

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

Analysis of Business Performance

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

[1] Overview of Business Results

In the third quarter consolidated cumulative period (between April 1, 2011 and December 31, 2011,) the global economy generally lacked strength with the worsening European credit issue, prolonged economic slowdown in Europe and US and stalling speed of growth in emerging countries. In Japan, affected by both the appreciation of the yen, which was accelerated by the financial uncertainties of Europe and US, and slowdown in emerging countries' economies, the pace of economic recovery after the earthquake slowed down, resulting in harsh business conditions for TERUMO Group.

Under such circumstances, looking at the global healthcare market, in developed nations where the reduction of national healthcare costs is a common policy challenge, the trend for strictly examining cost effects on the medical efficiency in addition to the improvement of QOL (Quality of Life) has become stronger, increasing needs for minimally invasive medical devices. On the contrary, in emerging markets, we can see steady trends of increasing demand for medical devices driven by improving medical standards, expanding new opportunities for growth for us to take advantage of our strengths.

Launching the target of GP1 or becoming "1 trillion Global Presence" by 2020, our Group kicked off a three-year mid-term management plan, "GP1: Change and Growth 2013," starting in the fiscal year ending March 2012. The key of the growth strategy is not only accelerating the globalization of R&D/production bases to strengthen organic growth but also to take advantage of and accelerate the integration of CaridianBCT acquired in April 2011 to strive for dramatic growth.

In the globalization process of production bases, while we proactively promote production technology transfer to bases outside of Japan, we position production bases in Japan as mother factories to develop advanced manufacturing technologies and allow enhancement of technology improvement. At the same time, in the integration project with CaridianBCT, we will speedily integrate sales bases and plan to promote business as "TerumoBCT" from the next fiscal year.

TERUMO Group celebrated the 90th anniversary in September, 2011. Dr. Shibasaburo Kitasato and others founded the company in 1921, and under our corporate mission of “Contributing to Society through Healthcare,” we have expanded our range of businesses to the promotion of the widespread use of disposable products for medical safety and the development of medical devices totally supporting advanced medical treatment. We shall continue to develop and launch products responding to market needs and further contribute to the health of people around the world by promoting global business expansion.

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

(Unit: millions of yen)

	Q3 YTD FYE Mar. 2011 Results	Q3 YTD FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Net Sales	244,241	288,914	18.3	22.6
Gross Profit	127,164	153,989	21.1	26.8
Operating Income	48,100	49,875	3.7	11.0
Ordinary Income	42,895	46,319	8.0	—
Net Income	27,482	21,962	(20.1)	—

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

(Unit: millions of yen)

	Q3 YTD FYE Mar. 2011 Results	Q3 YTD FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Net Sales	244,241	253,464	3.8	6.6
Gross Profit	127,164	132,256	4.0	8.0
Operating Income	48,100	50,376	4.7	10.5
Ordinary Income	42,895	47,197	10.0	—
Net Income	27,482	24,289	(11.6)	—

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

< Net Sales >

Net sales were 288.9 billion yen or an 18.3% increase compared with the same period of the previous year. With existing businesses excluding those of CaridianBCT and Harvest Technologies of which we completed acquisition in 2011, sales were 253.5 billion yen, representing a 3.8% increase compared with the same period of the previous year.

Geographic segments

(Unit: millions of yen)

Area	Q3 YTD FYE Mar. 2011 Results	Q3 YTD FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Japan	133,891	141,870	6.0	6.0
Europe	41,079	42,576	3.6	6.6
Americas	42,041	39,171	(6.8)	2.4
Asia and others	27,229	29,845	9.6	16.5
Total of Outside of Japan	110,349	111,593	1.1	7.5

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

In Japan, our drug-eluting stent, “Nobori,” continued to increase its market share and drove sales, and I.V. solution and other general hospital products that faced difficulties due to the effect of the earthquake displayed a gradual recovery. Net sales in Japan thus increased by 6.0% to 141.9 billion yen compared with the same period of the previous year.

Outside of Japan, interventional systems enjoyed favorable sales in all regions. In particular, in emerging markets such as China and Latin America, more than 30% growth on a constant currency basis compared with the same period of the previous year was achieved, pushing up total sales. However, affected by the ongoing appreciation of the yen, net sales outside of Japan was 111.6 billion yen or a 1.1% growth compared with the same period of the previous year.

<Gross Profit>

Gross profit was 154.0 billion yen or 21.1% growth compared with the same period of the previous year. With existing businesses, in spite of the effect of the appreciation of the yen, the amount increased to 132.3 billion yen or 4.0% compared with the same period of the previous year, thanks to the shift to highly profitable products and the effect of increased production.

<Operating Income>

Though affected by new goodwill depreciation due to acquisitions, operating income increased by 3.7% to 49.9 billion yen compared with the same period of the previous year. For existing business, it was 50.4 billion yen or a 4.7% increase compared with the same period of the previous year, thanks to the increase of gross profit and efficient operation of general and administrative expenses.

<Ordinary Income>

In spite of the rapid yen appreciation and interest payments due to the increase of short-term loans for acquisitions, ordinary income increased by 8.0% to 46.3 billion yen compared with the same period of the previous year. Existing business was also affected by the same factors, but the result was 47.2 billion yen or a 10.0% increase compared with the same period of the previous year.

<Net Income>

Net income decreased by 20.1% to 22.0 billion yen compared with the same period of the previous year, affected by the tax burden from depreciation of goodwill and loss on valuation of investment securities. For existing business, net income decreased by 11.6% to 24.3 billion yen compared with the same period of the previous year.

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

Business Segments

(Unit: millions of yen)

Business Segments		Q3 YTD FYE Mar. 2011 Results	Q3 YTD FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
General Hospital Business	Net Sales	115,540	113,528	(1.7)	(0.8)
	(Japan)	93,428	91,705	(1.8)	(1.8)
	(Overseas)	22,112	21,822	(1.3)	3.8
Cardiac & Vascular Business	Net Sales	106,840	117,404	9.9	14.7
	(Japan)	29,789	39,438	32.4	32.4
	(Overseas)	77,051	77,966	1.2	7.8
Blood Management Business	Net Sales	18,394	19,044	3.5	7.4
	(Japan)	7,784	7,798	0.2	0.2
	(Overseas)	10,610	11,245	6.0	12.8
Consumer Healthcare Business	Net Sales	3,359	3,486	3.8	4.4
	(Japan)	2,889	2,927	1.3	1.3
	(Overseas)	470	559	18.9	23.8

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

<General Hospital Business>

Some products including I.V. solution that had temporarily experienced a decrease in sales due to the earthquake showed a recovery trend, while the business of semisolid nutritious food for the chronic care market and commissioned business in the D&D (Drug & Device) field were favorable, and though sales decreased compared with the

previous year, the amount of the decrease was steadily reduced.

Outside of Japan, business in Asia and Latin America was favorable, increasing sales on a constant currency basis, but was substantially affected by the appreciation of the yen. As a result, net sales for the General Hospital Business was 113.5 billion yen, decreasing by 1.7% compared with the same period of the previous year.

<Cardiac & Vascular Business>

In Japan, our drug-eluting coronary stent, “Nobori,” favorably continued to increase sales and increase its share, while intravascular ultrasound imaging catheter, “ViewIT,” showed favorable sales.

Outside of Japan, “Nobori” enjoyed favorable sales in Europe, Asia, and Latin America, while in North & Latin America, the increasing popularity of TRI (interventional treatment of approaching the coronary artery from the blood vessels of the wrist) resulted in sales expansion of interventional systems.

Consequently, net sales in the Cardiac & Vascular Business increased by 9.9% compared with the same period of the previous year, and in spite of the effect of the appreciation of the yen, was 117.4 billion yen.

<Blood Management Business>

In Japan, sales of blood bags recovered, and saw an increase in sales compared with the same period of the previous year.

Outside of Japan, TACSI, automated centrifuge & separator integration system, enjoyed favorable sales in Europe, pushing up the business sales, but affected by the appreciation of the yen, net sales of the Blood Management Business increased by 3.5% to 19.0 billion yen compared with the same period of the previous year.

<Consumer Healthcare Business>

Though there was a slowdown in consumption due to the earthquake in Japan, net sales were 3.5 billion yen, representing a 3.8% increase compared with the same period of the previous year.

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

We reported loss on valuation of investment securities whose value conspicuously dropped without expectation for recovery by impairment, and loss on sales of investment securities. By reflecting their impact upon forecasts, we revised “Forecast for the Fiscal Year Ending March 2012”, which we announced on October 27, 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	383,000	383,000	—	16.7
Operating Income	62,600	62,600	—	(0.0)
Operating Income Rates	16.3%	16.3%	—	—
Operating Income Excl. Amortization of Goodwill	70,000	70,000	—	9.1
Operating Income Rates Excl. Amortization of Goodwill	18.3%	18.3%	—	—
Ordinary Income	58,000	57,000	(1,000)	0.2
Net Income	32,500	26,000	(6,500)	(19.6)
Net Income Rates	8.5%	6.8%	—	—
Net Income Excl. Amortization of Goodwill	39,900	33,400	(6,500)	(1.5)
Net Income Rates Excl. Amortization of Goodwill	10.4%	8.7%	—	—

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

(Unit: millions of yen)

	Q3 YTD FYE Mar. 2011 Results	Q3 YTD FYE Mar. 2012 Results
Net Cash Provided by (Used in) Operating Activities	25,757	35,981
Net Cash Provided by (Used in) Investing Activities	(13,625)	(235,908)
Free Cash Flow	12,132	(199,926)
Net Cash Provided by (Used in) Financing Activities	(26,311)	193,082
Effect of exchange rate change on cash and cash equivalents	(5,245)	(2,724)
Net increase (decrease) in cash and cash equivalents	(19,425)	(9,568)
Cash and cash equivalents at beginning of period	84,877	82,660
Cash and cash equivalents at end of period	65,452	73,091

This English translation has been prepared for general reference purposes. The Company is not responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the tanshin (Financial Results) dated as of January 30, 2012