

April 15, 2009

Financial Report Fiscal 2008

(April 1, 2008 – March 31, 2009)

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Notice Regarding Forward-Looking Statements

This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. Readers are asked not to rely completely on performance forecasts contained herein, and understand that actual results may differ from such forecasts.

Financial results reported herein have not been audited.

Performance Overview

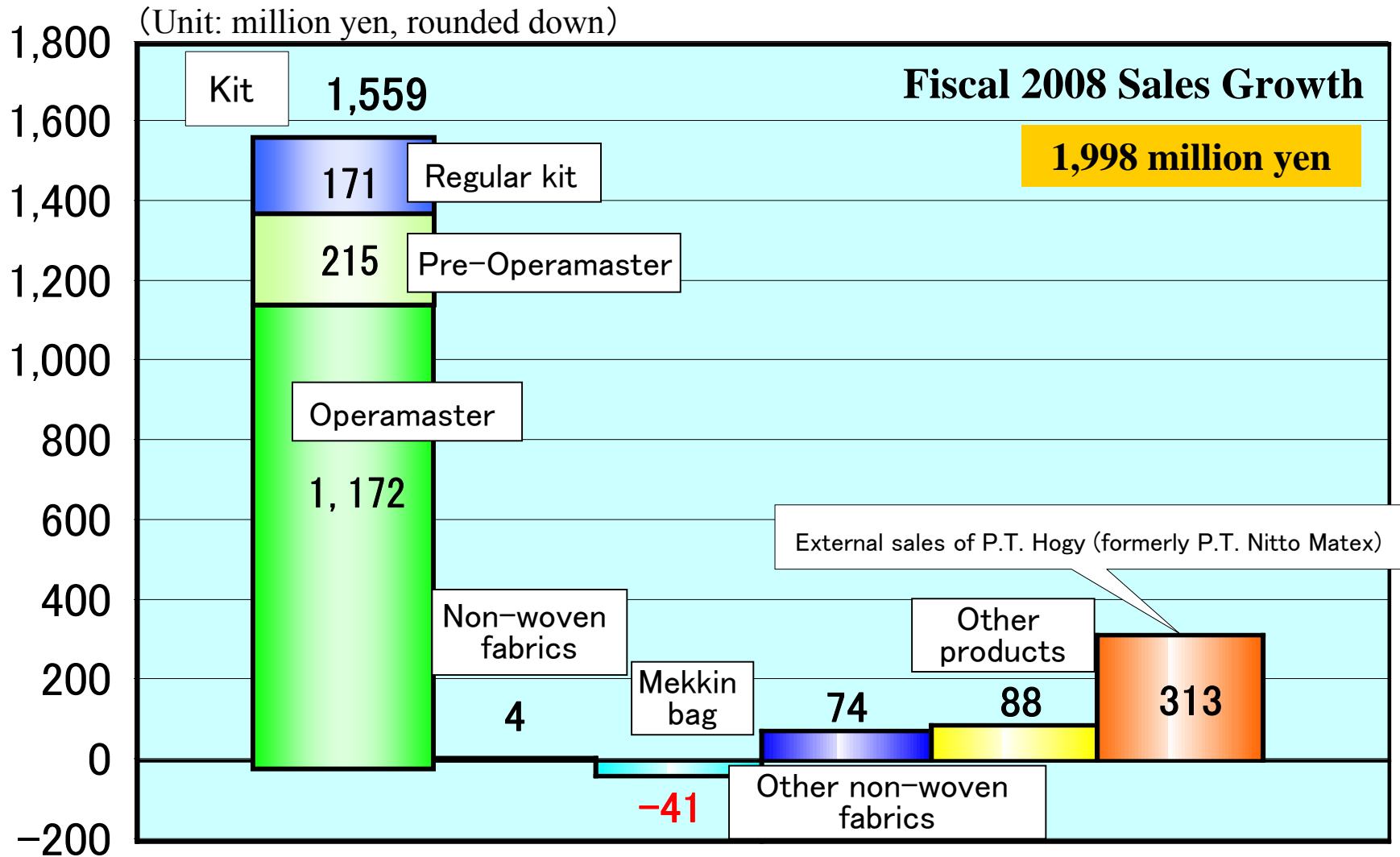
Fiscal 2008 Income Statements

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net Sales	29,010		31,009		1,998	106.9%
Operation income	7,232	24.9%	7,501	24.2%	269	103.7%
Ordinary income	7,285	25.1%	7,627	24.6%	341	104.7%
Net income	4,054	14.0%	3,584	11.6%	-470	88.4%
EPS	269.73 yen		238.47 yen			

Fiscal 2008 Highlights

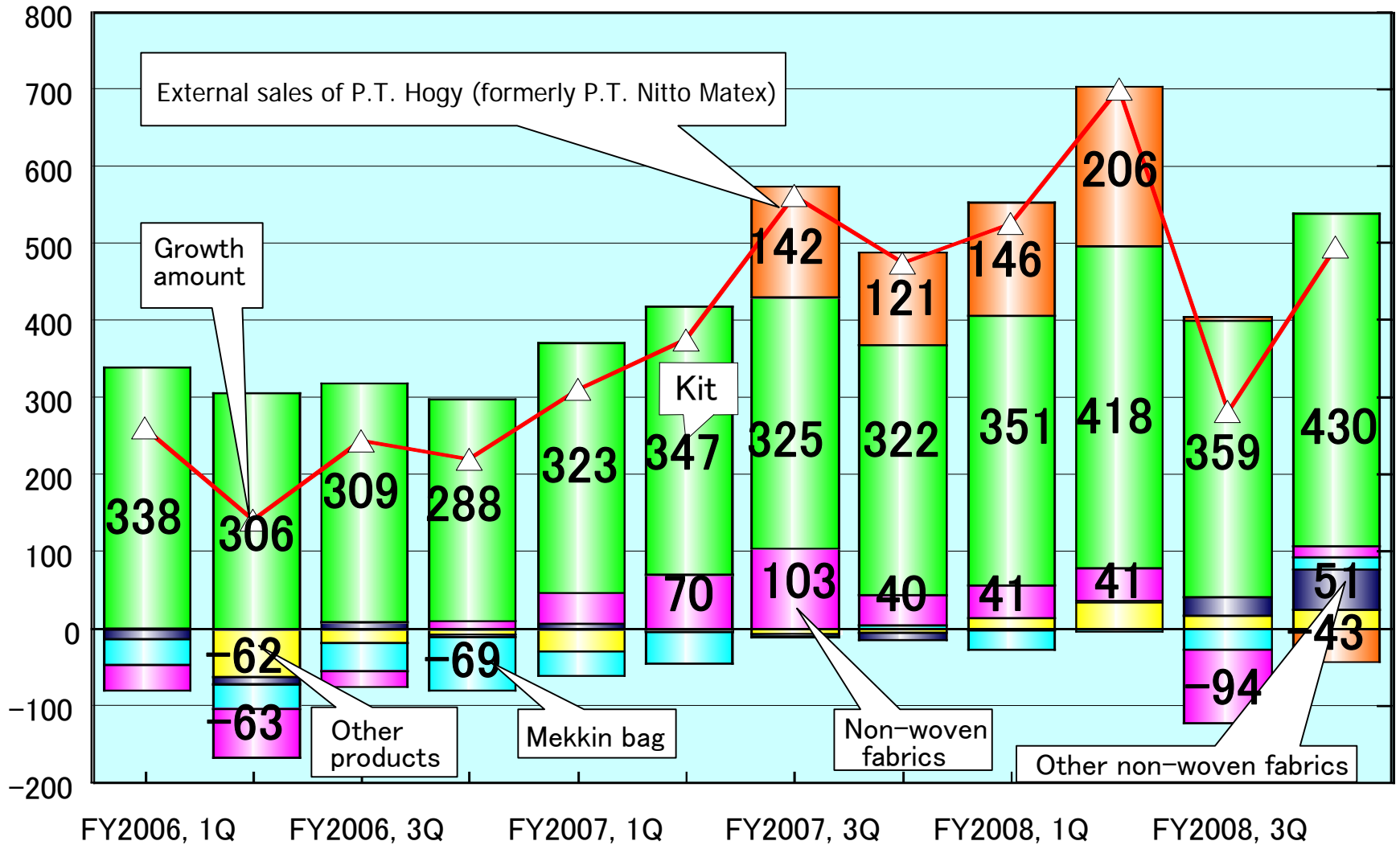
- ✧ 48th consecutive period of year-on-year revenue gains
- Change in standard and method for valuing inventories
- Materials costs up due to surging oil prices
- Sharp appreciation of the yen
- Reassessment of estimated useful-life years of machinery and equipment (following revision to Corporate Taxation Law in fiscal 2008)
- Extraordinary loss (loss on valuation of investment securities)

Fiscal 2008 Sales Growth by Major Products



Sales Growth by Quarter

(Unit: million yen, rounded down)



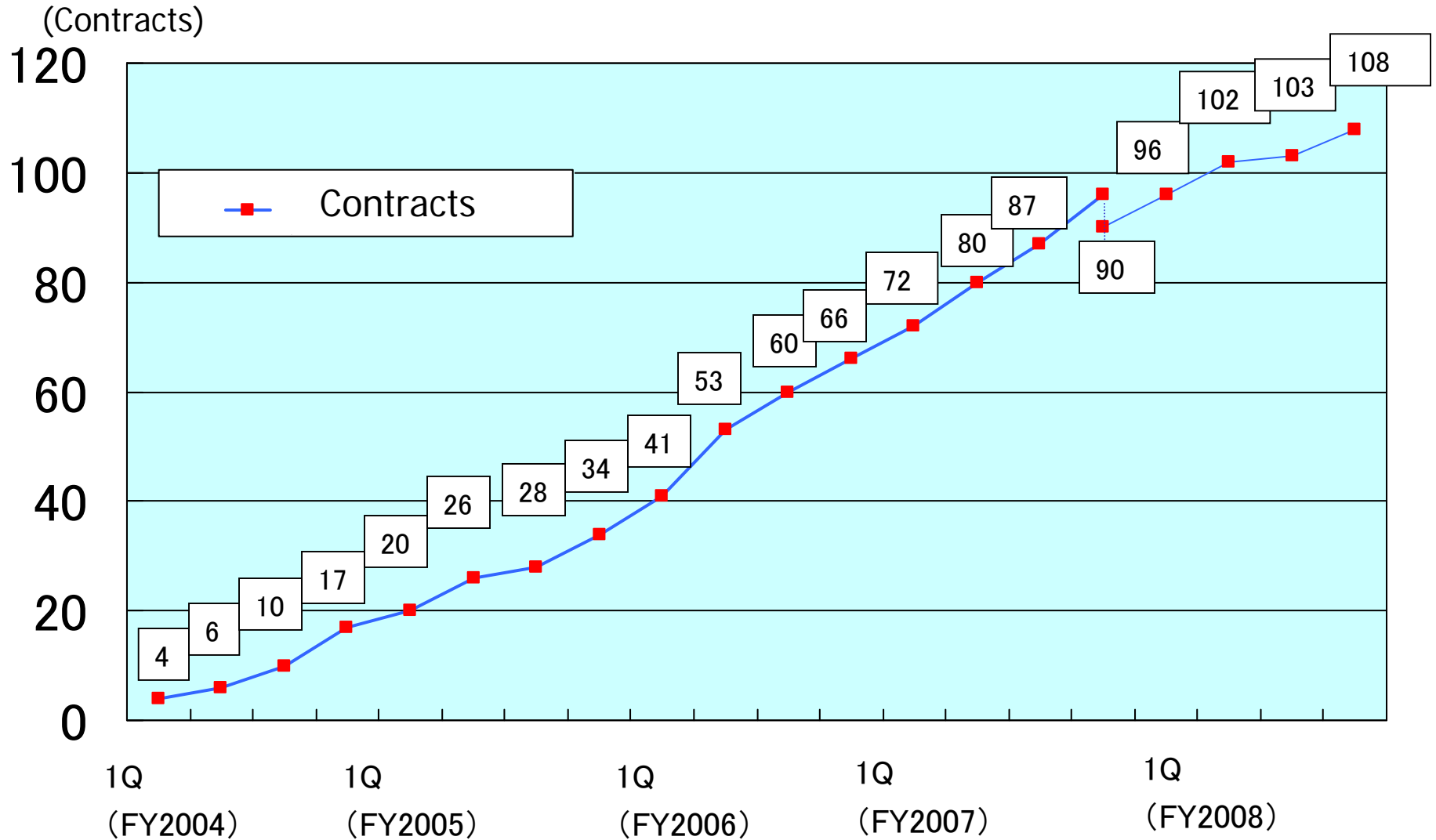


Fiscal 2008 Progress of Operamaster Marketing

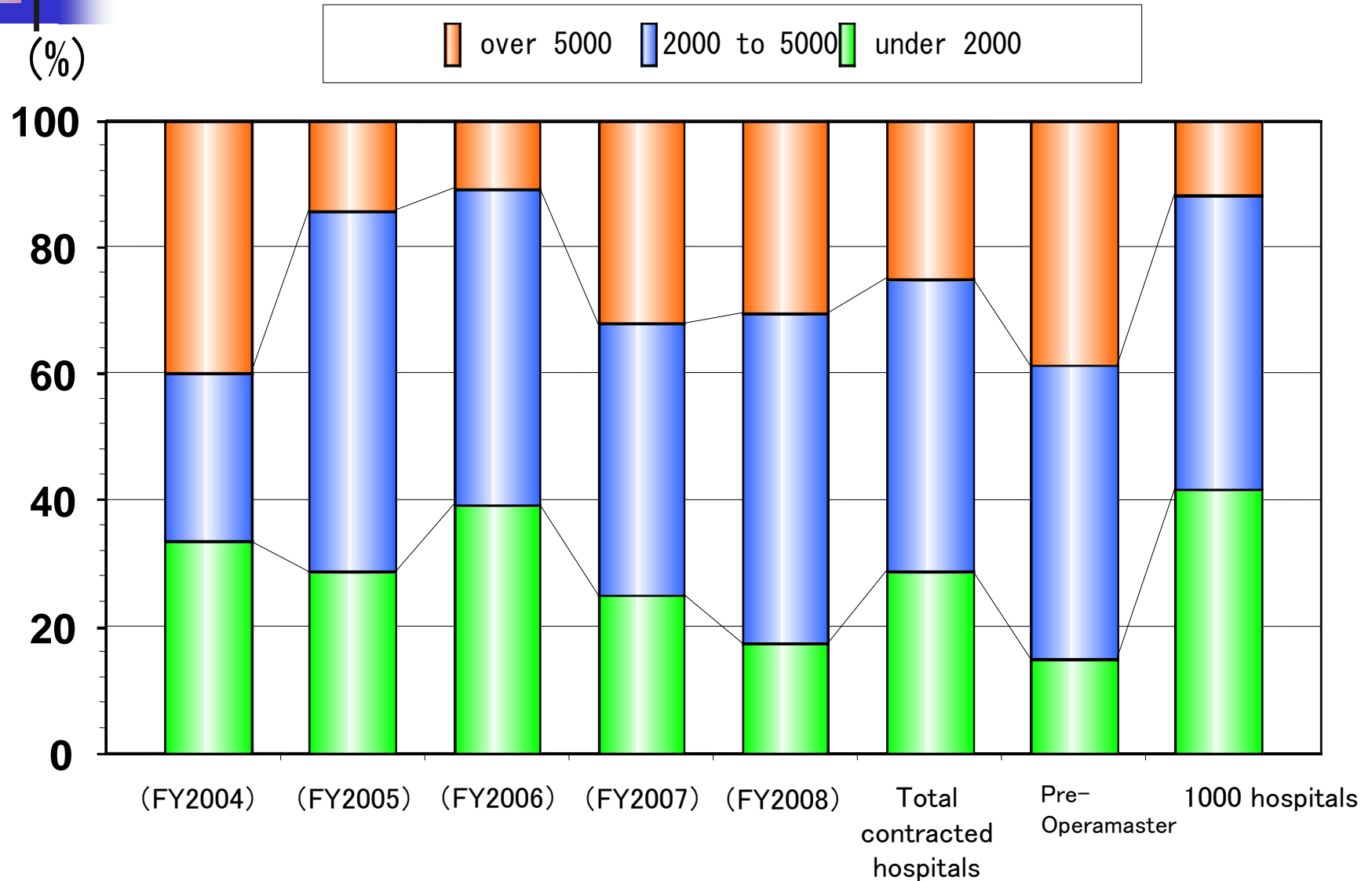
- **Number of Operamaster contracts in Fiscal 2008: 24**
- Increasing size of contracted hospitals
- Changing situations among Operamaster-contracted hospitals
- Trend for Pre-Operamaster hospitals to enter Operamaster contracts
 - ✓ 23 contracts signed (out of 77 Pre-Operamaster hospitals at beginning of term)
- Operamaster contract cancellations: 6
 - ✓ Change of business policy by client
 - ✓ Failure to reach internal consensus

*Pre-Operamaster hospitals: Hospitals preparing to introduce Operamaster

Contracts of Operamaster



Operamaster-Contracted Hospitals: Breakdown by size



Fiscal 2009 Plan

Fiscal 2009 Projected Statement of Income

(Unit: million yen, rounded down)	Fiscal 2008 Results		Fiscal 2009 Plans		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net Sales	31,009		32,600		1,590	105.1%
Operation income	7,501	24.2%	8,590	26.3%	1,088	114.5%
Ordinary income	7,627	24.6%	8,710	26.7%	1,082	114.2%
Net income	3,584	11.6%	5,210	16.0%	1,625	145.3%
EPS	238.47 yen		346.60 yen			



External Environment and Strategies for Remainder of Fiscal 1 year

- **Government measures to suppress medical treatment expenses**
- **Reforms among public hospitals**
- **Chronic shortage of nurses (7:1 nurse standard)**
- **Polarization of hospital management**
 - **Shifting trends among doctors, nurses, and patients**



External Environment and Strategies for Remainder of Fiscal 1 year

- New Operamaster strategy proposals

- Introduction of surgery management system (envisaging what customers really want)
- Renewal of showrooms

- Entrenchment of Surrem strategy

- Start selling new F Series of gowns

- Step up pursuit of production efficiency

- Optimize personnel allocation management
- Reassess production facilities
- Changing foreign exchange rate (¥120/\$ → ¥95/\$)
- Realignment of raw materials costs due to falling crude oil prices
- Develop competitive products

Surgery Management System



Surgery Management System: Background

Concept

The Surgery management system identifies waste and irregularities from accumulated data using a system that calculates costs with high accuracy. Accordingly, the system is designed to help enhance hospital management by minimizing costs and proposing improvement measures.



Surgery Management System: Background

- **Permits creation of a highly accurate cost-based accounting**
- **Enables practically anybody to effectively prepare for surgery and handle shipment/receipt of surgical materials**
- **Permits accurate and timely grasp of information on surgery-related personnel**

Indonesia Plant



Overview of Indonesia plant

● Reasons for construction

- ✓ Prepare for increasing production of non-woven fabrics; procure ample production space
- ✓ Prepare for back-up production of packs and kit productions
- ✓ Prepare to expand sales on Southeast Asia, centering on Indonesia

● Total investment

- ✓ Approx. US\$18 million (building: \$12 million; equipment: \$6 million)

● Completion schedule

August 2009

Overview of Indonesia Plant



Overview of Indonesia Plant



Medium-Term Business Plan



Reassessment of Medium-Term Plan: Main Points

- **Revenue projection reassessed**
 - In consideration of current market environment and recent business performance
- **Capital expenditure plan reassessed**
 - Synchronize equipment deployment timing according to net sales
 - Improve productivity of current facilities



Medium-Term Business Plan

- **Sustainable earnings growth**
 - ◆ ROE target: 10% or higher
 - ◆ EPS target: ¥500 or higher

- **Ensure establishment of safe, reliable manufacturing equipment**
 - ◆ Implement capital expenditure program in synch with net sales growth
 - ◆ Raise efficiency through automation of new kit product factory



Medium-Term Business Plan

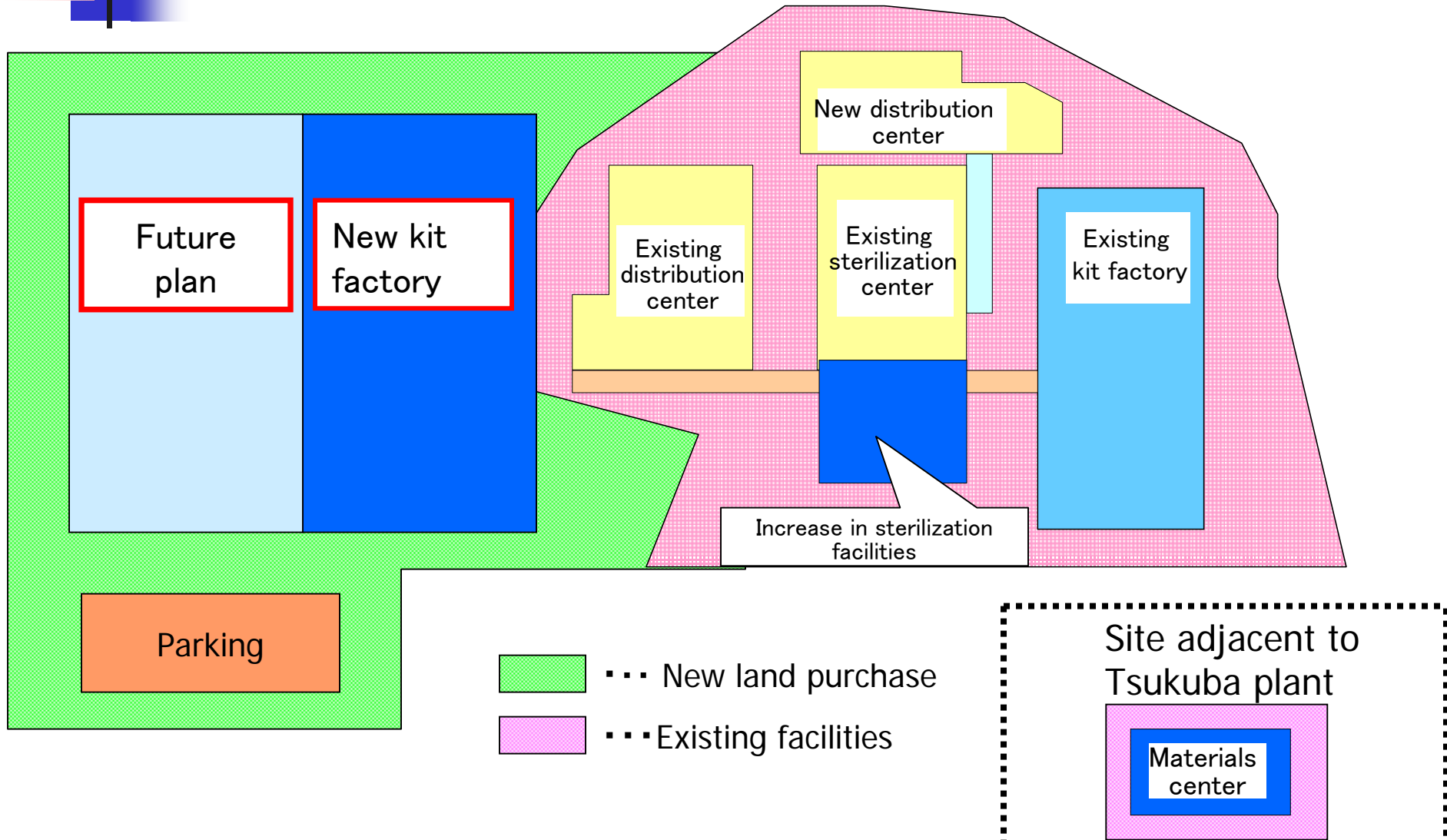
- **Net sales**

- ◆ Target continued net sales growth driven by kit-based products, centering on Operamaster
- ◆ Shore up sales of non-woven fabric products and Mekkin bag
- ◆ Promote non-woven fabric products and Mekkin bag overseas

- **Earnings**

- ◆ Operating income target: ¥10 billion
- ◆ Operating margin target: 30%
- ◆ Raise manufacturing efficiency (reconsider production methods; increase production output)

Medium-Term Business Plan (Capital Expenditures)



Medium-Term Business Plan (Capital Expenditures)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY20XX
New plan	Expansion of P.T. Hogy Indonesia	Sterilization center	Strengthen production CPU	Materials center	New factory (first phase)		Materials center New factory (second phase)
		Expansion of P.T. Hogy Indonesia (August 2009)	Establish Sterilization center (December 2010)	Strengthen production CPU (April 2011) Establish; materials center (September 2011)		Establish new factory (April 2013)	
Plan announced in October 2007	Expansion of P.T. Hogy Indonesia	Strengthen production CPU	Sterilization center; New kit factory				

Fiscal 2008 Overview

Fiscal 2008 Statement of Income

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	29,010		31,009		1,998	106.9%
Cost of sales	14,093	48.6%	15,474	49.9%	1,381	109.8%
Gross profit	14,916	51.4%	15,534	50.1%	617	104.1%
SG & A expenses	7,684	26.5%	8,033	25.9%	348	104.5%
Operating income	7,232	24.9%	7,501	24.2%	269	103.7%
Non-operating income/loss	53		125		72	
Ordinary income	7,285	25.1%	7,627	24.6%	341	104.7%
Extraordinary income/loss	-460		-1,631		-1,170	
Net income	4,054	14.0%	3,584	11.6%	-470	88.4%
EPS	269.73 yen		238.47 yen			

Fiscal 2008 Year-on-Year Comparisons: Main Points

	Positive factors	Negative factors
Sales	<ul style="list-style-type: none"> • Increase in Operamaster and Pre-Operamaster sales • 24 new contracts; 6 cancelled contracts (cumulative total :108) • External sales of P.T. Hogy (sub-subsiary) 	<ul style="list-style-type: none"> • Decline in surgical procedures at regional hospitals
Cost of sales	<ul style="list-style-type: none"> • Increase in sales volume 	<ul style="list-style-type: none"> • Reassessment of estimated useful-life years of machinery and equipment • Devaluation of inventories • Surgical raw materials prices • Appreciation of yen • Unrealized gains • Temporary decline in productivity (3rd quarter)
SG & A expenses		<ul style="list-style-type: none"> • Personnel expenses (bonuses, accrued overtime payments)
Extraordinary items		<ul style="list-style-type: none"> • Loss on valuation of investment securities

Fiscal 2008 Net Sales: Main Points

Kit products : Up ¥1,559 million year-on-year (+13.3%)

Progress of Operamaster Marketing

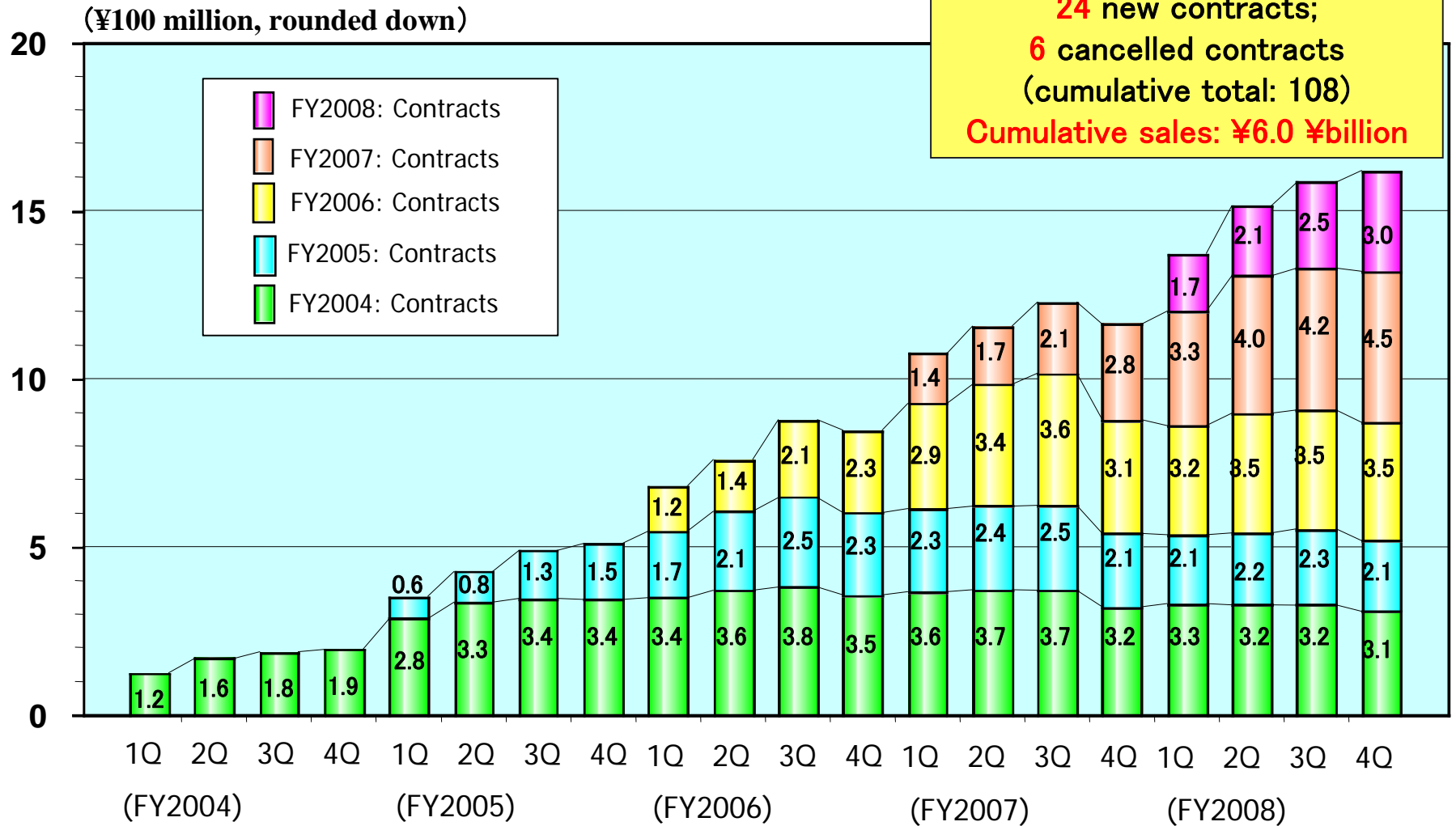
**24 new contracts; 6 cancelled contracts
(cumulative total: 108)**

- Sales of Operamaster :
¥6,089 million, up ¥1,172 million year-on-year (+23.9%)
- Sales of Pre-Operamaster:
¥830 million, up ¥215 million year-on-year (+35.0%)

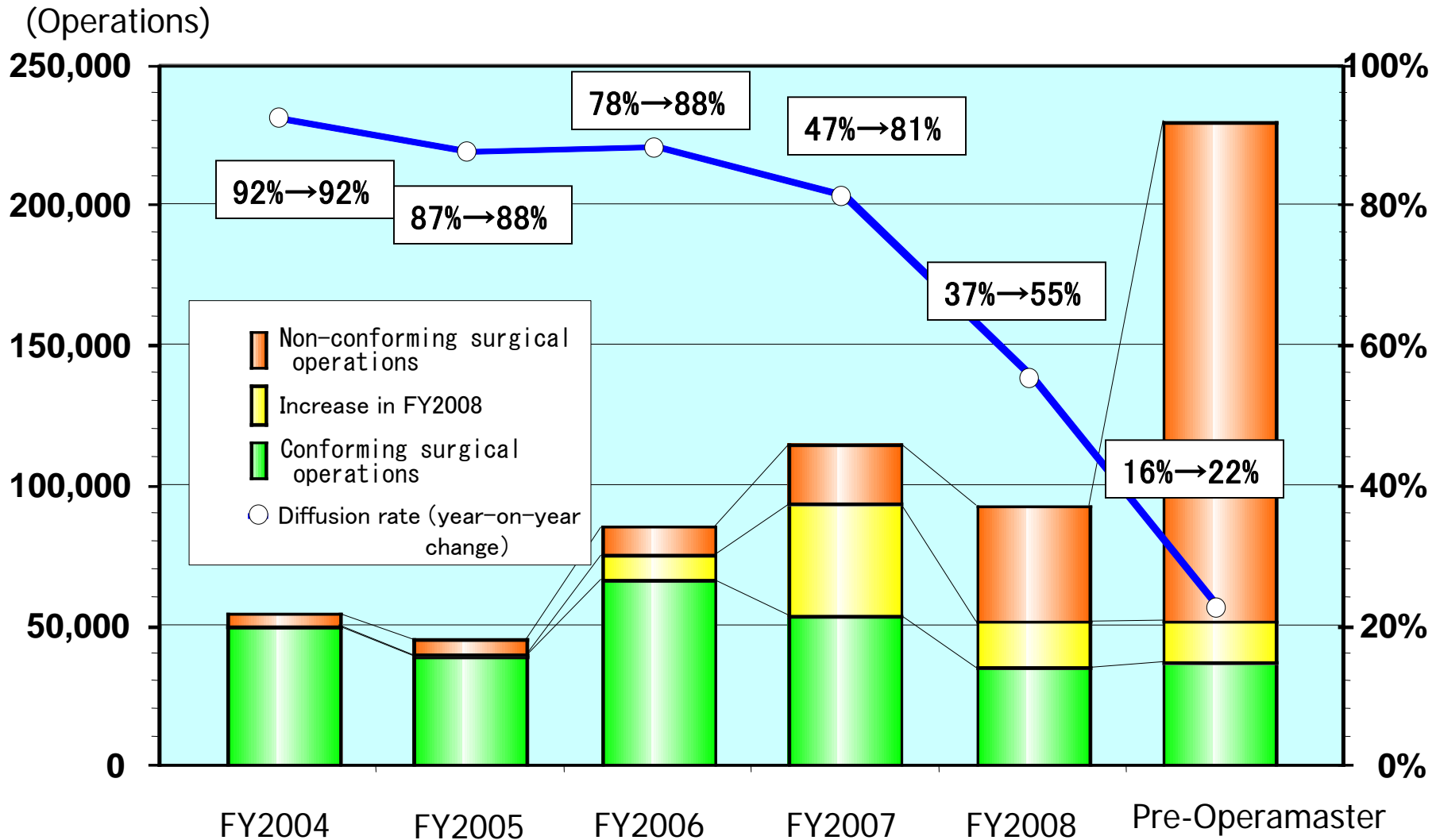
Non-woven fabric products : Up ¥4 million year-on-year (practically unchanged)

- Gown products: Remained steady (up 3.6% year-on-year)

Sales of Operamaster



Number of Operamaster Operations





Fiscal 2008 Year-on-Year Comparisons: Main Points

Cost of sales ratio : Up 1.3% points year-on-year comparison

Fiscal 2007 : 48.6%; Fiscal 2008 : 49.9%

Non-consolidated : 49.8%→50.3% (excluding effects of devaluation and change to method of depreciation inventories: 48.5%)

SG & A Expenses : Up ¥348 million year-on-year comparison (+4.5%)

Fiscal 2007 (cumulative) : ¥7,684 million

Fiscal 2008 (cumulative) : ¥8,033 million

Extraordinary Items

Loss on valuation of investment securities : ¥1,620 million

Fiscal 2008 Year-on-Year Comparisons by Quarter

Positive factors

1Q

2Q

3Q

4Q

Customs duties abolished in Indonesia

Internal profit

Devaluation of inventories

FY2008: Rise in prices of material

FY2008: Personnel expenses (bonuses, accrued overtime payments)

Devaluation of inventories

Devaluation of inventories

FY2008: Reassessment of estimated useful-life years of machinery and equipment

FY2008: Reassessment of estimated useful-life years of machinery and equipment
Foreign exchange impact (on consolidation)

FY2008: Loss on valuation of investment securities

FY2008: Loss on valuation of investment securities

Negative factors

Fiscal 2008 Capital Expenditures and Depreciation Costs

Capital Expenditures: ¥2,893 million
(previously ¥1,649 million)

- Industrial-use land: ¥752 million
- Sterilization equipment: ¥876 million

Depreciation Costs : ¥2,936 million
(previously ¥2,728 million)

- Cost of sales : ¥2,192 million (previously ¥1,915 million)
- SG & A expenses : ¥744 million (previously ¥812 million)

Fiscal 2008 Highlight of Balance Sheets

	Fiscal 2007 (At March 31, 2007)	Fiscal 2008 (At March 31, 2008)	Increase/ Decrease (millions of yen)	Main reasons for changes
Assets				
Current assets	25,962	28,115	2,152	<ul style="list-style-type: none"> ■ Increase in cash and deposits related to operating activities (+¥1,362 million) ■ Increase in notes and accounts receivable(+¥608 million)
Total fixed assets	35,551	33,826	-1,725	
Total tangibles	29,547	29,073	-473	<ul style="list-style-type: none"> ■ Increase in construction in progress due to payment for land in Ushiku City (¥752 million) and payment for new electron-beam sterilization equipment (¥876 million) ■ Depreciation: -¥2,936 million
Total intangibles	463	502	39	
Other investments and other assets	5,540	4,250	-1,290	■ ¥941 million decline due to ¥1,620 million loss on valuation of investment securities (valuation loss in fiscal 2007 was ¥706 million, less than half of fiscal 2008 amount)
Total assets	61,514	61,941	427	

Fiscal 2008 Highlight of Balance Sheets

	Fiscal 2007 (At March 31, 2007)	Fiscal 2008 (At March 31, 2008)	Increase/ Decrease (millions of yen)	Main reasons for changes
Liabilities				
Total current liabilities	7,642	7,227	-415	<ul style="list-style-type: none"> ■ Decline in accrued income taxes due to decrease in income before income taxes ■ Increase in equipment-related notes and accounts payable (¥302 million for new electron-beam sterilization equipment)
Total long-term liabilities	4,240	3,208	-1,032	<ul style="list-style-type: none"> ■ Repaid loans: ¥1,000 million
Total liabilities	11,883	10,436	-1,447	
Net Assets				
Total shareholders' equity	46,834	52,074	2,240	<ul style="list-style-type: none"> ■ Main components of earned surplus: Net income (¥3,584 million); cash dividend payments (¥1,337 million)
Total valuation/translation gains or losses	-217	-580	-363	<ul style="list-style-type: none"> ■ FY2008: Unrealized foreign exchange loss (¥733 million)
Minority interests	14	11	-2	
Total net assets	49,631	51,505	1,874	
Total liabilities and net assets	61,514	61,941	427	
Equity ratio	80.7%	83.1%		
Interest-bearing debt	3,925	2,925	-1,000	

Fiscal 2008 Highlight of Cash Flows

	Fiscal 2007	Fiscal 2008	Increase /Decrease (millions of yen)	Main reasons for changes
Net cash provided by operating activities	8,407	6,023	-2,384	<ul style="list-style-type: none"> ■Income before income taxes and minority interest: -¥829 million ■Notes and accounts receivable: -¥1,207 million ■Income taxes paid: -¥635 million
Net cash used in investing activities	-3,201	-2,270	931	<ul style="list-style-type: none"> ■FY2007: Purchased land in Ushiku City (¥973 million); purchased land to build factory for P.T. Hogy (¥153 million); purchased marketable securities (¥1,780 million) ■FY2008: Payment for land in Ushiku City (¥752 million) and new electron-beam sterilization equipment (¥558 million)
Net cash used in financing activities	-2,205	-2,344	-138	<ul style="list-style-type: none"> ■FY2007: Repayment of borrowings(¥1,000 million); Cash dividend paid (¥1,201 million) ■FY2008: Repayment of borrowings(¥1,000 million); Cash dividend paid (¥1,337 million)

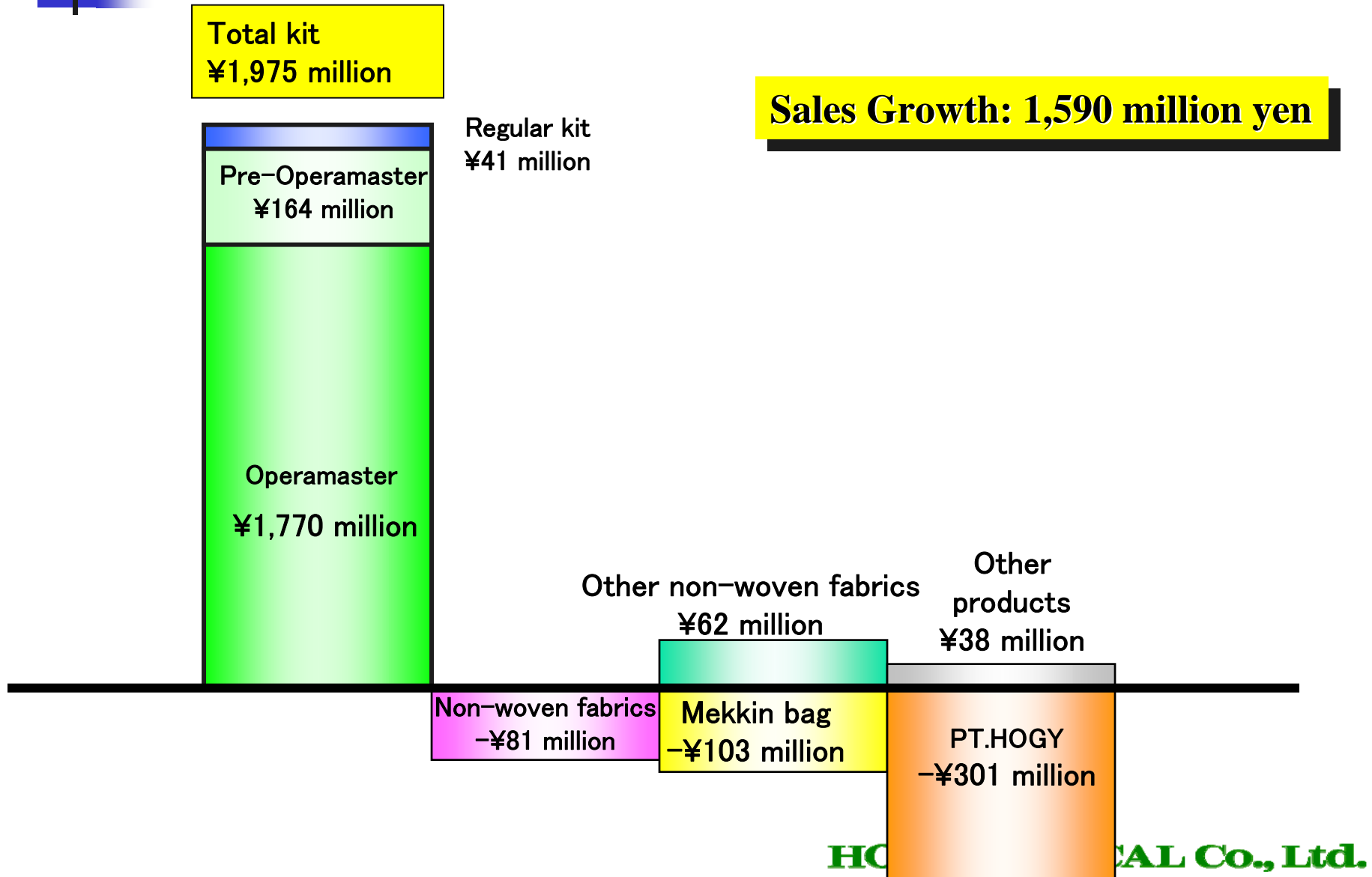
Effect of exchange rate changes on cash and cash equivalents	12	-66	-78
Net change in cash and cash equivalents	3,013	1,343	-1,670
Cash and cash equivalents ant beginning of year	7,825	10,838	3,013
Cash and cash equivalents at end of year	10,838	12,182	1,343

Fiscal 2009 Full-Year Projections

Fiscal 2009 Projected Statement of Income

(Unit: million yen, rounded down)	Fiscal 2008 Results		Fiscal 2009 Plans		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,009		32,600		1,590	105.1%
Cost of sales	15,474	49.9%	15,660	48.0%	185	101.2%
Gross profit	15,534	50.1%	16,940	52.0%	1,405	109.0%
SG & A expenses	8,033	25.9%	8,350	25.6%	316	103.9%
Operating income	7,501	24.2%	8,590	26.3%	1,088	114.5%
Non-operating income/loss	125		120		-5	
Ordinary income	7,627	24.6%	8,710	26.7%	1,082	114.2%
Extraordinary income/loss	-1,631		-20		1,611	
Net income	3,584	19.3%	5,210	16.0%	1,625	145.3%
EPS	238.47 yen		346.60 yen			

Fiscal 2009 Sales Growth by Major



Fiscal 2009 Net Sales: Main Points

● Sales

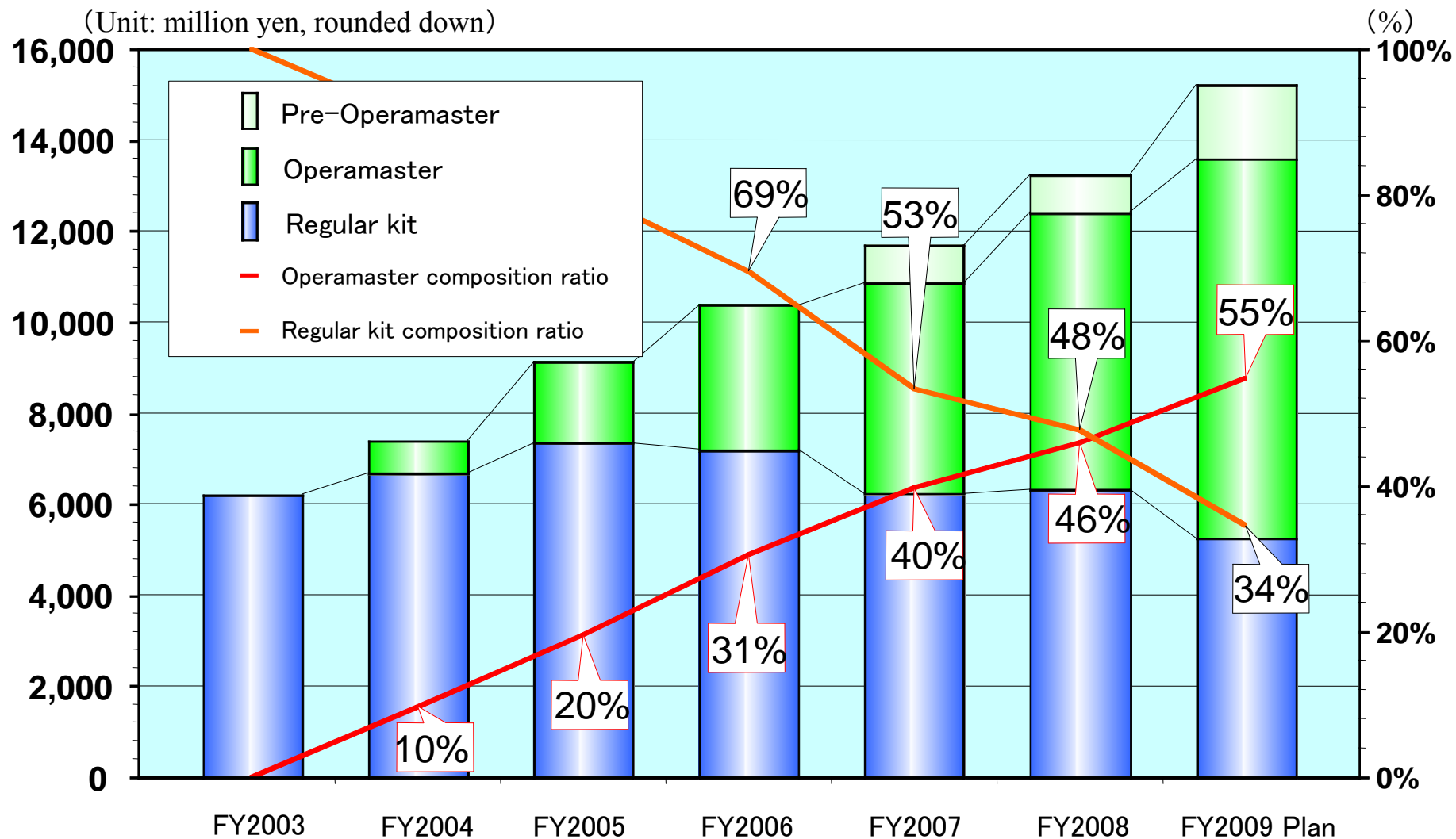
◆ **Kit Products : ¥15,220 million, up ¥1,975 million year-on-year (+14.9%)**

- Ongoing trend for Pre-Operamaster hospitals to enter Operamaster contracts
- Surgery management system: Permits follow-up of existing customers and appeals to new customers

◆ **Non-woven fabric products : ¥10,874 million, down ¥81 million year-on-year (-0.7%)**

- Continue Surrem strategy; introduce gown product at strategically low prices
- Expect to face pressure to lower prices amid deteriorating market conditions

Net Sales for Kit Products





Operamaster Projections

Operamaster

New contracts : 34 (cumulative total: 142)

Net sales : ¥8,300 million (up ¥1,770 million, or 26.9%)

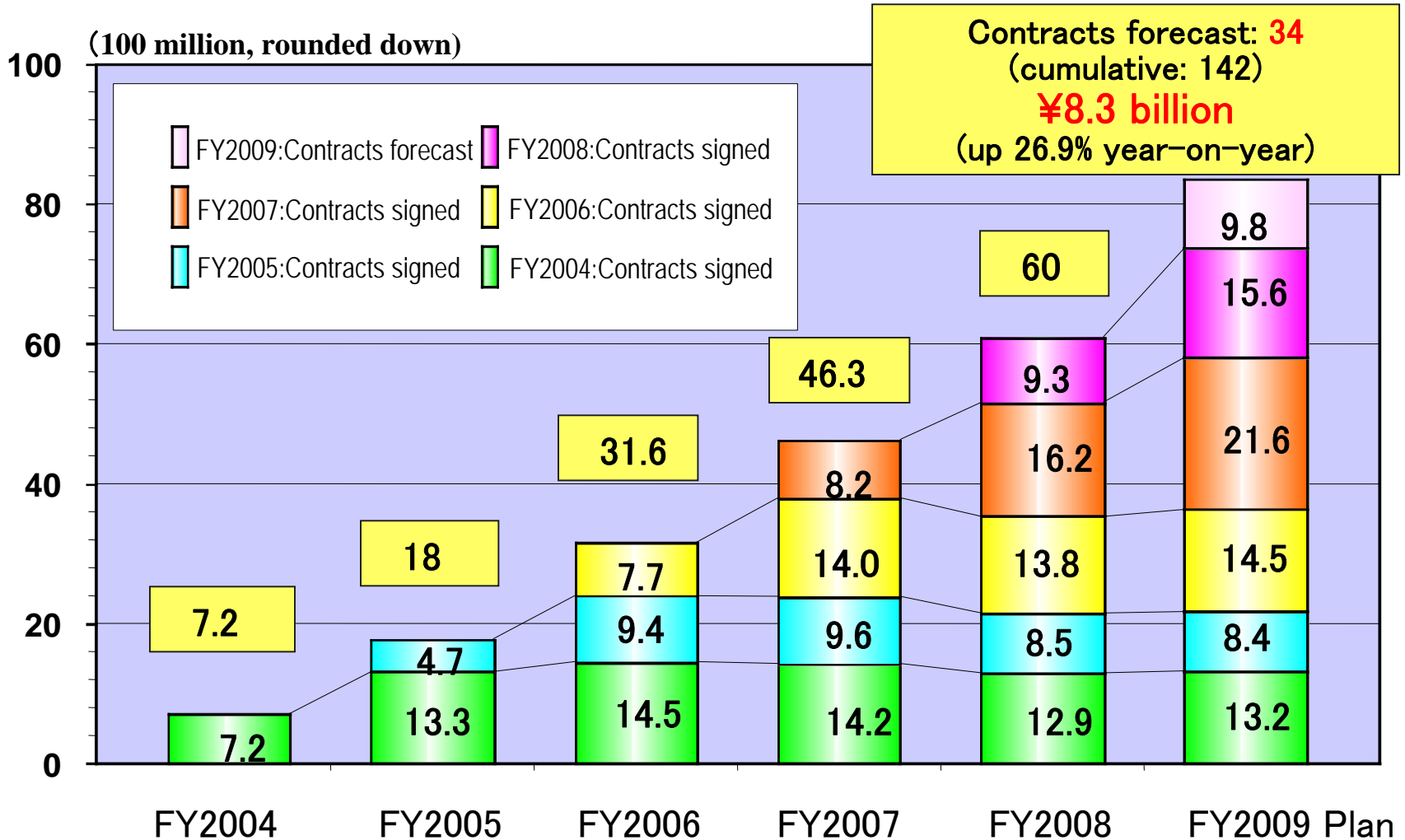
*** 23 newly contracted Operamaster hospitals
(among Pre-Operamaster hospitals in previous fiscal year)**

Pre-Operamaster

Candidate hospitals : 63

Net sales : ¥1,600 million (up ¥164 million, or 11.2%)

Net Sales Plan for Operamaster





Highlights of Fiscal 2009

● Cost of sales: 1.9% improvement

- Thanks to increased output and improved productivity
- Decline in depreciation
- Loss on valuation of inventories: ¥50 million (First half : ¥132 million)

● SG & A expenses : Up ¥316 million

- Experiment and research expenses: Up ¥126 million
- Increase in personnel expenses: Up ¥120 million

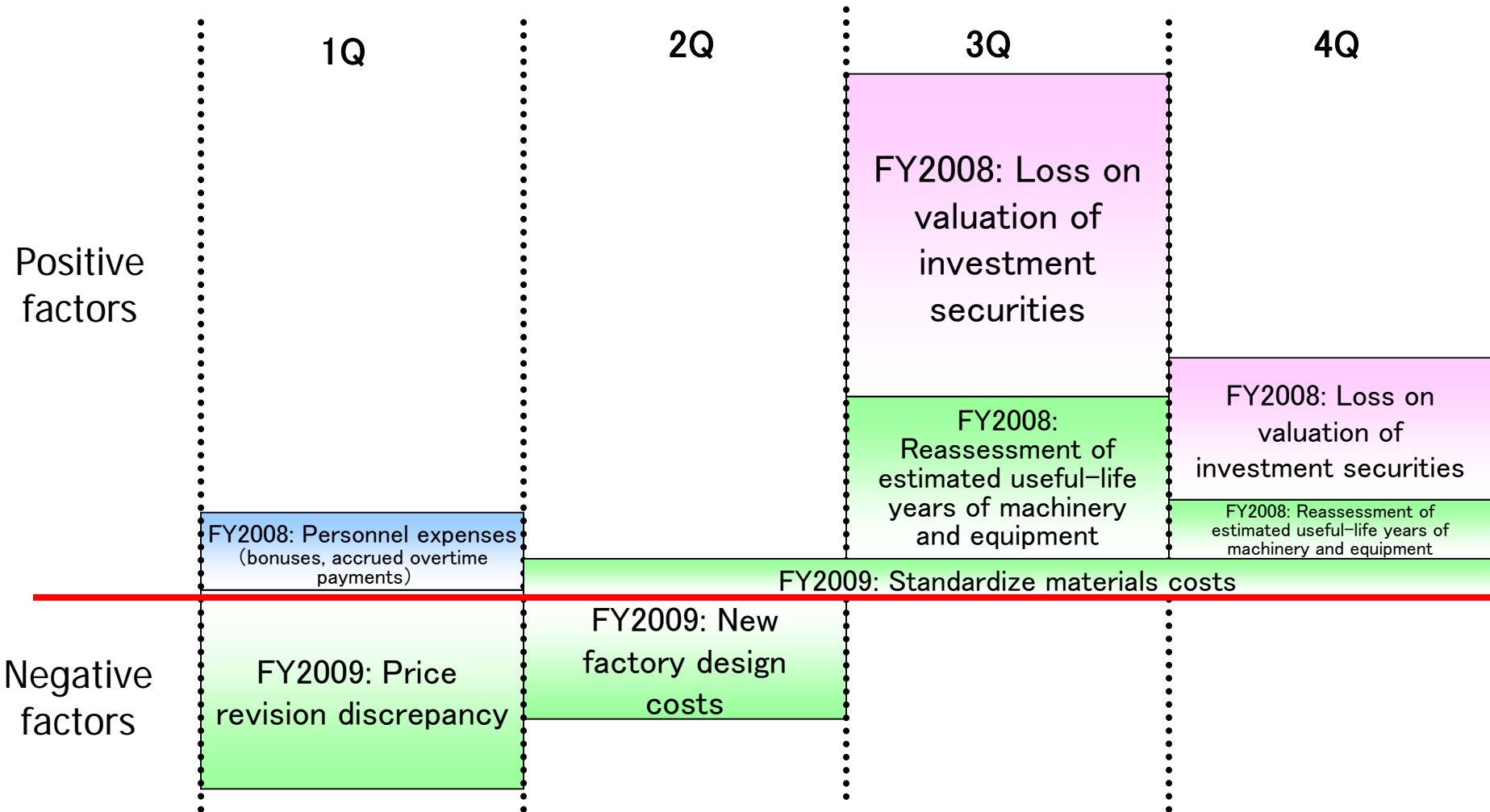
●Capital expenditures : ¥6,300 million

- New sterilization center : ¥2,100 million
- Industrial-use land : ¥800 million
- Increase in Indonesia plant : ¥1,220 million

●Depreciation costs : ¥2,650 million (previously ¥2,936 million)

- Cost of sales : ¥1,900 million (previously ¥2,192 million)
- SG & A expenses : ¥750 million (previously ¥744 million)

Fiscal 2009 Year-on-Year Comparisons by Quarter



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