

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011: Reference

Analysis of Business Performance

<1> Overview of the First Quarter of the Fiscal Year Ending March 31, 2011

[1] Overview of Business Results

The global economy during the first quarter (from April 1, 2010 to June 30, 2010) remained uncertain because, though China and other emerging countries have experienced continued economic growth, due to the financial crisis in Europe, triggered by Greece, apprehension about the impact on the real economy and renewed concern of financial systems persisted. Under such unstable economic conditions, foreign exchange, especially the euro, drastically fluctuated, having a substantial impact on our corporate performance.

When looking at the healthcare market, we can see that healthcare around the world is now in a great period of transition. In emerging countries such as China, India, Asian countries, and Brazil, the improvement of healthcare infrastructures has been drastically taking place, resulting in a sharp increase of demand for healthcare services from fundamental to advanced medicine. In advanced countries in Europe and the US, increases in medical costs and expenses have become a big challenge, and many healthcare system reforms have been conducted to secure funding for medical services and a reduction of medical costs. In Japan, the government continues to employ policies for medical cost reduction, and in the revision of remuneration for medical treatment in Japan in April 2010, the medical fee including doctor's procedure fees was increased. Thanks to this, expectations were raised for the elimination of problems such as the rejection of acceptances of emergency patients and improvement of working conditions of medical practitioners, making it a year of great change for the healthcare market.

Under these drastically changing conditions, TERUMO Group paid attention to the market changes and developed unique products and services to contribute to the "health economics" to improve the quality of healthcare and promote its efficiency. In Japan, we promptly responded to market changes driven by the revised remuneration for medical treatment and reorganized our sales organization. We shifted more human resources to the chronic care phase market where an increase in the number of serious cases is projected. Also, we newly assigned dedicated staff to the diabetes business to which can be expected to that the competition will intensify by the market expanded. Also, taking advantage of our general training facility for medical practitioners, "Terumo Medical Pranex" we have continuously addressed strengthening medical

safety.

Outside of Japan, we have developed interventional systems and other products and services that can contribute to better healthcare efficiency in individual regions, while promoting the spread of TRI (interventional procedure to approach coronary arteries from blood vessels in the wrist) that further improves the health economics as well as sales expansion of products suitable for TRI. We have also addressed strengthening production capacities, especially in Asia, and the reorganization of production structure toward cost reduction on a global scale.

Our performance in this first quarter is as follows:

< Net Sales >

In Japan, there was impact due to the revision of the drug & device reimbursement and net sales were 42.5 billion yen or a 0.6% decrease when compared with the same period in the previous year. On the other hand, performance outside of Japan were generally good, showing double-digit growth on a local currency basis in every region. Sales in Europe continuously grew strongly. Also, sales grew in North & Latin America as well as Asian countries including China and India. Total sales outside of Japan resulted in the growth of 19.8% on a local currency basis. Though there was an impact due to foreign exchange, net sales in total in Japan and outside of Japan were 81.2 billion yen or a 4.9% increase.

Geographic segments

(Unit: millions of yen)

Area	Q1 Mar. 2010 Results	Q1 Mar. 2011 Results	Changes%	Changes % (Local currency basis)
Japan	42,820	42,544	(0.6%)	(0.6%)
Europe	13,478	13,956	3.5%	16.8%
Americas	12,995	14,763	13.6%	20.2%
Asia and others	8,173	9,968	22.0%	23.8%
Total of Outside of Japan	34,647	38,689	11.7%	19.8%
Total	77,467	81,234	4.9%	8.5%

<Gross Profit>

Though we have seen improvements by the shift to highly profitable products and cost reductions, the revision of the drug & device reimbursement, the appreciation of the yen and other negative factors forced the gross profit rate to drop by 1.5 points or 52.1%. Gross profit increased by 1.9% to 42.3 billion yen, thanks to the increased

volume of sales and other factors.

<Operating Income>

We have continued to use general and administrative expenses efficiently, but as we actively invested in growth, development costs and SG&A expenses increased by 5.3%, and operating income decreased by 3.2% to 15.9 billion yen.

<Ordinary Income>

Drastically affected by foreign exchange losses, we saw a 25.9% drop, and ordinary income decreased to 12.6 billion yen.

<Net Income>

Net Income decreased by 18.7% and was 8.8 billion yen.

Next, net sales results by business segments are as follows:

Business Segments

(Unit: millions of yen)

Business Segments		Q1 Mar. 2010 Results	Q1 Mar. 2011 Results	Changes%	Changes % (Local currency basis)
General Hospital Business	Net Sales	36,598	37,077	1.3%	2.6%
	(Japan)	29,339	29,750	1.4%	1.4%
	(Outside of Japan)	7,259	7,326	0.9%	7.5%
Cardiac & Vascular Business	Net Sales	33,321	36,447	9.4%	15.6%
	(Japan)	9,537	9,562	0.3%	0.3%
	(Outside of Japan)	23,783	26,884	13.0%	21.8%
Blood Transfusion Business	Net Sales	5,708	6,443	12.9%	17.4%
	(Japan)	2,181	2,588	18.6%	18.6%
	(Outside of Japan)	3,526	3,854	9.3%	16.7%
Consumer Healthcare Business	Net Sales	1,893	802	(57.6%)	(57.6%)
	(Japan)	1,763	641	(63.7%)	(63.7%)
	(Outside of Japan)	130	161	24.3%	24.4%

(Note): The amounts of the same period in the previous year in this table are rearranged to compare with the results of this period.

<General Hospital Business>

In Japan, infusion products with improved added value that lead to the prevention of medical accidents and reduced contamination risk, infusion pumps and syringe pumps steadily increased sales.

Outside of Japan, diabetes care products enjoyed favorable sales in Europe, Asia and

other areas.

Consequently, net sales of the general hospital business increased by 1.3% when compared with the same period in the previous year or were 37.1 billion yen.

<Cardiac & Vascular Business>

In Japan, intravascular ultrasound imaging catheters used in the treatment of Angina Pectoris, “ViewIT,” and PTCA balloon catheters, “Tazuna,” enjoyed good sales, and a new product jointly developed with Olympus, “VisiGlide,” continuously increased sales ever since being launched.

Outside of Japan, due to worsening medical finance affected by the economic crisis, temporary suspensions of large-scale investments in medical equipment have continued, but we saw signs of recovery in some areas. In relation to interventional systems, drug-eluting coronary artery stent, “Nobori” enjoyed positive sales in Europe, Asia and other regions, while cerebral aneurysm treatment coils were popular, showing a high level of sales growth or double-digit increase in every region including Europe, North and Latin America and Asia.

As a result, net sales in the cardiac and vascular business increased by 9.4% when compared with the same period in the previous year or were 36.4 billion yen.

<Blood Transfusion Business>

In Japan, sales of blood bags and aphaeresis system enjoyed good sales.

Outside of Japan, blood bags and other devices sold well in Russia, Eastern Europe, and the Middle East where the economic slump continued. Our automated centrifuge & separator integration system that contributes to the improvement of operational efficiency at blood centers, “TACSI,” steadily increased its sales coverage area, contributing to an increase in sales.

Net sales of the blood transfusion business were 6.4 billion yen, representing a 12.9% increase from the previous year.

<Consumer Healthcare Business>

Last fiscal year in Japan, there was an increase in demand for digital thermometers due to the outbreak of the H1N1 influenza, but this period affected by its rebound, net sales in consumer healthcare business reduced by 57.6% and were 0.8 billion yen.