

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

Analysis of Business Performance

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

[1] Overview of Business Results

The global economy in the consolidated period during the third quarter (from April 1, 2010 to December 31, 2010), displayed trends of a slow recovery driven by China and other Asian regions. However, uncertainty has persisted because of credit uncertainty in European countries triggered by the financial crisis and the prolonged foreign exchange rate trend of the appreciation of yen.

Under such economic conditions, healthcare services around the world are now in a period of great transition. In emerging countries, improvement of the healthcare infrastructure is in progress, driven by economic development, and an expansion in demand is anticipated in healthcare-related fields. Advanced countries, on the other hand, face major challenges of securing financial resources for healthcare and the reduction of healthcare costs, as illustrated by harsher disputes in relation to the healthcare reform in the U.S. Congress.

Under such drastically changing conditions, our group has paid attention to market changes and developed business with unique products and services that can contribute to the “healthcare economics” by improving the quality of healthcare service and promoting efficiency.

As a result, our performance in the consolidated period of the third quarter of this fiscal year is as follows:

< Net Sales >

Though affected by the revision of drug and reimbursement prices, sales in Japan reached 133.9 billion yen or a 0.6% increase compared with the same period the previous year. Overseas experienced effect by the appreciation of yen: however, the net sales increased by 15.1% on the constant currency basis compared with the same period the previous year, resulting in double-digit growth in each region, including Europe, the US, and Asia.

As a result, the consolidated sales in Japan and overseas were 244.2 billion yen, or a 2.2% increase.

Geographic segments

(Unit: millions of yen)

Area	Q3 YTD Mar. 2010 Results	Q3 YTD Mar. 2011 Results	Changes%	Changes % (Constant currency basis)
Japan	133,134	133,891	0.6%	0.6%
Europe	41,989	41,079	(2.2%)	14.2%
Americas	39,825	42,041	5.6%	13.8%
Asia and others	23,948	27,229	13.7%	18.9%
Total of Overseas	105,763	110,349	4.3%	15.1%
Total	238,897	244,241	2.2%	7.0%

<Gross Profit>

Such negative factors as the revision of drug and reimbursement prices and the impact of the appreciation of yen exceeded the positive factors, including the shift to highly profitable products, increase in the amount of products and cost reductions. The gross profit rate dropped by 0.7 points to 52.1% compared with the same period the previous year. Gross profit increased by 1.1 billion yen, thanks to the increase in the amount of products sold, and resulted in 127.2 billion yen.

<Operating Income>

We efficiently controlled general administrative expenses in general, but as we proactively made investments for growth including R&D expenses, SG&A expenses increased by 3.0 billion yen compared with the same period the previous year, and operating income was 48.1 billion yen with a 1.9 billion yen decrease compared with the same period the previous year.

<Ordinary Income>

Ordinary income was greatly affected by foreign exchange losses with the appreciation of yen and was 42.9 billion yen or a 14.8% decrease compared with the same period the previous year.

<Net Income>

Net income was a 13.7% decrease compared with the same period the previous year, resulting in 27.5 billion yen.

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

Business Segments

(Unit: millions of yen)

Business Segments		Q3 YTD Mar. 2010 Results	Q3 YTD Mar. 2011 Results	Changes%	Changes % (Constant currency basis)
General Hospital Business	Net Sales	114,515	115,669	1.0	2.7
	(Japan)	91,867	93,427	1.7	1.7
	(Overseas)	22,648	22,241	(1.8)	7.0
Cardiac & Vascular Business	Net Sales	101,317	106,785	5.4	13.7
	(Japan)	29,440	29,791	1.2	1.2
	(Overseas)	71,877	76,993	7.1	18.8
Blood Transfusion Business	Net Sales	17,921	18,438	2.9	8.5
	(Japan)	7,195	7,784	8.2	8.2
	(Overseas)	10,725	10,654	(0.7)	8.8
Consumer Healthcare Business	Net Sales	5,142	3,347	(34.9)	(34.5)
	(Japan)	4,630	2,888	(37.6)	(37.6)
	(Overseas)	511	459	(10.2)	(6.0)

(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, we enjoyed good sales of infusion devices with added value for the prevention of medical accidents and infection risk reduction in addition to new blood glucose monitors. The effect of development in the chronic care market, which we started to address this year has gradually emerged, and our key product, semi-solid nutritious food had a large increase in sales.

Overseas, syringes, infusion sets, and other general hospital products sold well, increasing the total amount of sales.

As a result, sales of the General Hospital Business resulted in 115.7 billion yen or 1.0% increase compared with the same period the previous year.

<Cardiac & Vascular Business>

In Japan, intravascular ultrasound imaging catheters used in the treatment of Angina Pectoris, “ViewIT,” and PTCA balloon catheters, “Tazuna,” continued to enjoy good sales, and a new product jointly developed with Olympus, “VisiGlide,” continued to have an increase in sales ever since its launch in April 2010.

Overseas, sales increased, in mainly interventional systems. Drug-eluting coronary

artery stent, “Nobori” enjoyed positive sales in Europe, Asia, and other regions, while interventional systems used for TRI (Trans-Radial coronary Intervention) increased sales in the U.S. In China, interventional systems continued to sell well to drive sales, and we saw a double-digit sales on a constant currency basis in all regions including Europe, the U.S, and Asia and others.

As a result, sales in the Cardiac & Vascular Business increased by 5.4% compared with the same period the previous year and were 106.8 billion yen.

<Blood Transfusion Business>

Sales of blood bags increased in Japan, while blood separators enjoyed increased sales in Europe. Our automated centrifuge & separator integration system “TACSI” that contributes to the improvement of operational efficiency at blood centers steadily expanded its area of sales.

As a result, sales of the Blood Transfusion Business increased by 2.9% compared with the same period the previous year to reach 18.4 billion yen.

<Consumer Healthcare Business>

Last fiscal year in Japan, there was an increase in demand for digital thermometers due to the pandemic of the new H1N1 flu, but this year we were affected by its backlash, and sales in the Consumer Healthcare Business reduced by 34.9% to result in 3.3 billion yen.

<2> Forecast for the Fiscal Year Ending March 31, 2011

Forecast for the fiscal year ending March 31, 2011 is on hold.