

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

Analysis of Business Performance

<1> Overview of the First Half of the Fiscal Year Ending March 31, 2011

[1] Overview of Business Results

The global economy in the consolidated period of the first half of this fiscal year (from April 1, 2010 to September 30, 2010) showed a mild recovery driven by China and other countries in Asia, but due to prolonged monetary relaxation in advanced countries, experienced drastic fluctuations in foreign exchanges, with many uncertainties down the road.

Under such economic conditions, healthcare in the world is now in the midst of drastic changes. As exemplified by the fact that China targets having 90% of the population covered by basic medical insurance by 2011, emerging countries are especially improving medical infrastructures along with their economic development, and an increase in demand in the healthcare service-related fields is expected. On the other hand, in advanced countries such as Europe and the U.S., increasing costs of medical care have become a major issue, and a wide range of healthcare system reforms have been conducted to secure financial resources for healthcare and to reduce medical costs.

Under this greatly changing environment, our group has promoted business with unique goods and services that can contribute to the healthcare economics to improve the quality of healthcare and promote efficiency while paying close attention to market changes.

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

< Net Sales >

Japan, affected by the revision of drug and device reimbursement prices, sales were 89.5 billion yen or a 1.9% increase when compared with the same period in the previous year.

Outside of Japan, we saw the impact of foreign exchange due to the appreciation of the yen, business was good in general, and we enjoyed a 16.1% growth on a constant currency basis, and Europe, the U.S., Asia and other regions individually showed double-digit growth. Consequently, the total amount of sales in Japan and outside of Japan resulted in a 3.7% increase or 163.9 billion yen.

Geographic segments

(Unit: millions of yen)

Area	1H Mar. 2010 Results	1H Mar. 2011 Results	Changes%	Changes % (Constant currency basis)
Japan	87,774	89,471	1.9%	1.9%
Europe	27,880	27,331	(2.0%)	14.0%
Americas	26,608	28,706	7.9%	16.0%
Asia and others	15,800	18,409	16.5%	19.9%
Total of Outside of Japan	70,289	74,447	5.9%	16.1%
Total	158,063	163,918	3.7%	8.2%

<Gross Profit>

Negative factors such as revised drug and device reimbursement prices and the impact of fluctuation with the appreciation of the yen exceeded such positive factors as a shift to highly profitable products, increase in the volume of sales, and cost reduction. The gross profit rate consequently dropped by 0.5 point when compared with the same period in the previous year, to 52.2%. The amount of gross profit on sales increased by 2.3 billion yen, and thanks to the increased sales, resulted in 85.6 billion yen.

<Operating Income>

Though we generally controlled general administrative expenses efficiently, we proactively made investments in growth such as development cost, and SG&A expenses increased by 2.2 billion yen when compared with the same period of the previous year. Thus operating income slightly increased to 32.7 billion yen.

<Ordinary Income>

Substantially affected by foreign currency loss due to the appreciation of the yen, ordinary income decreased by 12.6% when compared with last year, resulting in 28.2 billion yen.

<Net Income>

Net income decreased by 11.6% when compared with last year, to 18.4 billion yen.

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

Business Segments

(Unit: millions of yen)

Business Segments		1H Mar. 2010 Results	1H Mar. 2011 Results	Changes%	Changes % (Constant currency basis)
General Hospital Business	Net Sales	75,062	77,423	3.1%	4.8%
	(Japan)	60,154	62,459	3.8%	3.8%
	(Outside of Japan)	14,908	14,963	0.4%	8.7%
Cardiac & Vascular Business	Net Sales	67,541	71,860	6.4%	14.2%
	(Japan)	19,657	19,938	1.4%	1.4%
	(Outside of Japan)	47,883	51,922	8.4%	19.4%
Blood Transfusion Business	Net Sales	11,791	12,536	6.3%	11.7%
	(Japan)	4,640	5,321	14.7%	14.7%
	(Outside of Japan)	7,150	7,215	0.9%	9.8%
Consumer Healthcare Business	Net Sales	3,668	2,098	(42.8%)	(42.6%)
	(Japan)	3,321	1,752	(47.2%)	(47.2%)
	(Outside of Japan)	347	346	(0.3%)	2.2%

(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, sales of infusion devices, infusion pumps and syringe pumps with higher value added that lead to reduced risks of accidents or infection were good in Japan. We also started to enter the chronic phase market, and efforts have started to yield results, enjoying an increase in sales of semisolid nutritious food and other products.

Outside of Japan, we started to directly sell General Hospital products in some regions in Latin America, increasing sales.

Consequently, sales of General Hospital Business were 77.4 billion yen or a 3.1% increase when compared with the same period in 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 favorable sales, and a new product jointly developed with Olympus, "VisiGlide," continuously increased sales ever since its launch in April 2010.

Outside of Japan, sales increased, especially interventional systems. Drug-eluting coronary artery stent, "Nobori" enjoyed positive sales in Europe, Latin America and Asia, while cerebral aneurysm treatment coils and catheter products used for TRI (Trans-Radial coronary Intervention) sold well in the U.S., resulting in double-digit

sales increase in all regions including Europe, Americas, Asia and others.

As a result, sales in Cardiac & Vascular Business increased by 6.4% when compared with the same period in the previous year and were 71.9 billion yen.

<Blood Transfusion Business>

Sales of blood bags increased both in and out of Japan, and our automated centrifuge & separator integration system that contributes to the improvement of operational efficiency at blood centers, “TACSI,” steadily expanded its area of sales.

Sales of Blood Transfusion Business thus resulted in 12.5 billion yen or a 6.3% increase when compared with the same period in the previous year.

<Consumer Healthcare Business>

Last year in Japan, there was an increase in demand for digital thermometers due to the outbreak of the H1N1 influenza, but this year we were affected by its reaction, and sales in Consumer Healthcare Business decreased by 42.8% when compared with the same period in the previous year to result in 2.1 billion yen.

<2> Forecast for the fiscal year ending March 31, 2011

As to the forecast for the full year, in view of the recent conditions in foreign exchange markets, we decided to revise the assumed exchange rates of 80 yen to the U.S. dollar and 113 yen to the euro for the second half, and the forecast of the results for the this fiscal year are updated as follows. Due to this revision, foreign exchange rates that serve as premises for the forecast of business results for the full year are now 85 yen to the U.S. dollar and 113 yen to the euro.

Forecast for the fiscal year ending March 31, 2011

(Full year)

(Unit: millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (yen)
Forecast announced last time	333,000	65,200	65,000	41,500	218.54
Forecast announced this time	326,000	63,300	57,200	36,300	191.16
Changes	(7,000)	(1,900)	(7,800)	(5,200)	(27.38)
Changes (%)	(2.1%)	(2.9%)	(12.0%)	(12.5%)	(12.5%)
Previous year results	316,009	63,282	63,611	40,721	214.44