

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2012: Reference

Analysis of Business Performance

<1> Overview of the Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2012

[1] Overview of Business Results

The global economy in the first quarter of consolidated financial results (April 1, 2011 to June 30, 2011) showed a gradual recovery trend, led by the economic growth of China and other emerging countries. At the same time, in Japan, the Pacific Ocean Earthquake that occurred in March had a serious impact on the Japanese economy, and which was worsened by the appreciation of the yen, making business conditions rather adverse for Terumo Group.

Though there was concern about our production activities due to the earthquake, we made all-out efforts to promote restoration, and by early April were able to recover factory operations to a standard prior to the earthquake. However, with partner companies damaged by the earthquake and decreased factory operation rates caused by rolling power outages, the influence upon sales persisted as the supply shortage of some products of General Hospital Business such as I.V. solutions occurred.

Looking at the global healthcare market, high market growth has been seen in emerging countries where improvement of the medical infrastructure has drastically made progress, driven by economic development and demand for medical device has increased. In advanced countries, while a reduction of medical cost has been strengthened, demand for the healthcare economics has further been increased in addition to treatment results and QOL (quality of life) of patients. As can be seen, in the drastically changing global market, new opportunities for growth where we can take advantage of Terumo Group strengths have been expanding.

Based on this, Terumo Group set a target of GP1 “1 trillion Global Presence” where we achieve one trillion yen net sales by the Fiscal Year ending March, 2021 and become a strong presence in the world under the new management team. We launched a mid-term management plan, “GP1: Change and Growth 2013” starting in the Fiscal Year ending March 2012. The major growth strategies include not only strengthening potential for internal growth through increasing global development capabilities but also targeting drastic growth by fully taking advantage of mutual reciprocity of the two companies obtained from the integration with CaridianBCT that we acquired in April

2011. We will also take risk measures, improve profitability, and improve financial and other standings. By steadily putting these strategies into practice, we will continuously achieve double-digit annual growth.

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

< Net Sales >

Net sales were 95.6 billion yen or a 17.7% increase from the same period of last year. The existing business excluding CaridianBCT and Harvest Technologies we acquired this year (“existing business”) was affected by the appreciation of the yen and resulted in a 2.6% increase to 83.4 billion yen when compared with the same period of last year.

Geographic segments

(Unit: millions of yen)

Area	Q1 FYE Mar. 2011 Results	Q1 FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Japan	42,544	44,254	4.0	4.0
Europe	13,956	15,555	11.5	12.0
Americas	14,763	13,326	(9.7)	1.6
Asia and others	9,968	10,234	2.7	10.1
Total of Overseas	38,689	39,115	1.1	7.5
TOTAL	81,234	83,370	2.6	5.7

(Note) The results of BCT and Harvest are excluded.

In Japan, I.V. solutions and other products of General Hospital Business whose supply fell short, affected by the earthquake, experienced difficulties. Drug-eluting coronary stent, “Nobori” that we launched in May 2011 favorably increased its market share and sales. Consequently, domestic net sales were 44.3 billion yen, representing a 4% increase when compared with the same period of last year.

Outside of Japan, interventional systems served as the driving force of sales. We achieved a 32.4% increase in China on a constant currency basis to contribute to total sales, but strongly affected by the appreciation of the yen, outside of Japan net sales were 39.1 billion yen or a 1.1% increase when compared with the same period of last year.

(Unit: millions of yen)

	Q1 FYE Mar. 2011 Results	Q1 FYE Mar. 2012 Results	Changes%	Changes % (Constant currency basis)
Net Sales	81,234	83,370	2.6	5.7
Gross Profit	42,336	43,012	1.6	6.2
Operating Income	15,946	16,964	6.4	13.1
Ordinary Income	12,554	16,405	30.7	-
Net Income	8,792	10,389	18.2	-

(Note) The results of BCT and Harvest are excluded.

<Gross Profit>

Gross profit increased to 50.8 billion yen or a 20.1% growth when compared with the same period of last year. Though we experienced negative factors such as the effect of the appreciation of the yen and price reductions in existing business, thanks to the shift to highly profitable products and the effect of increased production, the result was 43 billion yen or a 1.6% increase when compared with the same period of last year.

<Operating Income>

Through new depreciation of goodwill through M&As, operating income was 17.4 billion yen or a 9% increase when compared with the same period of last year. For existing business, we saw a 6.4% increase when compared with the same period of last year, and the result was 17 billion yen of operating income by efficient use of SG&A expenses and the control of R&D expenses.

<Ordinary Income>

Though impacted by the interest payment due to increased short-term loans along with acquisitions, ordinary income was 16.9 billion yen, an increase of 34.4% when compared with the same period of last year. Existing business experienced a similar impact, but ordinary income was 16.4 billion yen or a 30.7% increase when compared with the same period of last year.

<Net Income>

Affected by the tax payment for goodwill depreciation, net income in the quarter remained at 9.8 billion yen, an 11.1% increase when compared with the same period of last year. For existing business, the figure was 10.4 billion yen, an increase of 18.2% when compared with the same period of last year.

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

Business Segments

(Unit: millions of yen)

Business Segments		Q1 FYE Mar. 2011 Results	Q1 FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
General Hospital Business	Net Sales	37,120	36,498	(1.7)	(0.7)
	(Japan)	29,753	29,117	(2.1)	(2.1)
	(Overseas)	7,367	7,381	0.2	4.9
Cardiac & Vascular Business	Net Sales	36,513	39,635	8.6	13.8
	(Japan)	9,562	11,923	24.7	24.7
	(Overseas)	26,951	27,712	2.8	9.9
Blood Management Business	Net Sales	6,455	6,103	(5.5)	(2.0)
	(Japan)	2,588	2,338	(9.7)	(9.7)
	(Overseas)	3,866	3,765	(2.6)	3.2
Consumer Healthcare Business	Net Sales	803	1,133	41.0	42.5
	(Japan)	641	875	36.5	36.5
	(Overseas)	162	257	58.5	66.2

(Note) The results of BCT and Harvest are excluded.

<General Hospital Business>

In Japan, semi-solid nutritious foods, our major product in the chronic care market, and contract manufacturing business in the field of Drug & Device (D&D) contributed to an increase in sales. On the other hand, sales of some products including I.V. solutions dropped, due to the earthquake, and total sales decreased when compared with the same period of last year.

Outside of Japan, infusion pumps and syringes enjoyed favorable sales in Latin America, showing an increase in sales.

As a result, net sales of General Hospital Business decreased by 1.7% to 36.5 billion yen when compared with the same period of last year.

<Cardiac & Vascular Business>

In Japan, drug-eluting coronary stent, “Nobori,” launched in May 2011 favorably gained market share, and intravascular imaging catheter, “ViewIT,” sold well.

Outside of Japan, “Nobori” that has already been marketed in Europe, Asia, and Latin America steadily increased its market share and sales, and in North and Latin America, thanks to wider use of TRI (interventional system technique to approach the coronary artery from the blood vessels at the wrist), interventional systems favorably drove sales.

Consequently, net sales in Cardiac & Vascular Business for existing business

increased by 8.6% when compared with the same period of last year to 39.6 billion yen.

<Blood Management Business>

In Japan, sales of blood bags resulted in a 9.7% decrease when compared with the same period of last year.

Outside of Japan, “TACSI,” our automated centrifuge & separator integration system, saw favorable growth in Europe.

As a result, net sales of Blood Management Business in existing business decreased by 5.5% to 6.1 billion yen when compared with the same period of last year.

<Consumer Healthcare Business>

In Japan the repercussion of the increased demand for digital thermometers due to the pandemic of the H1N1 flu two years ago ended, and net sales increased to 1.1 billion yen, representing a 41.0% increase when compared with the same period of last year.

<2> Forecast for the Fiscal Year Ending March 31, 2012

Incorporating CaridianBCT and Harvest Technologies whose acquisitions were completed in April 2011 into estimated consolidated results and as yearly prospects such as accounting associated with the integration and the impact of new products upon financial results have become clear. We have revised “Forecast of the consolidated financial results for the Fiscal Year ending March 2012,” which we announced on May 11, 2011, as follows:

Forecast for the fiscal year ending March 31, 2012

(Full year)

(Unit: millions of yen)

	Previous Forecast	Revised Forecast	Changes	Changes (%) year on year
Net Sales	332,000	390,000	58,000	18.8
Operating Income	65,000	67,000	2,000	7.0
Operating Income Rates	19.6%	17.2%	—	—
Operating Income Excl. Amortization of Goodwill	66,500	74,600	8,100	16.2
Operating Income Rates Excl. Amortization of Goodwill	20.0%	19.1%	—	—
Ordinary Income	63,000	65,000	2,000	14.2
Net Income	40,000	38,500	(1,500)	19.1
Net Income Rates	12.0%	9.9%	—	—
Net Income Excl. Amortization of Goodwill	41,500	46,100	4,600	35.9
Net Income Rates Excl. Amortization of Goodwill	12.5%	11.8%	—	—

<3> Summary of Statements of Cash Flows for the First Quarter of the Fiscal Year Ending March 31, 2012

(Unit: millions of yen)

	Q1 FYE Mar. 2011 Results	Q1 FYE Mar. 2012 Results
Net Cash Provided by (Used in) Operating Activities	4,220	8,534
Net Cash Provided by (Used in) Investing Activities	(3,128)	(223,957)
Free Cash Flow	1,091	(215,423)
Net Cash Provided by (Used in) Financing Activities	(13,097)	216,497
Effect of exchange rate change on cash and cash equivalents	(3,349)	(962)
Net increase (decrease) in cash and cash equivalents	(15,354)	111
Cash and cash equivalents at beginning of period	84,877	82,660
Cash and cash equivalents at end of period	69,522	82,771

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