CORPORATE GOVERNANCE

CURRENT STATUS OF CORPORATE GOVERNANCE

[Basic Stance Toward Corporate Governance]

Based on its corporate philosophy of contributing to society through health care, the Company strives to consistently enhance corporate value by providing much needed products and services to the medical world. At the same time, we have formulated the Terumo Corporate Practices Guidelines, which aims for open management and good corporate citizenship and ensures that we operate in a sound and transparent manner. In order to earn and maintain the trust of society, Terumo has established the following corporate governance structure.

[Corporate Governance Policy Implementation]

I) Details of Corporate Bodies

1. Directors, Board of Directors and Executive Officers

   As of June 25, 2009, Terumo's Board of Directors comprised 14 members, three of whom are external appointments. In an effort to reinforce the Board's supervisory function and raise the quality of decision making, the roles of directors were reclassified into representative directors and directors whose sole responsibility is to determine management policies and provide oversight of the Company as a whole. Consistent with the removal of executive responsibilities from the Board of Directors, an executive officer system was adopted and subsequently improved. Under the current system, executive officers are fully accountable for the execution of business operations under their purview. Independent directors do not have their own staff; however, they are supported by the Secretarial Office and the Strategy Planning Department.

2. Compensation and Nominating Committee

   The Compensation and Nominating Committee was established with the aim of enhancing the transparency and objectivity of management. The committee, which comprises independent directors, is tasked with recommending candidates for directorships, evaluating director performance and deliberating on compensation proposals.

3. Auditing by Corporate Auditors and Internal Audits

   The Company has established a Board of Corporate Auditors, comprising two internal corporate auditors and two external corporate auditors as of June 25, 2009. The primary responsibility of corporate auditors is to ensure the appropriateness of management decisions and includes oversight of the management function of the Board of Directors. Supported by the Auditors Office, which comprises specialist staff, corporate auditors endeavor to further reinforce an appropriate level of checks and balances.

   As a part of these endeavors, the Board of Corporate Auditors holds a monthly meeting with the Internal Audit Department, an in-house body comprising seven members. The purpose of these meetings is to receive internal audit reports and other related information and to generally promote increased collaboration on an ongoing basis.

   The Board of Corporate Auditors also meets approximately seven times each year with the independent auditor to exchange views and information. The board requests reports on the external auditing process as necessary, ensuring the ongoing existence of a structure that ensures fair and transparent audits.

4. Independent Auditor

   The Company abides by the auditing requirements set forth in both the Companies Code of Japan and the Financial Instruments and Exchange Law of Japan. The Company has appointed AZSA & Co. as its independent auditor as part of a system to guarantee that independent audits are conducted appropriately and in compliance with applicable laws. No business relationships or conflicts of interest exist between AZSA & Co. and the auditors of AZSA & Co. engaged in the auditing of Terumo.

Names of CPAs	Consecutive auditing years
Managing Partner Junichi Obi	7 years
Managing Partner Noriaki Nomura	1 year
Managing Partner Akira Nishino	2 years

   The following support staff assist the managing partners with their audits:

   Two certified public accountants
   Seven additional staff

5. Internal Control System

   The Company maintains a number of in-house bodies that together create a strong internal control structure. The Internal Control Committee works to strengthen internal control measures in the Company, reporting directly to the Board of Directors. In addition, the Investment Committee, an advisory body of the Executive Management Meeting, provides valuable advice and analysis regarding the disposition of assets and evaluation of investments. The Internal Audit Department has a wider purview, examining the appropriateness of daily business activities. Finally, the Information Disclosure Committee ensures that information is disclosed to the public in a fair and timely manner.

   At a Board of Directors meeting held on May 18, 2006, the Company resolved its basic internal control system policy based on the Companies Code of Japan. The policy was partially revised to reflect reinforced globalization measures, among other developments, at the Board of Directors meeting held on February 19, 2009. At the same time, the Board resolved to maintain the Code of Conduct of the Terumo Group as the standard for employee conduct while utilizing the Internal Control Committee to lead further enhancement of the internal control function by advancing initiatives in the following areas.

   1) Compliance Structure

   The Company ensures that all its directors and employees are aware of the Code of Conduct of the Terumo Group. The Company also promotes active use of an ethics hotline and engages in comprehensive efforts to reinforce compliance activities, including internal auditing conducted by the Internal Audit Department.

   2) Information Storage and Management

   In accordance with document management standards, the Company continues to develop and enhance its storage and management system for documents and various other materials created by directors in the execution of their duties.

This system encompasses a structure that enables directors and corporate auditors to view documents at any time.

3) Risk Management

Through collaboration between the Internal Control Committee and compliance officers in each Group company, Terumo has created an optimal risk management structure for the entire Company to complement the risk management activities conducted by individual departments.

4) System for Assuring Operational Efficiency

In order to accomplish the medium-term management plan as well as the annual plan approved at the Board of Directors' meeting, specialist meetings such as the Executive Management Meeting are working to improve support, mentoring and management systems to facilitate decision-making process efficiency and speed in each business department.

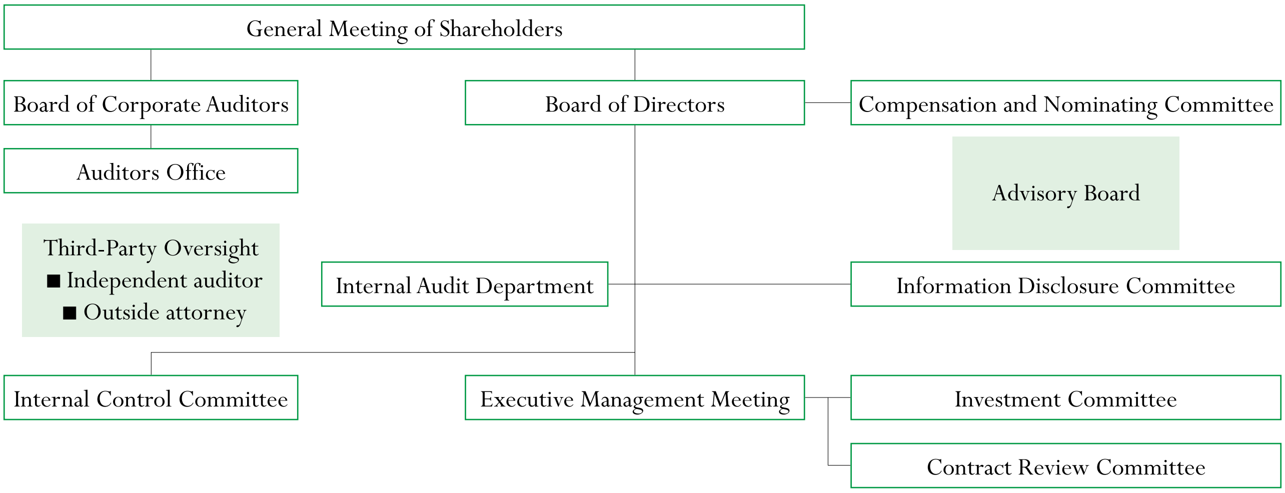
5) Group Internal Control System

Through collaboration of the internal Control Committee and compliance officers at Group companies, the Company continues to develop and enhance its reporting and instruction system for the appropriate operations management of Group companies both in Japan and overseas.

6) Effective Structure for Auditing by Corporate Auditors

Independent from the Board of Directors, specialist personnel are appointed to the Auditors Office to support the audits conducted by corporate auditors. In addition, Terumo continues to bolster its system and related procedures for reporting to corporate auditors.

Corporate Governance Structure


General Meeting of Shareholders
Board of Corporate Auditors
Board of Directors
Compensation and Nominating Committee
Auditors Office
Advisory Board
Third-Party Oversight
■ Independent auditor
■ Outside attorney
Internal Audit Department
Information Disclosure Committee
Internal Control Committee
Executive Management Meeting
Investment Committee
Contract Review Committee

6. Details of Compensation for Directors

Compensation paid to directors and corporate auditors ("number of persons" includes the total number over the year):

Internal directors	11 persons	¥507 million
Independent directors	4 persons	¥29 million
Internal corporate auditors	4 persons	¥46 million
External corporate auditors	2 persons	¥16 million

II) Relationship between Terumo and Independent Directors/ External Corporate Auditors

There are no business relationships or conflicts of interest between Terumo and its independent directors and external corporate auditors, although some independent directors and external corporate auditors hold shares in the Company.

III) Content of Liability Limitation Agreements

In accordance with Article 427, Paragraph 1 of the Companies Code of Japan, Terumo has concluded agreements with independent directors and external corporate auditors limiting their liability for damages as prescribed under Article 423, Paragraph 1 of the same law. This limitation of liability applies only when the independent director or external corporate auditor in question is without knowledge and is not grossly negligent in performing the duties for which he is being held liable.

IV) Number of Directors

The Company's articles of incorporation stipulate that the number of directors must be 15 or fewer.

V) Requirements for Determining Appointment of Directors

The Company's articles of incorporation stipulate that the appointment of directors shall be decided by a majority of voting rights exercised at a meeting attended by shareholders holding at least one-third of all voting rights held by shareholders eligible to exercise voting rights. The articles of incorporation also stipulate that the appointment of directors shall not be decided on the basis of cumulative voting.

VI) Matters That Can Be Decided by the Board of Directors Instead of the General Meeting of Shareholders

1. Repurchase of the Company's Own Stock

   To enable the implementation of a flexible capital policy that responds to changes in the operating environment, the Company's articles of incorporation stipulate that, in accordance with Article 165, Paragraph 2 of the Companies Code of Japan, the Company can repurchase its own shares by resolution of the Board of Directors.

2. Interim Dividends

   To enable the Company to maintain a flexible approach to returning profits to shareholders, the Company's articles of incorporation stipulate that the Company can, by resolution of the Board of Directors, pay interim dividends to shareholders and registered pledgees of shares listed or recorded in the final shareholders' register on September 30 each year, in accordance with Article 454, Paragraph 5 of the Companies Code of Japan.

VII) Directors' and Auditors' Exemption From Liability

To enable directors and auditors to adequately perform the role expected of them in the execution of their duties, the Company's articles of incorporation stipulate that they can be exempted from liability for damages within legal limits by resolution of the Board of Directors in accordance with Article 426, Paragraph 1 of the Companies Code of Japan. This provision applies to directors (including former directors) and auditors (including former auditors) as defined in Article 423, Paragraph 1 of the Companies Code of Japan.

VIII) Requirements for Special Resolutions by the General Shareholder Meeting

To enable the general shareholder meeting to operate smoothly, the Company's articles of incorporation stipulate that resolutions in accordance with Article 309, Paragraph 2 of the Companies Code of Japan shall be made by a majority of two-thirds or more of the voting rights exercised at a meeting attended by shareholders holding at least one-third of all voting rights held by shareholders eligible to exercise voting rights.

IX) Implementation Status of Initiatives Designed to Further Strengthen Corporate Governance

The Company established the Advisory Board, comprised of eminent figures appointed from outside the Company. The Company's management meets with this Board every two months to exchange opinions on predetermined topics. The Company regularly receives valuable and objective advice from advisors.

AUDITOR COMPENSATION

1. Compensation to the independent auditor

Category	Fiscal 2007		Fiscal 2008	
	Compensation for independent auditing services (million ¥)	Compensation for non-auditing services (million ¥)	Compensation for independent auditing services (million ¥)	Compensation for non-auditing services (million ¥)
Parent company	—	—	57	—
Consolidated subsidiaries	—	—	—	—
Total	—	—	57	—

2. Other Significant Details Regarding Compensation

Terumo's overseas consolidated subsidiaries and overseas branches paid the following compensation to KPMG, which belongs to the same corporate network as the Company's independent auditor:

Compensation for independent auditing services ¥258 million

Compensation for consultancy services relating primarily to accounting and taxation ¥79 million

3. Details of Non-Auditing Services Provided to the Parent Company by the Independent Auditor

No applicable items.

4. Policy for Determining Compensation to Independent Auditors

The Company calculates compensation to be paid to independent auditors on the basis of an estimated auditing schedule reflecting the size and nature of the Company's business obtained from the independent auditor before conclusion of the auditing agreement. The amount thus calculated is discussed, and approval obtained from the Board of Corporate Auditors, prior to determination through formal internal procedures.

OTHER

[Our Stance on Anti-Takeover Measures]

The Company cannot deny the vitalization of business activities and economy through the transfer of managerial control. Moreover, upon the commencement of large-scale purchases, as a rule it is left to the judgment of the Company's shareholders whether such purchases are to be accepted or not.

At the same time, the Company acknowledges the necessity for the prudent judgment of shareholders in determining the business value and influence of large-scale purchases and related proposals on shareholders' common interests. This is based on relevant company descriptions, business plans, past investment behavior, and other information provided by the purchaser. To this end, shareholders are provided with required information, opinions and proposals from both large-scale purchasers and the Board of Directors, as well as the time required to review this information.

Standing by this fundamental philosophy, countermeasures for responding to large-scale purchase attempts of company shares (countermeasures against hostile takeovers) were introduced by the Company. These countermeasures were an item for discussion and approved at the annual shareholders meeting held on June 27, 2008.

Specifics of Company Plan at the time of its introduction were as follows:

- Introduction of general shareholder meeting resolutions on a regular basis
- Establishment of an independent committee which has a high degree of autonomy
  – Formation of three independent directors and two external corporate auditors (total: five) completely independent from the Company
  – Decisions by the Board of Directors to invoke countermeasures shall be undertaken in accordance with advice from the independent committee
- Three-year term of validity (sunset provision)
- Basis in good governance (20% of the Board of Directors are comprised of independent directors)
- Basis in improvement of corporate value (medium-term management plan)

For further details, please see the Company's website:
http://www.terumo.co.jp/English/press/policy_for_acquisitions.html