



MEMBERSHIP

July 17, 2012

Financial Report First Quarter of Fiscal 2011

(April 1 – June 30, 2012)

Jun-ichi Hoki, President and CEO

Kazuo Takahashi, Director, Administration Div.

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.

Overview

Fiscal 2012 – First Quarter Income Statements

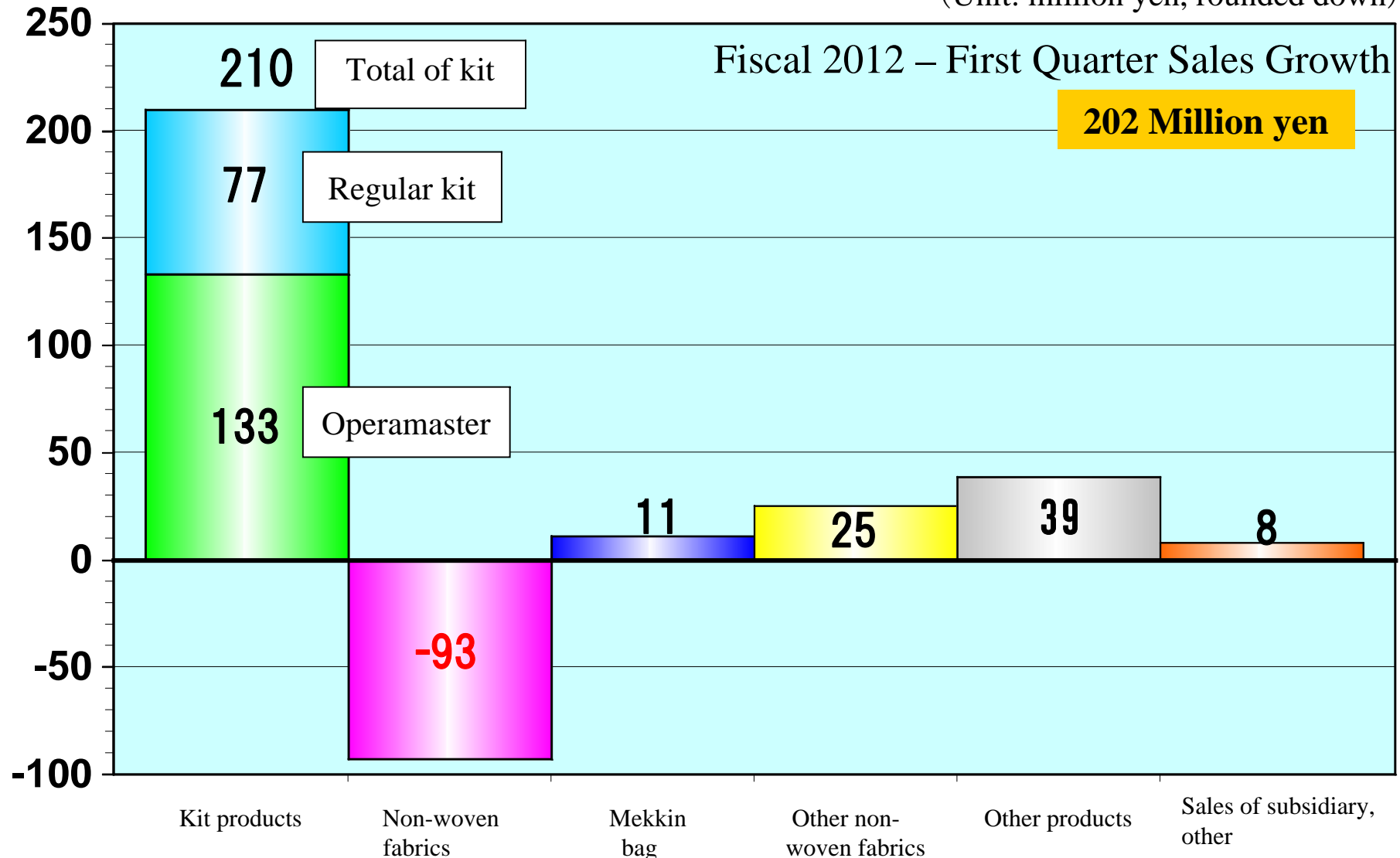


(Unit: million yen, rounded down)	Fiscal 2011 First Quarter Results		Fiscal 2012 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	7,838		8,040		202	102.6%
Operating income	2,188	27.9%	2,018	25.1%	-170	92.2%
Ordinary income	2,193	28.0%	2,018	25.1%	-174	92.0%
Net income	1,320	16.8%	1,264	15.7%	-56	95.7%
EPS	83.94yen		80.36yen			

Fiscal 2012 – First Quarter Sales Growth by Major Products



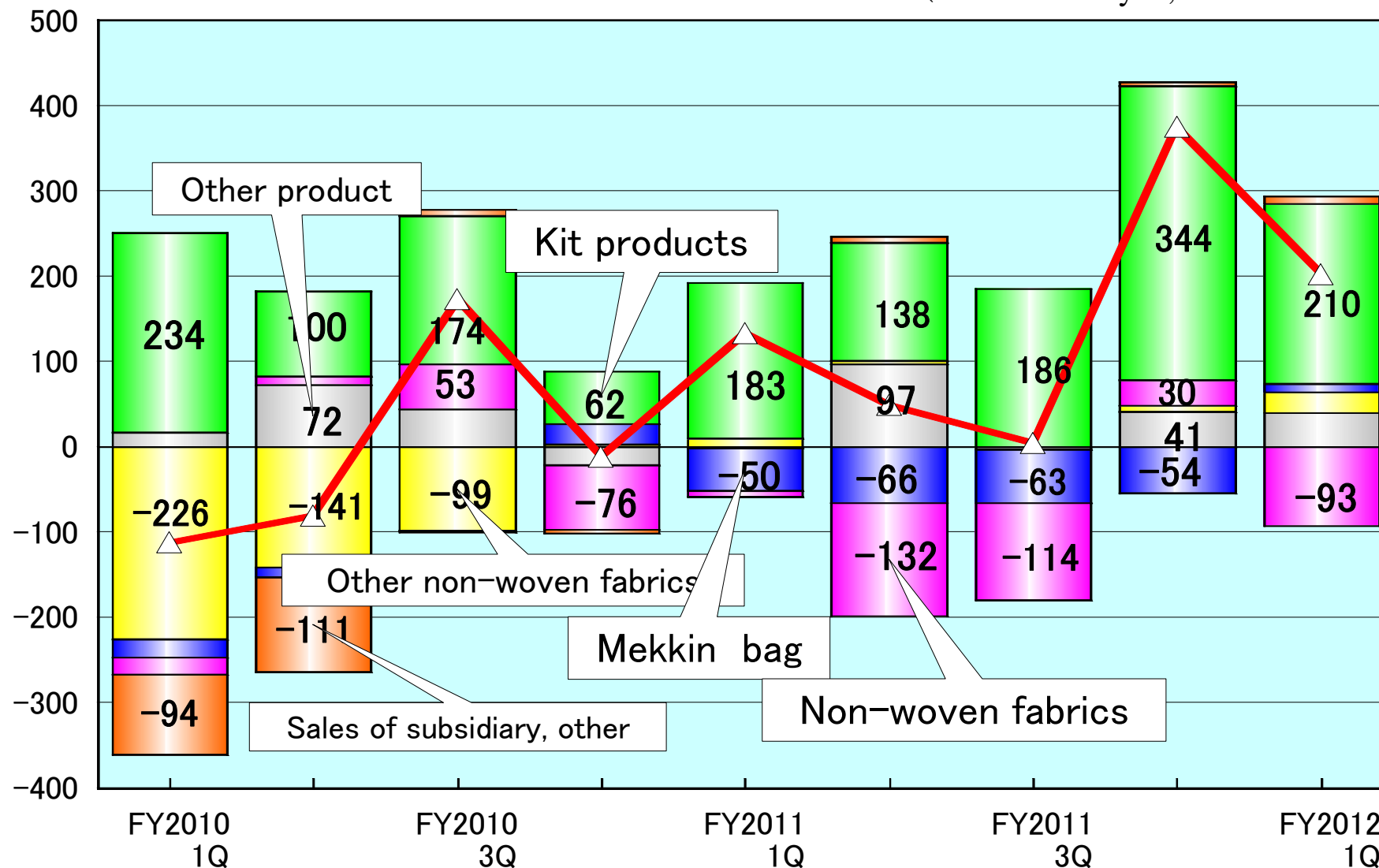
(Unit: million yen, rounded down)



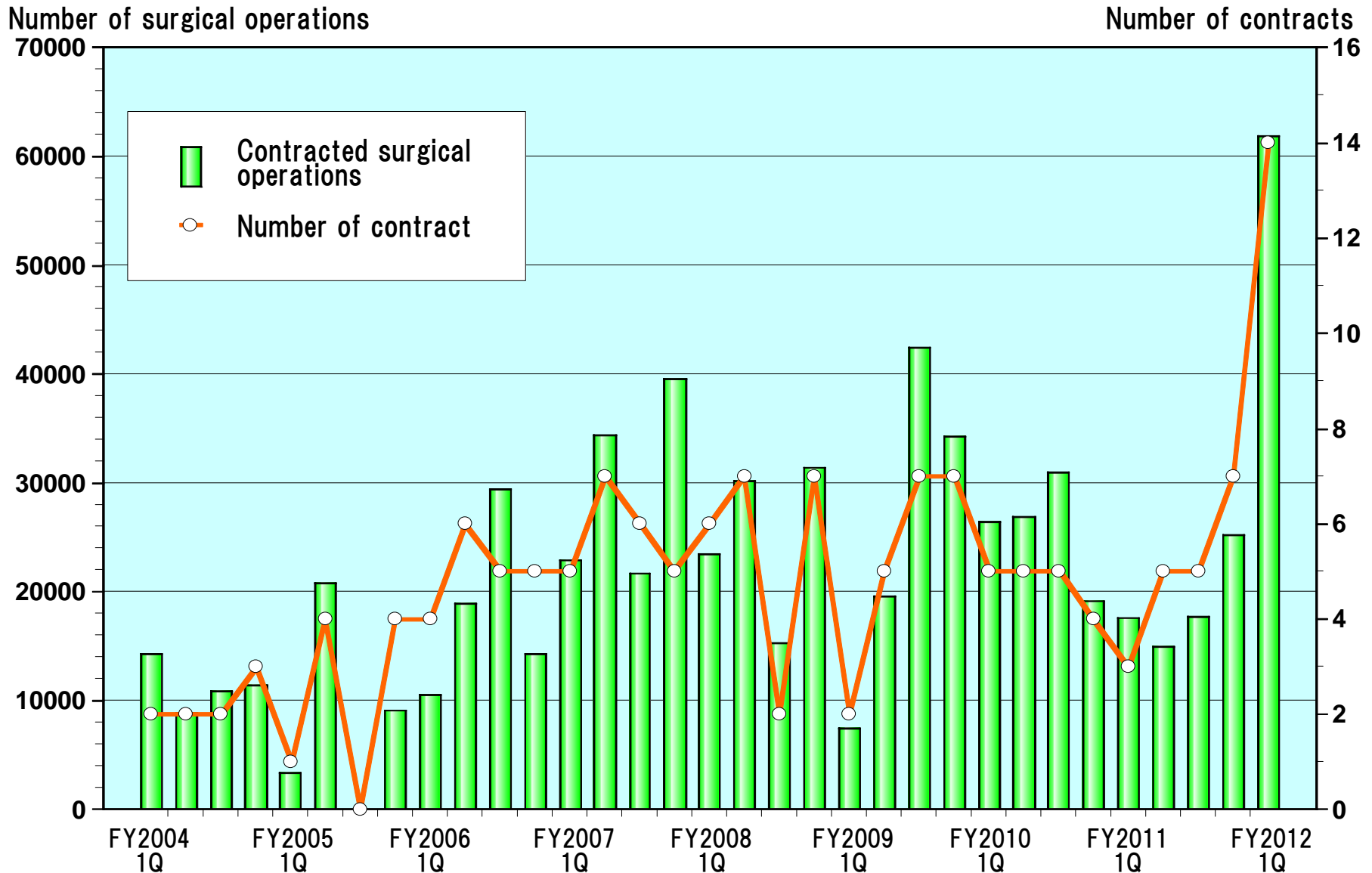
Fiscal 2011 – First Quarter Sales Growth by Quarter



(Unit: million yen, rounded down)



Number of Operamaster Contracts; Number of Surgical Operations

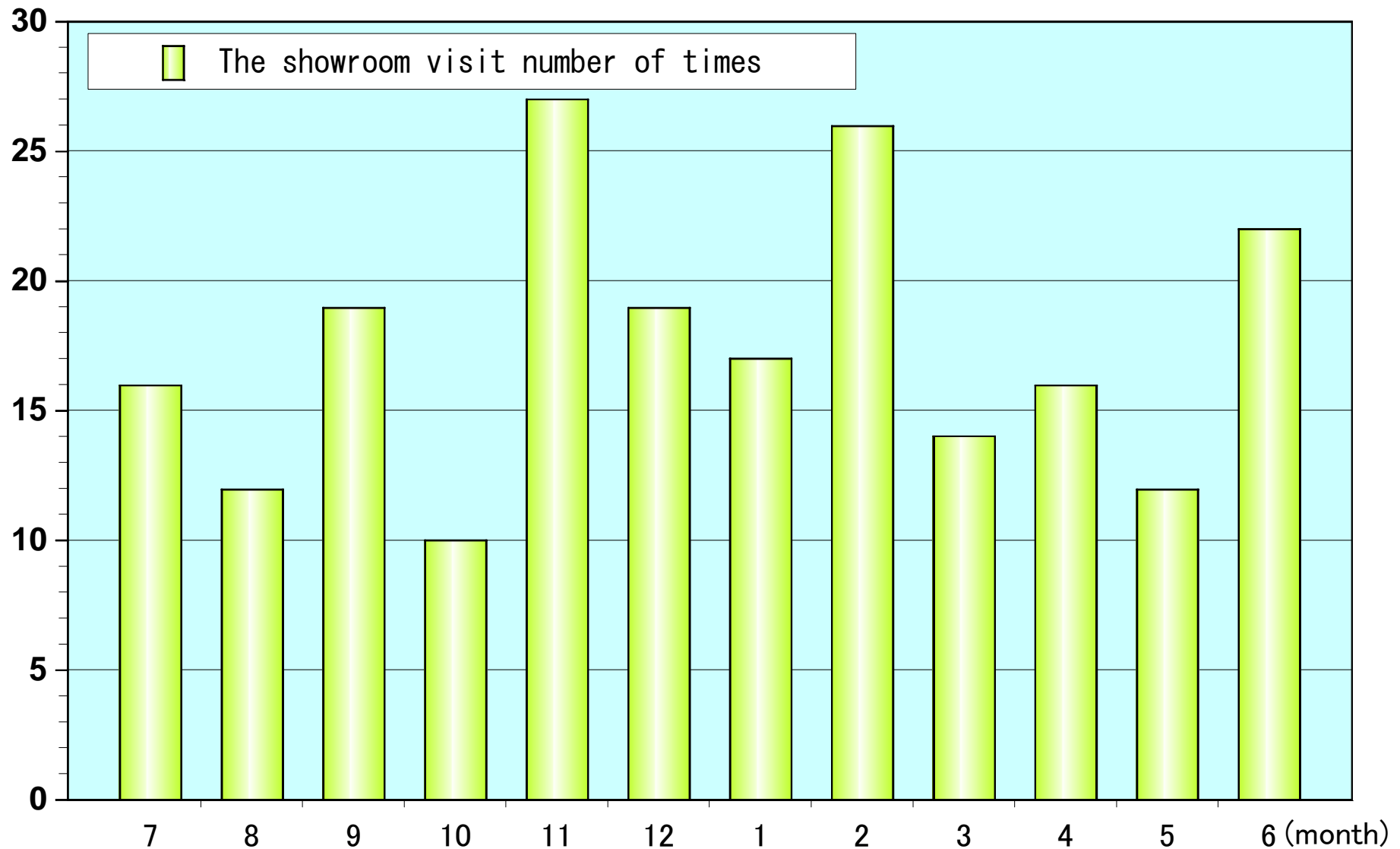




“Rejuvenate sales activities”

- **Benefits of seminars**
 - Academic society luncheon seminars
 - Seminars for managers
 - **Benefits of in-house training**
 - **Benefits of facility tours**
 - Operamaster facility tours
 - Tours of showrooms and plants
- **Securing contracts from non-Operamaster hospitals**
- **Changing number of surgical operations in Operamaster hospitals**

Showroom operation change of Surgery management system



IC Tracer: Sales Status



IC TRACER™

Requests for product demonstration: 116

Products lent previously/currently: 32

Requests to display at academic societies: 11

Customer feedback

- Eliminates anxiety about accuracy of duplicated or repeated counting
- Raises treatment safety; prevents infection risk
- Please reduce counting (tag scanning) time

Fiscal 2012 Outlook

Fiscal 2012 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2011 Results		Fiscal 2012 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,873		32,870		996	103.1%
Operating income	7,750	24.3%	8,000	24.3%	249	103.2%
Ordinary income	7,825	24.6%	8,060	24.5%	234	103.0%
Net income	4,624	14.5%	5,043	15.3%	418	109.0%
EPS	294.01yen		320.60yen			

Fiscal 2012 Strategies



Get Operamaster up and running at contracted hospitals

- Given high number of hospitals not using kit products, we must focus on getting system up and running by drawing on past experience
- Consider temporary dispatch of experienced support staff, because many salespeople are dealing with Operamaster contracts for the first time

Continue reinforcing sales of new products

- Scheduled to give IC Tracer demonstrations for numerous customers (as in previous year)
- Target contracts for surgery management system

Reinforce luncheon seminars

- Hold seminars from specific perspectives of hospital managers, doctors, nurses, and administration staff
- Hold seminars to introduce new products

Ongoing management seminars for hospital managers

Production system

Tsukuba Plant

- Prepare for production at new plant (partial change to production system)

Policy of the middle management plan

Relentless pursuit of major progress



“From development to sales of mainstay products”

- “Medical safety”
- “Hospital management and support ”
- “Low-invasiveness”

Endoscopic/endovascular treatment



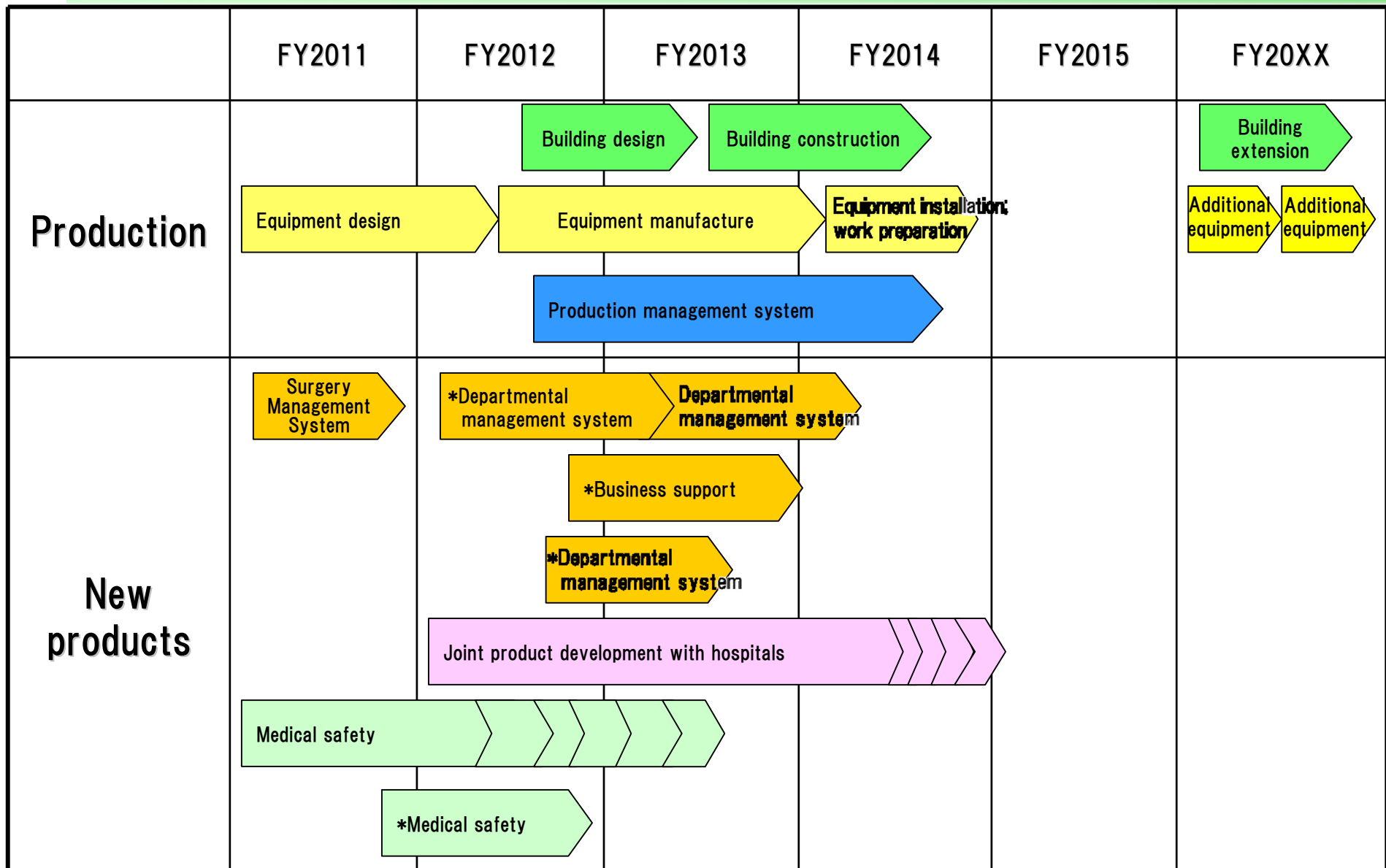
“Reinforce existing products”

- Promote advances in Operamaster
- Increase in-house manufacturing ratio
- Entrench overseas business development
- Build stable production system
- Reassess existing products

“Prepare to strengthening earnings structure”

- “Modify production methods through automation ”
- “Prepare to manufacture new products ”
- “Reduce labor at Indonesia plant ”

Medium-Term Business Plan



New Product Concept

Medical Safety



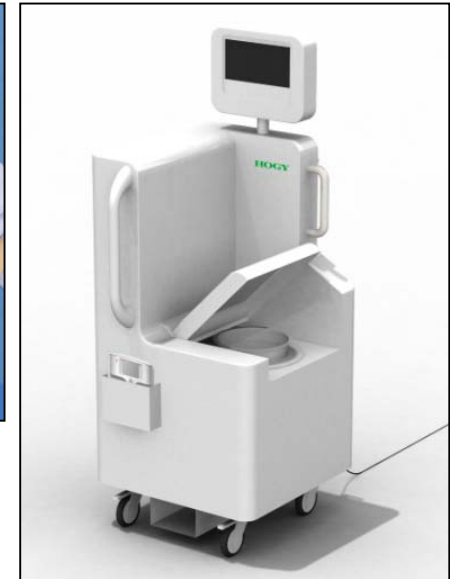
Mekkin Bag



Non-woven fabric



Kit products



IC TRACER

New Product development

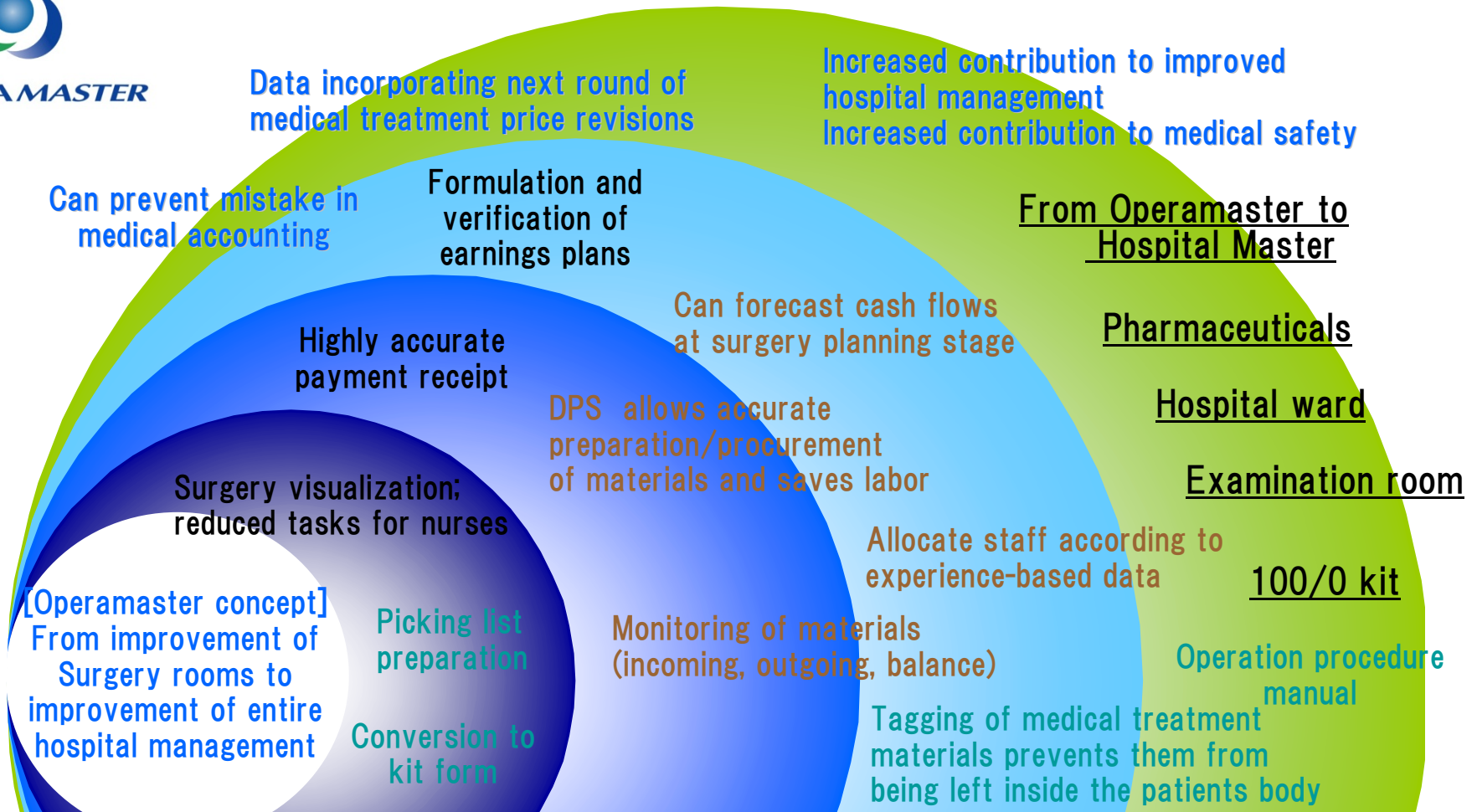
New Product development

New Product Concept

Hospital management improvement and business support



OPERAMASTER



New Product Concept

Low-invasiveness



SECUREA

New Product development

New Product development

Business Performance

Progress of Operamaster Marketing



Sales : ¥2,350million (UP ¥133million or 6.0%)

Number of contracts:

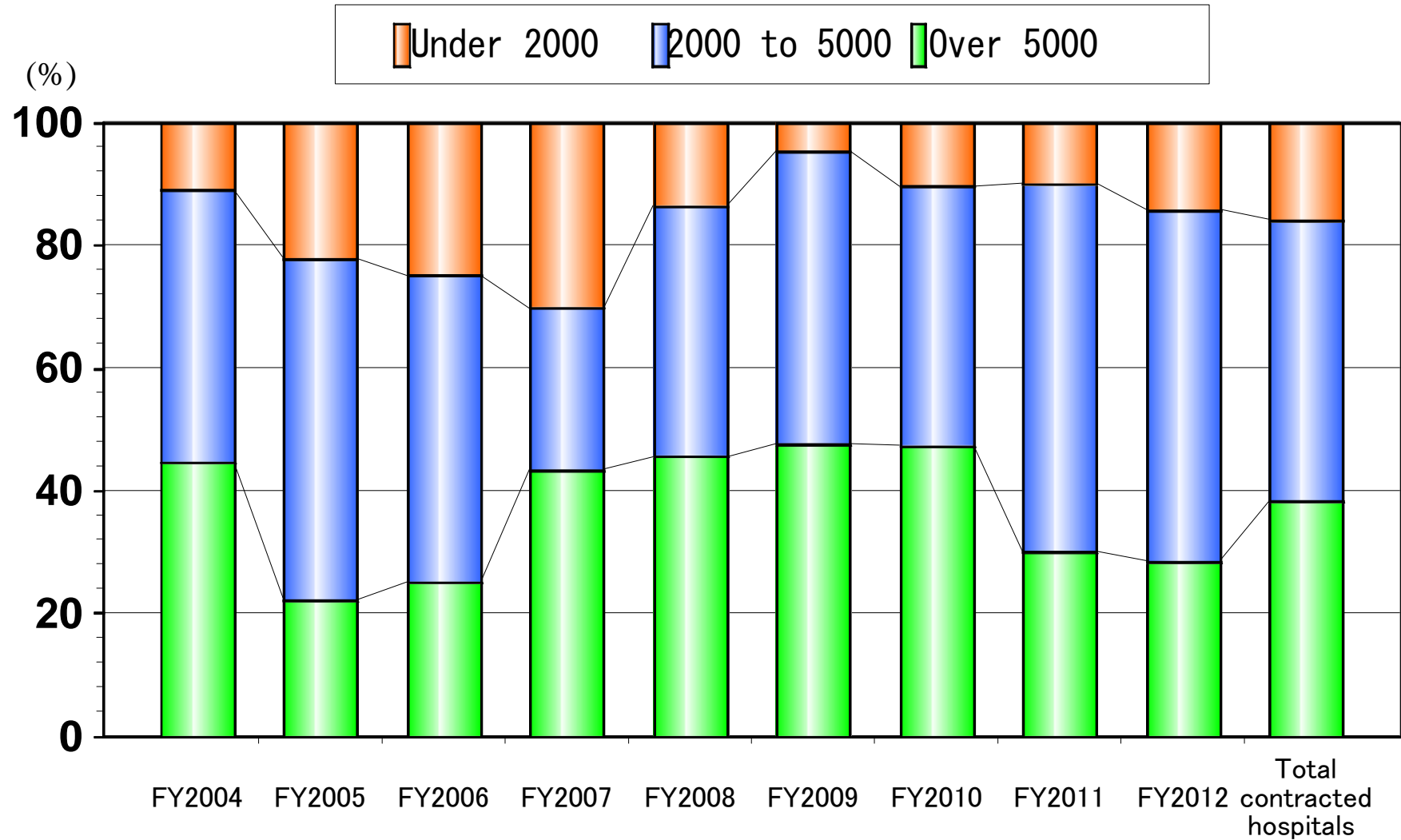
14 new contracts (an increase of 61,800 operations)

- Large hospitals: 4
- Small and medium-sized hospitals: 10

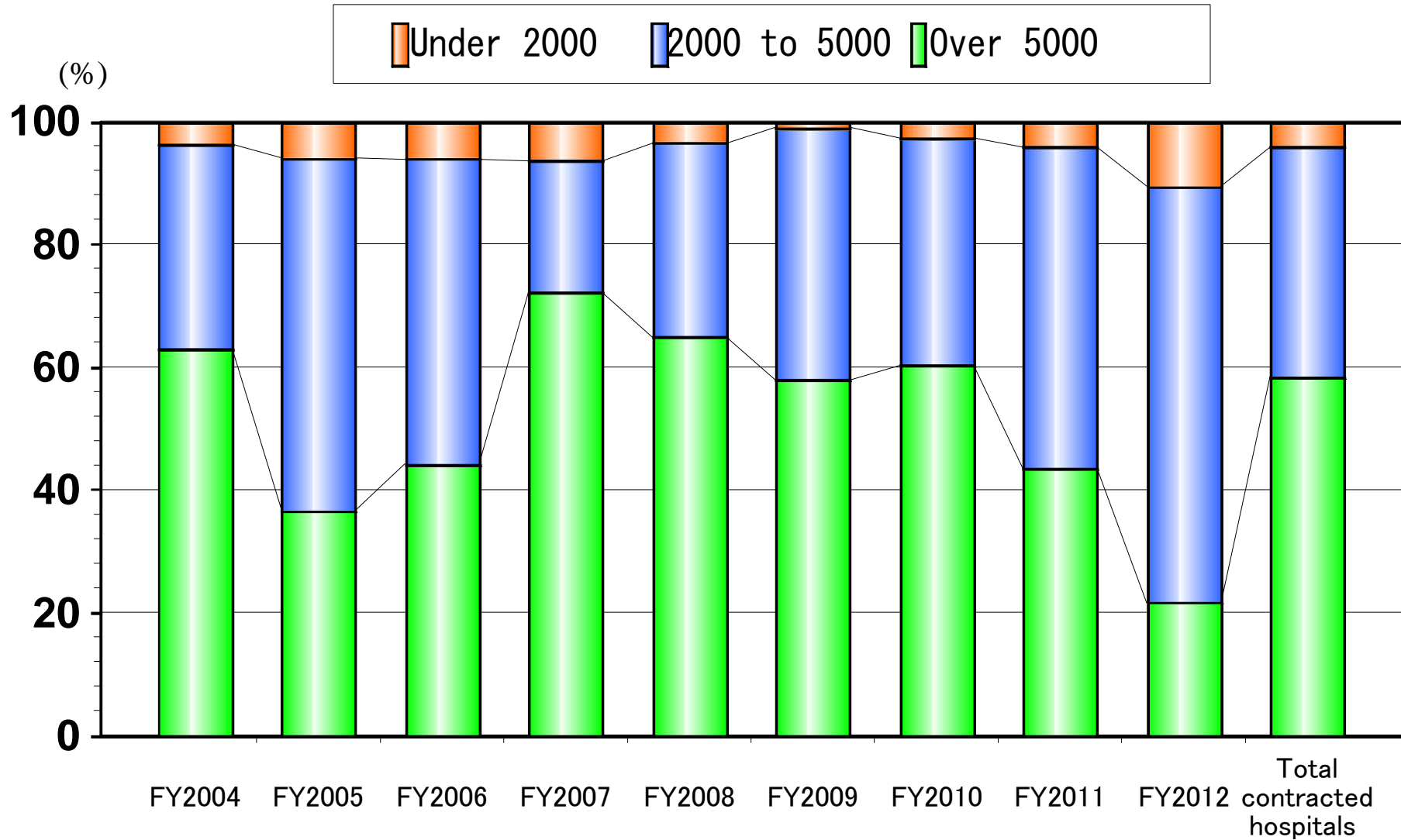
1 cancelled contracts (4,600operations)

Cumulative total number of contracts: 157

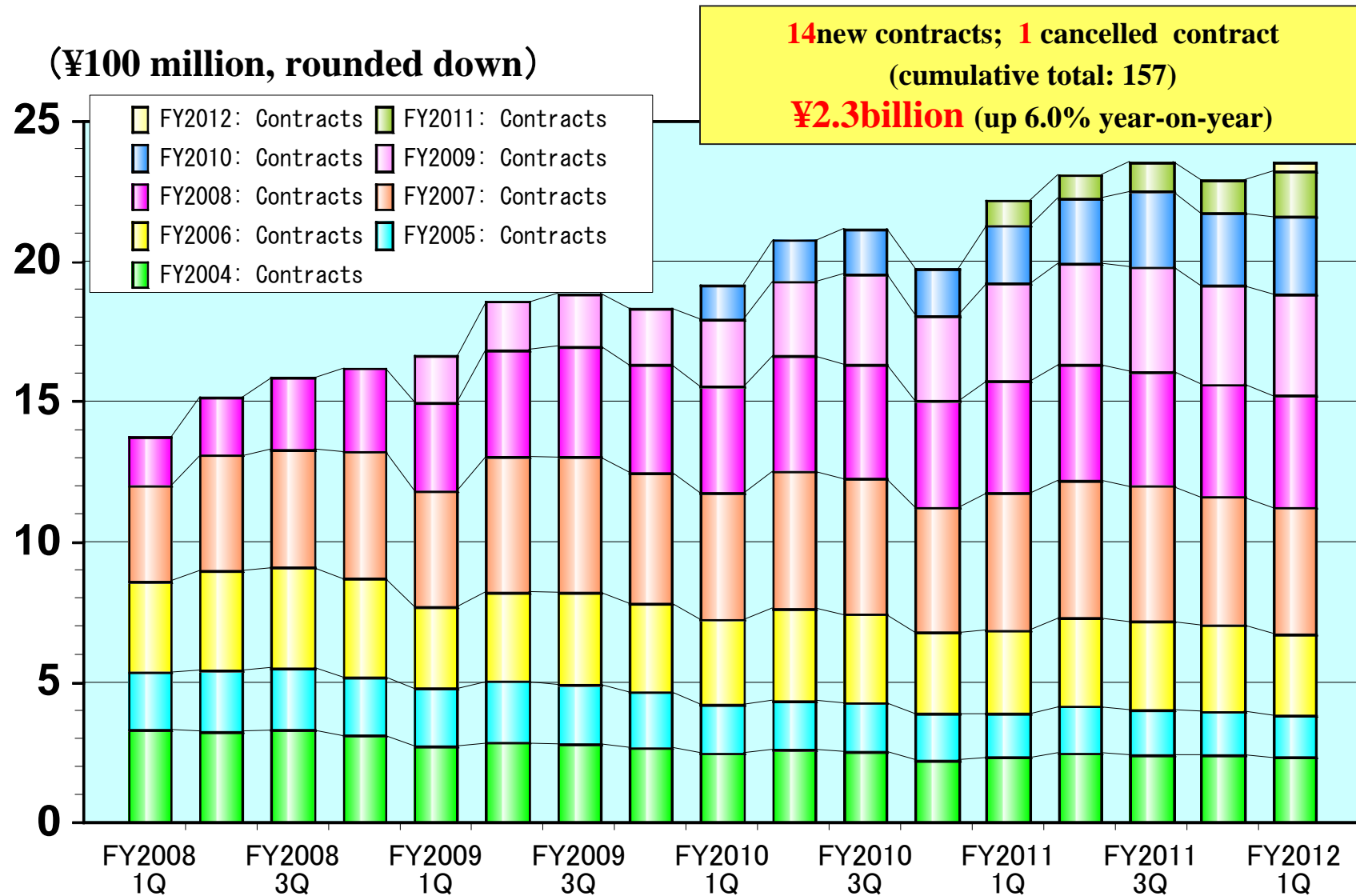
Operamaster-Contracted Hospitals: Breakdown by Size



Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



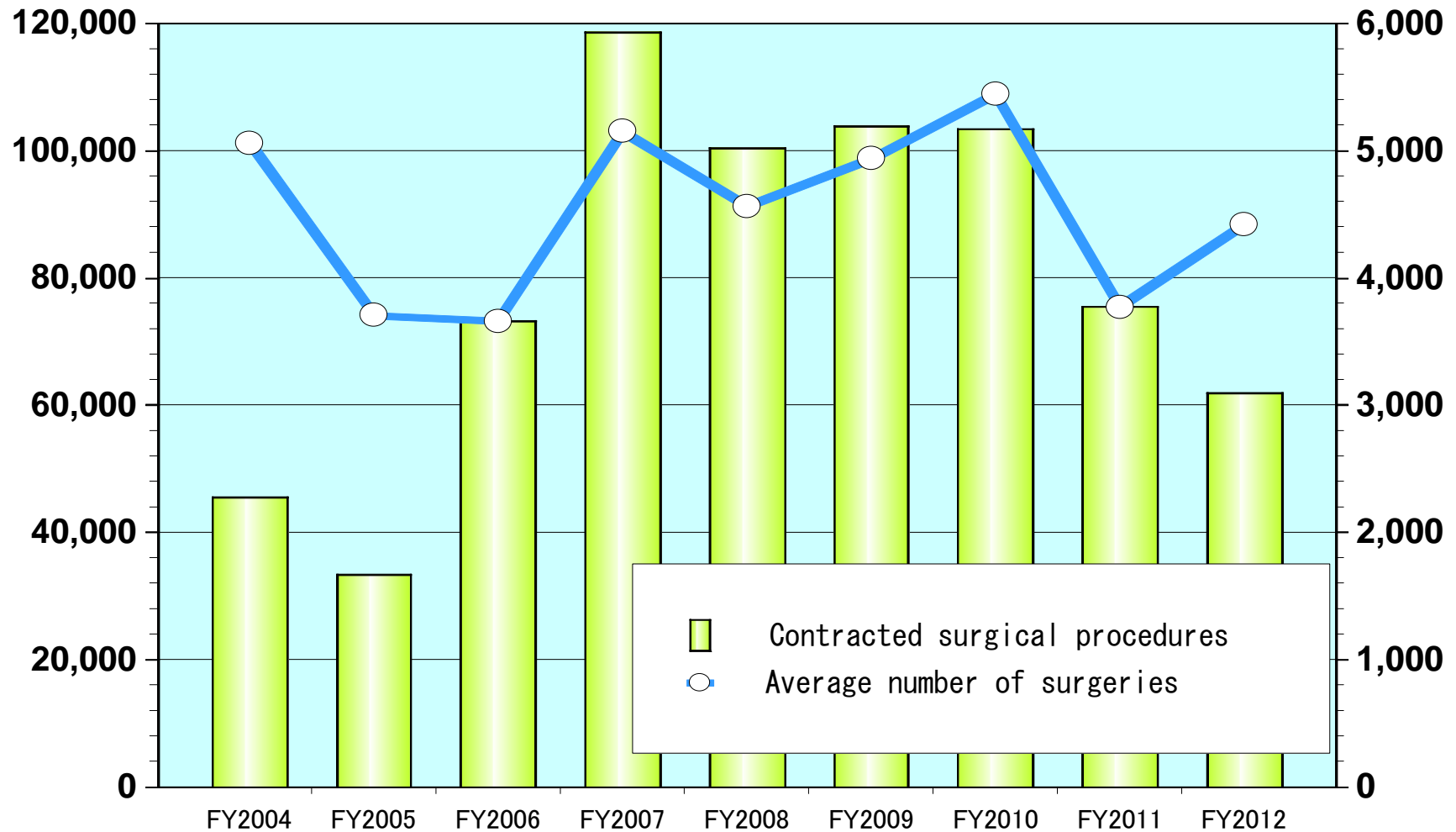
Sales of Operamaster



Number of Surgical Procedures, by Contract Period

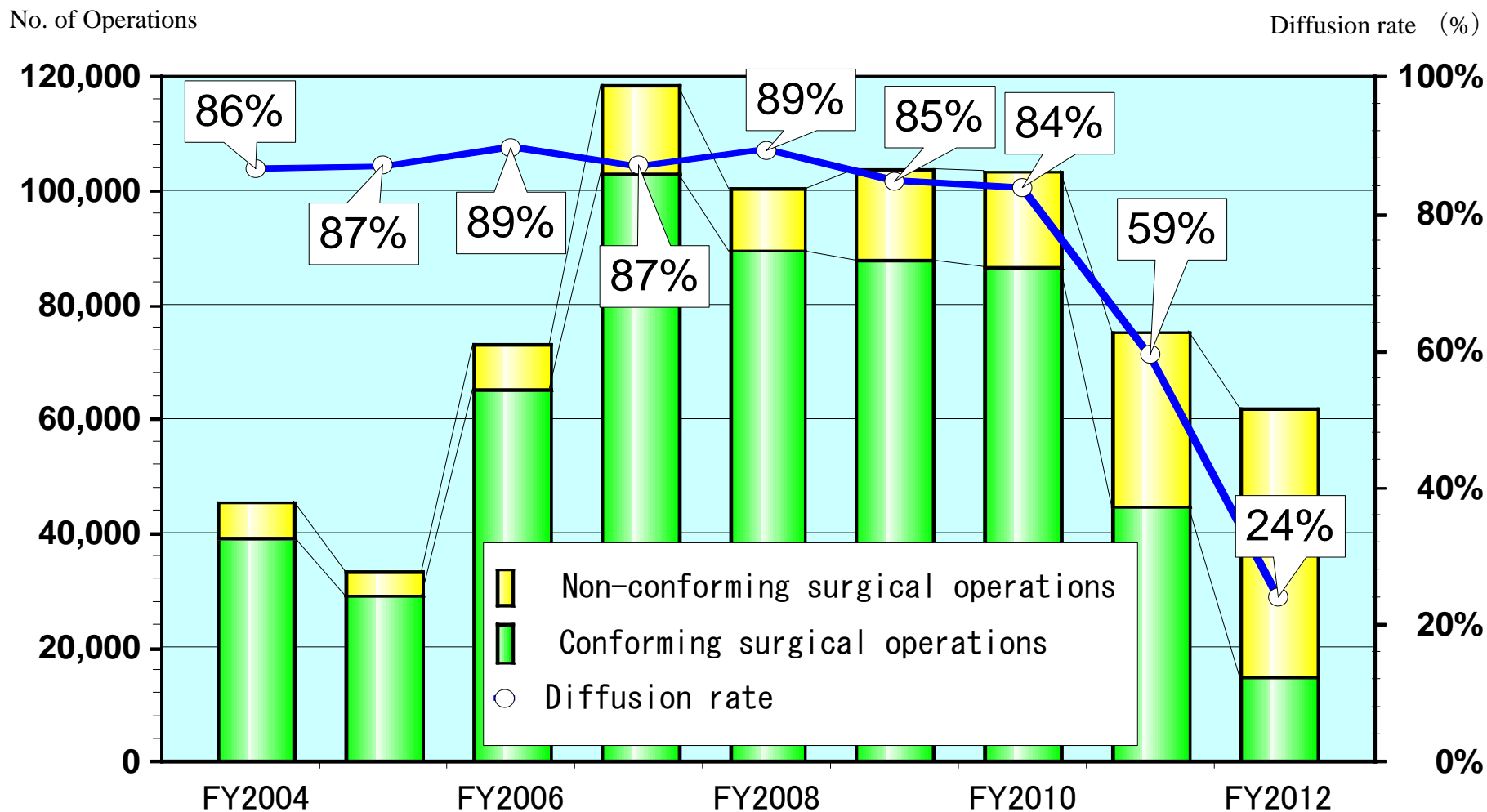
No. of Operations

Average number of surgeries (procedures)



* As of June 30, 2012

Operamaster–Proliferation Ratio and Number of Surgical Procedures, by Fiscal Year



Fiscal 2012 – First Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2011 First Quarter Results		Fiscal 2012 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	7,838		8,040		202	102.6%
Cost of sales	3,643	46.5%	3,940	49.0%	296	108.1%
Gross profit	4,194	53.5%	4,100	51.0%	-94	97.8%
SG & A expenses	2,006	25.6%	2,082	25.9%	76	103.8%
Operating income	2,188	27.9%	2,018	25.1%	-170	92.2%
Non-operating income/loss	4		0		-3	
Ordinary income	2,193	28.0%	2,018	25.1%	-174	92.0%
Extraordinary income/loss	0		3		3	
Net income	1,320	16.8%	1,264	15.7%	-56	95.7%
EPS	83.94yen		80.36yen			

Fiscal 2012 – First Quarter
Analysis of Cost and SG&A Expenses



Cost of sales ratio : Up 2.5 points year-on-year

- Improved productivity on increased production as production delay problems solved in previous year
- Increase in depreciation expenses
- Price revision difference

SG&A expenses: UP ¥76 million year-on-year

- Product sample costs -32 million
- Depreciation expenses +31 million
- Personnel expenses +22 million

Fiscal 2012 – First Quarter
Analysis of Non-Operating items, Capex, Depreciation



Non-operating expenses (net of non-operating income) :

¥0 million (Down ¥3 million year to year)

Foreign exchange loss : ¥31 million (Up¥1 million year to year)

Capex : ¥515 million (up ¥188 million year on year)

Depreciation : ¥693 million (up ¥50 million year on year)

•Cost of sales : ¥504 million (up ¥19 million)

•SG&A expenses: ¥188 million (up ¥31 million)

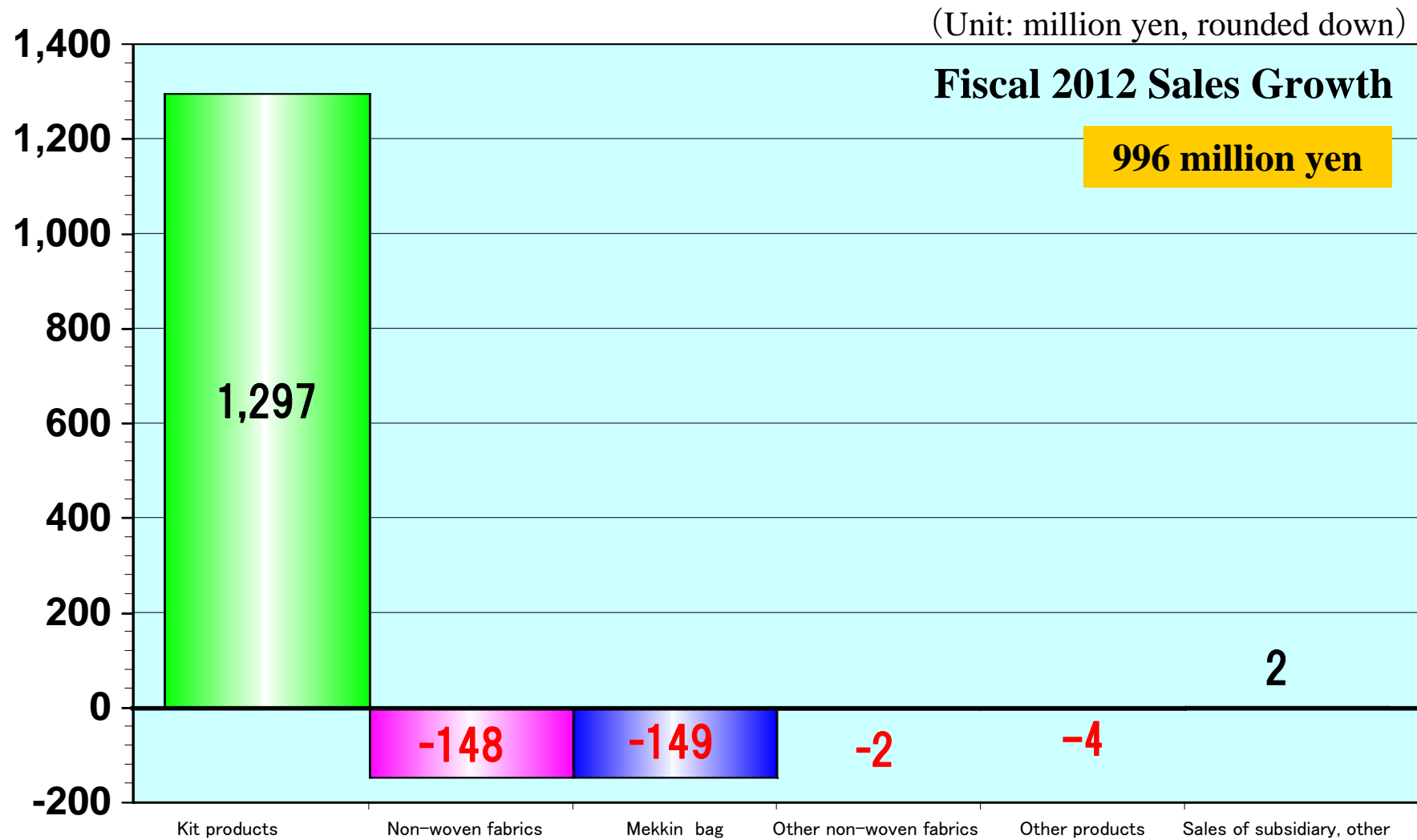
Fiscal 2012 Full-Year Projections

Fiscal 2012 Income Statements

(Unit: million yen, rounded down)	Fiscal 2011 Results		Fiscal 2012 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,873		32,870		996	103.1%
Cost of sales	15,711	49.3%	16,180	49.2%	468	103.0%
Gross profit	16,162	50.7%	16,690	50.8%	527	103.3%
SG & A expenses	8,412	26.4%	8,690	26.4%	277	103.3%
Operating income	7,750	24.3%	8,000	24.3%	249	103.2%
Non-operating income/loss	75		60		-15	
Ordinary income	7,825	24.6%	8,060	24.5%	234	103.0%
Extraordinary income/loss	-3		0		3	
Net income	4,624	14.5%	5,043	15.3%	418	109.0%
EPS	294.01yen		320.60yen			

Fiscal 2012

Sales Growth by Major Products



Fiscal 2012 Sales Projections



● Kit Products

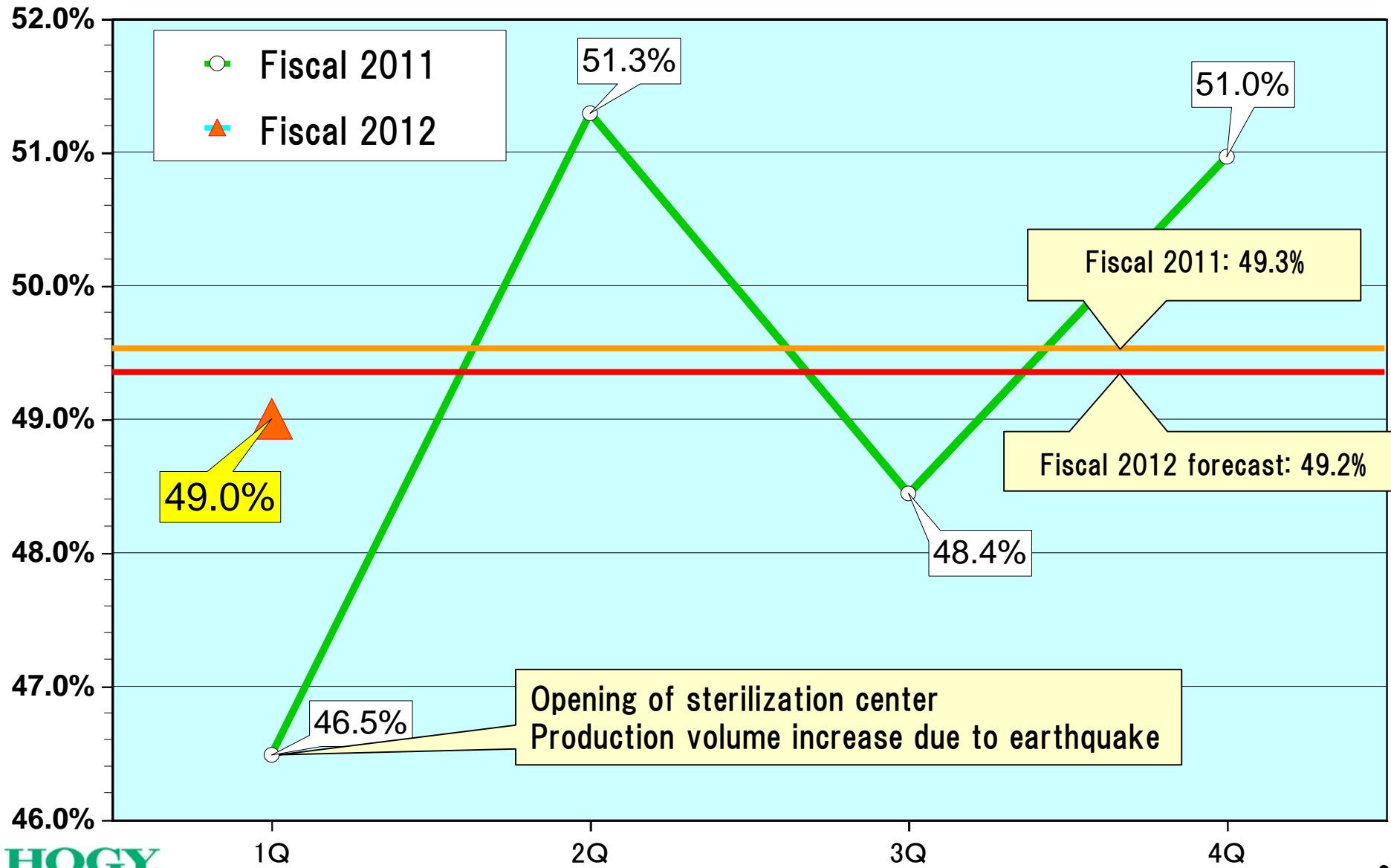
- ✓ Step up sales activities centering on large hospitals
- ✓ Strengthen promotion of post-contractual system building
- ✓ Expand sales of regular kit products

● Revitalize sales activities

- ✓ Reinforce support system to facilitate sales activities

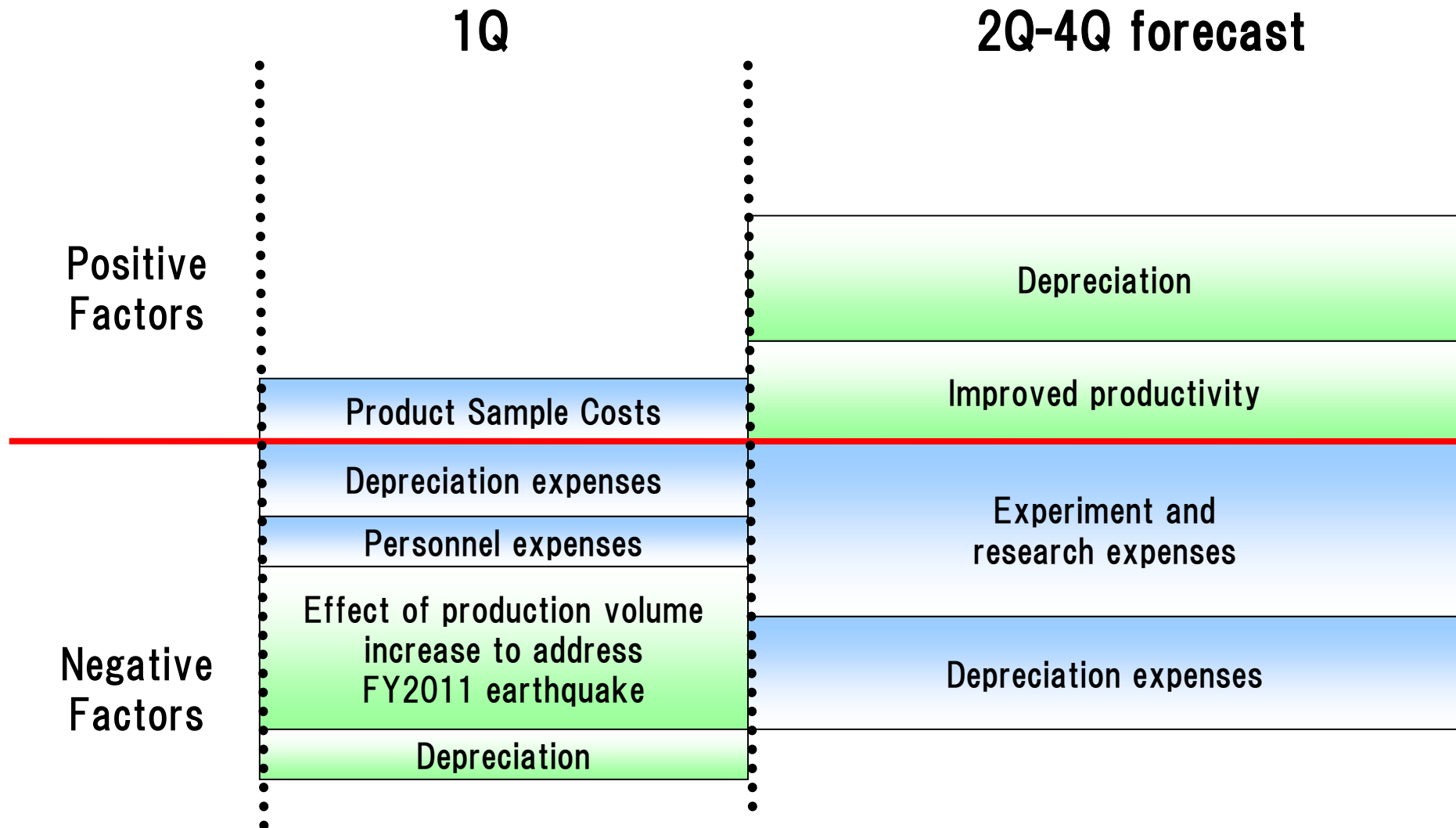
- Factor in sales price reduction for some products, such as non-woven fabrics

Cost of Sales Ratio





Fiscal 2012 Revenue Projections



Fiscal 2012 Revenue Projections

Cost of sales ratio: 0.1 points year-on-year improvement

- Foreign exchange risks factored in
- Soaring prices on raw materials and infrastructure (electricity costs, etc.)
- Decline in depreciation of New Sterilization Center
- Increase in depreciation due to commissioning of gauze folding machine

SG&A expenses: UP¥277 million year-on-year

- Experiment and research expenses +273 million
- Depreciation +166 million
- **HOGY** Product sample costs - 66 million



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