

Third Quarter Financial Results for the Fiscal Year Ending March 31, 2010: Reference

Qualitative information – Financial Statements

The global economy during the consolidated accounting period of the third quarter revealed very uncertain conditions which continued in medium and long-term economic trends as a possible second dip has been pointed out, though a certain level of effects can be seen, thanks to the financial measures taken by individual governments. In Japan the appreciation of the yen reinforced deflation trends, causing concerns about an economic recovery.

In the healthcare market, harsh conditions persist as a large equipment demand continues to be weak, but some emerging countries including China have displayed expanding markets, thanks to the proactive investment, while in the U.S., uncertainty persists as the medical reform bills to eliminate non-insured citizens that are under consideration in congress, have led to a division in the public opinion. In addition, Japan, Europe, and developing countries have actively reviewed and discussed radical measures such as system reforms in the view of medical finance that becomes more and more challenging, and we are seeing changes in medical structures on an unprecedented scale.

Terumo globally deploys products and services that contribute to the “healthcare economy” that improves the quality of healthcare and promote its efficiency. In this accounting period, we continued to make positive investments for the next stage of growth and promoted initiatives to expand business in China and other emerging countries. We further promoted the efficiency of management, and worked to improve the management strength.

Our performance in the total period of consolidation for this third quarter is as follows:

1. Net Sales

Consolidated net sales enjoyed a 7.2% increase in Japan and a 10.6% increase outside of Japan on a local currency basis. In total, we were able to overcome the impact of yen appreciation, and the consolidated net sales was 238.9 billion yen or a 3.2% increase when compared with the same period in the previous year.

Geographic segments

(Unit: millions of yen)

Area	Nine months ended December 31, 2008	Nine months ended December 31, 2009	Changes%	Changes % (Local currency basis)
Japan	124,158	133,134	7.2%	7.2%
Europe	42,864	41,365	(3.5%)	10.4%
Americas	42,127	42,104	(0.1%)	9.9%
Asia and others	22,375	22,294	(0.4%)	12.5%
Total of Outside of Japan	107,367	105,763	(1.5%)	10.6%
Total	231,526	238,897	3.2%	8.8%

In Japan, prefilled syringes (drugs prefilled in syringes) drastically increased sales, following the last second quarter. Also, intravascular ultrasound imaging catheters used for Angina Pectoris, and PTCA balloon catheters enjoyed favorable sales, expanding the sales of interventional products in general. Digital thermometers sold well, too, and total sales of consumer healthcare products greatly increased.

Outside of Japan, we had double-digit sales increase in all regions, namely, Europe, the Americas, Asia and others, on a local currency basis. Though customers still postpone purchasing decisions of large equipment for heart operations, sales expanded throughout all regions in a good balance, mainly driven by interventional products.

Business segments

(Unit: millions of yen)

Business Segment	Nine months ended December 31, 2008	Nine months ended December 31, 2009	Changes%	Changes % (Local currency basis)
General Hospital Products	113,048	114,669	1.4%	4.0%
Cardiac & Vascular Products	96,246	101,164	5.1%	14.2%
Blood Transfusion Products	18,215	17,921	(1.6%)	5.6%
Consumer Health Care Products	4,015	5,142	28.1%	30.0%
Total	231,526	238,897	3.2%	8.8%

For Cardiac & Vascular products, interventional products served as the driving force for sales, and we saw double-digit growth in Japan, allowing us to compensate for the impact of the appreciation of the yen outside of Japan to secure a sales increase. Consumer healthcare products also saw a drastic increase in sales, thanks to a continued high level of sales of digital thermometers.

Looking at General Hospital products, sales of prefilled syringes, I.V. solutions, and other pharmaceutical products were good. Though affected by the appreciation of the yen, total sales showed a slight increase when compared with the same period in the previous year. Sales of Blood Transfusion systems depend much on overseas countries, and though we saw a slight recovery trend, sales showed a downturn.

2. Gross Profit and Operating Income

The gross profit was 126.1 billion yen, or 2.1 % increase when compared with the same period in the previous year. In addition to mixture effects thanks to sales increases of highly profitable products, a shift of production to Asia, including Vietnam factory and cost reductions by improved production efficiency contributed to gross profits. However, the total gross profit rate was lowered by 0.5 points when compared with the same period in the previous year, resulting as 52.8%, due to the effect of the appreciation of yen, pension cost and international production increase, and the expenditure increase such as the depreciation with the completion of the new building at Ashitaka Factory.

As we positively invested in R&D, SG&A expenses exceeded those of the same period of fiscal 2008, but as we made all-out efforts to efficiently manage general SG&A expenses, the rate improved by 1.7 points, to 31.9%.

Consequently, operating income was 50 billion yen by 9.8% increase when compared with the same period in the previous year, while the operating income rate, resulting in 20.9% or 1.2 point increase.

3. Ordinary Income

Due to the relative decreased in non-operating exchange rate losses, when compared with the same period of last year, the ordinary income increased by 17.9% resulting as 50.4 billion yen.

4. Net Income

The net income increased by 10.8% resulting as 31.9 billion yen.

5. Forecast

In terms of the forecast for this fiscal year, we have decided to leave the matters as before.

(Unit: millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
FYE/March 2010 Forecast	315,000	63,000	61,000	40,000