

2nd Quarter Financial Results for FYE Mar. 2010: Reference

Qualitative information – Financial Statements

Even though positive signs could be seen in some indices, the global economic trend during the total period of consolidation in the second quarter still continued with a weak economy and an increased sense of uncertainty about the future, including foreign exchange trends.

From the viewpoint of environmental changes in relation to healthcare, unprecedented major changes have been seen as China has started toward a universal national health insurance system by strongly pushing the establishment of a medical infrastructure driven by the government, while in the US a bill to cover more than 45 million uninsured people by health insurance reforms is introduced. In Japan, also, discussions and examinations have taken place with respect to reforms to address and solve many challenges such as chronic deficit operations around public hospitals and working conditions of medical service providers.

We are engaged in business to provide products and services to enhance the quality of healthcare and promote efficiency, and, during the current period, continued to work on these operations. Furthermore, under such business environment, we also addressed to enhance our management structure and expansion of business domains in view of the future changes in the global market where the healthcare economy will increase in importance.

Our performance in the total period of consolidation in the second quarter is as follows:

1. Net Sales

For the six months ended September 30, 2009, consolidated net sales increased by 8% in Japan and 9% outside of Japan on a local currency basis. We overcame the impact of the appreciation of the yen, and our total sales reached 158.1 billion yen or a 1% increase when compared with the same period in the previous year.

Geographic segments

(Unit: 1 millions yen)

Area	Six months ended September 30, 2008	Six months ended September 30, 2009	Changes%	Changes % (Local currency basis)
Japan	81,330	87,774	7.9%	7.9%
Europe	30,736	27,216	(11.5%)	9.1%
Americas	28,941	28,137	(2.8%)	8.0%
Asia and others	16,002	14,934	(6.7%)	9.6%
Total of Outside of Japan	75,681	70,289	(7.1%)	8.8%
Total	157,011	158,063	0.7%	8.3%

In Japan, prefilled syringes saw a good increase in sales, as was the case with the first quarter. In addition, new products of PTCA balloon catheter used for treatment of Angina Pectoris and other diseases enjoyed good sales, increasing the total sales amount of interventional systems. Greater demand for digital thermometers driven by the swine Flu, the impact of the new products launch of digital blood pressure monitors, and other factors resulted in a significant increase in consumer healthcare product sales.

Outside of Japan, we achieved a nearly two-digit growth in sales on a local currency basis. Though the postponement of purchasing large-scale equipment used for heart operations still happened, sales around interventional systems increased in Europe, North and South America and Asia in a balanced manner.

Business segments

(Unit: 1 millions yen)

Business Segment	Six months ended September 30, 2008	Six months ended September 30, 2009	Changes%	Changes % (Local currency basis)
General Hospital Products	75,219	75,191	(0.0%)	3.6%
Cardiac & Vascular Products	66,611	67,412	1.2%	13.3%
Blood Transfusion Products	12,586	11,791	(6.3%)	3.2%
Consumer Health Care Products	2,593	3,668	41.4%	44.0%
Total	157,011	158,063	0.7%	8.3%

In relation to cardiac & vascular products, interventional systems served as the mainstay of good sales increases both in Japan and outside Japan, compensating for the impact of the appreciation of the yen. Digital thermometers served as the driving force of sales for consumer healthcare products, resulting in a good increase.

At the same time, among general hospital products, pharmaceutical products such as prefilled syringes or I.V. solutions enjoyed a favorable sales increase in Japan. Total sales in general hospital products category remained nearly flat when compared with the same period in the previous year, due to the impact of the yen appreciation. Blood transfusion products depended much on sales outside of Japan, and as they were strongly influenced by the appreciation of the yen, the growth rate decreased.

2. Gross Profit and Operating Income

Even though gross profit saw improvements thanks to such factors as production increase in the Vietnam factory and other Asian countries, cost reduction through improved production efficiency, decrease in material prices and the shift to highly profitable products, the impact of foreign exchange was so large that our gross profit rate dropped by 1point to 52.7% when compared with the same period in the previous year. On the other hand, it was improved from the gross profit rate of the second half of fiscal 2008 by 2points to 50.7%.

Looking at SG&A expenses, while the research and development expending increased, a

thorough efficient use of general administrative expenses enabled an improvement in the SG&A expenses rate to 32.1% or 1.6 point improvement when compared with the same period in the previous year.

As a result, operating income made a recovery from the substantial drop in the second half of last year, and the operating income rate was 20.6%, or a 0.6 points increase when compared with the same period in the previous year, with operating income at 32.6 billion yen.

3. Ordinary Income

Exchange gain 0.6 billion yen was recorded for the six months ended September 30, 2008, but for the same period this year, exchange loss 0.8 billion yen was recorded.

As the result, ordinary income has decreased by 1.8% to 32.2 billion yen.

4. Net Income

Net income for the six months ended September 30, 2009, has decreased by 9.7% to 20.8 billion yen compared with the same period last year. This is mainly due to tax exemption effect of dividend received from overseas subsidiaries

5. Forecast

We have reviewed assumption of the foreign exchange rates in second half of this fiscal year such as 1USD =85 yen and 1Euro =130 yen and revised upward full year forecast of each profit. It continuously persists in the efficiency operation that centers on general administrative expenses while the growth investments of the research and development spending and the sales promotion expense and others are positively dropped aiming at promotion of the global expansion of a new product development in this latter six months of the term, and it tries to strengthen profitability.

(Full-year)

(Unit: 1 millions yen)

	Net sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (yen)
Forecast announced last time	315,000	56,000	56,000	37,500	197.47
Forecast announced this time	315,000	63,000	61,000	40,000	210.64
Changes	-	7,000	5,000	2,500	13.17
Changes (%)	-	12.5%	8.9%	6.7%	6.7%
Previous year results	302,746	54,039	52,580	36,878	191.86