

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

Analysis of Business Performance

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

[1] Overview of Business Results

The global economy in this first half period (between April 1, 2011 and September 30, 2011) saw a general slowdown in economic growth such as the economic recession in Europe and US and a reduction in the speed of economic expansion in emerging countries. There were also concerns about the credit crisis in Europe and the downgrading of US bonds, with a stronger sense of uncertainty overall. In addition, with these economic conditions as a background, there was a drastic appreciation of the yen, causing a harsh business environment for our Group.

Under such conditions, looking at the global healthcare market, there are new opportunities for growth where we can take advantage of our strengths such as increasing demand for medical devices driven by economic growth and the improvement of medical standards in emerging countries, higher needs for medical cost efficiency as strengthened medical cost reductions through various healthcare reforms in developed countries.

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. Key growth strategies include not only strengthening the internal capacity for growth through globally reinforced development, but also targeting drastic growth by taking full advantage of the strengths of Terumo and CaridianBCT that we acquired in April 2011. At the same time, we will improve our financial standing through risk control, improved profitability, and finance. By implementing these strategies, we are looking to a sustainable double-digit growth rate.

Our Group celebrated the 90th anniversary in September of this year. Dr. Shibasaburo Kitasato and others founded the company in 1921, and under our corporate vision 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 first half of this fiscal year is as follows:

(Unit: millions of yen)

	1H FYE Mar. 2011 Results	1H FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Net Sales	163,918	190,718	16.3	19.5
Gross Profit	85,599	103,177	20.5	25.8
Operating Income	32,706	34,632	5.9	13.2
Ordinary Income	28,174	31,291	11.1	—
Net Income	18,364	17,712	(3.5)	—

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

(Unit: millions of yen)

	1H FYE Mar. 2011 Results	1H FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Net Sales	163,918	167,151	2.0	4.7
Gross Profit	85,599	88,421	3.3	7.6
Operating Income	32,706	34,649	5.9	13.0
Ordinary Income	28,174	31,572	12.1	—
Net Income	18,364	19,290	5.0	—

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

< Net Sales >

Net sales increased to 190.7 billion yen or a 16.3% increase compared with the same period of the previous year. For our existing business, net sales increased by 2% to 167.2 billion yen compared with the same period of the previous year excluding CaridianBCT and Harvest Technologies, which we completed the acquisitions of this year (“existing business,”).

Geographic segments

(Unit: millions of yen)

Area	1H FYE Mar. 2011 Results	1H FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
Japan	89,471	91,656	2.4%	2.4%
Europe	27,331	28,925	5.8%	6.7%
Americas	28,706	26,356	(8.2%)	2.3%
Asia and others	18,409	20,212	9.8%	17.3%
Total of Outside of Japan	74,447	75,494	1.4%	7.6%

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

In Japan, while I.V. solutions and general hospital products experienced difficulties as the supply temporarily dropped due to the impact of the earthquake, “Nobori,” the drug-eluting stent which we released in May, gained market share and increased sales.

As a result, net sales in Japan were 91.7 billion yen, representing a 2.4% increase compared with the same period of the previous year.

Outside of Japan, interventional systems products enjoyed favorable sales in all regions. Especially in China, interventional systems achieved more than 30% growth compared with the same period of the previous year on a constant currency basis, pushing up total sales. However, as we were affected by the appreciation of the yen, net sales outside of Japan were 75.5 billion yen or 1.4% growth compared with the same period of the previous year.

<Gross Profit>

Gross profit increased by 20.5% compared with the same period of the previous year, resulting in 103.2 billion yen. While affected by the appreciation of the yen, existing business gross profit was 88.4 billion yen, a 3.3% increase, thanks to the shift to highly profitable products and increased production effects.

<Operating Income>

In spite of the impact of new goodwill depreciation due to the acquisitions, operating income was 34.6 billion yen, accounting for a 5.9% increase compared with the same period of the previous year. Operating income from existing business was 34.6 billion yen or 5.9% increase compared with the same period of the previous year, thanks to increased gross profit and the efficient operation of SG&A expenses.

<Ordinary Income>

Though affected by the drastic appreciation of the yen and payment interest due to increased short-term loans along with acquisitions, ordinary income was 31.3 billion yen or an 11.1% increase compared with the same period of the previous year. Existing business was similarly affected, but was 31.6 billion yen, representing a 12.1% increase compared with the same period of the previous year.

<Net Income>

Net income was affected by the tax burden due to goodwill depreciation and dropped by 3.5% compared with the same period of the previous year to 17.7 billion yen. For existing business, the figure was 19.3 billion yen or a 5% increase 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		1H FYE Mar. 2011 Results	1H FYE Mar. 2012 Results	Changes %	Changes % (Constant currency basis)
General Hospital Business	Net Sales	77,327	73,992	(4.3)	(3.4)
	(Japan)	62,460	59,272	(5.1)	(5.1)
	(Overseas)	14,867	14,719	(1.0)	3.8
Cardiac & Vascular Business	Net Sales	71,782	78,484	9.3	14.2
	(Japan)	19,936	25,649	28.7	28.7
	(Overseas)	51,846	52,835	1.9	8.6
Blood Management Business	Net Sales	12,472	12,478	0.0	3.7
	(Japan)	5,321	4,942	(7.1)	(7.1)
	(Overseas)	7,151	7,536	5.4	11.7
Consumer Healthcare Business	Net Sales	2,089	2,195	5.1	5.9
	(Japan)	1,753	1,791	2.2	2.2
	(Overseas)	335	403	20.2	25.5

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

<General Hospital Business>

In Japan, our major line of products such as semi-solid nutritious foods for the chronic care market in addition to outsourced business in the D & D (Drug & Device) field i.e. “NESP” contributed to a sales increase. At the same time, I.V. solutions and some other products saw a decrease in sales due to the impact of the earthquake, and resulted in a decrease in sales.

Outside of Japan, syringes and infusion pumps enjoyed good sales in Asia and Latin

America, increasing sales on a constant currency basis, but results were substantially affected by the appreciation of the yen.

Consequently, net sales of General Hospital Business were 74 billion yen or a 4.3% decrease compared with the same period of the previous year.

<Cardiac & Vascular Business>

In Japan, our drug-eluting stent “Nobori,” which was launched in May, increased its sales and secured market share, while our intravascular ultrasound-imaging catheter, “ViewIT,” saw favorable increase in sales.

Outside of Japan, Nobori which had been also launched in Europe, Asia, and Latin America has steadily increased its share and sales, while in North America, TRI (interventional treatment of approaching the coronary artery from the blood vessels of the wrist), became widely used and interventional systems products thus favorably drove sales.

As a result, net sales for Cardiac & Vascular Business saw an increase of 9.3% to 78.5 billion yen compared with the same period of the previous year, though there was the affect of the appreciation of the yen.

<Blood Management Business>

In Japan, sales of blood bags decreased compared with the same period of the previous year.

Outside of Japan, “TACSI,” our automated centrifuge & separator integration system, saw favorable growth in Europe to drive the total business, but due to the impact of the appreciation of the yen, net sales for Blood Management Business remained nearly the same compared with the same period of the previous year at 12.5 billion yen.

<Consumer Healthcare Business>

In Japan, the business was impacted by a slowdown in consumption due to the earthquake. However, net sales increased by 5.1% compared with the same period of the previous year to 2.2 billion yen.

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

In consideration of recent foreign exchange conditions, we updated the exchange rate forecasts for the second half to be 1 dollar = 75 yen and 1 Euro = 103 yen. We also plan to make additional investments on quality system improvements at our US subsidiary, which reached the agreement on terms of consent decree with Food and Drug Administration (FDA) in March. By reflecting the impact of these factors upon the premises of the forecasts, we are revising “Forecast for the Fiscal Year ending March 2012” that we announced on July 28, 2011 as follows.

Please note that annual average exchange rate forecast, based on this forecast revision, are 1 dollar = 77 yen and 1 Euro = 108 yen.

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	390,000	383,000	(7,000)	16.7
Operating Income	67,000	62,600	(4,400)	(0.0)
Operating Income Rates	17.2%	16.3%	—	—
Operating Income Excl. Amortization of Goodwill	74,600	70,000	(4,600)	9.1
Operating Income Rates Excl. Amortization of Goodwill	19.1%	18.3%	—	—
Ordinary Income	65,000	58,000	(7,000)	1.9
Net Income	38,500	32,500	(6,000)	0.5
Net Income Rates	9.9%	8.5%	—	—
Net Income Excl. Amortization of Goodwill	46,100	39,900	(6,200)	17.6
Net Income Rates Excl. Amortization of Goodwill	11.8%	10.4%	—	—

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

(Unit: millions of yen)

	1H FYE Mar. 2011 Results	1H FYE Mar. 2012 Results
Net Cash Provided by (Used in) Operating Activities	21,235	26,934
Net Cash Provided by (Used in) Investing Activities	(10,175)	(228,896)
Free Cash Flow	11,060	(201,961)
Net Cash Provided by (Used in) Financing Activities	(13,165)	216,407
Effect of exchange rate change on cash and cash equivalents	(3,490)	(2,767)
Net increase (decrease) in cash and cash equivalents	(5,596)	11,677
Cash and cash equivalents at beginning of period	84,877	82,660
Cash and cash equivalents at end of period	79,281	94,338

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