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

<table>
<thead>
<tr>
<th>(Unit: million yen, rounded down)</th>
<th>Fiscal 2011 First Quarter Results</th>
<th>Fiscal 2012 First Quarter Results</th>
<th>Year-on-Year Comparison</th>
</tr>
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<tbody>
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<td>Net sales</td>
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<td>80.36yen</td>
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</tbody>
</table>
Fiscal 2012 – First Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

- Kit products: 210
- Regular kit: 77
- Operamaster: 133
- Other non-woven fabrics: 25
- Other products: 39
- Sales of subsidiary, other: 8
- Total of kit: 202 Million yen

[Graph showing sales growth by major products with unit in million yen]
Fiscal 2011 – First Quarter
Sales Growth by Quarter

(Unit: million yen, rounded down)
Number of Operamaster Contracts; Number of Surgical Operations

Number of surgical operations

Number of contracts

Contracted surgical operations

Number of contract

* Number of contracted hospitals is current as of the end of the first quarter of Fiscal 2012.
“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

The showroom visit number of times

<table>
<thead>
<tr>
<th>Month</th>
<th>Visit Number</th>
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<tbody>
<tr>
<td>7</td>
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<td>8</td>
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<td>5</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>20</td>
</tr>
</tbody>
</table>
IC Tracer: Sales Status

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

<table>
<thead>
<tr>
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<td>32,870</td>
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<td>7,750</td>
<td>24.3%</td>
<td>8,000</td>
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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
Fiscal 2012 Strategies

**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
Medium-Term Business Plan: Priorities

“From development to sales of mainstay products”

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

Endoscopic/endovascular treatment
Medium-Term Business Plan: Priorities

“Reinforce existing products”

- Promote advances in Operamaster
- Increase in-house manufacturing ratio
- Entrench overseas business development
- Build stable production system
- Reassess existing products
Medium-Term Business Plan: Priorities

“Prepare to strengthening earnings structure”

- “Modify production methods through automation”
- “Prepare to manufacture new products”
- “Reduce labor at Indonesia plant”
## Medium-Term Business Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY20XX</th>
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<tr>
<td><strong>Production</strong></td>
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<td></td>
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<tr>
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<td>Equipment manufacture</td>
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<td>Equipment manufacture</td>
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<td>Equipment installation</td>
<td>Equipment manufacture</td>
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<td><strong>Joint product development with hospitals</strong></td>
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<tr>
<td><strong>Medical safety</strong></td>
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<td>FY2011</td>
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</table>
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 concept] From improvement of Surgery rooms to improvement of entire hospital management

Surgery visualization; reduced tasks for nurses

Data incorporating next round of medical treatment price revisions

Formulation and verification of earnings plans

Increased contribution to improved hospital management

Increased contribution to medical safety

Conversion to kit form

Picking list preparation

Monitoring of materials (incoming, outgoing, balance)

Can forecast cash flows at surgery planning stage

Operation procedure manual

Tagging of medical treatment materials prevents them from being left inside the patients body

Allocate staff according to experience-based data

Can prevent mistake in medical accounting

Highly accurate payment receipt

Can forecast cash flows at surgery planning stage

DPS allows accurate preparation/procurement of materials and saves labor

From Operamaster to Hospital Master

Pharmaceuticals

Hospital ward

Examination room

100/0 kit

Operation procedure manual

Data incorporating next round of medical treatment price revisions

From Operamaster to Hospital Master

Highly accurate payment receipt

From improvement of Surgery rooms to improvement of entire hospital management

Picking list preparation

Conversion to kit form
New Product Concept

Low-invasiveness

SECUREA

New Product development

New Product development
Business Performance
Progress of Operamaster Marketing

Sales: ¥2,350 million (UP ¥133 million 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 (4,600 operations)

Cumulative total number of contracts: 157
Operamaster–Contracted Hospitals: Breakdown by Size

<table>
<thead>
<tr>
<th>Year</th>
<th>Under 2000</th>
<th>2000 to 5000</th>
<th>Over 5000</th>
<th>Total Contracted Hospitals</th>
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</thead>
<tbody>
<tr>
<td>FY2004</td>
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<td>FY2006</td>
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<td>FY2008</td>
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<td>FY2009</td>
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<tr>
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<td></td>
<td></td>
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<tr>
<td>FY2012</td>
<td></td>
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</tr>
</tbody>
</table>
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals

Under 2000 | 2000 to 5000 | Over 5000


(%)

Under 2000
2000 to 5000
Over 5000
Sales of Operamaster

(¥100 million, rounded down)

FY2012: Contracts  FY2011: Contracts
FY2010: Contracts  FY2009: Contracts
FY2008: Contracts  FY2007: Contracts
FY2006: Contracts  FY2005: Contracts
FY2004: Contracts

14 new contracts; 1 cancelled contract
(cumulative total: 157)
¥2.3 billion (up 6.0% year-on-year)
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

No. of Operations

Diffusion rate (%)

Non-conforming surgical operations
Conforming surgical operations
Diffusion rate

* Annualized data for the first quarter
## Fiscal 2012 – First Quarter
### Income Statements

(Unit: million yen, rounded down)

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<td>Amount (%)</td>
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<tr>
<td>Net sales</td>
<td>7,838 (46.5%)</td>
<td>8,040 (49.0%)</td>
<td>202 (102.6%)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>3,643 (46.5%)</td>
<td>3,940 (49.0%)</td>
<td>296 (108.1%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4,194 (53.5%)</td>
<td>4,100 (51.0%)</td>
<td>-94 (97.8%)</td>
</tr>
<tr>
<td>SG &amp; A expenses</td>
<td>2,006 (25.6%)</td>
<td>2,082 (25.9%)</td>
<td>76 (103.8%)</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,188 (27.9%)</td>
<td>2,018 (25.1%)</td>
<td>-170 (92.2%)</td>
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<tr>
<td>Non-operating income/loss</td>
<td>4 (%)</td>
<td>0 (%)</td>
<td>-3 (%)</td>
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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
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
<table>
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<tr>
<td>Gross profit</td>
<td>16,162</td>
<td>50.7%</td>
<td>16,690</td>
</tr>
<tr>
<td>SG &amp; A expenses</td>
<td>8,412</td>
<td>26.4%</td>
<td>8,690</td>
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<td>7,750</td>
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Fiscal 2012 Sales Growth by Major Products

(Unit: million yen, rounded down)

Fiscal 2012 Sales Growth

- Kit products: 1,297
- Non-woven fabrics: -148
- Mekkin bag: -149
- Other non-woven fabrics: -2
- Other products: -4
- Sales of subsidiary, other: 2

Total: 996 million yen
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 2011
- Fiscal 2012

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Cost of Sales Ratio</th>
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</thead>
<tbody>
<tr>
<td>1Q</td>
<td>49.0%</td>
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<tr>
<td>2Q</td>
<td>51.3%</td>
</tr>
<tr>
<td>3Q</td>
<td>48.4%</td>
</tr>
<tr>
<td>4Q</td>
<td>51.0%</td>
</tr>
</tbody>
</table>

- Fiscal 2011: 49.3%
- Fiscal 2012 forecast: 49.2%

Opening of sterilization center
Production volume increase due to earthquake
Fiscal 2012 Revenue Projections

1Q
- Product Sample Costs
- Depreciation expenses
- Personnel expenses
- Effect of production volume increase to address FY2011 earthquake
- Depreciation

2Q-4Q forecast
- Depreciation
- Improved productivity
- Experiment and research expenses
- Depreciation expenses
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
- Product sample costs - 66 million
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