

2. Corporate Governance

Based on its corporate philosophy of contributing to society through healthcare, 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

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.

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.

Auditing by Corporate Auditors and Internal Audits

Terumo 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.

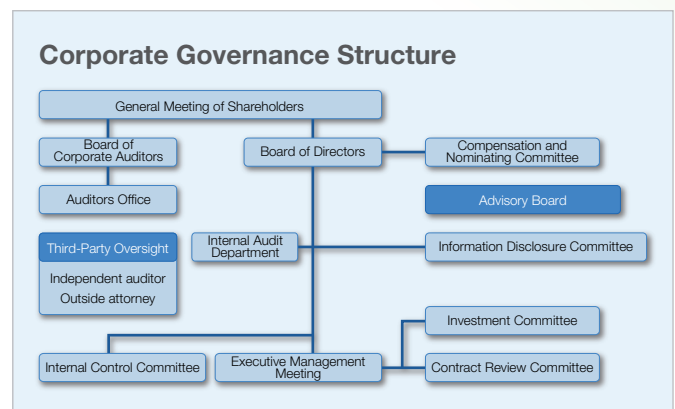
As a part of these endeavors, the Board of Corporate Auditors holds a monthly meeting with the Internal Audit Department, an in-house body comprising seven members. The purpose of these meetings is to receive internal audit reports and other related information and to generally promote increased collaboration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

Internal Control System

Terumo 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.

At a Board of Directors meeting held on May 18, 2006, the Company resolved its basic internal control system policy based on the Companies Act 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 compliance structure, information storage and management, risk management, system for assuring operation efficiency, Group internal control system, and the structure for auditing by corporate auditors.



As of June 25, 2009

For detailed information about our corporate governance, please see our "Annual Report 2009," available on the Terumo Web site.