our hydrophilic coating (M Coat) to both of these products plays a key role in achieving improved accessibility to deep blood vessels. In recent years, Terumo has developed and introduced a stent combining precision processing and microfabrication technologies with these elemental technologies. The stent features a highly flexible design to ensure resistance to compression, bending, and twisting from normal body movement.

At present, Terumo's long-term goal is to become a company with a global presence. To realize this goal, we are applying technologies nurtured in the cardiac and vascular field to enhance product pipelines in medical imaging, peripheral intervention, and neuroendovascular intervention, where the Group's elemental technologies, precision processing, and miniaturization technologies have also been put to good use.



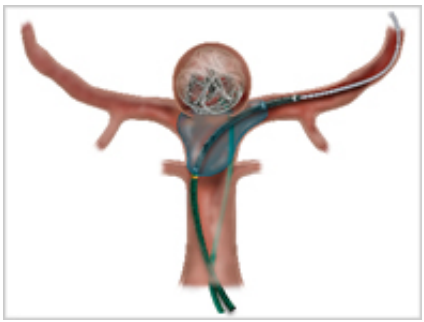
Misago stent for treating peripheral blood vessels

We have employed our proprietary Zig-Zag 8 cell-2 Link structure, made of a nickel-titanium alloy, to give outstanding flexibility and durability to the Misago stent, which is used for treating peripheral blood vessels.



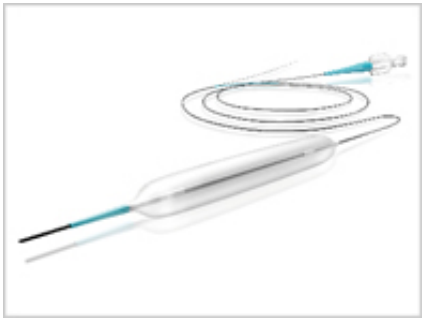
ATTENDANT⊿ (Delta) occlusion micro balloon catheter

For the Attendant⊿ (Delta) occlusion micro balloon catheter, which is used for temporarily blocking blood vessels, we enable access to even fine, labyrinthine peripheral arteries by employing a design with an external diameter of less than 1.0 mm and a proven hydrophilic coating.



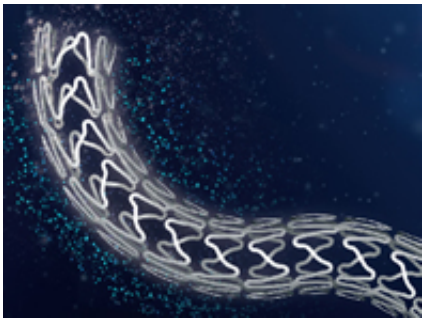
Scepter C cerebrovascular occlusion balloon

We use a hydrophilic coating for our Scepter C cerebrovascular occlusion balloon, applying it to the surface of the balloon portion as well for better access to peripheral arteries that wind about in complicated ways.



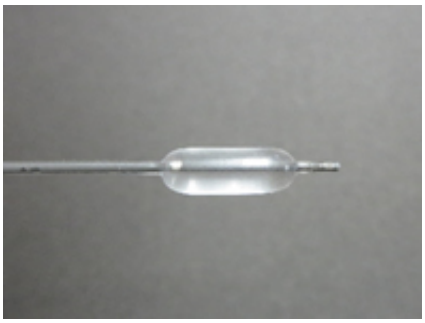
Hiryu Plus PTCA dilatation catheter

To give our Hiryu Plus PTCA dilation catheter both durability and flexibility (to conform to the shape of blood vessels), we employ a three-layer structure combining a pliable material for the balloon with another, highly durable material.



Ultimaster drug-eluting coronary artery stent

For a new product, the Ultimaster drug-eluting coronary artery stent, our design goal was to reduce stress on blood vessels and improve disease prevention. We have enabled it to do this through the use of a cobalt chromium alloy and a unique stent design; these improve the ability to navigate convoluted blood vessels and facilitate stent placement in conformance with vessel curvature.



Attendant Nexus occlusion micro balloon catheter

We have redesigned the balloon of the Attendant Nexus occlusion micro balloon catheter to give it a capsule shape with variable expansion control, so that it can be expanded the right amount necessary to occlude the target vessel and be placed with greater ease.

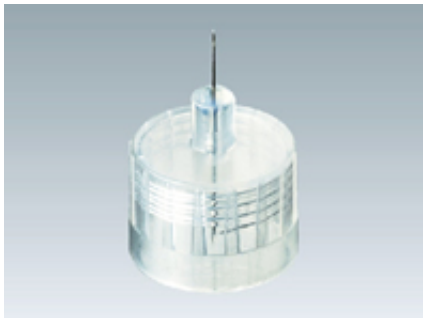
General Hospital Company

In the General Hospital Company, Terumo provides medical devices and systems used for treatments at hospital bedsides and in the home. Terumo is adopting technology responsive to the different ways in which medical devices are used. We offer value added medical devices leveraging our strength in pharmaceutical technologies, medical devices designed with safety and ease of use for care providers in mind, and medical devices specifically for home health management and preventive medicine.

The Surflo V3 IV catheter, launched in 2012, is one example of our responsive approach to technology adoption. To lower the risk of hospital-acquired infections, the Surflo V3 employs proprietary design features aimed at reducing the risk of inadvertent needle sticks and preventing blood spatter. These features improve not only safety but also ease of use for medical personnel.

Surflo V3 IV catheter

As a top manufacturer of needles, we have a wealth of technologies developed over many years. We apply these technologies to improve patient quality of life with products that meet needs we have uncovered by taking the user's perspective. One such product is the Nanopass 34 pen needle for insulin injection. Available globally, this needle's thin design (unsurpassed in the world, based on Terumo research as of August 2012) and uniquely shaped tip ease the pain of injecting insulin.



Nanopass34 insulin injection needle

In addition, by combining this insulin-injection needle technology with technology we developed over many years for plastic prefilled syringes used in Japan, we are moving forward with the development of high-value-added prefillable (with drug agents) plastic syringes for overseas pharmaceutical companies. Aiming to establish our own unique business model in the area of plastic prefilled syringes, we are also working to develop high-value-added products compatible with drugs once considered too difficult to offer in prefilled syringes. These include therapeutic agents, biomedicine, and other drugs in high demand on the frontlines of medicine.

Prefillable syringe (for pharmaceutical companies to fill and market as a finished product)

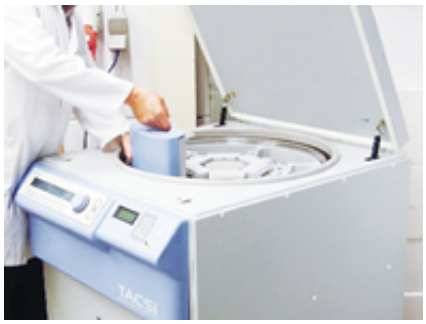
As another high priority development theme, we are bringing together the collection of vital data and electronic medical recordkeeping in a range of new devices aimed at reducing the administrative burden of nursing staff. We have developed thermometers, blood pressure, blood glucose, and other measurement devices that use onboard data communications capabilities to automatically enter vital data into patient records. These devices free up nursing staff to turn their attention to other important tasks and negate problems with data entry omissions, mistakes, and delays.

HR Joint series of measuring devices system with communications functions

Blood Management Company

Terumo's blood management products, centered on blood bags, are used in more than 160 countries and regions around the world. Because blood collection methods and formulation methods for collected blood samples differ in each country and region, Terumo has teamed up with optimal partner companies in each region to develop and supply products ideal to each local market.

In developed countries, for example, blood transfusion therapy in recent years has come to be dominated by the use of blood component preparations, rather than whole blood from donors. In order to efficiently separate the blood components patients require from whole blood, Terumo and Andreas Hettich GmbH & Co. KG ("Hettich"), a well-established German manufacturer of centrifuge equipment for clinical laboratory usage, jointly developed the automated blood component processing system TACSI. Combining Terumo's proprietary blood bag technology and Hettich's centrifuge equipment, the system automates the process of extracting necessary components from blood, the raw material. As a result, the system has improved the precision of the entire blood component production process and dramatically increased work efficiency, while contributing to safety advancements in blood transfusions through the homogenization and enhanced quality of blood component preparations.



TACSI automated blood component processing system

Apheresis therapy (blood plasma exchange) has gathered attention in recent years as a new treatment alternative for patients with autoimmune, inflammatory, viral, and other intractable diseases for which causes have not yet been identified. Terumo develops and supplies the equipment for removing the patient's plasma including any pathogenic substances and replacing it with donated plasma used in apheresis therapy for treating these intractable diseases.

Spectra Optia therapeutic apheresis system

Following the consolidation of the Terumo Group's blood management businesses under Terumo BCT, we are looking ahead to spurring further advancement in the plateletpheresis and cell therapy-related technologies of the former CaridianBCT and Terumo, and pursuing R&D that will grow the business into one that can deliver greater added value.

New and Other Fields

Terumo is hard at work pursing opportunities in regenerative medicine—a new field promising future growth—while also striving to achieve next-generation development and build new businesses in our traditional fields of endeavor. Based on our corporate mission, “Contribute to Society through Healthcare,” we are developing new applications for minimally invasive treatment devices, new drug delivery devices, and new products focused on reducing pain and improving postoperative care.

Regenerative Medicine: Terumo embarked on research in cardiac regenerative medicine 10 years ago. With the technology we have developed, the patient's own cells are harvested and cultured, and cell sheets are produced and applied to the patient's heart. At present, we are engaged in the world's first therapeutic use of cell sheets, in treatment being performed in Japan, with a view toward commercialization.

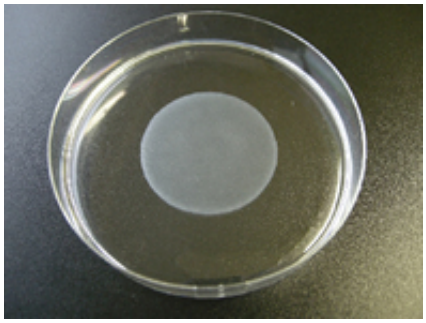
Drug Delivery Devices: Meanwhile, in the area of drug delivery devices, we have developed a device that makes intradermal injections possible, adding to the traditional intravenous, subcutaneous, and intramuscular pathways for drug delivery. Intradermal delivery is known to enhance the sensitizing potential of vaccines and is, therefore, expected to increase the number of patients who can benefit from small amounts of precious vaccines. Our new device brings simplicity and reliability to intradermal injection. Hoping that it will lead to major innovations, we and Daiichi-Sankyo Company Limited reached a basic agreement in April 2012 to apply our respective expertise in the fields of pharmaceuticals and medical devices to commercialize new infectious disease vaccines and are now moving ahead with clinical development.

Pain Management, Adhesion, and Other Postoperative QOL (Quality of Life) Improvement Initiatives: Terumo is pursuing development that makes medical treatment kinder and gentler in the field of surgery, as well. “acelio Intravenous Injection 1,000mg,” an intravenous injectable acetaminophen antipyretic analgesic that aids in the management of cancer-related and postoperative pain, went on the market in November 2013. We are now looking to expand our line of pain management products and take other steps that will add to our efforts to help improve patient comfort. Surgical adhesions are another QOL issue for patients and here we are working to prevent them altogether. After surgery, internal organs can become firmly attached to the surgery site. These adhesions are known to occur with great frequency regardless of the type of surgery and are a cause of complications such as bowel obstruction, chronic pain, and infertility. To prevent adhesions, we have developed an adhesion barrier in the form of a spray-on gel that is currently undergoing clinical studies in Japan.

Minimally Invasive Treatment Devices: Terumo has for the first time ever taken up the challenge of

developing therapeutic devices in the field of urology. Some of this work is being performed at a venture company we have established in Silicon Valley, one of the world's most prominent locations for startups working to bring new medical devices to market. On another front, we are also developing minimally invasive treatment devices to help the growing numbers of people suffering from diseases of the lower extremities.

To fulfill Terumo's mission, “Contribute to Society through Healthcare,” we are going beyond our traditional areas of business to develop products that deliver new value based on a thorough understanding of the needs of medical settings. Each of our companies has a core of intellectual property unique to its operations, and we will freely apply what one company has to the endeavors of another in our ongoing effort to develop innovative products and skills.


Sheet of skeletal myoblasts

Patents

Fundamental Policies and Strategic Positioning

Terumo believes that the management of innovative ideas as patents and other forms of intellectual property, and activities that strategically use intellectual property and convert it into profits, are critical for a manufacturer. The Terumo Group has established the following two fundamental policies for its global intellectual property development activities:

- Foster a culture of innovation
- Increase the stock of intellectual properties

The Terumo Group formulates and promotes global intellectual property strategies that are closely coordinated with both R&D and business strategies. This ensures that innovative ideas generated through global R&D activities, including overseas sites, provide a base of intellectual property that contributes to the profits of the Terumo Group's global business operations.

Conducting IP Development Activities Across Divisional Boundaries

At Terumo, engineers and intellectual property staff work closely together from the initial stages of development. Invention and the creation of new technologies are pursued based on a comparison of Terumo inventions with the patents and products of competitors, and consideration of both the direction that should be taken in development activities and the type of intellectual property portfolio that should be built. Terumo has created an environment in which intellectual property staff can casually consult with engineers to promote efficient intellectual property development activities. Terumo's Intellectual Property Department works to strengthen patent application activities and intellectual property rights in countries and regions where an enhanced intellectual property portfolio is necessary for contributing to the growth of the Terumo Group through invention.

Fostering Awareness of Intellectual Property

Terumo believes that raising associates' awareness of intellectual property and stimulating their interest in this topic are vital to enlarging its valuable intellectual property portfolio. Based on this belief, Terumo internally disseminates news on intellectual property rights in various countries around the world in a timely manner. Every year, Terumo also conducts a wide range of training programs organized by the Intellectual Property Department. These programs are structured systematically according to associates' level and job category, ranging from basic courses to specialized practical skills training. Such training programs are a part of efforts to create conditions that enable endless creation of inventions and technical ideas.

Patent Portfolio

Number of Patent Filings

In recent years, Terumo has been selecting its patent application filing strategy—choosing to make an initial patent application filing in Japan, filing via a direct PCT application, or filing in the U.S., for example—depending on the specifics of the invention.

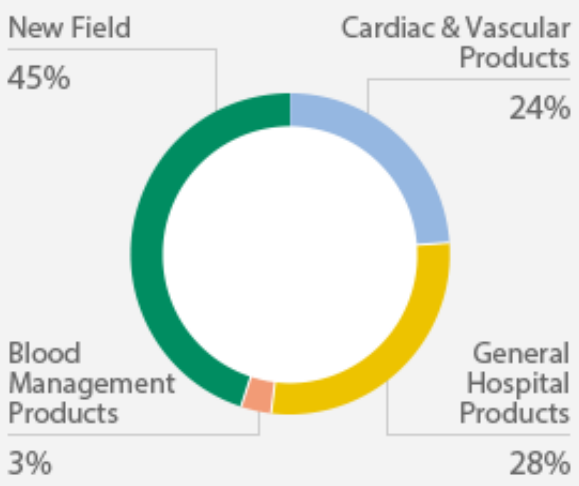
The graph shows the number of initial patent applications filed by Terumo over the past several fiscal years. With more than 600 initial filings in fiscal years 2012 and 2013, Terumo is now making more initial patent application filings per fiscal year than in the past.

Number of Patent Filings

Number of Patent Filings in the Fiscal Year Ended March 2014 by Business Segment

Today, Terumo files roughly as many patents around new themes unconnected to its current operations as it does patents with direct bearing on its General Hospital and Cardiac & Vascular companies. This illustrates that Terumo is committed to improvement of its existing products while also investing actively in efforts to drive future business expansion and enter new areas.

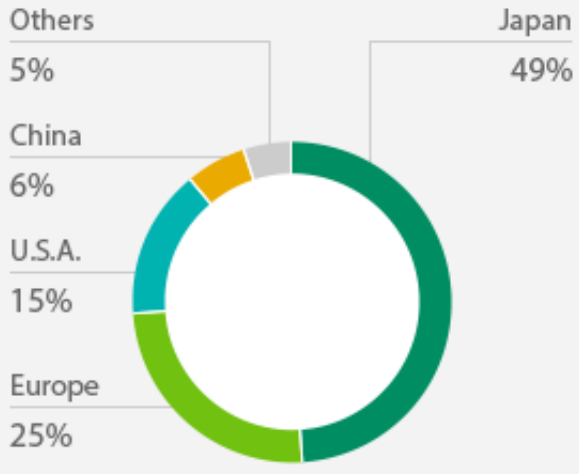
Number of Patent Filings in FY2013 by Business Segment



Number of Patents Held by Region

At present, Terumo holds around 3,500 patents worldwide. While patents in the key medical device markets of Japan, the U.S., and Europe account for over 90 % of this figure, Terumo is expecting to increase the number of patents it holds in China and other emerging markets going forward.

Number of Patents Held by Region



Measures against Counterfeit Products

As the foregoing activities make clear, Terumo must constantly safeguard and strengthen its brand image as it expands its business globally. Counterfeit products tarnish the Terumo brand, and could negatively impact users who trust it. As a manufacturer, Terumo has an obligation to take resolute measures to clamp down on counterfeit products. This includes identifying such products at an early stage through global surveys.

In one such survey, Terumo determined that a U.S. company was selling a Radial Artery Hemostasis Device made in China and called the “R-Band.” Terumo believes this product infringes the patents and trademarks associated with its TR-Band product and accordingly brought a lawsuit against the U.S. company in a New Jersey federal court in February 2013.

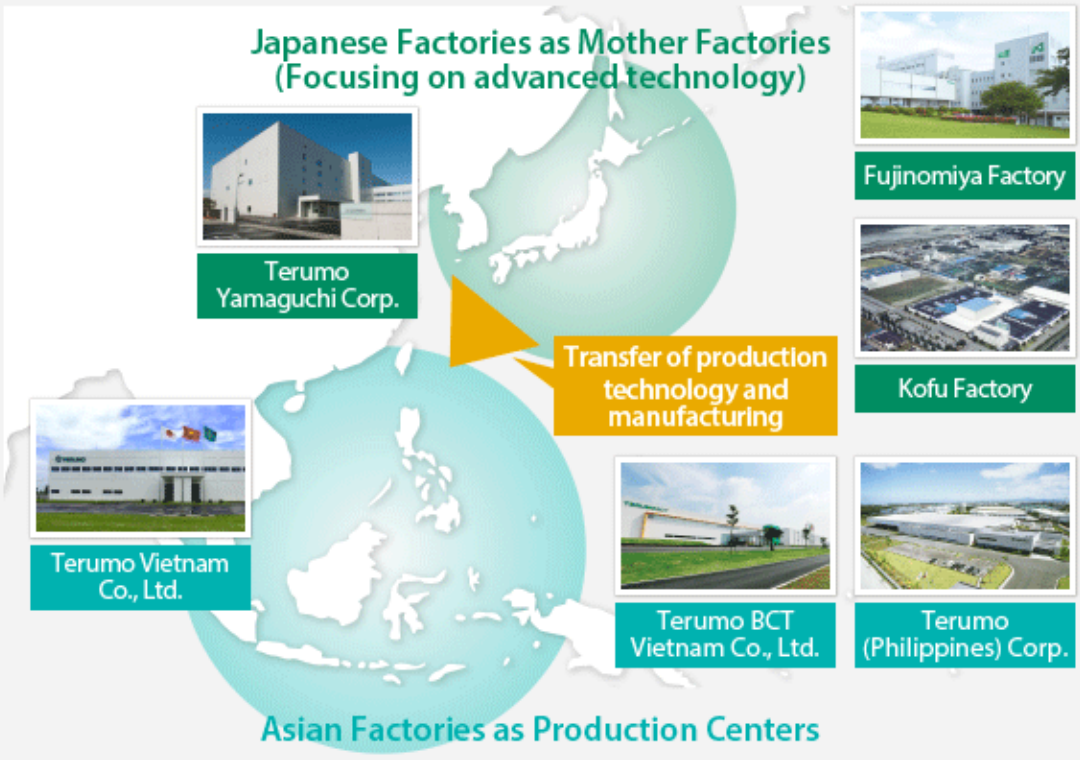
Global Production System

In recent years, Terumo has been pushing ahead with further globalization of its production. With our Japanese factories serving as principal manufacturing facilities, we are actively propagating and transferring control of production technologies to develop overseas production centers, mainly in Asia. We provide support that will enable stable production with the requisite performance and quality at overseas facilities.

Back in Japan, where we have long been working to create a multipolar production configuration, we have established a new factory in Yamaguchi Prefecture.

New construction is also being planned for overseas production. New buildings will be added to existing plant sites in Vietnam to increase production of interventinal products, and in the Philippines, to increase production of syringes and needles. Furthermore, a second whole new plant will be built in Vietnam to meet the growing demand for transfusion products. Demand is also rising for the coils used to treat cerebral aneurysms, and a new factory has been opened in Costa Rica to respond to this need. By building a global production system with key facilities in Japan and other parts of Asia, we are giving ourselves the ability to meet global demand while simultaneously enhancing cost competitiveness.

Strengthening Our Global Production System



TOPICS

A New Japanese Facility to Support the Global Production System Terumo Yamaguchi Corp.

The Terumo Group's new Yamaguchi Factory, Terumo Yamaguchi Corp. located within the 96,000-square-meter Yamaguchi Techno Park, began operating in April 2014.

For some medical devices, the separation of development work from production is impossible, and some highly advanced, high-precision production technologies are not suited for transfer overseas. Terumo has positioned production sites in Japan as “mother factories” for developing core product technologies and refining others. The new Yamaguchi Factory is expected to play a key role in manufacturing catheters and D&D (drug and device) products requiring the use of advanced production technologies.

Yamaguchi was chosen as the location for this factory for two basic reasons. One was the need to prepare for disasters by geographically dispersing our production facilities, which are concentrated in eastern Japan. The other reason was that the location in Yamaguchi City presented attractive benefits in terms of convenient access, a stable supply of electric power, and outstanding human resources.

At present, the factory is engaged in the test production of catheter guidewires. The related technology and expertise were transferred from other factories in Japan and work is proceeding apace for a transition to commercial production in the coming fiscal year. There are also plans to begin production of D&D products.

Quality Management in the Factory

Quality Assurance System That Meets International Standards

Since 1995, when we established a quality management system in response to European medical device directives, we have blended our global-standard system with the advanced quality assurance system based on the existing pharmaceutical GMP (Good Manufacturing Practice)[*1] standard. We are now stepping up efforts to develop our quality management system to be robust enough to meet ever-stricter global requirements.


Strict quality control at a factory

Terumo has obtained certification for ISO 13485[*2], which is an international quality standard for medical devices and equipment, at all of its production sites in and outside of Japan. We also keep up to date with developments regarding Japan's Pharmaceutical Affairs Act and regulatory trends and requirements for medical devices and pharmaceutical products outside of Japan, including the EU Medical Device Directives, US FDA regulations, which have been strengthened in recent years, and emerging country regulations tightening in response to accelerating global harmonization. We strive continually to improve our quality management system in anticipation of new trends and requirements.

*1 Pharmaceutical GMP: Pharmaceutical manufacturing guidelines issued by regulatory authorities to ensure product safety and quality throughout all phases, from the receipt of materials to manufacturing and shipment of products.
*2 ISO 13485: An ISO standard to assure the quality of medical devices and equipment.

Terumo Quality Policy

Our top management sets up quality policies to develop and operate our quality management system and maintain its effectiveness.

Each division also sets quality objectives based on these quality policies. In this way, policies devised by top management are incorporated into individual associates' objectives. The customer perspective, which appears at the top of our Quality Policy, is the basis of our quality assurance.

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.

Terumo Corporation

Respect for Bioethics

In developing and evaluating medical devices and pharmaceuticals, Terumo's first concern is the dignity of life. As we pursue our business activities, we comply with all relevant laws and ordinances, follow social norms, and give equal weight to science and ethics, as we have outlined in company rules.

Regarding the use of animals for R&D and product evaluations, the head of our animal experimentation group established the Animal Experimentation Committee, enabling us to supplement the 3R principles*, clearly specified in a 2005 revision of a Japanese law, with a fourth "R" standing for responsibility. The Animal Experimentation Committee undertakes employee education initiatives, examines experimentation plans, confirms that experiments were properly carried out and finished, and performs inspections to determine whether animals are being properly cared for to ensure responsibility in the use of animals in experimentation.

It has been assured by an evaluation performed by the Japan Health Sciences Foundation that our organizational approach to animal testing is in compliance with the basic guidelines for animal experimentation by organizations under the jurisdiction of the Japanese Ministry of Health, Labour and Welfare.

*3R principles: First proposed by W. M. S. Russel and R. L. Burch in 1959, the three Rs—Replacement (switching to research approaches that do not use animals), Reduction (use of fewer animals), and Refinement (reduction of the pain felt by animals) — are principles for the ethical use of animals in experimentation. In Japan, the 3Rs were codified in the 2005 revision of the Act on Welfare and Management of Animals.

Auditing System to Maintain High Quality

To maintain and improve quality, we implement internal audits that objectively evaluate whether our quality management system is being appropriately implemented and followed. The audits are conducted by associates who have been trained within the company to perform internal audits. The results are reported to our top management, who direct improvements, on the basis of which we continually upgrade our quality management system. In addition, we undergo several external audits each year to verify our compliance with Japan's Pharmaceutical Affairs Act; U.S. regulations, and those of Europe and other countries; and the requirements of corporate customers.

Terumo also complies with increasingly strict external audits

Strict Quality Control at Facilities Outside of Japan

As the role played by our factories outside of Japan increases in importance, we provide associates outside of Japan with the expertise we have cultivated in Japan for improving quality. We, in turn, learn much about other perspectives on systematic approaches and standardization. As these exchanges increase, factories outside of Japan have also begun introducing Shoki Ryudo (initial quality assessment*), an evaluation method developed in Japan.

* Initial quality assessment is a system designed to reaffirm the quality and product specifications of new products, from the customer perspective, when shifting to mass production.

With Stakeholders

We Value Communication with Customers

We believe that Terumo's role and responsibility is to support healthcare by providing safe, high quality products and services.

Maintaining open and honest communication with our customers is part of that responsibility.

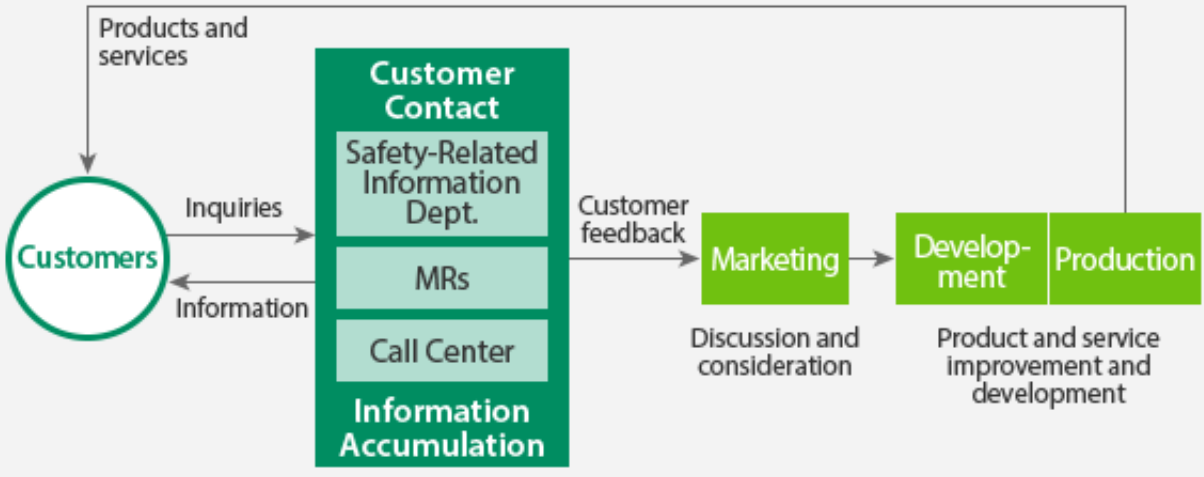
Terumo's Relationships with its Customers

Terumo's customers include healthcare professionals, patients, and other general consumers who are concerned about their health.

At Terumo, we believe our role is to accurately understand customer needs and develop products of real value to them. We place equal importance on providing information and support to ensure that customers can use our products with peace of mind.

By direct and close communication with our customers, we carry out business activities in a way that contributes to healthy living through product development and services.

Relationship with Our Customers Chart



Providing Information to Ensure Appropriate Use

We believe that Terumo's role and responsibility is to support healthcare by providing safe, high quality products and services.

Maintaining open and honest communication with our customers is part of that responsibility.

Ensuring Appropriate Use of Medical Devices and Pharmaceutical Products

Terumo MRs* gather and swiftly provide accurate information to medical institutions to ensure appropriate, effective, and safe use of medical devices and pharmaceutical products.

At Terumo Medical Pranex, a comprehensive center for the technical training of medical professionals, Terumo offers a range of support training in areas such as interventional treatment, injections and the taking of blood samples.

Supporting medical training at Terumo Medical Pranex

* MR stands for Medical Representatives, Terumo associates who provide information to medical institutions

Supporting Training in Medical Institutions

To help prevent accidents in the usage of syringes, transfusion sets, and other medical devices, Terumo conducts T-PAS training at medical institutions. T-PAS emphasizes key points in using individual devices and enables medical professionals to learn about them through hands-on training scenarios. Participant feedback indicates that T-PAS training provides a tangible sense of the situations that can lead to accidents, and demonstrates why understanding of how to use devices must be based on something more than assumptions or casual advice from others, showing the value of this program. In conferences on the quality, safety, and practice of medicine, the benefits of T-PAS training are often reported on by hospitals throughout Japan.

Support for training in the correct usage of medical devices

Listening to Customers

We believe that Terumo's role and responsibility is to support healthcare by providing safe, high quality products and services.

Maintaining open and honest communication with our customers is part of that responsibility.

Terumo Call Center

The Terumo Call Center in Japan receives about 300,000 calls per year from general consumers, medical institutions, and distributors. To ensure that inquiries related to respective classes of our products—from those designed for medical institutions to those for home medical care—are addressed promptly and appropriately, call center staff respond with expertise in each field. Our call center staff are committed to maintaining and improving the satisfaction for all callers and ensuring that urgent inquiries, such as those related to patients receiving healthcare at home, are responded to at any hour. The center is also enhancing its ability to internally reflect customer feedback in the improvement and development of products.

Inquiries are addressed by staff with specialized knowledge

Reflecting Customer Feedback in Our Products

We believe that Terumo's role and responsibility is to support healthcare by providing safe, high quality products and services.

Maintaining open and honest communication with our customers is part of that responsibility.

Medical Safety Information Management in Japan

We accumulate information from our customers on the quality, safety, and appropriate use of our products at our Post-Market Surveillance and Vigilance Dept. Using this information, we promptly develop and refine our communications, delivering them in various ways, including the attachment of important information to products, our Web site, or via industry organizations, and by sending MRs to medical institutions for face-to-face explanations.

Furthermore, we use the accumulated information to develop and improve products and support medical safety training for medical institutions (T-PAS*).

* T-PAS: Terumo Proactive Action for Safety, training programs based on Terumo's predictive safety measures.

Providing Easy-to-use Products and Services

Terumo incorporates ergonomic design into many of its products to promote safe, simple operation. The Smart Infusion System Terufusion Infusion Pump and Syringe Pump apply data communications functions for greater safety and ease of use in the system-based delivery of drugs. An onboard drug library function allows the setting of flow limits for specific drugs to prevent mistakes. The use of a universal design font* makes displays easy to read.

* Universal design font: A letter font meticulously designed specifically with ease of use and visibility in mind.

Smart Infusion System Terufusion Syringe Pump designed to facilitate use by medical staff

Making the Relationship between Corporate Activities and Medical Institutions Transparent

To communicate Terumo's contribution to life science and the high ethical standards with which we conduct our business activities, we formulated our “Transparency Guideline for the Relationships between Corporate Activities and Medical Institutions” and “Transparency Guideline for the Relationships between Corporate Activities and Patient Organizations.”

Together with Shareholders and Investors

To provide stable returns to its shareholders through improved corporate value, Terumo is committed to open management which includes fair and timely disclosure, and communication with our shareholders and investors.

Basic Policy Regarding Shareholder Returns

To ensure higher profitability and sustainable growth, Terumo actively promotes appropriate, aggressive reinvestment of profits as we work to expand corporate value even further. We believe this serves the interests of our shareholders, and will lead to increased investment value. Our basic policy for profit allocation is to stably increase dividends to shareholders commensurate with business performance, targeting a medium to long-term dividend payout ratio of 30%.

Basic Policy Regarding IR (Disclosure)

In its aim to earn broad social trust, Terumo discloses information in accordance with the timely disclosure rules set forth by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange, based on principles of transparency, fairness and continuity. In addition, Terumo strives to provide timely and proactive disclosure of information which may be effective in providing a better understanding of the Company.

Communicating with Shareholders and Investors

General Meeting of Shareholders

At our Annual General Meeting of Shareholders, we not only present our financial results, but also explain how our products and technologies are contributing to better healthcare. A video featuring commentary from customers and associates (employees) on Terumo's efforts to realize its corporate mission is also shown prior to the meeting. At the meeting venue, we create a display section for our products so that shareholders can view our medical devices and equipment up close. In these ways, we strive to impart a deeper understanding of Terumo.

A product exhibition at the general meeting of shareholders

Facility Tours to Better Inform Shareholders

Once a year, we invite shareholders to visit Terumo Medical Pranex* to get a sense of the training we provide to medical professionals and those who handle our products. We believe this helps them to better understand not only what we make, but also our views and motivations.

*Terumo Medical Pranex
Multipurpose training facility where medical professionals can learn to use catheter and other advanced medical technologies, and groups of physicians and nurses can strengthen their abilities to work in teams.

Tours held for shareholders

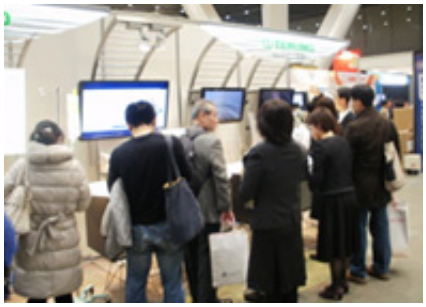
Results Briefings

Results briefings are held for securities analysts and institutional investors quarterly (teleconferences for the 1st and 3rd quarters). The Company's representative directors and other key associates attend the briefings, explaining business results, factors behind any changes, and management strategy going forward. Materials provided at the briefings, along with individual presentations, are also posted on our website, and are available to all of our investors.

Results Briefings

Briefings and Events for Individual Investors

To provide an opportunity for direct dialogue with its individual investors, Terumo holds company briefings at locations throughout Japan. We are also active in exhibiting at IR events held by the Tokyo Stock Exchange and others targeting individual investors.



Event for individual investors

Together with Partners

Terumo's corporate mission of “Contributing to Society through Healthcare” is reflected in our procurement activities. It is vital that patients and healthcare professionals be able to use our products safely and with peace of mind. We therefore exercise great care in selecting and vetting suppliers for our raw materials and services.

Raw Material Procurement Policy

In October 2009, we developed our “Human x Eco Development Guidelines” in line with our commitment to being a people- and environment-friendly company. With these guidelines, we are making an effort to reach a new level of people- and environment-friendly procurement, with particular consideration given to the following:

1. Selecting materials that will not produce harmful impacts for the next generation (reducing environmental impact)
2. Selecting materials that can be used effectively and produce no waste (saving resources)

Based on these ideas, we maintain fair and equitable relationships with our suppliers. At the same time, we continue to procure raw materials in compliance with pharmaceutical regulations and rules in the respective countries concerned.

Promoting Continuous Quality Improvement

To ensure product quality, we actively seek to upgrade quality controls not only for raw materials, but also for those services that affect our quality management systems (such as the design of production facilities and molds, and any outsourced production).

In particular, stricter FDA regulations for medical devices and other recent changes have made it more important to manage quality across global supply chains. We are fully aware that the quality of materials and services provided by our suppliers has an impact on the quality of the final product that we supply.

We work with our suppliers to make continuous improvements to quality, and conduct regular audits of their QA systems.

We also share QA audit information and other quality information between Terumo Group production sites in an effort to improve the quality of our final products through better procurement activities.

Initiatives for Stable Procurement

Terumo manufactures products in five factories within and 19 factories outside Japan, and distributes them in over 160 countries. With the rapid changes in procurement, we place top priority on ensuring quality and a stable supply, and procure materials from the most appropriate sources to deliver high quality products to healthcare providers.

In 2011, despite supply interruptions caused by the Great East Japan Earthquake, we were able to keep medical supplies flowing to customers by working with suppliers, based on the shared understanding that supplies for healthcare must come first—that healthcare must not be stopped. Based on this experience, we have sought the cooperation of suppliers in making further improvements to enhance the safety and reliability of our supply chain.

Supplier Surveys

In Japan, each year Terumo conducts a survey of its suppliers to make further improvements and ensure we become a trusted purchaser for our suppliers.

The survey includes a wide range of questions involving their transactions with Terumo, and covers topics including our business manners, transactional ethics, and how we select our materials. To ensure stable procurement without interruption to healthcare, we added a survey regarding business continuity planning (BCP) beginning in 2011. Based on the responses and opinions from our business partners, we analyze the issues facing our materials division and provide feedback to our factory materials divisions. The feedback not only aids in resolving the issues identified, but also serves as a tool for verifying the direction of, and reflecting customer input in, our procurement activities going forward.

When necessary, we also meet directly with partners, who provide their opinions and work to further improve our relationships of trust.

Purchasing Compliance Education

As a measure for ensuring good mutual communications with our suppliers, Terumo briefs its employees on its basic rules for suppliers, including supplier selection, ordering, and payment, and conducts training to ensure that all employees are familiar with and understand the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (abbreviated in this document as the Subcontracting Law).

Internal Purchasing Compliance Training

In addition to building awareness of our internal controls, we also work to maintain and improve compliance with the Subcontracting Law.

In addition, Terumo promotes and encourages understanding of the Subcontracting Law by actively participating in workshops held by the Fair Trade Commission and the Small and Medium Enterprise Agency. During the month the government promotes compliance with the Act, we run a series of checks and interviews to verify compliance status, and work to thoroughly instill and reaffirm understanding of key points of compliance for Terumo as a main subcontracting enterprise.

Employment and Motivation

The Meaning of Terumo Associates

At Terumo, we greatly value our associates as our most important assets. As such, we take pains to create an environment that promotes the development of people, and we place great importance on enhancing the value of individuals.

At the same time, we expect our associates to take responsibility for enhancing their own personal value and contribute to the overall development of Terumo. Our ultimate objective is for Terumo and its associates to work together to improve medical care for patients around the world.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

Fostering a Motivating and Challenging Work Environment

At Terumo, we respect the individuality of our associates, while working to foster a work climate in which each individual can realize his or her maximum potential. We also provide ample opportunities for those with a willingness to grow to widen their fields of activity. Our goal, based on these initiatives, is to enable each associate to contribute their individual strengths to their team, enhancing performance and creating a strong, motivating workplace.

Patients' Day Project

At the root of what motivates our associates is a strong belief that the work we do is meaningful. This is captured in our corporate mission that has remained unchanged since our founding in 1921—“Contributing to society through healthcare.” “Y's TP Day” (Your smile, our pleasure, Terumo Patient's Day) was conceived of as an opportunity for associates to reconnect with our mission and consider again what it means for them to personally contribute to the furtherment of medical care, and to reflect on the value we provide to society. On each Y's TP Day, associates listen to moving accounts of what patients have actually been through in their struggle to overcome illness. Associates also have the opportunity to visit actual places where medicine is practiced. This enables them to see in a concrete way the connection between

their every day work and frontline patient healthcare.

Other Y's TP Day Projects include collaboration with the Japanese Nursing Association to enhance associate understanding of nursing work, and other events we conduct to give associates chances to meet and talk with medical professionals.

In fiscal 2013, Y's TP Day activities were held at Terumo Group locations throughout the world.

Y's TP Day

* Y's TP Day: Abbreviation of “Your smile, Our Pleasure. Terumo Patient's Day”

TOPICS

Activities at Terumo Medical Products (Hangzhou) Co., Ltd.

With approximately 3,300 associates, Terumo Medical Products (Hangzhou) Co., Ltd. (Hangzhou plant) is the largest of our overseas business locations. It functions both as a critical production facility and a distribution center for Terumo Group products. To enable the supply of increasingly high-quality products and to develop people with even higher skills and abilities, we have undertaken various initiatives aimed at creating conditions that allow associates to work with vitality and pride in the Hangzhou Plant.


Fall athletic meet and carnival (Family Day)

Each spring, for example, an off-site event is held where associates can refresh themselves both mentally and physically. Each fall, we organize an athletic meet attended by the entire workforce and their families. A large stadium provides a thrilling venue where heated though friendly competition provides a powerful way to foster unity.

In addition, the plant's workers' union frequently arranges trips and organizes activities for various union member clubs, including flower arranging and cooking that are very popular among female associates.

The plant has dormitories for single employees and these have their own governing committees that also actively

organize events such as 5S activities (Seiri [streamline], Seiton [organize], Seiso [clean], Seiketsu [hygiene], and Shitsuke [self-discipline]), study groups, birthday parties that all contribute to making life at the dorms more enjoyable and family-like.

We believe that continually holding activities such as these deepens relationships among associates, contributes to unity at the Hangzhou Plant, and ultimately forms a strong foundation for Terumo's production and sales endeavors, which aim to deliver products safely and with peace of mind.

360° Feedback and Motivation Surveys

In Japan, to help create “a highly motivating and challenging workplace with open and candid communication and a forward looking spirit,” we regularly conduct 360° feedback surveys for all executives and general managers. Associate Engagement surveys are also carried out for all Japan based associates. The results of these surveys provides valuable insights for our management and leadership team, enabling us to continually strive to make Terumo an even better place to work.

ACE In-House Job Posting System

In Japan, Terumo operates an in-house job posting system called “ACE.” Set up in 1997, this system enables associates from a range of departments and job types to enhance their careers by taking on new challenges and opportunities. For example, when a management position at a medical device venture company Terumo established in the U.S. was recently posted, a Japan based associate from an unrelated division applied and was selected. They are now happily working in this new job in the U.S.


A successful ACE applicant introducing products at a trade show in Africa

The system, which is open to associates regardless of age or gender, presents opportunities to gain experience and develop as business professionals for those with a strong desire to move their career to the next level.

So far over 100 associates have taken advantage of the ACE system. A talent pool of 33 global candidates has also been set up with over half of these already on global assignments outside Japan and the others in accelerated development positions within Japan preparing for transfer abroad.

In fiscal 2013, there were a total of 55 applications, with 11 individuals passing the screening process and winning a chance to pursue a new area of opportunity.

“Genba-no hokori” Award (Honor the Frontline Award)

Terumo's growth is supported not only by highly visible associates who achieve outstanding results, but also by the many associates who consistently produce solid results and work diligently “behind the scenes” every day. We reward and recognize such associates with the “Genba-no hokori” Award (Literally “Honor the Frontline” Award) which is presented each year. In fiscal 2013, the award was presented to five associates chosen from around 100 nominated by fellow associates. Among the recipients were a veteran associate who has been working in distribution at an overseas plant since it first opened, and an associate in charge of transferring production knowledge and expertise to younger generations of associates.

Winners of the “Genba-no hokori” Award in fiscal 2013

Management-Worker Dialogue

Terumo recognizes that a healthy management-worker relationship based on trust and mutual understanding is extremely important for us to grow and develop together with our associates.

Input from the workers' union is treated as valuable feedback, and we take actions to resolve issues in ways that are acceptable to both management and associates.

Dialogue with top management takes place in meetings and UC (Union and Company) Discussions, where both sides have an opportunity to fully state their views. The relationship between

management and the workers' union is one in which both work as partners to bring about the growth and development of both the company and union members.

Outside of the management-worker dialogue, views are freely exchanged throughout the company through surveys conducted by the workers' union, and through other feedback received using different channels.

Data on Associates

Consolidated Staffing Data by Geographic Area

(Individuals)

	FY2011	FY2012	FY2013
Japan	5,048	5,011	5,070
Europe	1,837	1,892	1,814
Americas	5,177	5,656	5,936
Asia and others	6,050	6,334	6,443
Total	18,112	18,893	19,263

Associates by Gender and Location (Standalone Data for Terumo Corporation)

(Individuals)

	FY2011	FY2012	FY2013
Male, Japan	4,123	4,065	4,072
Female, Japan	664	656	639

Providing a Safe Workplace

Basic Policy

At the Terumo Group, we strive to create a safe workplace so that our associates—valued assets of the Company—can realize their full potential.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

Occupational Health and Safety Management Structure

To protect the safety of our associates in Japan, our Occupational Health and Safety Management Committee holds regular meetings at our factories, R&D headquarters, sales offices, and head office. To prevent industrial accidents and minimize the impact of those that occur, we continually undertake initiatives aimed at ensuring health and safety in the workplace. With a goal of zero industrial accidents, initiatives include a 5S program, review of danger zones, and risk mitigation measures. Information is shared through reports to the committee and to others.

In fiscal 2013, we experienced no industrial accidents that required associates to take three or more days off from work (There were three such accidents in fiscal 2012). We will continue our efforts to avoid industrial accidents, with a goal of zero serious accidents or deaths.

Industrial Accidents Resulting in Lost Working Days

Frequency[*1]・Seriousness[*2]

	FY2010	FY2011	FY2012	FY2013
Accidents Resulting in Lost Working Days	2	2	3	0
Frequency（%）	0.66	0.97	1.68	0.00
Seriousness（%）	0	0	0.01	0

*1 Rate of Occurrence: Number of accidents resulting in injury or death per million working hours.

*2 Seriousness: Lost working days per 1,000 working hours.

Employee Health Management

Terumo's mission is to improve medical care in society, so we take various steps to protect the health of our associates and encourage them to be aware of their own health and physical condition. In addition to regular health checkups, we sponsor screenings for lifestyle-related diseases (mainly cancer), and with the cooperation of our health insurance union and industrial health staff, offer individualized health related guidance and advice.

Furthermore, in fiscal 2014, we have undertaken a new initiative we call “Terumo Health Action.”

Oral Health Care Support	To stimulate awareness in dental health and help associates avoid lifestyle-related diseases of the mouth, as well as sponsoring dental health checkups we provide subsidies towards treatment.
Stop Smoking Support	Associates who would like to stop smoking but have been unsuccessful can receive a subsidy for treatment at a Smoking Cessation Clinic. We encourage associates to try again if they do not succeed the first time, and provide subsidies for repeated attempts in the following year and beyond.

To support better mental health as well as physical well-being, we also offer a variety of lectures, including stress management training for new hires and general employees, and team member mental health care and management methods for leadership staff.

Compliance and Prevention of Harassment

The Terumo Group has formulated the “Terumo Group Code of Conduct (SAKURA Rules)” that provides guidance on all aspects of behavior and conduct associates are expected to adhere to in their daily business activities.

Fulfilling their roles as outstanding corporate citizens, associates bear the heavy social responsibility of not only obeying the law but also demonstrating ethical behavior in all aspects of their work. Toward that end, each Terumo workplace holds an annual event aimed at promoting deeper understanding of the code of conduct, emphasizing compliance and preventing harassment. In addition, training incorporating examples that reflect familiar situations and that can be applied in daily work is regularly held for those in management positions to further their understanding of what is expected of them.

Regarding harassment in particular, we have established a system by which harassment victims and those receiving ethically questionable treatment can immediately seek help. Male and female responders provide advice internally while protecting the privacy of those seeking assistance. The system also makes it possible to consult with an external attorney if needed.

Promoting Diversity

Basic Policy: Respect Human Rights and Stimulate Diversity

At the Terumo Group, we work hard to promote respect for individuals and other cultures, and we do not discriminate, whether by race, nationality, gender, religion, disability or on any other basis that would violate human rights. We believe that the diversity of our associates is a powerful engine that will drive our current and future growth. By striving to accept a wide range of differing values, and promoting mutual recognition of diversity, we aim to be a company where differing ideas and knowledge can intermingle, creating new value.

Having established our Diversity Promotion Department, which works to raise awareness of diversity issues among our associates, we continually promote diversity in the Company from a variety of perspectives.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

Promoting Active Participation by Female Associates

As a first step in channeling mutual recognition of diversity into corporate growth, Terumo's top management has made a commitment to promoting active participation by female employees.
We have forged ahead with various initiatives aimed at creating a suitable environment, climate, and awareness to enable women to thrive in the workplace. Examples include a mentoring system for women and seminars for women wanting to resume their careers at Terumo.

Fiscal 2013 Group training under the Women's Mentoring System

Mentoring system:
This system pairs female associates in leadership positions working in different parts of the company or of different ages so that they can share experiences and ideas to broaden their perspectives and support one another for career growth. Raising the awareness and skills of female associates and having more women assume leadership roles within Terumo will contribute to fresh perspectives and value creation.


Fiscal 2013 Career-Resumption Seminar

Career Resumption Seminars:
Terumo is seeing a rising number of men and women who want to continue with their careers while caring for children or providing nursing care. In fiscal 2013, we began holding a career-resumption seminar for female associates currently on child- or nursing-care leave and their supervisors. The purpose of these seminars is to discuss how associates can continue to meet care responsibilities after returning to work and also further their careers. We will continue to provide more opportunities for associates and their supervisors to discuss new ways of working and furthering their careers.

In fiscal 2013, we conducted a program aimed at helping female managers improve their mentoring skills. Bringing together female associates in leadership positions throughout Japan, this group training also provided participants with opportunities to meet positive role models and to build support networks.

In fiscal 2013, we conducted a program aimed at helping female managers improve their mentoring skills. Bringing together female associates in leadership positions throughout Japan, this group training also provided participants with opportunities to meet positive role models and to build support networks.

The number of female managers at Terumo is gradually rising. As of March 31, 2014, there were 40 women in management positions (4.2% of the entire management staff). We will continue to advance initiatives that enable ambitious female associates to play greater roles at Terumo.


Fiscal 2013 Female Manager Seminar

Numbers of Female Managers

(Figures for Terumo Corporation's Japan operations and Japanese staff on full-time or temporary assignments to Group companies)

Engagement with People and Organizations in Other Countries

To promote better understanding between Japanese associates and their counterparts from other countries, we hold “Waigaya” events where participants not only share information on the markets in which they work but also on different management practices. They also engage in open, wide-ranging discussions of topics such as career paths.

Waigaya discussion between associates from Australia and Japan

COLUMN

Female Associate Working Overseas

My career began in 1984 as a Terumo sales agent where I worked as a specialist in dialysis products. At the time, it was rare for a healthcare professional to take a position within a commercial business, so this was an enormous challenge for me.

I was involved in nearly the entire range of Terumo's offerings. Of course, this included hospital and blood management products, but I was also in charge of the Radifocus Guide Wire products that are the foundation for the IS portion of the cardiovascular business.

I have always been confident in my ability to build my career. In 2001, for example, I entered a college program to obtain a degree in marketing. The year after I completed my degree, I gained the opportunity to work as a marketing manager.

Since 2007, I have been the marketing manager for Terumo Chile. Devising strategies, seizing market opportunities, driving home business plans, analyzing results, building relationships with customers, developing investment plans…my job has many differing aspects and I love it.

Recently, my primary challenge has been to increase sales in Argentina, part of what we call the South Cone— the southernmost part of South America that includes Chile, Argentina, Uruguay, and Paraguay. I also continue to study to take my career to the next level.

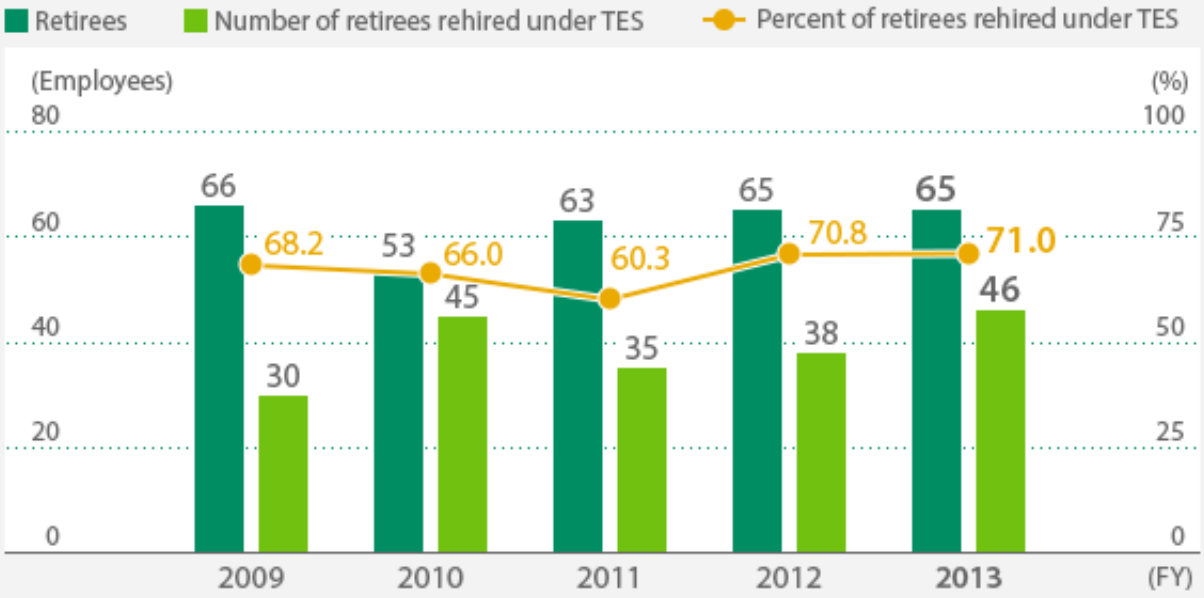
Marketing manager – TERUMO CHILE LTDA.

Rehiring System: The Terumo Expert System

Terumo introduced TES, or the Terumo Expert System, in fiscal 1998 as a way to rehire retirees with outstanding skills and expertise. Many associates have been brought back through TES and continue to make the most of the expertise they developed over many years.

These Terumo Experts are at work not only in highly specialized areas but also in a wide range of other places where they are contributing to the Company by drawing on their wealth of experience to provide guidance and advice to younger associates.

Number and Percent of Associates Rehired under TES



Employment of People with Disabilities

By providing job opportunities that fit the capabilities and aptitudes of individuals, Terumo is advancing the employment of people with disabilities, so they can pursue rewarding lives as independent members of society.

As of March 31, 2014, people with disabilities made up 2.03% of our workforce in Japan, more than the legally mandated rate of 2.00%. Looking to the future, we will continue to expand opportunities for individuals to fully exercise their capabilities.

Human Resource Development

Basic Policy

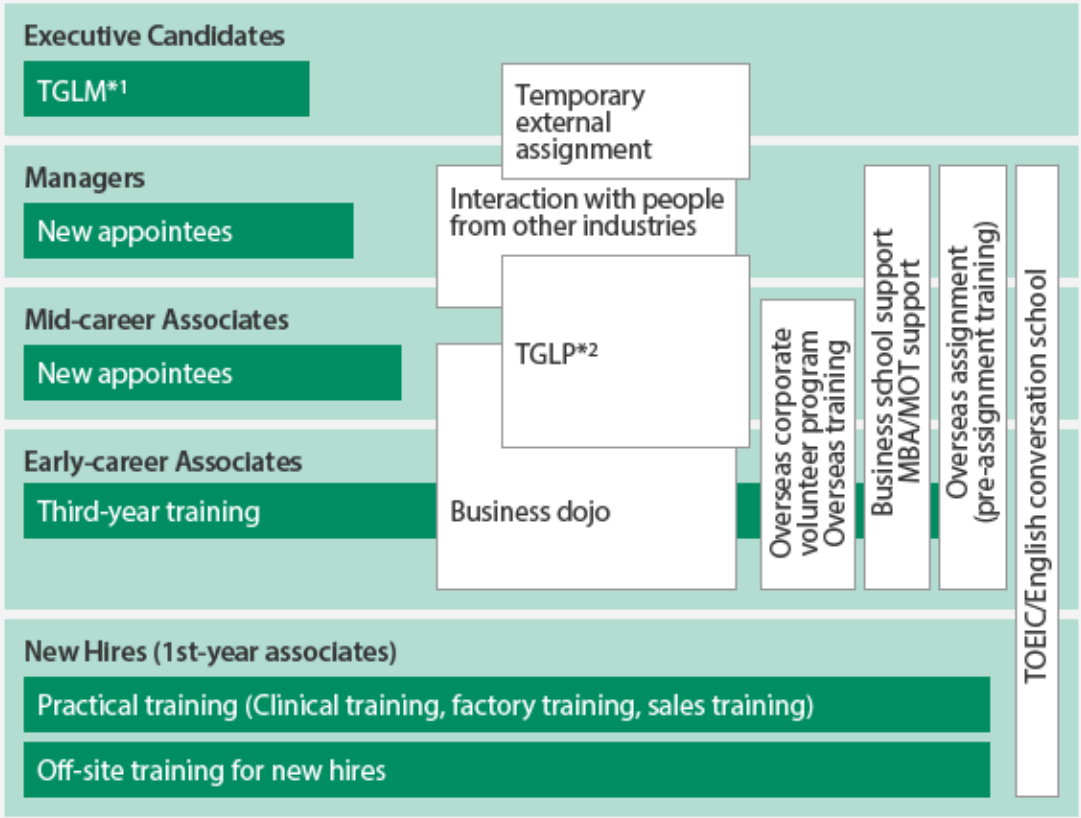
Terumo believes that its true corporate value lies in the collective worth of all associates who work for the Company.

Human resource development is based on practical skills acquired through on-the-job training (OJT), and a variety of training programs designed to supplement OJT.

We believe that the most effective learning comes from having the interest of associates at heart. Therefore associates who understand the value and necessity of training can self nominate for various programs.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

Terumo Training Scheme



*1 TERUMO Global Leadership Meeting
*2 TERUMO Global Leadership Program

Promoting the spirit of Monozukuri

Terumo is promoting the transfer of skills, experience, and monozukuri spirit of veteran associates to their younger colleagues. We have devoted significant effort to developing curricula, training environments, and instructors. In fiscal 2013 we conducted training for 220 associates, including participants from overseas. As another step in pursuit of this effort, we established the Production Human Resources Development Center in April 2014. Here, TES associates—veteran employees rehired after mandatory retirement—lead the nurturing of younger generations. Moving forward, we aim to globally accelerate the development of such human resources who by taking key roles in production, technology, quality assurance, and management, ensure that the monozukuri spirit keeps thriving at Terumo.

Training Vietnamese technicians

Global Human Resource Development

Increasing globalization makes it essential for the Terumo Group to develop highly motivated human resources equipped with the diverse communication skills needed to work effectively with people from other cultures and also the and necessary leadership capabilities.

In Japan, The Terumo Global Leadership Program (TGLP) develops leaders with the practical capabilities to lead global business. Each program involves 24 participants (aged between 20 and 40) who are selected from around 100 applicants. Through a series of seminars held over five months, participants learn to capture the true nature of management issues and leadership challenges. Through group discussion and dialogue with other associates from relevant departments, participants develop proposals for innovation and for ways to enhance the current business. These are then presented to Terumo's Leadership. Successful proposals can become actual high profile projects.

Fiscal 2013 TGLP closing ceremony

Training in International Business Skills

In Japan, Terumo offers a Global Challenge Program and an International Corporate Program as ways for associates to gain international business skills and relevant work experience.

These programs target young associates with the desire and intent to work abroad in the future. In the International Corporate Program, Terumo sends associates to emerging market countries to apply their experience and skills at local organizations set up to address social issues. In fiscal 2013, program participants spent about two months in Indonesia working with an NGO that arranges medical clinics for low income people. In addressing the needs at hand, participants also enlisted the cooperation of other associates back in Japan.

Participants on the fiscal 2013 Overseas Work Experience Program

Support for Obtaining MBA and Other Qualifications

Terumo has established a system for developing human resources suited for global management, which supports associates from around the world who are actively striving to improve themselves by earning an MBA or other such qualification.

The system allows associates to take leave for as long as needed to complete their studies and allows them to take up to an additional 100 days of unused paid leave prior to the start of the period of leave for studies. In addition, the Company may approve interest-free loans for tuition and living expenses, and under certain conditions, contribute towards entrance fees and tuition.
We also appreciate the great benefit these types of opportunities provide, to mix with people from different companies and cultures.

Work-Life Balance

Basic Policy

Terumo aims to increase work style flexibility (hours, location etc.) to better enable our associates to work with enthusiasm and exercise their capabilities to the fullest. We see an employment system that gives rise to flexible work approaches, and systems that allow adjustments for child care, nursing care, and other life events, as measures that help associates meet both home and workplace responsibilities. Such steps are called for by the Act on Advancement of Measures to Support Raising Next-Generation Children and we will continue to take further actions as needs arise.

* At Terumo, employees are called “associates” to emphasize a partnership and collaborative working.

Child- and Nursing-Care Support System

Following are the primary systems in place as of March 31, 2014 to help employees meet both child- or nursing-care, and workplace responsibilities.

Child- and Nursing-Care Support Systems

System		Description[*1]
Child-care	Long term maternity/paternity leave	Leave that can be taken up until the child reaches the age of 3 (up to 30 days of unused paid holiday can be taken).
	Shortened working hours	Working hours can be shortened by up to 2 hours per day until the child finishes elementary school (approximately age 6).
	Adjusted working hours	Start and end time of regular working days can be moved forward or backward by up to 1 hour until the child finishes elementary school (approximately age 6).
Nursing-Care[*2]	Special leave	Leave can be taken for a cumulative total of up to 3 years for each family member requiring nursing care. Up to 30 days of unused paid holiday can be taken.
	Shortened working hours	Working hours can be shortened by up to 2 hours per day for a cumulative total of up to 3 years.
	Adjusted working hours	Start and end time of daily working hours can be moved forward or backward by up to 1 hour for a cumulative total of up to 3 years.
Other	Hour-based paid leave	Paid leave may be taken in units of 1 hour for any reason.

*1 Content has been excerpted from Child- and Nursing-Care Support Systems.

*2 For nursing-care leave, the “leave,” “shortened working hours,” and “adjusted working hours” can be used for a cumulative total of 3 years.

TOPICS

Approved to Display the “Kurumin Mark” as of Fiscal 2014

The Next-Generation Certification Mark (the “Kurumin Mark”) indicates that a company proactively pursues diversity, and Terumo has won the right to display it.

The right to display the Kurumin Mark is awarded by Japan's Ministry of Health, Labour and Welfare to companies it recognizes as having formulated an action plan for helping employees meet child care needs and fulfill both work and family responsibilities. Companies approved to use the Kurumin Mark can display it on their products, business cards and in advertising. The swaddled infant in the mark's design expresses the willingness of the displaying company to take steps that help employees raise their children.

Terumo is committed to fostering a working environment where associates can approach their work with vigor and are free to fully exercise their capabilities.

Encouraging Men to Take Child-Care Leave

The number of male associates who take child-care leave has recently begun to increase. The birth of a child is a prime opportunity to rethink one's approach to work. By posting the accounts of associates who have taken child-care leave on the Company's intranet, we promote wider understanding of the system and help to create an atmosphere that makes it easier for men to choose to participate in child rearing.

Number of Associates Taking Maternity and Child-Care Leave (Standalone figures for Terumo Corporation's Japan operations)

（Individuals）

		FY2009	FY2010	FY2011	FY2012	FY2013
Associates Taking Maternity Leave		21	22	19	22	24
Associates Taking Child-Care Leave	Women	20	22	28	27	26
	Men	1	8	7	9	14

Work-at-Home System

Terumo has adopted its “Work-at-Home System” to give associates the choice of working at home on days when child-care, nursing-care, or other responsibilities make it difficult to come to the office.
We are committed to expanding choices that enable associates to make the most of their skills and know-how when demands such as those associated with child care or nursing care, for example, make working in the usual manner difficult.

Career-Return System

Terumo has opened a pathway for rehiring associates who have left because of marriage, child- or nursing-care responsibilities, or relocation of their spouse. The “Career-Return System” expands the range of employment choices for associates who want to resume their careers at Terumo.
By supporting associates who have had to interrupt their careers, return to work, we are making it possible for them to make good use of their broad experience and skills and contribute to Terumo's growth.

“No-overtime” Days and Encouraging the Use of Paid Leave

Terumo promotes work efficiency through strict management of the time for beginning the workday and the establishment of “no-overtime” days. As part of our policy of maintaining a workplace environment in which “work time is for work and off-time is for rest,” we set company holidays and encourage associates to take their paid days off.

Social Contribution Activities

Providing Information to Manage Health

Enlightening website for Preventing Subarachnoid Hemorrhages

In March 2014, Terumo established the enlightening website for preventing subarachnoid Hemorrhages in Japanese to provide patients and their families with accurate, objective information on cerebral aneurysms, a key cause of subarachnoid hemorrhages. Content for this site is assembled under the oversight of Dr. Nobuyuki Sakai, the Director of Neurosurgery and the Stroke Center at Kobe City Medical Center General Hospital, a medical institution renowned for its treatment of cerebral aneurysms.

The purpose of the website is to promote a correct understanding of subarachnoid hemorrhages and provide users with useful prevention information. For those who have been diagnosed with a brain disease, the site provides the latest medical information in easy to understand terms to help allay fears and answer questions.

Terumo has created numerous websites providing information to society at large to improve daily health management. We have also created targeted websites, including those devoted to health topics such as body temperature, and another focused on preventing falls among the elderly.

Enlightening website (only Japanese)

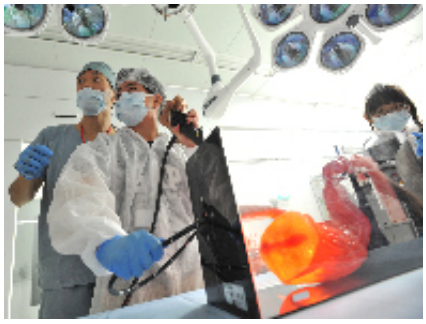
Explanation of cerebral aneurysms, which are a key cause of subarachnoid hemorrhages

Contribution to the Development of Healthcare

Terumo Life Science Foundation

First established in 1987, the Terumo Life Science Foundation was re-launched after its registration as a Public Interest Incorporated Foundation, on April 1, 2012. The purpose of the foundation is to contribute to medicine and better health by promoting the advance of life science technologies through subsidies and other forms of assistance. There are three parts to the foundation's mission.

Presentation ceremony


A practical lesson in generating a cellular sheet at “Science café”

The first is to support life science research and the holding of academic and other conferences. In fiscal 2013, subsidies were granted to three special research projects addressing topics such as regeneration and other approaches using neovascularization-inducing biomaterials to treat brain injuries; 25 general research projects; and 31 international exchanges (academic conferences). A ceremony to award these subsidies to recipients was held in March 2014. To date, the foundation has disbursed a total of around ¥1.33 billion in subsidies to 901 recipients.

As part of the second aspect of its mission—awards and related operations—the foundation selected the recipient for the second annual Terumo Global Science Prize commemorating the 25th anniversary of its founding. This prize is awarded to outstanding researchers making a unique contribution to regenerative medicine through biomaterials research. The winner of the second annual prize is Professor Sung Wan Kim of the University of Utah. Professor Kim was formally presented with the prize at a presentation ceremony held in July 2014.

Promoting education is the third aspect of the foundation's mission. In 2009, a Japanese website called “Life Sciences DOKIDOKI Research Class” was created to provide life sciences-related information to junior and senior high school students. Today, the site provides young users with easy-to-understand information on cutting-edge research and researchers in the life sciences. A second book summarizing site content has been published.

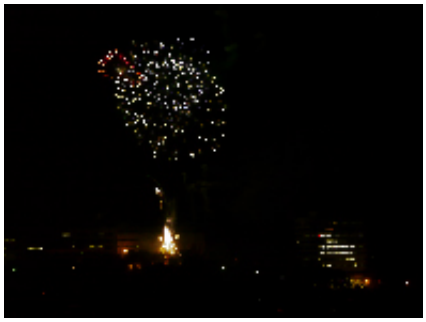
In August 2013, the foundation invited 31 high school students from the seven prefectures of the Kanto Region to attend an event at the Joint Institution for Advanced Biomedical Sciences, operated by Tokyo Women's Medical University and Waseda University. The participants at this “science café” were able to experience simulators and other examples of the latest technology in regenerative medicine, which greatly impressed them. For fiscal 2014, activities similar to those conducted in fiscal 2012 are in the works.

Contributing to the Wider Community

Presenting an Annual Christmas Gift to a Hospice

In Japan each year around Christmas time, a team of Terumo associates decorates the outside walls of the Terumo Shonan Center building with Christmas lights. On Christmas Day, the team puts on a fireworks display for the local community and a hospice, while the Terumo Male Choir sings Christmas carols to the hospice patients. This program was started in 1997 to bring Christmas cheer to the hospice patients, their families, and local residents, and has continued every year since. In the 2013 Christmas holiday season, those at the hospice were again able to enjoy a variety of illumination displays, including one depicting reindeer.

The Terumo Male Choir singing



Illumination display and fireworks

Local Activities

Terumo conducts many social contribution activities in local communities at our business sites in Japan. Here are some examples of Terumo associates' social contributions through local activities:

- Weekly cleanup of public roads and parks near the Head Office
- Clean up activity in Chuo Ward, Tokyo (Held each May)
- Cleaning up the Tama river bank, Tokyo (every spring and fall)
- Cleaning up the surroundings of Shonan Center
- Cleaning up the surroundings of Fujinomiya Factory
- Cleaning up the surroundings of Ashitaka Factory and ME Center
- Cleaning up the surroundings of sales branches

* Note: Activities held in fiscal 2013

TOPICS

Off-Campus Learning Assistance

Various Terumo facilities welcomed junior high school students taking part in environmental studies field trips. The students learned about the environmental initiatives taken at each site, environmental considerations incorporated into products, and environmental activities they can undertake close to home.
Afterward, we received many messages from students who were happy to have learned about Terumo's products and the importance of protecting the environment.

Junior high school students hosted for an off-campus learning experience

Japan-China Friendship Initiative

Terumo is cooperating in a project set up to give Chinese university students a chance to visit Japanese companies and further their understanding of Japan.

Sponsored by the Japanese Chamber of Commerce and Industry in China (Beijing) and the Japan-China Friendship Association, the project has brought Chinese students to Japan in spring and fall annually since 2005. Each occasion hosts up to 40 students from

Students on a tour of the Terumo

one of a rotation of six Beijing-area universities. Students visit companies (headquarters, plants, research facilities, etc.) related to members of the Japanese Chamber of Commerce and Industry in China, and observe society and industry (including an agricultural community), culture, and other aspects of Japan. They also meet with Japanese university students and spend a night with a Japanese family.

Terumo hosts visiting students on a tour of the Terumo Medical Pranex, where they experience a medical training program aimed at helping them see medical devices and medicine from a different perspective.

Terumo employees, as homestay hosts, provide their outstanding student guests with their first direct exposure to daily customs and culture in Japan, giving these future leaders of China a chance to experience the delights and warmth of Japanese culture.

We believe that by having Chinese students interact with people and companies in Japan, we will deepen the relationship between the two countries and lead to greater friendship and mutual understanding in the future. Terumo will continue its participation going forward.

Medical Pranex

Farewell party

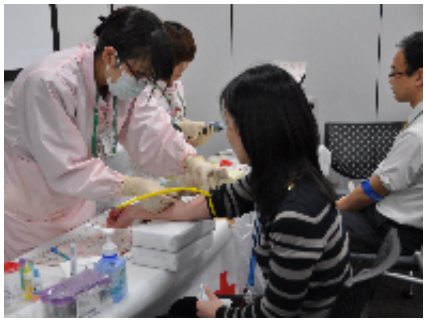
Donation to Aid Typhoon Victims in the Philippines

Terumo donated syringes and other medical devices worth approximately 19 million yen, together with a financial contribution of 3 million yen, to aid the victims of a typhoon that struck the Philippines in November 2013. In addition, subsidiaries in the U.S., Europe, and Southeast Asia made donations of money and medical devices with a total value of around 50 thousand dollars.

Making a donation at the Embassy of the Philippines

Blood Donation

Terumo carries out annual blood drives at factories and branches in Japan. In fiscal 2013, a total of 1,173 associates at 23 locations across Japan donated blood. At Terumo, our contributions to society include not only the manufacture of blood bags, but also blood donation activities.



In-house blood donation

Close Up

Better Therapeutic Techniques to Healthcare Professionals throughout the World

A key characteristic of medical devices is that unlike pharmaceuticals—in which the effectiveness of the product determines therapeutic efficacy—it is only when optimal medical devices are used by medical professionals to practice an appropriate therapeutic technique that a high degree of therapeutic efficacy can be obtained.

Globalization is now taking hold in the activities of medical professionals. Numerous medical specialists and nurses from emerging regions of the world now study therapeutic techniques in the U.S., Europe, and Japan, and then return to their home countries and share what they have learned. As a result, the products of medical device are coming into demand in new markets of globe.

The efficacy of devices used in the field of intervention (intravenous therapy), depends greatly on the manual dexterity of the medical professionals using them. Therefore, while improving products and their usability is critical from a monozukuri—or art of manufacturing—perspective, the importance of medical professionals simply growing accustomed to using them cannot be underestimated. Terumo believes that disseminating the most advanced medical technology and academic information through not only products but also training is its duty, as a medical device manufacturer whose products are the choice of medical professionals across the globe.

Supporting the Development of Healthcare Professionals from throughout the World at a Mock Hospital Equipped with the Latest Devices

In 2002, Terumo opened Terumo Medical Pranex, a comprehensive medical training facility within its own R&D center, where it assists healthcare professionals from throughout the world improve their skills. Replete with various types of simulators, operating rooms with real-world facilities, and catheterization laboratories, the Terumo Medical Pranex is essentially a mock hospital with faithful recreations of medical environments.

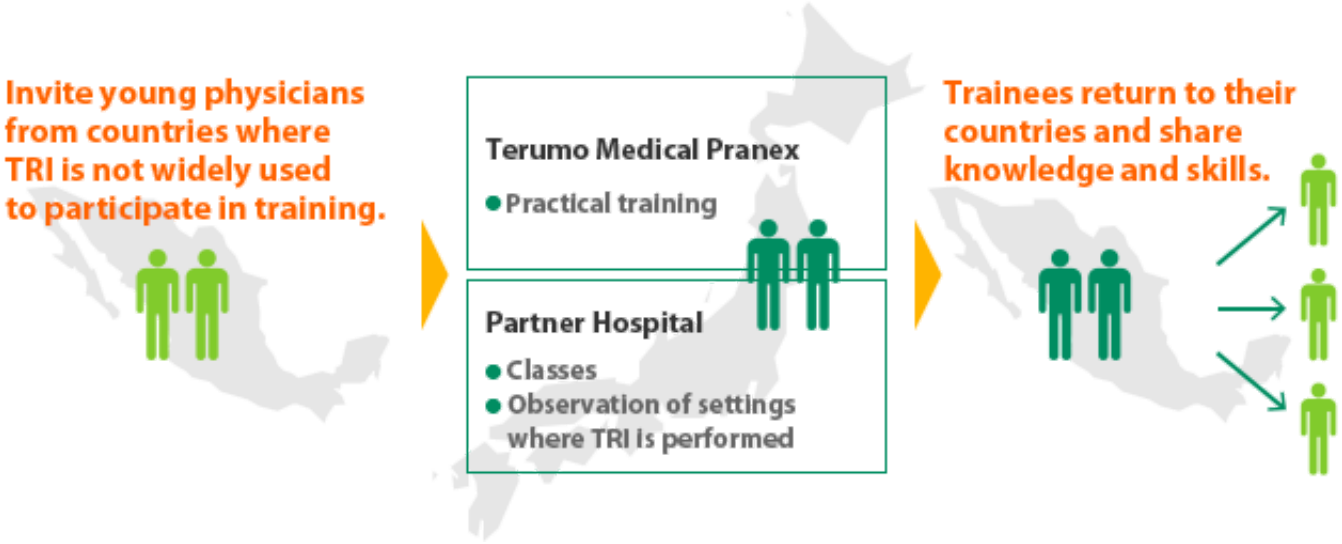
From improvement of coronary and neurovascular intervention therapy skills to safety improvement and emergency response in hospitals and homes, and even basic skills for new nurses, this facility, as one where meticulous training can be undergone in a realistic medical environment, is used by around 10,000 healthcare professionals from around the world every year.

Working with JICA to Promote TRI in Central and South America

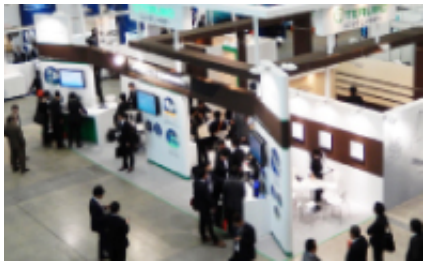
In 2014, the Interventional Systems (IS) Division of Terumo's Cardiac & Vascular Company submitted a proposal to the Japan International Cooperation Agency (JICA) for the initiation of its project for the promotion of private sector technology toward social and economic development in developing countries, a public-private partnership project.

The proposal was selected from among many competitors, and Terumo and a Japanese medical institution have now been commissioned by JICA to conduct training in the use of transradial coronary intervention (TRI), an interventional treatment that uses a blood vessel in the wrist as an entry point for approaching the coronary arteries. Training will be provided over a period of two years to medical professionals from Mexico, Colombia, Argentina, and Brazil; four countries in which this technique has been used relatively infrequently.

The purposes of this project are to: 1) Promote the adoption of TRI—a treatment technique that can mean less physical stress on patients and lower medical expenses—in countries where heart disease has become a serious problem, and 2) Contribute to better health in these countries by increasing the treatment rate for people with heart disease. It is also thought that the initiatives of this project could contribute to friendly relationships between Japan and the participant countries. In the first phase of the project, physicians from Mexico and Colombia came to Japan in May 2014 to participate in training.



Disseminating Information on the Efficacy and Safety of New Technologies and Products



Terumo gathers and widely disseminates academic information in a broad variety of medical fields.
Every year, we actively participate academic conferences held for medical professionals across the globe and use these opportunities to disseminate information on the latest therapeutic techniques and products to physicians and specialists.

Through live demonstrations by specialists at conferences on interventional therapy, and conference presentations on clinical trials, we widely distribute information on the utility of new products and efficacy of therapies. Furthermore, in the field of general hospital business, at academic conferences, we provide information on new therapy techniques, safety, operational efficiency improvement initiatives, and other topics.

Our efforts also extend to patients and their families, whom we reach through channels like health information websites. On a site we began in March 2014, for example, we posted information on subarachnoid hemorrhages, a topic not well understood by the general public. The site offers easily understood explanations of the characteristics, treatment, and prevention of cerebral aneurysms, which cause subarachnoid hemorrhages. By disseminating objective, accurate information, we are contributing to the proper treatment of the health problem.

For the Environment

EHS Management

Formulation of the Terumo Global EHS Policy

In October 2012, we revised our Basic Environmental Policy and instituted the Terumo Global EHS (Environment, Health, and Safety) Policy. This outlines our stances on reducing the impact of business activities on the environment, conserving biodiversity, and on the health and safety of our associates while at work. The policy applies to the entire Terumo Group and forms the basis for all corporate activities.

* For information on occupational safety and health initiatives, please refer to the following page.

Terumo Global EHS Policy

The Terumo Group aims to be a good corporate citizen, striving to reduce environmental impacts associated with business activities and to ensure the safety and health of employees based on its corporate mission, "Contributing to Society through Healthcare."

1. We take action based on an environmental health and safety (EHS) management system, establish the following voluntary goals, and strive for continuous improvement:
    1. Reduce the environmental impact and EHS risk of our business activities;
    2. Develop environmentally friendly and safe products; and
    3. Effectively use and appropriately manage energy and resources.
2. We comply with the laws, ordinances, agreements, and other rules relating to EHS in each country.
3. We carry out environmental conservation activities and strive to conserve biodiversity as a member of society and the community.
4. We work to ensure the safety and health of employees in all business activities and strive to create safe and comfortable work environments.
5. We strive to prevent EHS accidents such as environmental pollution and occupational injuries, and, in emergencies, strive to prevent damage from spreading by responding swiftly and appropriately.
6. We systematically and continuously provide education and training and strive to increase EHS awareness.
7. We actively disclose information pertaining to EHS activities, and strive to communicate with society and the community.

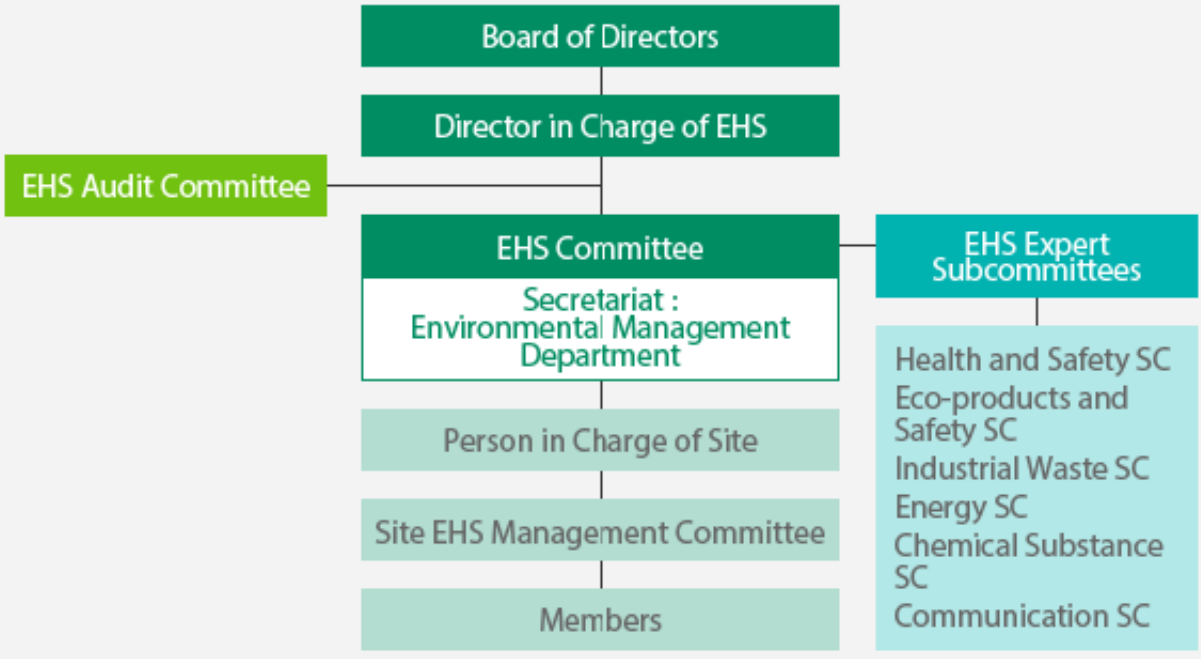
Established October 2012

* EHS : Environment, Health, and Safety

EHS Management System Established

In line with the Terumo Global EHS (Environment, Health, and Safety) Policy ("EHS Policy"), we are developing an EHS management system to integrate our approach to these issues. The EHS Policy and related targets and plans will be deliberated and decided by the EHS Committee as a key part of Terumo's focus on sustainability in business, before being reflected in EHS activities at Terumo Group sites worldwide. EHS Expert Subcommittees are formed to provide advice to the EHS Committee on key areas. In addition, the EHS Audit Committee oversees the conduct of EHS-related internal audits at all sites to confirm the effectiveness and operational status of systems, as well as compliance with relevant laws and regulations. Going forward, we will focus on continuous system improvements as we gradually acquire the ISO 14001 certification for environmental management systems and the OHSAS 18001 standard for occupational health and safety management systems at Terumo Group production sites. The Fujinomiya Factory (Fujinomiya City, Shizuoka Prefecture) and Terumo Penpol Ltd. (Kerala, India) obtained these certifications in fiscal 2013.

Company-wide Organization for Promoting the EHS Management System



TOPICS

ISO 14001 and OHSAS 18001 Certifications Gained by Fujinomiya Factory

The Fujinomiya Factory created its own EHS Management System to manage environmental, health and safety matters in an integrated fashion based on the Terumo Global EHS Policy, and obtained the ISO 14001 environmental management and OHSAS 18001 occupational health and safety management certifications in October 2013. The Fujinomiya Factory is committed to maintaining and continuously improving its management systems to lower the environmental impact of its manufacturing activities and secure the health and safety of everyone working on its premises.

EHS Audits

To prevent legal violations and environmental problems, and to reduce present and future environment, safety, and health risks, we conduct internal EHS audits based on Terumo EHS Committee Standards. These audits cover our factories, R&D Center, Head Office, and sales offices in Japan, as well as of Terumo Group companies, including overseas sites.

Audit Tasks

1. Check the operational status of EHS management systems
2. Check compliance with EHS-related laws and ordinances
3. Check EHS-related performance

When an audit identifies an instance of noncompliance, a “Request for Corrective and Preventive Actions/Response Form” is issued and follow-up checks are performed to ensure that corrective and preventive actions have been implemented and are functioning. For matters that do not constitute noncompliance but are thought to warrant ongoing observation, written follow-up checks are performed and the matters in question are reviewed in the following year’s audit.

Fiscal 2013 EHS Internal Audit Results

- Regarding compliance with EHS-related laws and ordinances, there were no serious violations. Four minor violations were identified, and corrective and preventive actions are being implemented.
- Regarding the management of environmental risk items at individual business sites, it was determined that efficient management systems are in place and that serious efforts were being made to achieve voluntary goals.
- Regarding occupational health and safety, while there were some matters currently being addressed, it was determined that the actions being taken will result in improvements.

Internal audit at Terumo (China) Holding Co., Ltd.'s Hangzhou Plant

Results of External Environmental Audits in Fiscal 2013

Auditing Waste-treatment Contractors

To confirm that the sludge and waste plastics generated by Terumo are appropriately processed throughout all stages of treatment, we have prepared a checklist that we use in our regular audits of waste collection and disposal contractors. In fiscal 2013, we conducted audits at 32 contractors.

Audit of a waste-treatment contractor

Results of External On-Site Inspection

In fiscal 2013, prefectural and municipal authorities conducted environmental on-site inspections and tested water samples at factories and the R&D Center based on the Water Pollution Control Act, the Air Pollution Control Act, the Waste Disposal and Public Cleansing Law, and the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof. No inspections or tests resulted in the issuance of remedial instructions by inspection authorities.

Inspection by government authorities

EHS Education

Environmental Safety Training for Associates

To ensure solid understanding of the Terumo Global EHS Policy and the EHS activities everyone at Terumo is expected to engage in, we conduct training tailored to sales, production, and other types of business sites. All associates, including new hires, are required to participate. To promote greater environmental, and health and safety, awareness we also distribute information via the Terumo intranet and hold eco-campaigns for associates and their families.

Associates in EHS training

TOPICS

EHS Award System—Terumo Human×EcoAward

We created the Terumo Human×Eco Award system in fiscal 2012 to recognize the environmental, and safety and health, contributions by elements of the Terumo Group worldwide. The awards encourage associates to become involved in environmental, and safety and health, activities and to share related information. The initiatives selected for recognition in fiscal 2013 are listed below. Their examples were shared throughout the Terumo Group.

Award ceremony

Project	Award Recipient
Resource savings for filters used to remove white blood cells	Fujinomiya Factory/R&D Headquarters
Energy savings from a change in the air conditioning control approach for buildings 1 and 4	Ashitaka Factory

Goals and Achievements

Environment Safety Performance

<table>
<tr><th>Initiative</th><th>Fiscal 2016 Voluntary Targets(Medium-term)</th><th>Fiscal 2013 Targets</th><th>Fiscal 2013 Assessment</th><th>Fiscal 2014 Targets</th></tr>
<tr><td rowspan="2">EHS Management System Construction</td><td>Introduce the Group Environmental Health and Safety Management System (EHSMS) at all domestic production sites and obtain 3rd-party certifications</td><td rowspan="2">Begin application of a management system integrating environmental/safety and health coverage with a view toward gaining 3rd-party certification(Fujinomiya factory)

Continue internal Terumo Group EHS audits

Conduct environmental health and safety compliance training

Assemble information on legal revisions</td><td rowspan="2">○</td><td>Expand application of the Group EHSMS to Kofu factory</td></tr>
<tr><td>Expand application of the Group EHSMS to principal overseas production sites</td><td>Move forward with the creation of a global EHSMS manual</td></tr>
</table>

Initiative	Fiscal 2016 Voluntary Targets(Medium-term)	Fiscal 2013 Targets	Fiscal 2013 Assessment	Fiscal 2014 Targets
Reduction of Accident Risk	No work-related deaths or serious accidents Cut work-related accidents by half or more compared to FY2013	Continue operating with no work-related deaths or serious accidents, and with fewer accidents requiring time off than in the previous fiscal year Continue environmental impact assessments Continue risk assessments	○	No work-related deaths or serious accidents Cut work-related accidents compared to the previous fiscal year
	Continue operating with no serious environmental accidents			Develop procedures for responding to environmental accidents and emergencies
Development of Environmentally Conscious and Safe Products and Production Processes	Bring 3 or more Human×Eco products to market	Continue to develop products that comply with the RoHS Directive and build an assurance system Advance the development of products that reflect consideration of the Human×Eco development directives and environmental and safety concerns	○	Achieve concrete results in the development and planning of at least one Human×Eco product/production process (Terumo Corporation's Japan development sites)
	Develop technologies that do not use CFCs			Advance cooperation among business sites on production technologies that do not use CFCs (HCFC-225)

Initiative	Fiscal 2016 Voluntary Targets(Medium-term)	Fiscal 2013 Targets	Fiscal 2013 Assessment	Fiscal 2014 Targets
Effective Use of Energy and Resources（Reduction of CO_2 Emissions）	Reduce CO_2 emissions per unit of consolidated net sales by 30% relative to FY2005 (Business locations in Japan, overseas manufacturing sites) *Long-term target: Reduce by 50%, by FY2025	Advance efforts to save energy and reduce electricity usage Participate in the “Challenge 25 Campaign” and implement internal eco campaigns Promote eco-driving Reduce final disposal waste to less than 0.5% of total waste at business locations (excluding sales offices) in Japan Advance the use of electronic manifests throughout the Group	○	Improve CO_2 emissions per unit of consolidated net sales by 4% compared to the previous fiscal year Reduce energy cost by 1% compared to BAU* (Terumo Corporation's manufacturing and research sites in Japan) *BAU (Business As Usual): Period before action was taken
	Increase the waste recycling to 85% or higher (Group companies in Japan, overseas manufacturing sites)			Reduce final disposal waste to less than 0.5% of total waste (Terumo Corporation's Business locations in Japan)

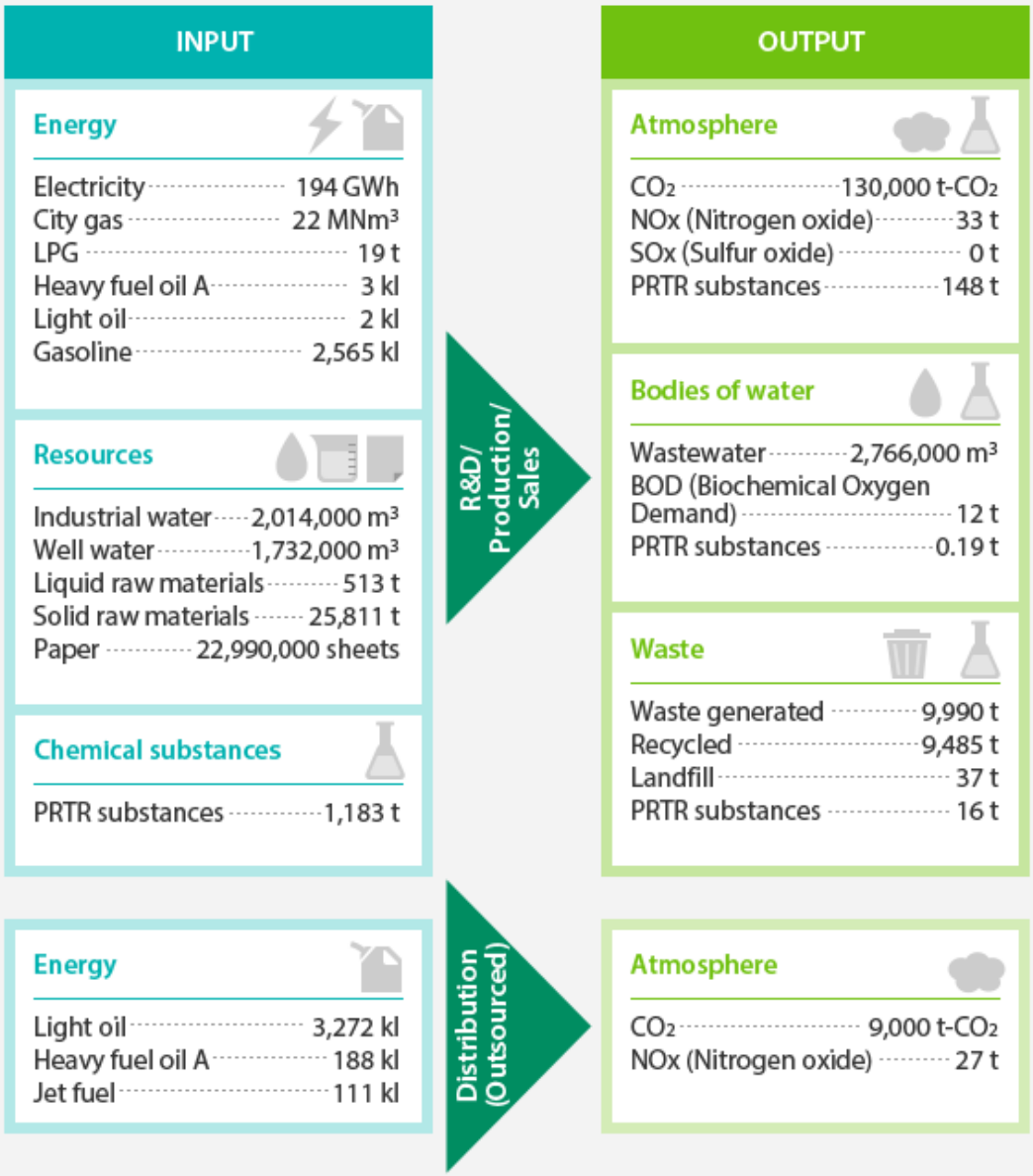
Initiative	Fiscal 2016 Voluntary Targets(Medium-term)	Fiscal 2013 Targets	Fiscal 2013 Assessment	Fiscal 2014 Targets
Proper Control of Chemical Substances and Reduction of Emissions	Establishment of a chemical substance management system and compliance with guidelines	Maintain dichloromethane releases at 99 t or less Continue to voluntarily measure property line concentrations of ethylene oxide Continue to comply with REACH and other overseas chemical substance regulations	○	Determine status of chemical substance management and prepare guidelines (Terumo Corporation's Business locations in Japan)
	Move forward with efforts to control releases and property line concentrations of dichloromethane and other chemical substances Improve work environments where organic solvents are handled			Keep dichloromethane emissions to less than 100 t per year and EOG concentrations at property lines adjacent to residential areas to no more than 4.3 $\mu g/m^3$ (Business locations in Japan)

Initiative	Fiscal 2016 Voluntary Targets(Medium-term)	Fiscal 2013 Targets	Fiscal 2013 Assessment	Fiscal 2014 Targets
Preservation of Biodiversity	Work with NGOs to advance and expand biodiversity preservation activities	Continue the Mt. Fuji Reforestation Project Continue employee-participation eco activities	○	Conduct internal eco campaigns and expand participation (Business locations in Japan)
	Expand the Mt. Fuji Reforestation Project to include ongoing care of planted trees			Expand the Mt. Fuji Reforestation Project
Advancement of EHS Communication	Improve the quality of annual report information disclosures	Issue the Social and Environmental Report 2013 Conduct Environmental Month initiatives Continue environmental and safety education for associates	○	Include social and environmental reporting in the annual report, enhancing content in the process Integrate economic, social, and environmental information
	Construct EHS e-learning system (Business locations in Japan)			Implement EHS education applying e-learning (Business locations in Japan)

Material Flow

For the energy, raw material and other inputs we use, we identify environmental impacts in terms of CO_2, wastewater, and waste outputs from business activities, and use this data as indicators for activities aimed at reducing environmental impacts going forward.

Material Flows related to Terumo's Business Activities



* Business activity and material flow data are for Terumo Corporation's operations in Japan.
* Coefficients used for calculating CO_2 emissions related to electricity use are as provided by the electric power providers.
* PRTR: Pollutant Release and Transfer Register.
* Distribution-related NOx emissions are calculated using coefficients from the Japanese Environment Ministry's Environmental Activity Evaluation Program (April 2002).

Developing Environmentally-Friendly and Safe Products

With a goal of healthcare that is friendly to both people and the environment, Terumo develops products that are friendly to healthcare professionals, patients, and the global environment.

"Human×Eco" Development Guidelines

Terumo aims to make medical treatment kinder and gentler. That means making medical procedures safer and more efficient by creating technologies that place less physical stress on patients, prevent infection, and facilitate the work of medical professionals.

Doing this leads to medicine that is friendly to the environment. When an infection or medical accident occurs, it becomes necessary to use medical resources that would not have been needed otherwise. We believe, therefore, that developing products that emphasize safety and efficiency in usage, as well as effectiveness, is good for the environment.

Terumo has established its own "Human×Eco" guidelines, a set of four principles and 24 directives, for developing products that are friendly to both people and the environment. To promote these efforts, we display the "Human×Eco" logo on the best examples of our design philosophy.

"Human×Eco" Development Guidelines

Measures Against Hazardous Substances

A Pioneer in the Removal of Mercury from Healthcare Practice

The Conference of Plenipotentiaries on the Minamata Convention on Mercury was held in October 2012 and the convention was adopted and signed. Once the convention takes effect, it will essentially prohibit the manufacture, import and export of products containing mercury after 2020. Terumo ceased production of mercury thermometers in 1984. In the 30 years since then, we have developed digital thermometers, digital blood pressure monitors and other devices that are mercury-free, safer for people and friendlier to the environment.

Digital thermometer

Digital blood pressure monitor

Promoting PVC-free, DEHP-free Products

Terumo helps reduce the release of toxic gas from incineration of polyvinyl chloride (PVC) by promoting use of PVC-free packaging. We also use alternatives to di-2 ethylhexyl phthalate (DEHP) whenever possible since there are concerns that it may be biologically harmful.


IV solution set

IV solution bag


Cardiovascular circuit

Saving Resources and Costs

Minimally Invasive and Economical Cardiac Catheter Introducer Kit

Cardiac catheterization can be performed by inserting a catheter at either the wrist or the groin. Inserting at the wrist entails fewer complications, such as post-procedure bleeding, and is less invasive. Terumo has developed an innovative introducer kit that features a sheath with a thinner, more finely formed wall for a smaller outside diameter. A narrower sheath makes more treatment options available for patients with small arteries while also reducing costs and resource usage associated with post-procedure complications.

Cardiac Catheter Introducer Kit

PTCA Balloon Catheter* for Various Types of Therapies

We developed a PTCA balloon catheter that can be used with various types of therapies by using more advanced materials and improving the way the balloon is folded. This product has made it possible to reduce the number of catheters used to provide treatment to a patient. That means it is more comfortable for patients, helps to save resources and reduces treatment expenses.

PTCA balloon catheter

*PTCA balloon catheter is a medical device that is used to widen a clogged blood vessel by inflating a balloon at its tip.

Integration—Thick Liquid Meal that Needs No Water Adjustment

Unlike conventional products in which fluidity and thickness must be adjusted, creating the need for a bottle, this ready-to-use product produces less waste and eliminates the labor associated with the washing of bottles. Moreover, this mixture of water and thick liquid nutrition reduces the burden on healthcare professionals and caregivers.

“Human×Eco” certified thick liquid meal

Integration—Combining Several Drugs in One Bag

This product puts all of the infusion liquids required into a single bag. This simplifies the mixing process and helps to prevent any microbial or other external contamination from coinjection, while also eliminating the potential for accidents involving needles. The product also helps to save resources and reduce medical waste by eliminating the need for medical equipment used when preparing infusion bags. In fiscal 2012, we introduced a version of this product that has a mechanism to prevent administration if the liquids in separate compartments of the bag have not been mixed safely for infusion.


Infusion solution

Fulcaliq is is a registered trademark of Mitsubishi Tanabe Pharma Corporation

Integration—Prefilled Syringes

Prefilled syringes not only eliminate the need for suction and dissolution, but also replace ampoules and vials. Besides boosting productivity, this can also help prevent microbial contamination, problems due to syringe misidentification, and accidents involving needles. Made of plastic, prefilled syringes are less fragile and easier to dispose of in terms of waste separation and weight compared with glass syringes.


Injection solution prefilled syringes

Integration—Oxygenator with Integrated Arterial Filter

By integrating an oxygenator and an arterial filter into one device, we reduced the number of parts used in the blood circuit as well as the materials used.

Oxygenator with integrated arterial filter

Lighter, Smaller Products

We reduced the size and weight of our syringes while maintaining volume and functionality. This improvement enabled a 25% reduction in waste in terms of weight. Reduction in the size has also reduced costs and packaging during transportation. We also achieved a 40% reduction in the weight of our continuous ambulatory peritoneal dialysis (CAPD) bags used in home healthcare in an effort to reduce household waste.

Syringe

CAPD bag

Flexible and Portable Blood Bag Now Used in Over 100 Countries

Aiming to improve safety in transfusion, Terumo marketed the first blood bag produced in Japan in 1969. Compared with products made of glass, Terumo's plastic bag, incorporating a blood collection tube and a container, offers outstanding flexibility and portability, reducing transportation costs as well as waste volume.

Blood bag

Packaging and Waste Volume/Weight Reduction

Having developed a certified angiographic kit that eliminated excess packaging and procedures by providing products needed during surgery together in a single set, we further reduced weight and waste by developing a better method and form of product packaging and redesigning the shape of the tray.
This allowed a 53% reduction in materials, compared with Terumo's conventional solution pack.

"Human×Eco" certified angiographic kit

Easier to Use and Safer

Improving Usability for Patients—Blood Glucose Monitor with Voice Guidance

This device has a large and easily readable LCD screen and a voice guidance feature to enable users to hear the readings or error messages. The raised buttons are separated and easy to distinguish by touch to ensure that any diabetic patients with an impaired sense of vision or touch can use the device easily. This product gained a Good Design Award for fiscal 2012.

Blood Glucose Monitor

Closed Infusion System for Chemotherapy Drugs Reduces Exposure Risk

While chemotherapy drugs help to control cancer, many have been reported to pose a potential risk to the health of those handling them due to carcinogenicity. Terumo Chemoshield system for infusion of chemotherapy drugs eliminates these risks through a closed system to prevent exposure to drugs during the process of administration and disposal. Since there is no need to use needles to prepare the infusion, the system further enhances safety for medical personnel by preventing the risk of needle accidents.

Closed Infusion System for chemotherapy drugs

Initiatives to Deal with Climate Change

Climate change due to global warming is among the most critical environmental problems threatening humanity. Unusual weather events are expected to cause an increase in natural disasters and impact ecosystems in ways that will have serious health and other impacts. Terumo's business activities will also be subject to greater risk. We are working to prevent global warming by using energy effectively, applying renewable energy, and taking other steps to help prevent climate change.

Target for Reduction of CO_2 Emissions (Scope1,2 [*1])

Our global[*2] CO_2 emissions in fiscal 2013 were equivalent to 70% of emissions per unit of net sales in fiscal 2005 and significantly better than the comparable figure for fiscal 2012. Nearly all (99%) of our CO_2 emissions are accounted for by our production plants and R&D centers, and our EHS Expert Subcommittee on Energy takes the lead in planning and advancing energy efficiency, global warming, and other measures, which are later implemented by individual business sites. In fiscal 2013, we invested mainly in fuel conversion, turbo chillers, high-efficiency once-through boilers, LED lighting and other efficiency-boosting devices. We also repaired steam leaks and took other energy-saving measures based on a regimen of regular inspections. We implemented other simple yet effective energy-saving measures in our offices, including setting thermostats appropriately, turning off unneeded lighting, and holding eco-campaigns to involve the entire Terumo Group in energy-saving.

*1 SCOPE: Terumo uses the GHG Protocol's Scope 1 and 2 standards to calculate greenhouse gas emissions. The Scope 1 standard is for all direct emissions of greenhouse gases from corporate facilities and plants. The Scope 2 standard is for indirect greenhouse gas emissions associated with the consumption of purchased electricity. The Scope 3 standard (which Terumo does not employ) is for all other greenhouse gas emissions from business activities.

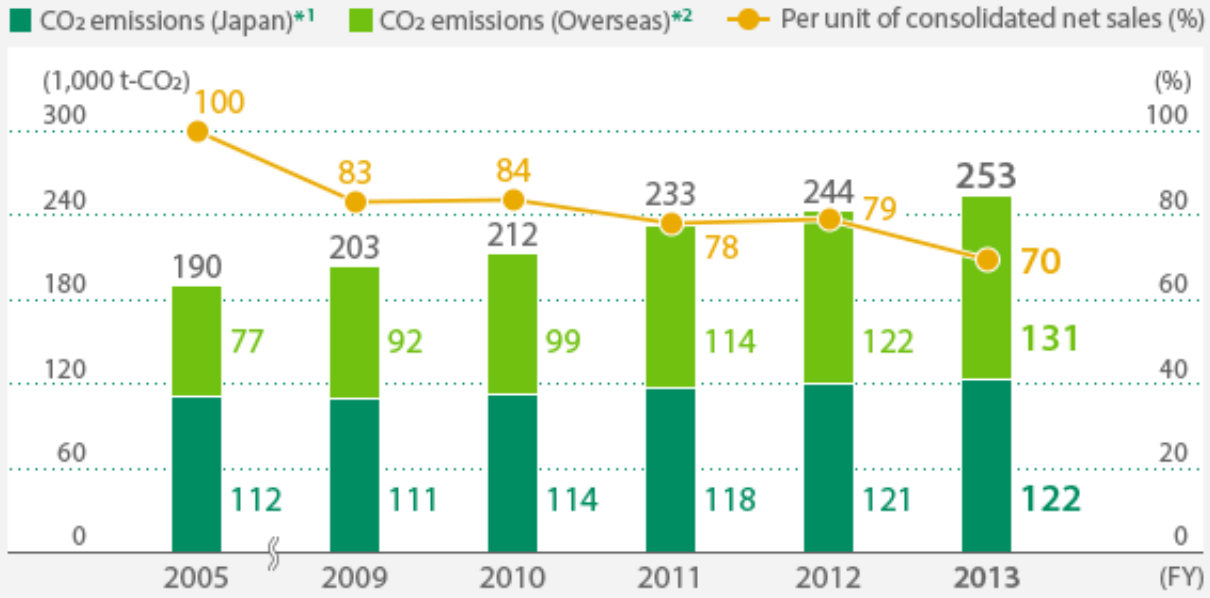
*2 Global: Business sites in Japan and overseas production sites

Mid- and Long-term Goal (Global)

Reduce CO_2 emissions per unit of consolidated net sales by 50%, relative to the fiscal 2005 level, by fiscal 2025.

Trends in CO_2 Emissions per Unit of Consolidated Net Sales

CO_2 Emissions (Breakdown of Scope 1 and Scope 2 emissions)* FY2013



*1 Business sites in Japan

*2 Overseas production sites

*3 The electricity-related CO_2 conversion coefficients for Japan were set based on the actual results obtained for individual customers in FY2005. Overseas electricity-related CO_2 conversion coefficients are the regional coefficients for 2005 published in IEA CO_2 Emission from Fuel Combustion 2012.

CO_2 Emissions (Breakdown of Scope 1 and Scope 2 emissions)* FY2013

(t)

	Scope 1	Scope 2	Total
Japan	49,200	72,500	121,700
Overseas	31,700	99,000	130,700
Global	80,900	171,500	252,400

Renewable Energy Usage

Photovoltaic power (MWh)	258
Biomass gas (kg)	975

TOPICS

Initiative at the Fujinomiya Factory

Our Fujinomiya Factory (Fujinomiya City, Shizuoka Prefecture) uses large amounts of steam to sterilize products.
After considering ways to increase steam supply efficiency, we replaced the flue-and-smoke-tube boilers with high-efficiency, high-pressure once-through boilers combined with deactivators. This new approach for supplying steam is much more responsive to load changes and has helped us increase our steam supply efficiency by around 13%. It has also produced fuel savings of about 550 Kl and reduced our CO_2 emissions by roughly 1,000 tons.


High-efficiency, high-pressure once-through boiler

TOPICS

Efforts at Terumo Penpol Limited

Terumo Penpol Limited (State of Kerala, India) has installed a biogas plant to use resources efficiently and improve its energy efficiency through renewable energy. By using food waste from the company's cafeteria to generate biogas, which is then used to prepare food in the cafeteria, we efficiently put waste to use in creating energy and cutting CO_2 emissions.


Biogas plant

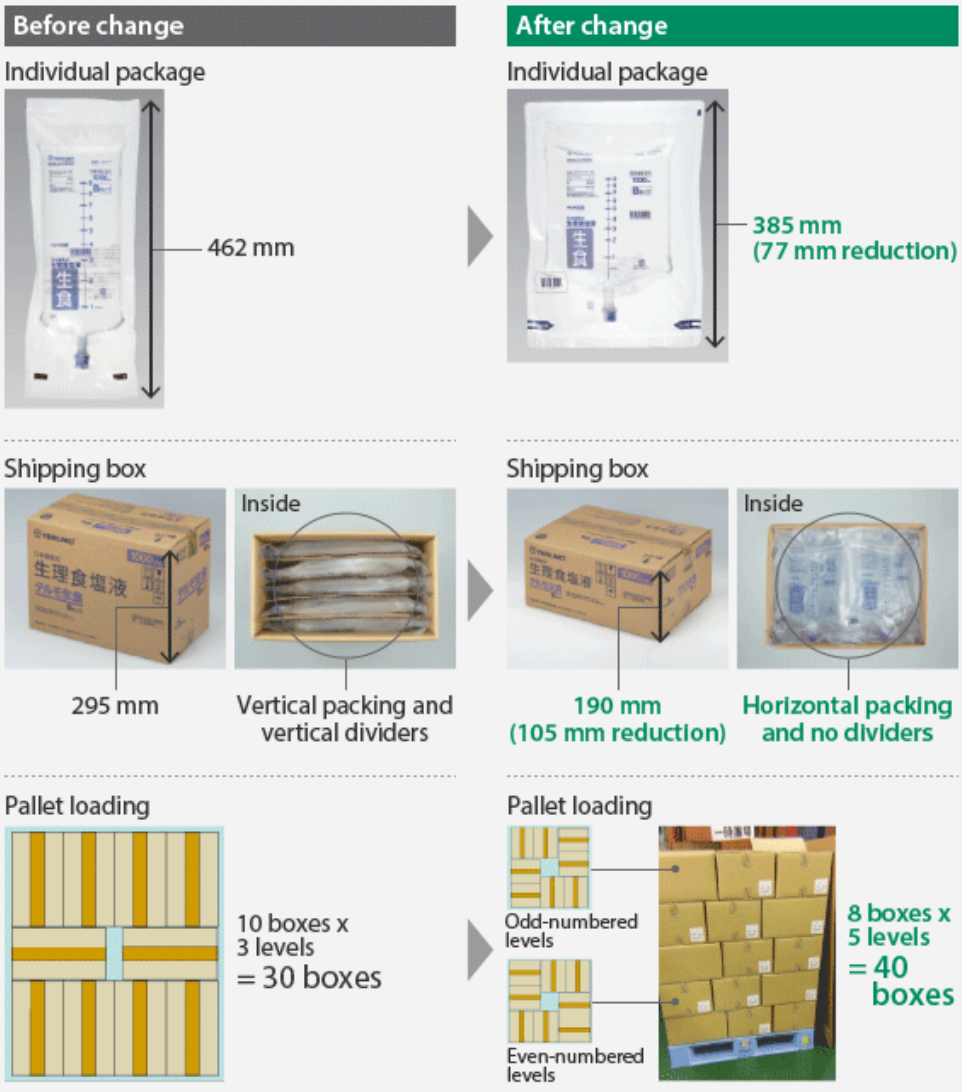
Efforts to Reduce the Environmental Impact of Distribution (Scope 3)

Terumo is switching from truck to marine transportation, improving the carry efficiency of distribution vehicles, and undertaking other measures to lighten the environmental impact of our distribution.

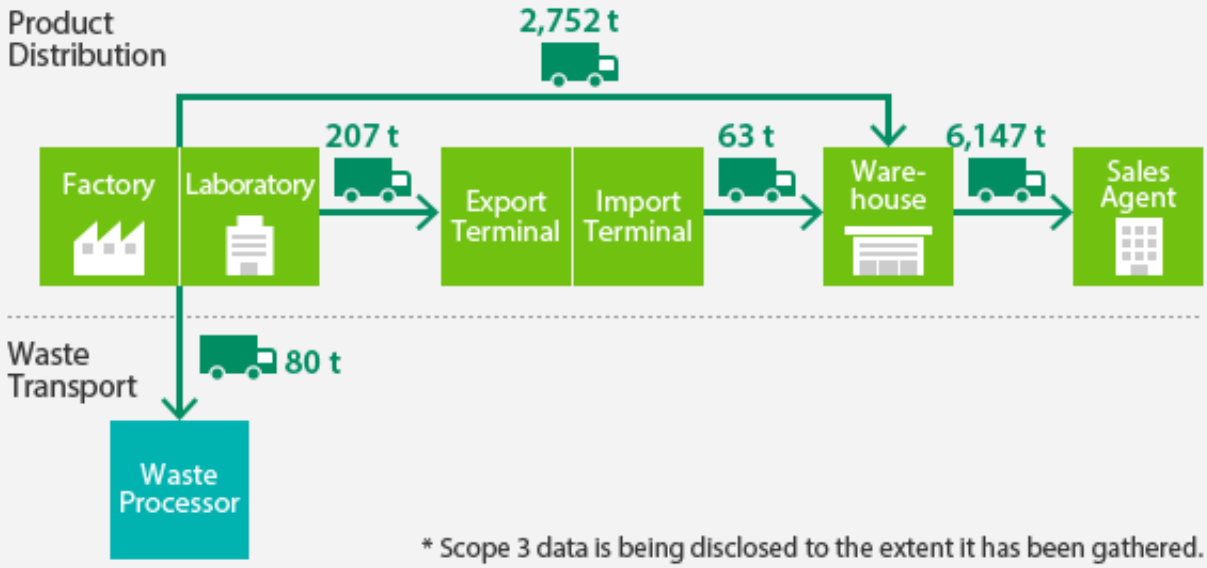
Improved Transportation Efficiency for Infusion Products

We have improved the stacking efficiency for our infusion products to reduce CO_2 emissions at the transport stage. Changing specifications for products and packaging bags, and using a greatly improved package shape, resulted in a 30% gain in stacking capacity per pallet. Reducing the environmental impact of logistics operations is important and we continue to look for ways to achieve higher levels of carry efficiency.

Improving Carry Efficiency at the Pallet Level



CO_2 Emissions (Scope 3*)



* Scope 3 data is being disclosed to the extent it has been gathered.

Effective Use of Resources

The Earth's limited resources are what make Terumo's business activities possible.

We therefore strive to utilize needed resources effectively and efficiently through activities that all associates can do, including waste-reduction, effective resource utilization, and improved recycling.

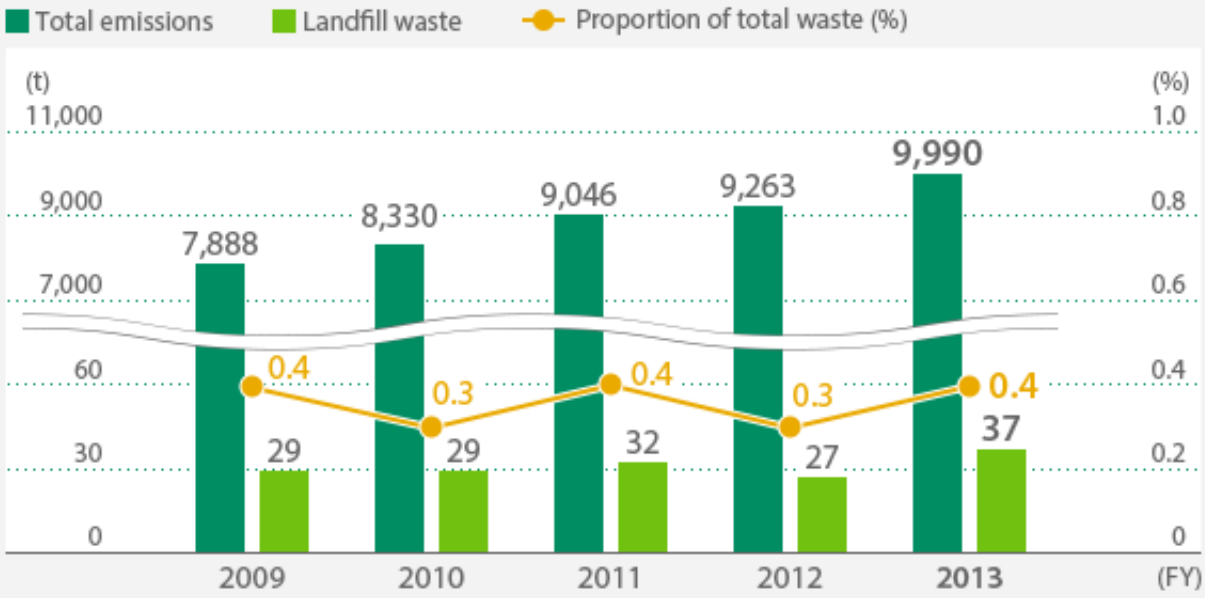
Making Efforts to Reduce the Amount of Landfill Waste

Manufacturing processes and business activities at our factories, R&D Center and offices generate a variety of waste. We have, therefore, set a target of keeping landfill waste to less than 0.5% of the total amount of waste generated at all of our sites in Japan. To ensure we achieve this reduction target, we urge the proper sorting of waste and continue to refine our waste disposal methods and rules. In fiscal 2013, only 0.4% of our total waste by volume was disposed of in landfills, meaning that we achieved our target for the tenth consecutive year.

Target for the Reduction of Landfill Waste

Reduce the amount of landfill waste to less than 0.5% of the total amount of waste generated at our sites in Japan.

Trends in the Amount of Landfill Waste Generated in Japan



Breakdown of Total Waste Generated (FY2013)

*For the Terumo Group's operations in Japan

Reducing Packaging

For effective use of resources and improved usability, Terumo is making efforts to reduce packaging materials without impairing functionality. These efforts include developing smaller, lighter and slimmer packages and reviewing package design.

Reducing the Paper Used for Semisolid Nutritional Liquid Meals

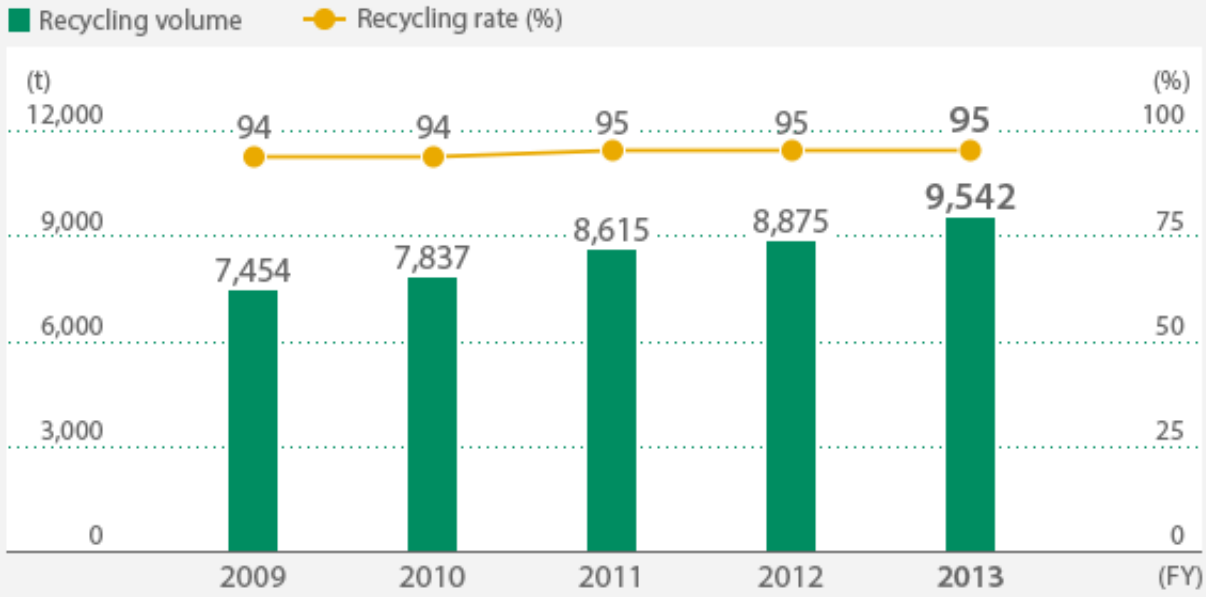
By adopting a less compressible, octagonal packing container, we have been able to use thinner cardboard and eliminate partitions. These changes have cut the amount of paper used in the packaging by about 53%. The removal of partitions also makes the cardboard easier to fold, saving disposal space for customers (the reduction in cardboard volume is 57%). In addition, the improved container design eliminates the need to use packing tape, reducing weight and waste further.

Reducing the amount of paper used in packaging

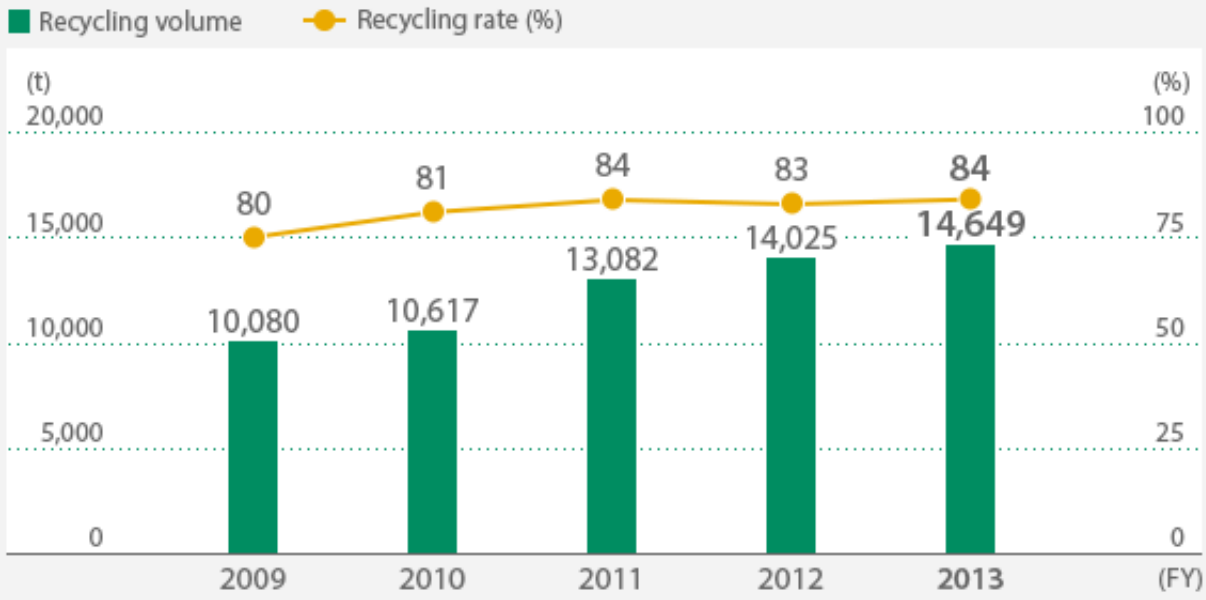
Promoting Recycling

While our Industrial Waste SC (one of our EHS Expert Subcommittees) plays a big role in sharing important information among sites, all our associates make efforts to recycle. Due to their unique properties and product safety concerns, it is not usually possible to recycle our products for use in other medical products. We do, however, recycle various types of waste generated in our production processes and office-based business activities for use in other plastic products, including floor tiles, recycled plastic fuel (RPF), and organic fertilizer. In fiscal 2013, our recycling rate reached 95% in Japan.

Recycling Amounts and Rates (Japan)*1



Recycling Amounts and Rates (Global)*2



*1 Japan: Terumo Group (Business locations in Japan)

*2 Global: Terumo Group (Business locations in Japan and overseas production sites)

Initiatives to Recycle Small Rechargeable Batteries

We continue to recycle small rechargeable batteries in accordance with the Act on the 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 small rechargeable batteries from Terumo products. We have made several improvements to simplify recycling separation processes, including displaying a recycling logo. In addition, we collect and recycle sealed lead-acid batteries when we replace them during maintenance.

Collection and Recycling Performance in FY2013 (April 2013 to March 2014)

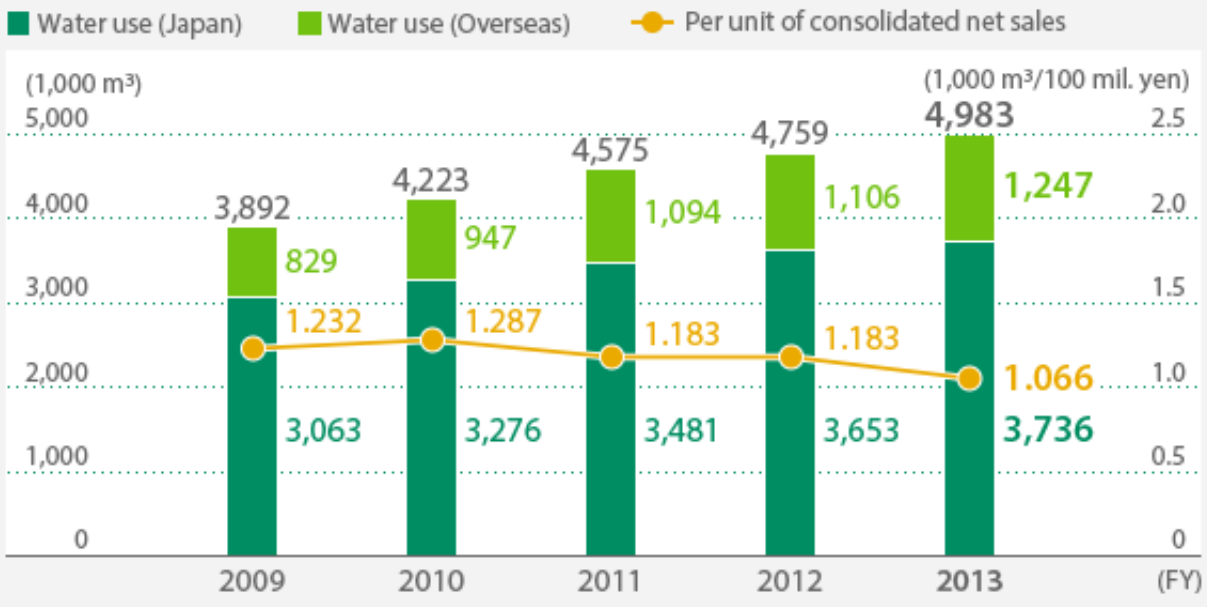
(Kg)

Nickel-cadmium	Nickel-hydride	Lithium-ion	Sealed lead-acid batteries
6249	1207	139	1234

Effective Utilization of Water Resources

At Terumo, we optimize our use of water resources through measures such as circulating and reusing our cooling water. Although we expect production levels to continue to rise, we will make every effort to utilize water resources more effectively.

Water Use in Japan



Proper Control of Chemical Substances

Guided by the Terumo Global EHS Policy, Terumo monitors and controls the use, emission, and disposal of Chemical Substances according to its own voluntary targets.

Under the leadership of our Chemical Substances Subcommittee (one of our EHS Expert Subcommittees), we work to track and reduce our handling and emission of Chemical Substances.

Target for Reduction of Chemical Emissions

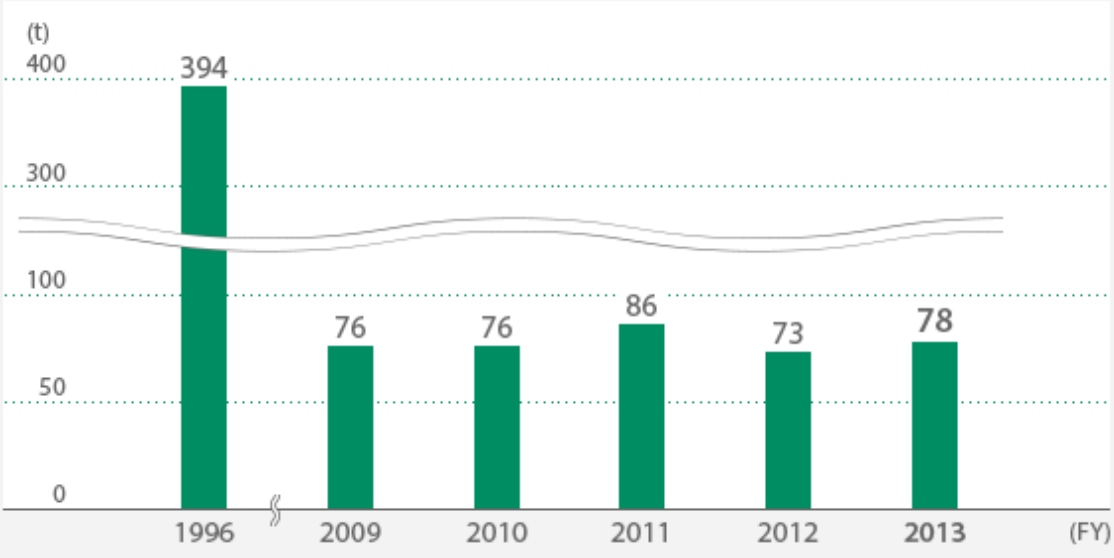
Initiatives Aimed at Reducing Dichloromethane Emissions

To reduce dichloromethane emissions, we installed recovery equipment at our Kofu Factory and we are working to bring emissions below our voluntary target of less than 100 tons per year.

Target in Japan

Keep dichloromethane emissions to less than 100 tons per year.
【Terumo Corporation's Japan business locations】

Dichloromethane Emissions



Initiatives to Reduce Ethylene Oxide Emissions

Ethylene oxide is widely used to sterilize medical devices. At Terumo, we are working to reduce ethylene oxide emissions to the outside environment, and have installed catalytic oxidation emissions treatment systems at our Ashitaka and Fujinomiya factories and our Shonan Center, along with combustion treatment equipment at the Kofu Factory. We are also working on alternatives to ethylene oxide sterilization.

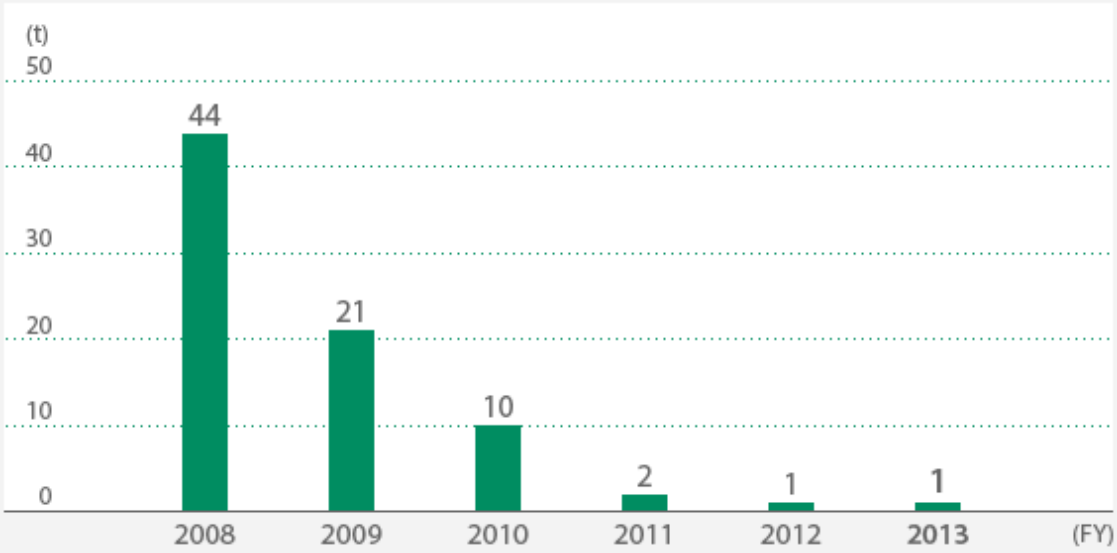
Ethylene Oxide Emissions

Data for Terumo Corporation (standalone) business locations in Japan

Alternatives to HCFC-141b

In response to the Montreal Protocol, Japan prohibited domestic manufacture of HCFC-141b in 2010. At Terumo, we established the HCFC Network under the Chemical Substances subcommittee in 2005. In the years following, the network, comprised of representatives from all of our factories, worked on alternatives to HCFC-141b, which involved listing processes that use the substance, sharing information on alternatives, and sharing the results of studies undertaken at the various sites. By the end of 2009, we had completed the manufacturing changes to accommodate alternatives and are now using up 141b-containing materials that we have already purchased. Although we continue to consume the in-stock materials for some purposes needing a small amount of the substance, our 141b emissions will gradually decrease to zero.

HCFC-141b Emissions



Data for Terumo Corporation (standalone) business locations in Japan

GHS Initiative

At Terumo, we provide GHS[*1]-based information on hazardous Chemical Substances to all associates who handle Chemical Substances. Doing this promotes the proper handling of Chemical Substances and ultimately protects the environment and the health of associates. We also gather data on PRTR[*2] and other substances on a monthly basis and work to reduce source emissions as our number one priority.

*1 GHS: Globally Harmonized System of Classification and Labelling of Chemicals
*2 PRTR: Pollutant Release and Transfer Register

Management of PRTR Substances

(t)

Substance	Volume	Fujinomiya Factory	Ashitaka Factory	Kofu Factory	R&D	Total
Ethylene oxide gas (EOG)	Amount used	12	62.7	20.5	0.1	95.3
	Emissions	0.4	1.9	1	0	3.3
	Amount transferred	0	0	0	0	0
1,2-dichloroethane	Amount used	0	2.7	0	0	2.7
	Emissions	0	2.1	0	0	2.1
	Amount transferred	0	0.6	0	0	0.6
HCFC-141b	Amount used	1.4	0	0	0	1.4
	Emissions	1.4	0	0	0	1.4
	Amount transferred	0	0	0	0	0
HCFC-225	Amount used	14.1	30.2	11.1	0	55.4
	Emissions	14.1	24.1	10.7	0	48.9
	Amount transferred	0	1.1	0	0	1.1
Dichloromethane	Amount used	0.2	12.8	199.9	0.1	213
	Emissions	0.2	7.1	70.3	0	77.6
	Amount transferred	0	0	0	0.1	0.1
Toluene	Amount used	0.8	0	9.9	5.6	16.3
	Emissions	0.5	0	7.7	0	8.2
	Amount transferred	0.3	0	2.2	3.1	5.6

Substance	Volume	Fujinomiya Factory	Ashitaka Factory	Kofu Factory	R&D	Total
Di (2-ethylhexyl) phthalate (DEHP)	Amount used	620.9	3.5	146.1	0	770.5
	Emissions	0	0	0	0	0
	Amount transferred	0	0	3	0	3
Hydrogen fluoride	Amount used	0	17.3	0.1	0	17.4
	Emissions	0	0.8	0	0	0.8
	Amount transferred	0	0	0	0	0
1-bromopropane	Amount used	0	0	1.5	0	1.5
	Emissions	0	0	1	0	1
	Amount transferred	0	0	0.5	0	0.5
n-hexane	Amount used	0	6.2	0	0	6.2
	Emissions	0	2.7	0	0	2.7
	Amount transferred	0	3.5	0	0	3.5
N,N-dimethylformamide	Amount used	0	4	0	0	4
	Emissions	0	2.2	0	0	2.2
	Amount transferred	0	1.8	0	0	1.8

Green Procurement

Terumo must respond to a wide variety of demands from customers and government authorities, not only regarding the substance control regulations of various countries, but because of the nature of medical devices, concerns about allergies and endocrine disruptors. Through cooperation among the relevant departments, Terumo is working to respond to these requests by building a forward-looking system for monitoring and controlling hazardous substances.

Compliance with Chemical Regulations Worldwide (REACH, etc.)

In response to increasingly strict chemical regulations worldwide, Terumo is developing a regulatory compliance system to cope with future changes through cooperation among relevant departments.

Collection of Regulatory Information

Our Environmental Management Department aggregates information on environmental regulations obtained from government bulletins and through our activities in the industry. In Europe, which has the most advanced chemical regulations, and other countries, our local subsidiaries also provide regular reports. By centralizing management of this information, Terumo works to ensure that we are aware of surveys of targeted substances and other regulatory responses.

Checks in the Design Phase/Supplier Survey

At the product design stage, designers are informed of regulated substances so that they can refrain from using environmental pollutants wherever possible. We use our “Human x Eco Development Guidelines” as a tool to raise designer awareness. Meanwhile, the Quality Assurance Department and sections in charge of material procurement cooperate to investigate the amount of regulated substances contained in materials procured. This material investigation is conducted in the form of a comprehensive survey that serves a wide variety of purposes and covers items that are necessary in assuring product quality.
As survey results become available, the Quality Assurance Department enters them into a database so that we can use the data immediately when needed.

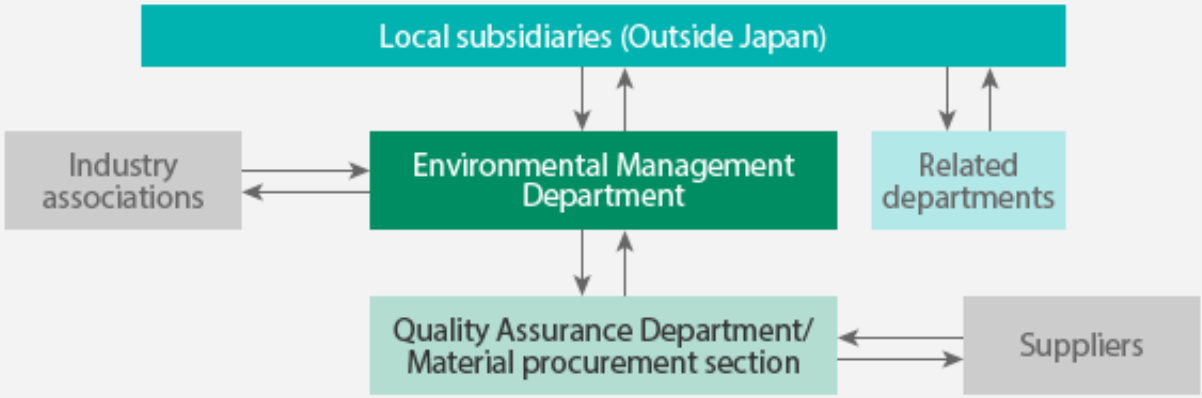
Human×Eco Development Guidelines

Principles		Human × Eco® Development Guidelines
Cleaner Reducing environmental impact	A1	Comply with environmental laws, rules, regulations and agreements.
	A2	Avoid toxic substances which cause environmental pollution.
	A3	Use materials that have a lower impact on the environment.
	A4	Design parts, product, and packaging for better disposal and recycling.

Feedback to Local Sites

To ensure that our local sites comply with regulations, the Environmental Management Department provides information to local subsidiaries and related departments.

Feedback to Local Sites



Aiming at Appropriate PCB Management

In accordance with Japan's Law concerning Special Measures for Promotion of Proper Treatment of PCB* Wastes and the Waste Management and Public Cleansing Law, we have removed all transformers, fluorescent light ballasts and other equipment containing PCBs from our Japanese facilities. To ensure the prompt and appropriate disposal of these materials, we completed early registration with the Toyota office of the Japan Environmental Safety Corporation (JESCO).

* PCB: polychlorinated biphenyl

Initiatives for Biodiversity Conservation

In line with its commitment to biodiversity conservation, Terumo promotes activities that support the development of a low-carbon, recycling-oriented society in which humans coexist with nature.

Mt. Fuji Reforestation Project—Terumo Megumi-no-Mori

Terumo has two factories in Fujinomiya City in Shizuoka, Japan. Both take water from springs at the foot of Mr. Fuji for use in production processes for medical devices, pharmaceuticals, and other products. Recognizing that we use natural resources to conduct our business, we have undertaken the Terumo Mt. Fuji Reforestation Project to protect this area. In the project, we conduct reforestation, using indigenous trees, in a part of the Mt. Fuji forest that has lost many trees to typhoons, helping it to become more resistant to future natural disasters and ensuring it can continue to serve as a source of groundwater.

Since fiscal 2011, Terumo has also entered into an agreement with the Shizuoka Prefecture and local forest owners called the “Shizuoka Mirai-no-Mori (Future Forest) Supporter Pact.” Under this agreement, we plant trees and maintain forested areas to create the “Terumo Megumi-no-Mori” reserve within the Fumoto district of Fujinomiya.

Agreement Terms

Location for activities	1.65 ha of forested areas designated by landowners in the Fumoto district of Fujinomiya
Type of activities	Forest maintenance
Agreement duration	5 years

Initiatives in Fiscal2013

In November 2013, Terumo associates and family members numbering 80 in all came together to plant trees. The group planted 250 maple, beech, and dogwood trees, all of which are indigenous to the area, and installed shelters around the saplings to prevent grazing by deer.

Volunteers


Tree planting

Terumo's “ECO Challenge” Volunteer Campaign

Every summer since 2006, we have held the “ECO Challenge” campaign, in which volunteer Terumo associates in Japan, and their families, hold a variety of environmental conservation activities at home and work.

“Challenge Sheets” describing specific eco activities are distributed to participants, who then perform them. Points are calculated based on the activities of participating associates, and Terumo uses the resulting figures to determine the size of its donation to the Organization for Industrial, Spiritual, and Cultural Advancement—International (OISCA). In fiscal 2013, a total of 3,090 associates participated in the ECO Challenge, held together with the “Look-How-You've-Grown Program,” in which participants were presented with mini-sunflower seeds. The object of this combined activity was to raise the ecological awareness of participants and their families by planting the seeds, photographing their growth, and sharing the photos on the company's intranet.


Sunflowers grown by ECO Challenge participants

Programs Receiving Donations from Terumo

Children's Forest Program

The Children's Forest Program encourages children to get involved in greening activities to cultivate a love of nature and learn the importance of forests by nurturing seedlings on their school grounds and in their communities. Funds donated by Terumo are used to provide environmental education to children in the Philippines, to expand woodlands by planting and nurturing seedlings, and in other activities.

Project to Restore Coastal Forests

Coastal forests play an important role in preserving local living conditions, acting as sand and wind barriers, and as dampers against tsunamis. With the loss of coastal forests due to the tsunami generated by the Great East Japan Earthquake, salt damage along the coast of the Tohoku region is growing worse. The Project to Restore Coastal Forests is intended to promote expanded production of seedlings and the planting and nurturing of forestland. The project also works for the recovery of disaster-affected regions through farmland restoration and job creation.

公益財団法人
オイスカ

Environmental Data for Fiscal 2013

Green Purchasing Results

(Units and yen are stated in thousands)

Head Office and Sales Operations	Overall Purchases	Green Purchases	
Units	34	17	49%
Cost	33,923	18,233	54%

(Units and yen are stated in thousands)

Factories	Overall Purchases	Green Purchases	
Units	47	33	70%
Cost	18,288	13,753	75%

Site Data (Manufacturing and Research sites) Fiscal 2013

Site	Location	CO_2 Emissions (1,000 t)	Water Usage (1,000 m^3)	Total Waste (t)	Hazardous Waste (t)	Recycled Amounts (t)
Fujinomiya Factory	Fujinomiya, Shizuoka, Japan	47	1,872	3,412	23	3,380
Ashitaka Factory	Fujinomiya, Shizuoka, Japan	22	546	1,660	203	1,560
Kofu Factory	Nakakoma, Yamanashi, Japan	50	1,216	4,574	4,286	32
R&D Center	Ashigarakami, Kanagawa, Japan	7	84	227	69	209
Terumo Clinical Supply Co., Ltd.	Kakamigahara, Gifu, Japan	0.9	9	43	1	35

Site	Location	CO_2 Emissions (1,000 t)	Water Usage (1,000 m^3)	Total Waste (t)	Hazardous Waste (t)	Recycled Amounts (t)
Terumo Medical Corporation and TCVS	Maryland, USA	23	58	347	151	133
TCVS and Terumo Heart Inc.	Michigan, USA	3*	16	499	1	91
TCVS	Massachusetts, USA	1*	1	193	0	115
Harvest Technologies Corporation	Massachusetts, USA	0.3	2	361	10	186
MicroVention, Inc.	California, USA	1	0.2	93	43	13
Onset Medical Corporation	California, USA	0.1*	ND	ND	ND	ND
Terumo BCT, Inc.	Colorado, USA	18	62	1,511	10	1,240
MicroVention Costa Rica, S.R.L	San Jose, Costa Rica	0.1	5	11	5	6
Terumo Europe N.V.	Leuven, Belgium	15	57	840	149	362
Terumo Europe N.V. UK Plant	Liverpool, UK	0.2*	0.5	185	0	75
Vascutek Ltd.	Glasgow, UK	2	16	129	1	46
Vascutek Ltd.	Leeds, UK	0.2	1	146	5	71
Terumo BCT, Inc.	Larne, UK	4	69	180	0	159
Terumo Medical Products (Hangzhou) Co., Ltd.	Zhejiang, China	35	536	797	78	666
Changchun Terumo Medical Products Co., Ltd.	Jilin, China	6*	42	191	0	171
Terumo (Philippines) Corporation	Laguna, the Philippines	25	195	1,099	30	1,059
Terumo Penpol Ltd.	Kerala, India	7*	32	644	1	634
Terumo Vietnam Co., Ltd.	Vinh Phuc, Vietnam	5*	160	117	36	81

* TCVS: Terumo Cardiovascular Systems Corporation
* Waste densities used in the calculations are 0.2 t/m^3 for general waste and industrial waste, and 1.0 t/m^3 for hazardous waste.
* Coefficients used for calculating CO_2 emissions related to electricity use are as provided by the electric power providers. However, coefficients for business sites marked * are the 2005 geographic emissions coefficients presented in IEA CO_2 Emissions From Fuel Combustion 2012.

History of Environmental Initiatives

1971	Environmental Control Department established at the Ashitaka Factory.
1972	Sedimentation system replaced with a chelating adsorption system to treat water effluent containing mercury.
1975	General water effluent treatment facilities installed at Fujinomiya Factory.
1976	Acid surface treatment of needle hubs (at the base of the needle) discontinued in favor of a plasma treatment system, which does not generate acid wastewater. Fujinomiya and Ashitaka factories sign a pollution control agreement with Fujinomiya City.
1979	Boiler fuel at the Fujinomiya Factory switched from heavy oil to LPG, which contains less sulfur.
1980	Syringe gasket material switched from rubber to thermoplastic elastomer to prevent generation of sulfur oxides during incineration. General water effluent treatment facilities installed at the Ashitaka Factory.
1981	Ethylene vinyl acetate (EVA), which does not generate toxic gases when incinerated, adopted to replace PVC (polyvinyl chloride), which does, as the material for IV solution (TERUPACK) containers.
1982	Use of trichloroethylene discontinued, ahead of regulations.
1983	Gamma ray sterilization, which does not emit harmful gases, adopted for the sterilization system at the Kofu Factory. Market launch of non-mercury digital thermometers.
1984	70 years of mercury thermometer production discontinued to promote the use of safer, mercury-free medical products.
1989	Glass vacuum blood collection tubes replaced with tubes made of polyester, which can be disposed of by incineration.
1991	Market launch of non-PVC hypodermic administration sets using polybutadiene, which does not generate hazardous gases when incinerated.
1992	Market launch of a digital blood pressure monitor for hospitals, to promote the use of safer, mercury-free medical products.
1994	Market launch of a balloon catheter made of thermoplastic elastomer, which does not generate sulfur oxides when incinerated.

1996	Use of ozone-depleting specified chlorofluorocarbon (CFC) chemicals eliminated from the Kofu Factory's production processes. Same action later taken at other factories. Production started for a hypodermic administration set with a new type of needle made of plastic, which simplifies post-disposal separation at hospitals and enables disposal by incineration.
1997	Environmental Management Department established at the Head Office. Cogeneration (combined heat and power, or CHP) adopted to cover 60% of the power needs at the Kofu Factory. Fuel for the Fujinomiya and Ashitaka factories switched from LPG to city gas, which emits less CO_2. Use of heavy oil discontinued at all production sites.
1998	Smaller, lighter syringes introduced, enabling a 25% reduction of waste by weight. Use of recycled copier paper implemented. Catalytic oxidation treatment system adopted for EOG emissions treatment at the Fujinomiya Factory.
1999	Terumo's Basic Environmental Policy established. Cogeneration implemented at the Fujinomiya Factory. Recycled paper adopted for use in catalogues and specification change notifications. Non-PVC solution containers adopted for use in at-home continuous ambulatory peritoneal dialysis therapy. Polypropylene containers, which do not generate hazardous gases when incinerated and enable a 40% reduction of waste by weight, adopted.
2000	Environment Committee established. Cogeneration implemented at the Ashitaka Factory. Packaging and container identification marks, and recyclable materials, implemented. Internal environmental audits implemented. Use of diesel-powered work vehicles discontinued. First edition of the now-annual Environmental Report published.
2001	Use of incinerators discontinued at the Kofu and Ashitaka factories. PCB-containing devices and equipment removed and put into storage. Market launch of pediatric non-PVC hypodermic administration sets. Some 80 associates and their family members participate in a Mt. Fuji cleanup activity.
2002	Use of benzene and chloroform discontinued at the Kofu Factory. Kofu and Ashitaka factories discontinue use of, and dismantle, incinerators. Cleanup of Mt. Fuji conducted as a joint activity for the Kofu and Fujinomiya areas (with about 130 participants). Observation well installed at the Kofu Factory to monitor groundwater quality. Market launch of hypodermic administration sets using TOTM, an alternative to the DEHP plasticizer.

2003	Zero waste emissions achieved at the Ashitaka Factory and Head Office. Switch from LPG to city gas at the Kofu Factory completes fuel conversion at all major sites in Japan. On-site inspections conducted at overseas sites. Terumo Mt. Fuji Reforestation Project launched.
2004	Terumo's high-calorie electrolyte infusion fluid with vitamins, glucose, and amino acids receives the President's Prize from the Eco Products Promotion Council at the First Eco-Products Awards in 2004. Zero waste emissions achieved at the Kofu and Fujinomiya factories.
2006	Zero waste emissions achieved at the Shonan Center. Market launch of digital blood pressure monitors compliant with the RoHS Directive. Turbo refrigeration units introduced at the Kofu Factory. Catalytic oxidation treatment system adopted for EOG emissions treatment at the Ashitaka Factory. Terumo joins Team Minus 6%.
2008	Fujinomiya Factory presented with the Director General's Prize in the Kanto Bureau of Economy, Trade and Industry's Awards for Outstanding Energy Conservation by a Factory. An additional catalytic oxidation treatment system for EOG emissions treatment installed at the Ashitaka Factory. Test plant installed for liquefaction of waste plastic.
2009	"Human x Eco Development Guidelines" adopted. Environmental auditing introduced at overseas production sites. Fujinomiya Factory recognized for excellence as a supporter of the 2009 Eco-Ship Modal Shift project. An additional catalytic oxidation treatment system for EOG emissions treatment installed at the Fujinomiya Factory.
2010	Solar power generation system introduced at the Fujinomiya Factory. Kofu Factory presented with the highest prize in the Kanto Electricity Efficiency Committee Chair Awards. An additional catalytic oxidation treatment system for EOG emissions treatment installed at the Ashitaka Factory.
2011	Power management system providing graphic feedback adopted at Japanese business sites with high electricity consumption. Agreement benefitting the forests of Shizuoka entered into with Shizuoka Prefecture (Japan) and local forest owners. Terumo Europe's Haasrode Plant gains ISO 14001/OHSAS 18001 certification.
2012	Terumo Corporation joins United Nations Global Compact. Terumo Global EHS Policy established. R&D Center in Japan presented with the highest prize in the Kanto Electricity Efficiency Committee Chair Awards.
2013	Fujinomiya Factory and Terumo Penpol Ltd. gain ISO 14001/OHSAS 18001 certification.

Directors, Audit and Supervisory Board Members and Executives Officers

(As of September 1, 2014)

Directors

Koji Nakao
Chairman and Representative Director

Yutaro Shintaku
President and Representative Director

Hiroshi Matsumura
Director and Executive Vice President

President, General Hospital Company

Takayoshi Mimura
Director and Senior Managing Executive Officer

Regional Representative, China
President and CEO, Terumo (China) Holdings Co., Ltd.
Terumo Call Center

Akira Oguma
Director and Senior Managing Executive Officer

General Affairs Dept.,
Supply Chain Management Dept.,
IT Planning Dept., Procurement Dept.

Hideo Arase
Director and Senior Executive Officer

Regional Representative, Latin America,
President and CEO, Terumo Americas Holding, Inc.

Kuniko Shoji
Director and Senior Executive Officer

General Manager, Regulatory Affairs Dept.,
Clinical Development Dept.

Toshiaki Takagi
Director and Senior Executive Officer

Quality Assurance Dept.,
Post-Market Surveillance and Vigilance Dept.,
Environmental Management Dept.

Shinjiro Sato
Director and Senior Executive Officer

President, Cardiac & Vascular Company

David Perez
Director and Senior Executive Officer

President, Blood Management Company
President and CEO, Terumo BCT, Inc.

Tadao Kakizoe
Independent Director

President, Japan Cancer Society

Mari Matsunaga
Independent Director

Representative, Mari Matsunaga Office, Inc.

Ikuo Mori
Independent Director

Advisor, Fuji Heavy Industries Ltd.

Audit and Supervisory Board Members

Kenji Sekine
Audit and Supervisory Board Member (Full-time)

Yoshiaki Shiraishi
Audit and Supervisory Board Member (Full-time)

Toshihiko Matsumiya
Audit and Supervisory Board Member (External)

Certified Public Accountant

Masatake Yone
Audit and Supervisory Board Member (External)

Lawyer

Executive Officers

Kazuaki Kitabatake
Senior Executive Officer

Regional Representative, India and Asia Pacific
Managing Director, Terumo Asia Holdings Pte., Ltd.
International Business Dept., Investor Relations, Corporate Communication Dept., Legal Dept.

Narushige Toda
Senior Executive Officer

General Manager, Sales Division (Japan), General Hospital Company

Shouji Hatano
Senior Executive Officer

General Manager, Strategic Planning Dept.
Design Planning Dept.

Yoshiaki Akaike
Senior Executive Officer

Vice President, General Hospital Company
Vice President, Pharmaceutical and Nutrition Division (Production), General Hospital Company
Vice President, D&D Division (Production), General Hospital Company
Factory Manager, Fujinomiya Pharmaceutical Factory, General Hospital Company
General Manager, Production Dept.

Tsuyoshi Tomita
Senior Executive Officer

Vice President, General Hospital Company
General Manager, Business Structural Improvement Office, General Hospital Company

Mark Sutter
Executive Officer

Division President, CV Systems Division, Cardiac & Vascular Company
President and CEO, Terumo Cardiovascular Systems Corp.

Toru Kubota
Executive Officer

President, Terumo (Philippines) Corp.

Somsak Jarasviriyagul
Executive Officer

Representative Director, Terumo (Thailand) Co., Ltd.

Kyo Nishikawa
Executive Officer

Regional Representative, Eastern Europe, Russia, Middle East and Africa
Managing Director and BOD Chairman, Terumo Europe N. V.

Hiroshi Nakagomi
Executive Officer

General Manager, Quality Assurance Dept.

Masataka Haraguchi
Executive Officer

Branch Manager, Tokyo Branch

Juichi Takeuchi
Executive Officer

Division President, D&D Division (Overseas), General Hospital Company

Minoru Suzuki
Executive Officer

General Manager, IT Planning Dept.

Richard Cappetta
Executive Officer

Division President, Neurovascular Division, Cardiac & Vascular Company
President and CEO, MicroVention, Inc.

Seiji Kawabata
Executive Officer

Division President, General Hospital Products Division (Japan), General Hospital Company

Maki Takizawa
Executive Officer

Division President, General Hospital Products Division (Overseas), General Hospital Company

Masato Nishimura
Executive Officer

General Manager, Production Technology Center, Production Dept.

Hiraku Murayama
Executive Officer

Vice President, Interventional Systems Division (Production), Cardiac & Vascular Company
Factory Manager, Ashitaka Factory, Cardiac & Vascular Company

Ryo Nishihata
Executive Officer

General Manager, Treasury Dept.
Controller Dept.

Kosuke Matsumoto
Executive Officer

General Manager, Human Resources Dept.
Human Resources Development Dept.

Masanori Hoshino
Executive Officer

President, Terumo Clinical Supply K.K.

Hiroshi Nagumo
Executive Officer

Senior Vice President and General Manager (Japan), Terumo BCT Holding Corp.
President and Representative Director, Terumo BCT K.K.

Jim Rushworth
Executive Officer

Regional President (U.S.), Interventional Systems Division, Cardiac & Vascular Company
President and CEO, Terumo Medical Corp.

Hiroaki Kasukawa
Executive Officer

General Manager, R&D Headquarters
Intellectual Property Dept., Terumo Medical Pranex

Yoshihiro Kimura
Executive Officer

General Manager, Internal Audit Dept.

Takanori Shibazaki
Executive Officer

General Manager, Supply Chain Management Dept.

Hikaru Samejima
Executive Officer

Division President, Interventional Systems Division, Cardiac & Vascular Company

Major Consolidated Subsidiaries

(as of September 1, 2014)

Japan

Terumo Clinical Supply Co., Ltd. (Gifu)

Terumo Yamaguchi Corp. (Yamaguchi)

Terumo Heart, K.K. (Tokyo)

Americas

Terumo Americas Holding, Inc. (U.S.A.)

Terumo Medical Corp. (U.S.A.)

Terumo Cardiovascular Systems Corp. (U.S.A.)

Terumo Latin America Corp. (U.S.A.)

Terumo Medical de Mexico S.A. de C.V. (Mexico)

Terumo Panama International Inc. (Panama)

Terumo Medical do Brasil Ltda. (Brasil)

Terumo Chile Ltda. (Chile)

Terumo Colombia Andina SAS (Colombia)

MicroVention, Inc. (U.S.A.)

Terumo Heart, Inc. (U.S.A.)

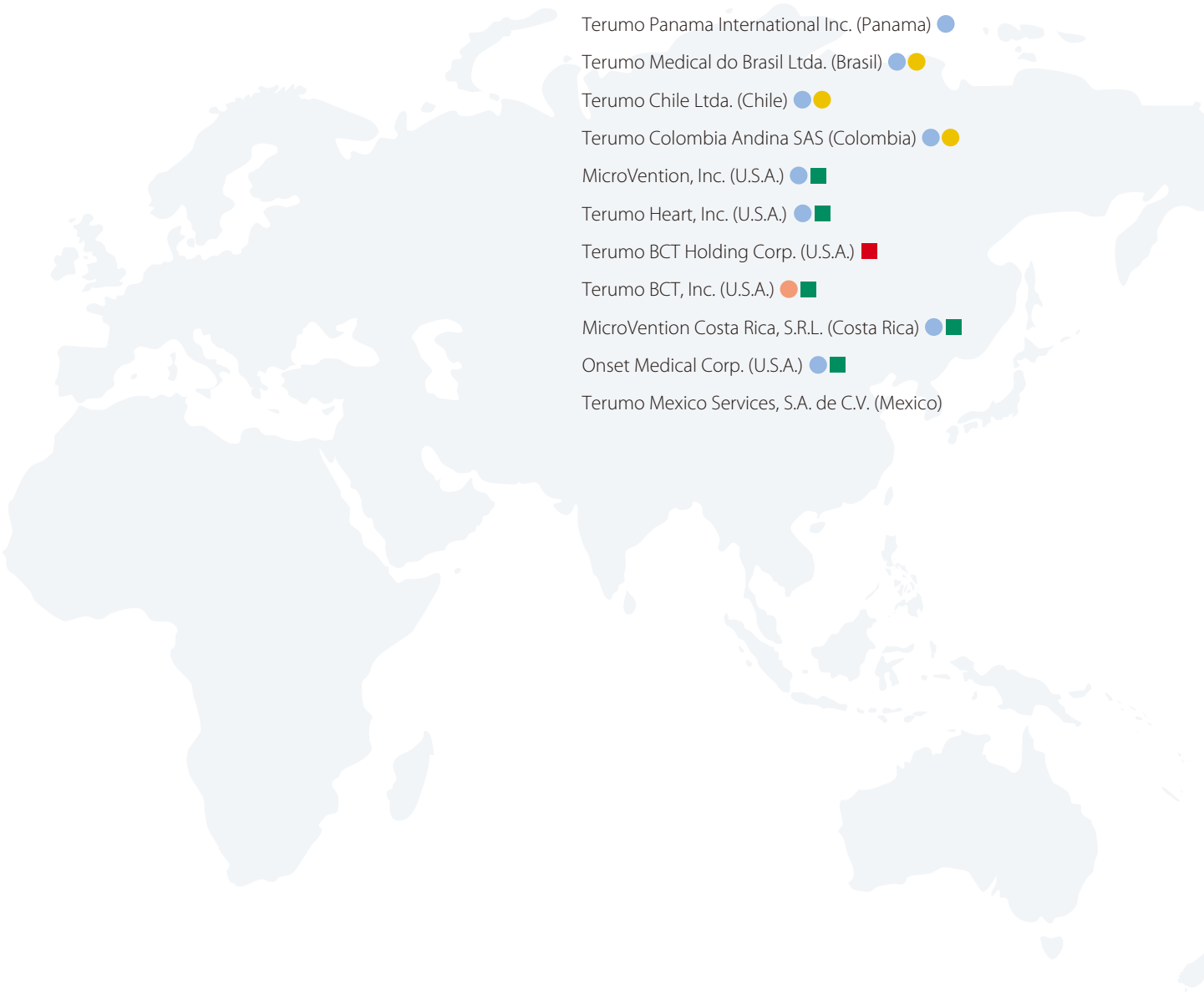
Terumo BCT Holding Corp. (U.S.A.)

Terumo BCT, Inc. (U.S.A.)

MicroVention Costa Rica, S.R.L. (Costa Rica)

Onset Medical Corp. (U.S.A.)

Terumo Mexico Services, S.A. de C.V. (Mexico)



- Cardiac & Vascular Business
- General Hospital Business
- Blood Management Business
- Holding Company
- Factory

Europe

Terumo Europe N.V. (Belgium)
Terumo (Deutschland) GmbH (Germany)
Laboratoires Terumo France S.A. (France)
Terumo Italia SRL (Italia)
Terumo Europe España SL (Spain)
Terumo Sweden Private AB (Sweden)
Terumo UK Ltd. (United Kingdom)
Vascutek Ltd. (United Kingdom)
Vascutek Deutschland GmbH (Germany)
MicroVention UK (United Kingdom)
MicroVention Europe (France)
MicroVention Deutschland GmbH (Germany)
Terumo BCT Europe N.V. (Belgium)
Terumo Russia LLC (Russia)
Terumo BCT, Ltd. (United Kingdom)

China

Terumo Medical Products (Hangzhou) Co., Ltd. (China)
Terumo China (Hong Kong) Ltd. (China)
Terumo Medical (Shanghai) Co., Ltd. (China)
Terumo (China) Holding Co., Ltd. (China)

Asia

Terumo (Philippines) Corp. (Philippines)
TP Estate, Inc. (Philippines)
Terumo Marketing Philippines Inc. (Philippines)
Terumo (Thailand) Co., Ltd. (Thailand)
Terumo Vietnam Co., Ltd. (Vietnam)
PT. Terumo Indonesia (Indonesia)
Terumo Korea Corp. (Korea)
Terumo Penpol Ltd. (India)
Terumo Mauritius Holding Ltd. (Mauritius)
Terumo Asia Holdings Pte. Ltd. (Singapore)
Terumo Singapore Pte. Ltd. (Singapore)
Terumo Malaysia Sdn. Bhd. (Malaysia)
Terumo Australia Pty Limited (Australia)
Terumo Vietnam Medical Equipment Co., Ltd. (Vietnam)
Terumo BCT Vietnam Co., Ltd. (Vietnam)
Terumo India Private Ltd. (India)

Corporate Information

(as of September 1, 2014)

Tokyo Office Tokyo Opera City Tower, 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1450, Japan
Head Office 2-44-1 Hatagaya, Shibuya-ku, Tokyo 151-0072, Japan

Founded: September 17, 1921
Capital: 38.7 billion yen
Employees: 19,263 (Non-consolidated: 4,764 as of March 31, 2014)

- **Terumo Group Website** www.terumo.com
- **Annual Report 2014** www.terumo.com/investor/library/annualreport

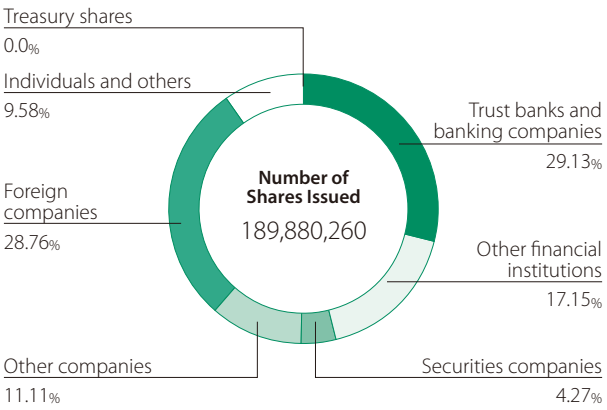
Investor Information

(As of March 31, 2014)

Number of Shares Authorized 840,000,000*
Number of Shares Issued 189,880,260*
Number of Stockholders 30,034
Stock Exchange Listing ..... First Section of Tokyo Stock Exchange
Security Code 4543
Trading unit ..... 100 shares

* Terumo Corporation split each share of common stock into two shares effective on 1st April 2014.

Composition of Issued Shares by Type of Stockholders



Major Shareholders (Top 10 shareholders)

	Number of shares held (thousands)	Percentage of total shares issued
The Master Trust Bank of Japan, Ltd. (trust)	16,170	8.52%
Japan Trustee Services Bank, Ltd. (trust)	10,144	5.34%
The Dai-ichi Life Insurance Company, Limited	10,129	5.33%
Meiji Yasuda Life Insurance Company	6,958	3.66%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,804	3.58%
Mizuho Bank, Ltd.	5,376	2.83%
Olympus Corporation	4,715	2.48%
Mitsubishi UFJ Trust and Banking Corporation	3,831	2.02%
Terumo Life Science Foundation	3,680	1.94%
BNP Paribas Securities (Japan) Limited	3,493	1.84%

Reporting Policy

Corporate Mission

This report is created to intuitively share information with stakeholders on Terumo's business activities conducted under its corporate mission, "Contributing to Society through Healthcare," and promote communication with society.

The feature introduces initiatives for developing endovascular treatments and apheresis therapy to illustrate TERUMO's stance in realizing this corporate philosophy. Moreover, starting from this fiscal year, a new section on environmental health and safety (EHS) was added to the report content.

Scope of this report

This report carries data for Terumo Group companies both in Japan and overseas, presented on a consolidated basis wherever possible, albeit with some exceptions depending on the data item.

Report period

Fiscal 2014 (April 1, 2013 through March 31, 2014)
Activities reported include some recent activities.

Publication schedule

This report: July 2014
Previous report: August 2013
Next report: August 2015 (tentative)

Referenced guidelines

GRI, Sustainability Reporting Guidelines (Standard Disclosures)
Japanese Ministry of the Environment, Environmental Reporting Guidelines (2012 version)

Report archives

Past reports for each year are available in PDF format on our Web site.

TERUMO CORPORATION

Tokyo Office
Tokyo Opera City Tower, 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1450, Japan

14T419

Printed in Japan