

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 1998

COMMISSION FILE NUMBER 0-20165

STERIS CORPORATION
(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

34-1482024
(IRS Employer
Identification No.)

5960 HEISLEY ROAD,
MENTOR, OHIO 44060-1834
(Address of principal executive offices)

440-354-2600
(Registrant's telephone number
including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:
COMMON SHARES, WITHOUT PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K in any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the bid and ask price of such stock as of April 30, 1998: \$1,984,025,891

The number of Common Shares outstanding as of April 30, 1998: 34,012,272

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1998 Annual Meeting -- Part III
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PART I

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

STERIS Corporation, an Ohio corporation organized in 1987 (the "Company" or "STERIS"), develops, manufactures, and markets infection prevention, contamination prevention, microbial reduction, and surgical support systems, products, services, and technologies for healthcare, scientific, research, food, and industrial Customers throughout the world. STERIS is focused on helping Customers address today's trends in the healthcare and scientific industries. The healthcare industry is changing rapidly due to the growth of minimally invasive surgical and diagnostic procedures; heightened public and professional awareness and concern for the increasing number of transmittable and antibiotic-resistant infectious diseases; the shifting of patient care from acute care hospital settings to alternate sites; and the overall need to reduce the cost of healthcare delivery. These trends have expanded the demand for rapid, safe, and efficient infection prevention systems for critical tasks such as the sterile processing of devices and the handling, decontamination, destruction, and disposal of potentially infectious biohazardous waste. In the scientific industry, the market is expanding as pharmaceutical, biotech, medical device, food, and other FDA-regulated manufacturers are under increasing pressure to adhere to stricter guidelines for the validation and control of their antimicrobial processes, as well as the trend towards global standardization of protocols.

STERIS expanded its operations during fiscal 1998 with the acquisitions of Isomedix Inc. ("Isomedix") and the assets of Joslyn Sterilizer Corporation ("Joslyn"). Isomedix is a leading North American provider of contract sterilization and microbial reduction services for manufacturers and producers of medical and non-medical products. Joslyn is a designer and manufacturer of high quality, high performance sterile processing systems based upon widely accepted steam and gas sterilization methodologies. Additionally, Joslyn is the only U.S. manufacturer of Biological Indicator Evaluation Resistometer (BIER) vessels used in the development and validation of sterilization methodologies and process assurance indicators.

STERIS established a food safety business initiative to help Customers meet the growing consumer demands for improved food safety. The irradiation services of our Isomedix subsidiary recently gained media attention with the December 1997 approval by the FDA of the irradiation ("cold pasteurization") of red meat. The increased emphasis on food safety, supported by the U.S. government's new Food Safety Initiative, presents new business opportunities for STERIS because of our extensive portfolio of antimicrobial technologies, systems, products, and services.

The Company has approximately 4,500 Associates (employees) worldwide, including 1,700 direct sales, service, and field support personnel. Customer Support facilities are located in major global market centers with manufacturing operations in the United States, Canada, Germany, and Finland.

The Company operates in a single business segment. See the accompanying consolidated financial statements on page 15 of this Form 10-K for financial information regarding the Company.

PRINCIPAL PRODUCTS AND SERVICES

Through a consistent strategic plan, a focused research and development effort, and several business acquisitions, STERIS has emerged as a market leader in low temperature sterilization, high temperature sterilization, washing and decontamination systems, surgical tables, surgical lights, and consumables. The Company has expanded from its original narrow product line to become a multi-faceted global organization that

serves healthcare, scientific, research, food, and industrial markets. Revenues by principal market are as follows (in thousands):

	YEARS ENDED MARCH 31		
	1998	1997	1996*
Infection Prevention.....	\$389,649	\$320,664	\$290,019
Surgical Support.....	158,160	128,502	112,400
Scientific and Industrial.....	123,106	101,442	101,124
Management Services.....	48,741	37,244	31,069
Total.....	\$719,656	\$587,852	\$534,612

* Includes the combined results of STERIS and Amsco on a pooling-of-interests basis.

Infection Prevention. Infection Prevention products are used by Customers to significantly reduce or eliminate microbial contamination of surfaces with which human contact might occur. The Company provides complete infection prevention material processing systems and specialty chemical products, including those used for cleaning, decontaminating, disinfecting, sterilizing, drying, and aerating medical and surgical instruments, devices, and hard surfaces. Specialty chemical products are generally employed in the material processing systems or used for high risk and routine skin care, hard surface disinfection, and surgical preparation. STERIS infection prevention systems support cost containment, productivity increases, and risk reduction in a wide variety of healthcare, scientific, industrial, and research settings through process standardization, automatic monitoring and documentation, processing site flexibility, and reduction in processing time.

A major product line is STERIS SYSTEM 1(R), a complete system for just-in-time sterile processing at or near the site of patient care. SYSTEM 1 enables healthcare professionals to safely, easily, and economically sterilize immersible surgical and diagnostic devices between patient procedures in less than thirty minutes. The use of SYSTEM 1 also eliminates time consuming transportation to and from central processing sites. Customers are able to use delicate, expensive, heat-sensitive devices and instrument sets many times per day without compromising sterilization standards.

STERIS SYSTEM 1 consists of a tabletop microprocessor-controlled unit, a patented, proprietary, single-use sterilant, and multiple adapter trays and containers. Installation requirements are tap water, electricity, and a drain. STERIS 20(TM), the sterilant component of SYSTEM 1, combines a powerful chemical biocidal agent with a proprietary anti-corrosion formulation to provide low temperature destruction of microorganisms. The STERIS process significantly reduces processing time and safety concerns associated with conventional low temperature sterilization and disinfection systems. SYSTEM 1 has particular appeal in the increasingly decentralized delivery of therapeutic patient services where capitated costs and standardized outcomes are emphasized. Since commercially introducing SYSTEM 1 in November 1988, the Company has produced over 15,000 SYSTEM 1 units for thousands of healthcare facilities, including hospitals, medical centers, ambulatory facilities, and physician offices in major markets throughout the world.

A fourth quarter highlight was the sale of over 1,000 STERIS SYSTEM 1 Sterile Processing Systems, the first time that quarterly sales exceeded the 1,000 unit volume level. Sales of STERIS 20 Sterilant Concentrate, the proprietary consumable component of STERIS SYSTEM 1, continued to grow faster than overall sales. We estimate that our Customers have now safely processed more than 130 million surgical and diagnostic devices in STERIS SYSTEM 1.

The products and services of STERIS are sold under a variety of brand and product names. As acquired businesses have been integrated and consolidated, the STERIS name is increasingly visible on the product and service offerings.

The fundamental technology of the original STERIS brand is the rapid, safe destruction of microorganisms on surfaces. STERIS's strategy is to employ this technology in commercial applications with a focus on sterile processing, biohazardous waste processing, and other surface safety applications in the healthcare industry. The

technology also has applications in a wide variety of other settings where cleanliness and destruction of microorganisms is important.

Recognized for years as the industry standard in large and medium scale, high quality hardware systems, the Amsco(R) brand represents a leading choice in infection prevention. Amsco brand products include thermal and low temperature gaseous sterilization systems, cleaning and decontamination systems, accessories, and related consumables that are used to prevent the spread of infectious diseases and reduce microbial contamination.

The Company's thermal sterilization systems use saturated steam to sterilize items through a combination of heat, moisture, and pressure. Thermal sterilizers are offered in a number of sizes based on Customer throughput requirements and are designed for use in centralized or decentralized processing environments. The product line includes a versatile microprocessor-based control system which is designed to monitor each phase of the sterilization cycle and provide the Customer a permanent record of important cycle information, including type and parameters of sterilization cycle, temperature, pressure, vacuum, and total cycle time. The Company's sterilizer chambers are made of highly durable nickel-clad carbon steel or 316L stainless steel.

A new line of sterilizers was internationally introduced to the market in fiscal 1998. STERIS System 2S(TM) is a self-generating steam sterilizer that is particularly well suited for the alternate healthcare and research laboratory markets. The needs for the costly installation of steam lines and the purchase of a separate steam generator are eliminated.

In addition to thermal sterilization systems, the Company manufactures low temperature ethylene oxide (EO) gas sterilizers which provide Customers the capability to sterilize heat sensitive medical devices in a safe, controlled processing environment. Each sterilization system includes an advanced microprocessor-based control system which monitors cycle parameters and provides the Customer a permanent record of each sterilization cycle. The Company's leading ethylene oxide gas sterilization system, the Amsco 3017(TM) 100% EO Sterilizer/ Aerator, utilizes a proprietary, single-use sterilant cartridge and includes a built-in exhaust system.

STERIS develops, manufactures, and distributes infection prevention consumables that are used to prevent the spread of infectious diseases and to monitor sterilization and decontamination processes. FDA approval was received this year for Prima-Kare(TM), a 0.75% CHG antimicrobial hand wash. STERIS consumable products offer quality choices for infection prevention and contamination control in the following categories: Instrument Cleaning and Decontamination Systems; High Risk and Routine Skin Care Products; Hard Surface Disinfectants; and Surgical Scrubs. STERIS quality assurance products used to monitor sterilization processes include over 300 sterility assurance and sterility maintenance products for the worldwide healthcare market, including: Protective and Decontamination Packaging; Biological Monitoring Systems; Barrier Wraps; Integrator/Indicator Monitoring Systems; and Record Keeping Systems.

Surgical Support. The Company's Surgical Support product line includes general and specialty surgical tables, surgical and examination lights, operating room (OR) storage cabinets, fluid waste management systems, warming cabinets, scrub sinks, and other complementary products and accessories for hospital and non-hospital ORs. The Company's versatile surgical table product line includes powered and manual general surgical tables and an orthopedic specialty table. A wide variety of general and specialty surgical procedures are accommodated through the use of attachable accessories which increase the versatility of the tables. The Company produces and sells its own line of accessories, as well as accessories manufactured by outside sources.

The Company's illumination systems are designed for a wide variety of locations where diagnostic and therapeutic procedures are performed, including the emergency room, general surgery suite, OB/GYN suite, and ambulatory surgery suite. These lighting products combine optical performance with positioning flexibility that accommodate the surface and cavity illumination needs of virtually all types of surgical procedures. The Company's surgical lighting products range from major surgical lights to minor examination lights. New to the STERIS product line in fiscal 1998 is the Orbiter(R) line of ceiling management products for the operating room and critical care markets.

The Company's surgical support product line includes SafeCycle(R) 40, a self-contained, high volume fluid waste management system designed for the collection, containment, transport, and safe disposal of potentially

infectious fluid waste generated during surgical and diagnostic procedures. The system eliminates the need for up to thirteen three-liter suction canisters while significantly reducing the possibility of human exposure to biologically contaminated fluids.

Scientific and Industrial. Scientific and Industrial contamination prevention and control products and services are used in the pharmaceutical, biotechnology, medical device, research, and industrial markets worldwide. These products and services assist Customers in assuring sterility and other microbial reduction processes according to worldwide regulatory and validation requirements. The Company provides complete contamination prevention systems including steam sterilization, electron-beam, gamma radiation, vaporized hydrogen peroxide, and EO systems; high purity water systems and lyophilizers (freeze drying systems); high level disinfection and surface decontamination systems; and monitoring products.

High temperature sterilizers used by Scientific and Industrial Customers range from standard table top and mid-sized units to large room-sized custom installed units. The Company's line of low temperature infection control equipment ranges from high level disinfectants to vaporized hydrogen peroxide (VHP(R)) sterilizers. All of the Company's GMP (Good Manufacturing Practices) products are designed in accordance with the latest U.S. Pharmacopeia XXIII and European Pharmacopoeia 3rd Edition requirements. Demand for such equipment is fueled by the level of scientific research and production, particularly in the pharmaceutical and medical device industries.

Management Services. STERIS's Management Services group provides contract sterilization and microbial reduction services to manufacturers of pre-packaged products, including healthcare and consumer products. STERIS has a network of eleven gamma facilities and five ethylene oxide facilities (four of which are combined gamma/ethylene oxide) in the United States and Canada. A new electron-beam facility in Illinois began operations in fiscal 1999.

During the second quarter of fiscal 1998, STERIS completed the sale of the assets of its Management Services Division to General Electric Medical Systems, a business of General Electric Company. Prior to the sale, the Company provided after-sale field service for a wide variety of clinical and scientific equipment. STERIS is retaining its traditional service business related to servicing the Company's products, including its service agreements with selected original equipment manufacturers (OEMs).

MANUFACTURING

The Company manufactures, assembles, and packages products in Mentor, Ohio; Erie, Pennsylvania; Montgomery, Alabama; Research Triangle Park, North Carolina; St. Louis, Missouri; Cologne, Germany; Helsinki, Finland; and Quebec City, Canada. Each of the production facilities focuses on particular processes and products. Generally, infection prevention and scientific products are produced in Mentor, Ohio; Erie, Pennsylvania; Quebec City, Canada; Cologne, Germany; and Helsinki, Finland. Surgical support products are produced in Montgomery, Alabama; specialty chemical products are produced in St. Louis, Missouri; and quality assurance products are produced in Research Triangle Park, North Carolina and Mentor, Ohio. All of the Company's equipment production facilities throughout the world are ISO 9001 certified.

Raw materials, sub-assemblies, and other components essential to the Company's business are readily available within the lead times specified to vendors. The supply of such raw materials has posed no significant problem in the operation of the Company's business. All major raw materials are available from multiple sources, both domestic and foreign.

FOREIGN OPERATIONS

The Company's foreign operations are subject to the usual risks that may affect such operations. These include, among other things, exchange controls and currency restrictions, currency fluctuations, changes in local economic conditions, unsettled political conditions, and foreign government-sponsored boycotts of the Company's products or services for noncommercial reasons. Most of the identifiable assets associated with the Company's foreign operations are located in countries where the Company believes such risks to be minimal. For

certain financial information regarding the Company's international operations, see Note L-Business Segment Information to the accompanying consolidated financial statements on page 29 of this Form 10-K.

MARKETS AND METHODS OF DISTRIBUTION

STERIS has, as of March 31, 1998, over 950 direct field sales and service representatives in North America. The representatives reside in metropolitan market areas throughout the U.S. and Canada. Sales and service activities are supported by a staff of regionally based clinical specialists, systems planners, corporate account managers, and an in-house customer service and field support department.

Customer training is one of the most important aspects of the STERIS business. In addition to training at Customer locations, STERIS provides a variety of courses for Customers at the Company's training and education center. The programs enable Customer representatives to understand the science, technology, and operation of STERIS products. Many of the Operator Training Programs are approved by professional certifying organizations to offer contact hours for continuing education to eligible course participants. The first program was implemented in July 1991, and, as of March 31, 1998, approximately 14,000 Customer representatives, primarily nurses, department managers, and biomedical engineers, have received training at STERIS training and education centers.

The Company has adopted a strategy focused on employing direct sales, service, and support personnel in developed international markets while contracting with distributors in other selected markets. STERIS currently has subsidiaries or support personnel in Belgium, Canada, China, Costa Rica, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, Mexico, Singapore, Spain, and the United Kingdom. STERIS has distribution agreements with medical supply distributors in Australia, and various countries in Asia, Europe, and the Middle East.

The Company believes that one of its strengths is its broad Customer base with no single Customer accounting for more than two percent of sales during the fiscal year ended March 31, 1998. Customers that are part of a buying group generally make individual purchasing decisions and are invoiced directly by the Company.

COMPETITION

A number of methodologies and commercial products are available for general sterilization purposes. Getinge/Castle, Advanced Sterilization Products (Johnson & Johnson), and 3M Corporation are well-known U.S. companies offering products for general sterilization and disinfection. Skytron (division of KMW Group, Inc.), Getinge/Castle, and Midmark are competitors in providing general surgical tables. Berchtold Corporation, ALM Surgical Equipment, Inc., Heraeus Surgical, Inc., and Skytron are competitors in the major surgery OR light market. Competitors in sterility assurance products include Kimberly-Clark Corporation, 3M Healthcare, and Allegiance. Competitors in environmental and instrument decontamination products include Getinge/Castle, EcoLabs/Huntington, and Allegiance Healthcare Corporation. The Company's high risk and routine skin care products compete against the products of EcoLabs/Huntington, Provon (Gojo), and SaniFresh (Kimberly-Clark). Allegiance, Becton Dickinson, EcoLabs/Huntington, and Purdue Frederick are competitors in providing surgical scrubs. Competitors in the OEM service business are local and in-hospital service groups. In contract sterilization, the Company primarily competes with Griffith Biosciences, SteriGenics International, Inc., and companies that sterilize products in-house. The primary competitor for the Company's Scientific and Industrial sterilization systems is Getinge/Castle.

In the surgical support market the United States Food and Drug Administration ("FDA") has reclassified certain products from a Device II (which require a 510K application) to a Device I classification which lessens the requirements for new products. The lower regulatory barriers could accelerate new product introductions for the Company as well as improve the ability of foreign competitors to introduce products into the U.S. market and as a result increase competition.

Competition in the product markets served by the Company is based upon product design and quality, product innovation, and product serviceability that results in the greatest overall value to the Customer. In addition, there is significant price competition among various instrument preparation processes and services.

Several smaller, early-stage companies are believed to be working with a variety of other technologies and sterilizing agents, including microwave, ozone, plasma, chlorine dioxide, peracids, and formaldehyde. In addition, a number of companies have developed disposable medical instruments and other devices designed to address the risk of contamination.

STERIS anticipates that it may face increased competition in the future as new sterile processing, contamination control, and surgical support products and services enter the market. There can be no assurance that new products or services developed by the Company's competitors will not be more commercially successful than those currently developed by STERIS or that may be developed by STERIS. In addition, some of STERIS's existing or potential competitors have greater financial, technical, and human resources than the Company. Accordingly, the Company's competitors may succeed in developing and commercializing products more rapidly than the Company.

GOVERNMENT REGULATION

Many of the Company's products and manufacturing processes are subject to regulation by the United States Food and Drug Administration ("FDA"), the United States Environmental Protection Agency ("EPA"), the United States Nuclear Regulatory Commission, and other governmental authorities. Similar regulatory agencies exist in other countries with a wide variety of regulatory review processes and procedures. The Company's products are also subject to review or certification by various non-governmental certification authorities, including Underwriter's Laboratories, Canadian Standards Association, ASME, and TUV/VDE (Europe). Domestic and foreign government regulatory and certification authorities may delay or prevent product introductions, require additional studies or tests prior to product introduction, require product modifications or recalls, or mandate cessation of production and marketing of existing products. The cost of compliance with applicable regulations represents a considerable expense, and significant changes in such regulations or their interpretation could have a material adverse impact.

In the United States, the FDA regulates the introduction, manufacturing, labeling, and record keeping procedures for medical devices and drugs, including the majority of products manufactured by the Company, through marketing clearance, pre-market approvals, new drug approvals, or compliance with established monographs. The process of obtaining marketing clearance from the FDA for new products, new applications for existing products, and changes to existing products can be time-consuming and expensive. In addition, whether separate marketing clearance is required under applicable regulations for any particular product is often a matter of judgment. There is no assurance that marketing clearances will be granted, that the FDA will agree or continue to agree with all judgments made from time to time by the Company with respect to whether or not marketing clearance is required for any particular new or existing product, or that the FDA review will not involve delays that would adversely affect the Company's ability to commercialize additional products or applications for existing products. Similar approvals by comparable agencies are required in most countries. Foreign regulatory requirements may vary widely from country to country. The time required to obtain market clearance from a foreign country may be longer or shorter than that required by the FDA or other agencies, and clearance or approval or other product requirements may differ.

Even if regulatory clearances to market a product are obtained from the FDA or comparable foreign agencies, these clearances may entail limitations on the indicated uses of the product. Product clearances granted by the FDA or comparable foreign agencies can also be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial approval. The FDA could also limit or prevent the manufacture or distribution of the Company's products and has the power to require the recall of such products. FDA regulations depend heavily on administrative interpretation and there can be no assurance that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect the Company. Further, additional government regulation may be established that could prevent, delay, or result in the rejection of regulatory clearance of the Company's products. The effect of government regulation that may arise from future legislation or administrative action cannot be predicted.

The FDA, various state agencies, and foreign regulatory agencies also have the right to inspect the Company's facilities from time to time to determine whether the Company is in compliance with various

regulations relating to good manufacturing practices ("GMP Regulations"), validation, testing, quality control, and product labeling. In complying with GMP Regulations, manufacturers must continue to expend time, money, and effort in the areas of production and quality control in order to ensure full technical compliance.

Failure to comply with any applicable regulatory requirements could result in sanctions being imposed on the Company, including warning letters, injunctions, civil money penalties, failure of the FDA or comparable foreign agencies to grant pre-market clearance or pre-market approval of medical devices, product recalls, operating restrictions, and, in extreme cases, criminal sanctions.

In addition, the Company is and may be subject to regulation under state, federal, and foreign law regarding occupational safety, environmental protection, and hazardous and toxic substance control, and to other present and possible future local, state, federal, and foreign regulation. The gamma radiation and ethylene oxide sterilization activities of the Company produce virtually no harmful solid, liquid, or gaseous effluents or pollutants.

The Company believes that it is currently in conformity in all material respects with all applicable regulatory requirements. The Company has received all licenses and permits it believes necessary to conduct its current sterilization business and believes that it will be able to obtain any permits necessary for the future conduct of its sterilization business. The Company is committed to maintaining compliance with all applicable FDA, EPA, and other governmental laws, regulations and nongovernmental certification authorities.

EMPLOYEES

As of March 31, 1998, the Company employed approximately 4,500 Associates (employees). Management considers its relations with its Associates to be good.

INTELLECTUAL PROPERTY AND RESEARCH AND DEVELOPMENT

The Company protects its technology and products by, among other means, filing U.S. and foreign patent applications that it considers important to its business. There can be no assurance, however, that any patent will provide adequate protection for the technology or product it covers. In addition, the process of obtaining and protecting patents can be long and expensive. The Company also relies upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain its competitive position.

Research activities are important to the Company's business. The costs of the Company's research activities relating to the discovery and development of new products and the improvement of existing products amounted to \$23.9 million, \$22.0 million, and \$17.9 million in fiscal years 1998, 1997, and 1996, respectively. These costs are charged directly to income in the year in which incurred.

As of March 31, 1998, the Company held 198 U.S. patents and 321 foreign patents with expiration dates ranging from 1998 to the year 2016. In addition, the Company, as of March 31, 1998, had 96 U.S. patents and 211 foreign patents pending.

The Company also considers its various trademarks to be valuable in the marketing of its products. The Company has a total of 739 trademark registrations in the United States and in various foreign countries in which the Company does business.

ITEM 2. PROPERTIES

At March 31, 1998, the Company operated 20 manufacturing, distribution, and engineering facilities comprising approximately 2.0 million square feet. Substantially all such facilities are owned. Sixteen of these sites are located in the United States, with the others located in Canada, Finland, and Germany. Management believes that its facilities are adequate for operations and are maintained in good condition. At March 31, 1998, the Company leased or owned sales, service and support offices in 14 countries. The Company is confident that, if needed, it will be able to acquire additional facilities at commercially reasonable rates.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note K-Contingencies to the accompanying consolidated financial statements on page 29 of this Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the Company's 1998 fiscal year.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the executive officers of the Company.

NAME ----	AGE ---	POSITION -----
Bill R. Sanford.....	54	Chairman of the Board of Directors, President, and Chief Executive Officer
J. Lloyd Breedlove.....	50	Senior Vice President
Michael A. Keresman, III.....	40	Senior Vice President and Chief Financial Officer
David C. Dvorak.....	34	Vice President, General Counsel, and Secretary
Paul A. Zamecnik.....	38	Vice President

The following is a brief account of the business experience during the past five years of each such executive officer:

BILL R. SANFORD serves as Chairman of the Board of Directors, President, and Chief Executive Officer. He joined the Company April 1, 1987.

J. LLOYD BREEDLOVE serves as a Senior Vice President of the Company and Group President of the Company's Customer Support Group. He joined the Company as Executive Vice President in August 1991.

MICHAEL A. KERESMAN, III serves as a Senior Vice President and Chief Financial Officer. He joined the Company in January 1988 as Director of Finance and has held positions as Vice President of Finance, Vice President of Finance and Administration, Vice President of Finance and Operations, Secretary, and Vice President of Business Development.

DAVID C. DVORAK serves as Vice President, General Counsel, and Secretary. He joined the Company in June 1996. Prior to joining the Company, Mr. Dvorak served as an attorney with Thompson Hine & Flory LLP from 1994 to 1996, and with Jones, Day, Reavis & Pogue from 1991 to 1994.

PAUL A. ZAMECNIK serves as Corporate Vice President and Group President of the Product Systems Group. He joined the Company in July 1992 as Director of Marketing and was appointed Vice President with responsibility for Regulatory Affairs and Quality Systems in November 1993. He became Group President in January 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

MARKET INFORMATION AND DIVIDENDS

The Company's Common Shares are traded on the NASDAQ Stock Market under the symbol "STRL." The following table sets forth, for the periods indicated, the high and low sales prices for the Company's Common Shares as quoted by NASDAQ. These prices do not include retail markups, markdowns, or commissions.

	QUARTERS ENDED			
	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30
FISCAL 1998				
High.....	\$61.00	\$ 50.25	\$ 44.13	\$39.00
Low.....	45.31	32.25	34.38	23.50
FISCAL 1997				
High.....	\$43.38	\$ 44.00	\$ 36.00	\$35.88
Low.....	22.63	33.00	25.00	29.56

The Company has not paid any dividends on its Common Shares since its inception and does not anticipate paying any such dividends in the foreseeable future. The Company has entered into a credit agreement which includes operational conditions and financial ratio covenants that, in certain circumstances, could limit the Company's ability to pay dividends. The Company currently intends to retain all of its earnings for the operation and expansion of its businesses. At April 30, 1998, there were approximately 1,781 holders of record of the Company's Common Shares.

ITEM 6. SELECTED FINANCIAL DATA

	YEARS ENDED MARCH 31				
	1998(1)	1997(1)	1996(2)	1995(2)	1994(2)
(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF OPERATIONAL DATA:					
Net revenue.....	\$719,656	\$587,852	\$534,612	\$545,752	\$535,718
Gross profit.....	324,558	231,845	202,701	204,824	208,595
Non-recurring expenses.....		90,831		26,996	4,950
Income (loss) from operations.....	112,614	(6,487)	69,731	38,645	59,438
Income (loss) from continuing operations.....	65,496	(30,606)	40,790	15,736	32,715
Loss from discontinued operation....				(51,658)	(14,353)
Loss on the extinguishment of debt.....				(1,655)	
Cumulative effect of change in accounting for income taxes.....					1,220
Net income (loss).....	\$ 65,496	\$(30,606)	\$ 40,790	\$(37,577)	\$ 19,582
Income (loss) per Common Share					
-basic					
From continuing operations.....	\$ 1.93	\$ (0.91)	\$ 1.25	\$ 0.51	\$ 1.07
From discontinued operation....				(1.67)	(0.47)
From extinguishment of debt....				(0.05)	
From change in method of accounting for income taxes.....					0.04
Net income (loss).....	\$ 1.93	\$ (0.91)	\$ 1.25	\$ (1.21)	\$ 0.64

YEARS ENDED MARCH 31

	1998(1)	1997(1)	1996(2)	1995(2)	1994(2)
(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Shares used in computing net income (loss) per share--basic.....	33,949	33,678	32,511	31,024	30,592
Income (loss) per Common Share -diluted					
From continuing operations.....	\$ 1.87	\$ (0.91)	\$ 1.17	\$ 0.47	\$ 0.99
From discontinued operation....				(1.54)	(0.44)
From extinguishment of debt....				(0.05)	
From change in method of accounting for income taxes.....					0.04
Net income (loss).....	\$ 1.87	\$ (0.91)	\$ 1.17	\$ (1.12)	\$ 0.59
Shares used in computing net income (loss) per share-- diluted.....	35,112	33,678	34,857	33,536	32,977
BALANCE SHEET DATA:					
Working Capital.....	\$174,678	\$143,734	\$231,996	\$177,470	\$202,928
Total assets.....	732,325	539,455	592,697	535,454	567,312
Long-term debt.....	152,879	35,879	102,631	103,585	152,910
Total liabilities.....	373,373	244,739	288,638	297,645	305,226
Total shareholders' equity.....	358,952	294,716	304,059	237,809	262,086

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(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Fiscal Year 1998 Compared to Fiscal Year 1997."

(2) Includes the combined results of STERIS and Amsco on a pooling-of-interests basis.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL YEAR 1998 COMPARED TO FISCAL YEAR 1997

Net revenues increased by 22.4% to \$719.7 million in fiscal 1998 from \$587.9 million in fiscal 1997. Infection Prevention revenues increased by 21.5% to \$389.6 million in fiscal 1998 from \$320.7 million in fiscal 1997. Surgical Support revenues increased by 23.1% to \$158.2 million in fiscal 1998 from \$128.5 million in fiscal 1997. Scientific and Industrial revenues increased by 21.4% to \$123.1 million in fiscal 1998 from \$101.4 million in fiscal 1997. Management Services revenues increased by 30.9% to \$48.7 million in fiscal 1998 from \$37.2 million in fiscal 1997. The increases were due principally to higher sales of capital equipment and consumable products as well as higher Management Services revenues through the acquisition of Isomedix. (See Note-A--Accounting Policies--Business Combinations to the accompanying consolidated financial statements on page 20 of this Form 10-K.) In addition to higher sales of previously existing products, a portion of the increase in sales of consumable products was a result of the full year effect of the December 1996 acquisition of the assets of the infection prevention and contamination prevention businesses of Calgon Vestal Laboratories, and the fiscal second quarter 1997 acquisition of Surgicot, Inc., a manufacturer and supplier of biological and chemical sterile process monitors, sterilization wraps and pouches, and other quality assurance products. Revenues related to the Infection Prevention, Surgical Support, and Scientific and Industrial classifications each include revenues from capital equipment, consumable products, and services.

The cost of products and services sold increased by 11.0% to \$395.1 million in fiscal 1998 from \$356.0 million in fiscal 1997. The cost of products and services sold as a percentage of net revenues was 54.9% in fiscal 1998 compared to 60.6% in fiscal 1997. The decrease in the cost of products and services sold as a percentage of net revenues in fiscal 1998 resulted principally from improved overhead absorption from plant consolidation and volume increases, vertical integration, favorable changes in the mix of products sold, and the benefits from the restructuring of the acquired and merged businesses.

Selling, informational, and administrative expenses increased in fiscal 1998 by 49.8% to \$188.0 million from \$125.5 million in fiscal 1997. The increase was primarily attributable to investments in Customer Support, direct sales efforts in key global markets, business development and management information systems as well as the inclusion of selling, informational, and administrative expenses of acquired companies.

Research and development expenses increased by 8.8% to \$23.9 million in fiscal 1998 from \$22.0 million in fiscal 1997. Research and development expenses as a percentage of net revenues were 3.3% in fiscal 1998 compared to 3.7% in fiscal 1997.

Non-recurring charges of \$81.3 million net of tax (\$90.8 million pre-tax), or \$2.44 per share, were recorded in the 1997 fiscal first quarter for costs connected to the Amsco Merger. The charges include transaction costs of \$15.0 million and restructuring charges of \$66.3 million net of tax.

Interest expense increased by 113.7% to \$6.2 million in fiscal 1998 from \$2.9 million in fiscal 1997. The increase was due to the additional borrowing under the Credit Facility for the purchase of Isomedix common shares.

Interest income and other decreased by 78.4% to \$1.0 million in fiscal 1998 from \$4.5 million in fiscal 1997. The decrease in interest income was due primarily to lower cash, cash equivalents, and marketable security balances, with the lower balances resulting from the July 1996 redemption of approximately \$100 million of Amsco 4.5%/6.5% Convertible Subordinated Notes.

Excluding the effect of non-recurring items, income increased by 29.2% to \$65.5 million (\$1.87 per diluted share) in fiscal 1998 from \$50.7 million (\$1.43 per share) in fiscal 1997.

The effective income tax rate for fiscal year 1997 differed from statutory rates principally because certain non-recurring items that increased the net loss are non-deductible for tax purposes. Non-deductible items include the write-off of goodwill related to Amsco's Finn-Aqua business and provisions for certain executive severance costs. Also, additional tax valuation allowances were provided to reflect the effects of merger activities.

As a result of the foregoing factors, net income for fiscal 1998 was \$65.5 million compared to a net loss for fiscal 1997 of \$30.6 million.

FISCAL YEAR 1997 COMPARED TO FISCAL YEAR 1996

Fiscal year 1996 was restated to include the combined results of STERIS and Amsco on a pooling-of-interests basis.

Net revenues increased by 10.0% to \$587.9 million in fiscal 1997 from \$534.6 million in fiscal 1996. Infection Prevention revenues increased by 10.6% to \$320.7 million in fiscal 1997 from \$290.0 million in fiscal 1996. Surgical Support revenues increased by 14.3% to \$128.5 million in fiscal 1997 from \$112.4 million in fiscal 1996. Scientific and Industrial revenues increased by 0.3% to \$101.4 million in fiscal 1997 from \$101.1 million in fiscal 1996. Management Services revenues increased by 19.9% to \$37.2 million in fiscal 1997 from \$31.1 million in fiscal 1996. The increases were due principally to changes in volume.

The cost of products and services sold increased by 7.3% to \$356.0 million in fiscal 1997 from \$331.9 million in fiscal 1996. The cost of products and services sold as a percentage of net revenues was 60.6% in fiscal 1997 compared to 62.1% in fiscal 1996. The decrease in the cost of products and services sold as a percentage of net revenues in fiscal 1997 resulted principally from cost savings from the effects of restructuring, the implementation of cost control measures, increases in volume, and changes in the mix of products sold.

Selling, informational, and administrative expenses increased in fiscal 1997 by 9.1% to \$125.5 million from \$115.0 million in fiscal 1996.

Research and development expenses increased by 22.5% to \$22.0 million in fiscal 1997 from \$17.9 million in fiscal 1996. Research and development expenses as a percentage of net revenues were 3.7% in fiscal 1997 compared to 3.4% in fiscal 1996. The increases were due to additional product and application development expenditures.

Non-recurring charges of \$81.3 million net of tax (\$90.8 million pre-tax), or \$2.44 per share, were recorded in the 1997 fiscal first quarter for costs connected to the Amsco Merger. The charges include transaction costs of \$15.0 million and restructuring charges of \$66.3 million net of tax. The transaction costs are for legal, accounting, investment banking, and related expenses. The restructuring charges are for (i) elimination of

redundant facilities and other assets (\$27.0 million), (ii) satisfaction of Amsco executive employment agreements and other employee severance (\$19.3 million), (iii) write-off of goodwill related to Amsco's Finn-Aqua business (\$27.3 million), and (iv) other merger-related items. Cash payments for fiscal 1997 related principally to transaction costs, executive employment agreements, and Associate severance.

Interest expense decreased by 52.9% to \$2.9 million in fiscal 1997 from \$6.2 million in fiscal 1996. The decrease was due primarily to the July 1996 redemption of approximately \$100 million of Amsco 4.5%/6.5% Convertible Subordinated Notes.

Interest income and other decreased by 29.2% to \$4.5 million in fiscal 1997 from \$6.4 million in fiscal 1996. The decrease in interest income was due primarily to lower cash, cash equivalents, and marketable security balances, with the lower balances resulting from the cash redemption of the aforementioned Amsco Convertible Subordinated Notes.

Excluding the effect of non-recurring items, income increased by 24.3% to \$50.7 million (\$1.43 per share) in fiscal 1997 from \$40.8 million (\$1.17 per share) in fiscal 1996.

The effective income tax rate for fiscal year 1997 differed from statutory rates principally because certain non-recurring items that increased the net loss are non-deductible for tax purposes. Non-deductible items include the write-off of goodwill related to Amsco's Finn-Aqua business and provisions for certain executive severance costs. Also, additional tax valuation allowances were provided to reflect the effects of merger activities.

As a result of the foregoing factors, the net loss for fiscal 1997 was \$30.6 million, compared to net income of \$40.8 million for fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1998, the Company had \$17.2 million in cash, and cash equivalents, compared to \$23.6 million of cash, cash equivalents, and marketable securities at March 31, 1997. The decrease was primarily a result of the cash paid for the acquisitions of Isomedix and Joslyn and the purchases of property, plant, and equipment offset by cash received through borrowings under the Credit Facility and the sale of assets.

At March 31, 1998, the Company had accounts receivable of \$204.0 million, compared to \$164.2 million at March 31, 1997. The increase was primarily attributable to increased revenues in the fourth quarter fiscal 1998 compared to the fourth quarter fiscal 1997.

At March 31, 1998, the Company had inventory of \$91.0 million, compared to \$78.8 million at March 31, 1997. The increase was necessary to support the increase in product sales.

Property, plant, and equipment increased by 63.5% to \$289.7 million as of March 31, 1998, compared to \$177.2 million at March 31, 1997. The increase was due primarily to the increases resulting from acquired businesses that were accounted for using the purchase method of accounting, the investment in information systems, plant and equipment, and facility renovations, partially offset by the sale of certain assets.

Intangibles increased by 29.0% to \$240.5 million as of March 31, 1998, compared to \$186.4 million at March 31, 1997. The change resulted primarily because of an increase related to goodwill and intangibles of acquired companies.

Net deferred tax assets decreased by 26.2% to \$29.3 million as of March 31, 1998, compared to \$39.8 million at March 31, 1997. The decrease was due primarily to the effect of the acquisitions of companies during the year.

Current liabilities increased by 8.5% to \$169.7 million as of March 31, 1998, compared to \$156.3 million at March 31, 1997.

Other liabilities were \$50.8 million as of March 31, 1998, compared to \$52.6 million of the same at March 31, 1997.

During the first fiscal quarter 1998, STERIS increased the amount available for borrowing under its unsecured revolving Credit Facility from \$125 million to \$215 million. The amended Credit Facility expires September 30, 2001 and may be used for general corporate purposes. Loans under the Credit Facility will bear interest, at STERIS's option, at either KeyBank National Association's prime rate or LIBOR rates plus 0.25 percent to 0.35 percent, which amounted to 6.0 percent and 5.8 percent at March 31, 1998 and 1997, respectively.

The Credit Facility contains customary covenants which include maintenance of certain financial ratios. As of March 31, 1998, \$131 million was available for dividend distributions under these provisions. Outstanding borrowings under the Credit Facility were \$145 million and \$35 million at March 31, 1998 and 1997, respectively.

The Company has no material commitments for capital expenditures. The Company believes that its cash requirements will increase due to increased sales requiring more working capital, accelerated research and development, and potential acquisitions or investments in complementary businesses. However, the Company believes that its available cash, cash flow from operations, and sources of credit will be adequate to satisfy its capital needs for the foreseeable future.

The overall effects of inflation on the Company's business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

The overall effects of foreign currency exchange rates on the Company's business during the periods discussed have not been significant. Movements in foreign currency exchange rates create a degree of risk to the Company's operations. These movements affect the U.S. dollar value of sales made in foreign currencies, and the U.S. dollar value of costs incurred in foreign currencies. Changing currency exchange rates also affect the company's competitive position, as exchange rate changes may affect profitability and business and/or pricing strategies of non-U.S. based competitors.

CONTINGENCIES

For a discussion of contingencies, see Note K to the consolidated financial statements.

IMPACT OF THE YEAR 2000

Some of the Company's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software that recognize a date using "00" as the year 1900 rather than the year 2000. Without corrective actions, this could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has a program to address concerns regarding the impact of the year 2000. Operating expenses include costs incurred in preparing systems and applications for the year 2000. The Company expects to incur internal staff costs as well as consulting and other expenses related to the conversion and testing of the systems and applications. These costs, which are expensed as incurred, have been immaterial to date. These costs and the occurrence of the year 2000 are not expected to have a material impact on the Company's earnings in the future.

FORWARD-LOOKING STATEMENTS

This discussion contains statements concerning certain trends and other forward-looking information affecting or relating to the Company and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. There are many important factors that could cause actual results to differ materially from those in the forward-looking statements. Many of these important factors are outside STERIS's control. Changes in market conditions, including competitive factors and changes in government regulations, could cause actual results to differ materially from the Company's expectations. No assurance can be provided as to any future financial results. Other potentially negative factors that could cause actual results to differ materially from those in the forward-looking statements include (a) the possibility that the continuing integration of acquired businesses will take longer than anticipated, (b) the potential for increased pressure on pricing that leads to erosion of profit margins, (c) the possibility that market demand will not develop for new technologies, products, and applications, (d) the potential effects of fluctuations in foreign currencies, and (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company's products.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
STERIS Corporation

We have audited the accompanying consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of STERIS Corporation and subsidiaries as of March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Cleveland, Ohio
April 20, 1998

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	MARCH 31	
	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 17,172	\$ 20,576
Marketable securities.....		2,977
Accounts receivable (net of allowances of \$6,780 and \$3,810, respectively).....	203,992	164,163
Inventories.....	90,998	78,762
Current portion of deferred income taxes.....	23,609	24,888
Prepaid expenses and other assets.....	8,561	8,676
TOTAL CURRENT ASSETS.....	344,332	300,042
Property, plant, and equipment.....	289,658	177,184
Accumulated depreciation.....	(84,366)	(74,332)
Net property, plant, and equipment.....	205,292	102,852
Intangibles.....	240,488	186,417
Accumulated amortization.....	(66,516)	(67,032)
Net intangibles.....	173,972	119,385
Deferred income taxes.....	5,710	14,862
Other assets.....	3,019	2,314
TOTAL ASSETS.....	\$732,325	\$539,455
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term indebtedness.....	\$ 2,200	\$ 12
Accounts payable.....	37,213	39,323
Accrued expenses and other.....	130,241	116,973
TOTAL CURRENT LIABILITIES.....	169,654	156,308
Long-term indebtedness.....	152,879	35,879
Other liabilities.....	50,840	52,552
TOTAL LIABILITIES.....	373,373	244,739
Shareholders' equity:		
Serial preferred shares, without par value, 3,000 shares authorized; no shares outstanding		
Common Shares, without par value, 100,000 shares authorized; issued and outstanding shares of 34,010 at March 31, 1998 and 33,984 at March 31, 1997, excluding 229 and 255 treasury shares, respectively.....	230,477	231,278
Retained earnings.....	135,009	69,513
Cumulative translation adjustment.....	(6,534)	(6,075)
TOTAL SHAREHOLDERS' EQUITY.....	358,952	294,716
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$732,325	\$539,455
	=====	=====

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED MARCH 31		
	1998	1997	1996
Net revenues.....	\$719,656	\$587,852	\$534,612
Cost of products sold.....	395,098	356,007	331,911
GROSS PROFIT.....	324,558	231,845	202,701
Cost and expenses:			
Selling, informational, and administrative.....	188,030	125,515	115,029
Research and development.....	23,914	21,986	17,941
Non-recurring items.....		90,831	
	211,944	238,332	132,970
INCOME (LOSS) FROM OPERATIONS.....	112,614	(6,487)	69,731
Interest expense.....	(6,239)	(2,919)	(6,202)
Interest income and other.....	980	4,544	6,420
INCOME (LOSS) BEFORE INCOME TAXES.....	107,355	(4,862)	69,949
Income taxes.....	41,859	25,744	29,159
NET INCOME (LOSS).....	\$ 65,496	\$(30,606)	\$ 40,790
	=====	=====	=====
NET INCOME (LOSS) PER SHARE -- BASIC.....	\$ 1.93	\$ (0.91)	\$ 1.25
	=====	=====	=====
NET INCOME (LOSS) PER SHARE -- DILUTED.....	\$ 1.87	\$ (0.91)	\$ 1.17
	=====	=====	=====

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEARS ENDED MARCH 31		
	1998	1997	1996
OPERATING ACTIVITIES			
Net income (loss).....	\$ 65,496	\$ (30,606)	\$ 40,790
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	24,202	18,681	19,694
Deferred income taxes.....	7,446	(12,173)	7,471
Non-recurring items.....		55,944	
Other items.....	(5,577)	(664)	1,550
Changes in operating assets and liabilities:			
Accounts receivable.....	(31,945)	(33,559)	4,090
Inventories.....	(11,311)	5,086	5,802
Other assets.....	368	2,645	(2,550)
Accounts payable and accruals.....	(30,127)	(4,121)	(9,648)
Other liabilities.....	(6,559)	15,053	2,610
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	11,993	16,286	69,809
INVESTING ACTIVITIES			
Purchases of property, plant, equipment, and patents....	(39,181)	(20,468)	(15,143)
Sales of assets.....	43,084		
Investment in businesses, net of cash acquired.....	(126,505)	(82,586)	(6,191)
Proceeds from notes receivable.....		8,438	
Purchases of marketable securities.....		(6,970)	(12,678)
Proceeds from sales of marketable securities.....	2,977	13,231	16,749
NET CASH USED IN INVESTING ACTIVITIES.....	(119,625)	(88,355)	(17,263)
FINANCING ACTIVITIES			
Payments on long term obligations.....	(4,512)	(106,802)	(1,080)
Borrowing under line of credit.....	110,000	40,000	
Purchase of treasury shares.....	(10,051)	(11,418)	
Proceeds from exercise of stock options.....	6,584	27,807	10,732
Tax benefits from exercise of stock options.....	2,666	5,138	12,477
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....	104,687	(45,275)	22,129
Effect of exchange rate changes on cash and cash equivalents.....	(459)	(2,869)	2,039
(Decrease) increase in cash and cash equivalents.....	(3,404)	(120,213)	76,714
Cash and cash equivalents at beginning of period.....	20,576	140,789	64,075
Cash and cash equivalents at end of period.....	\$ 17,172	\$ 20,576	\$ 140,789

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS)

	COMMON SHARES		RETAINED EARNINGS	CUMULATIVE TRANSLATION AND OTHER	TOTAL SHAREHOLDERS EQUITY
	NUMBER	AMOUNT			
BALANCE AT MARCH 31, 1995.....	31,654	\$182,179	\$ 59,329	\$(3,699)	\$237,809
Net income.....			40,790		40,790
Foreign currency translation adjustment (including taxes of \$265).....				493	493
Comprehensive income.....					41,283
Stock options exercised.....	1,332	10,732			10,732
Tax benefit of stock options exercised.....		12,477			12,477
Restricted Stock Award and options issued at a discounted price.....		4,363		(4,363)	0
Amortization of Restricted Stock Award and options issued at a discounted price.....				1,758	1,758
BALANCE AT MARCH 31, 1996.....	32,986	209,751	100,119	(5,811)	304,059
Net loss.....			(30,606)		(30,606)
Foreign currency translation adjustment (including taxes of \$1,545).....				(2,869)	(2,869)
Comprehensive loss.....					(33,475)
Stock options exercised.....	1,448	27,807			27,807
Tax benefit of stock options exercised.....		5,138			5,138
Treasury shares purchased.....	(450)	(11,418)			(11,418)
Amortization of Restricted Stock Award and options issued at a discounted price.....				2,605	2,605
BALANCE AT MARCH 31, 1997.....	33,984	231,278	69,513	(6,075)	294,716
Net income.....			65,496		65,496
Foreign currency translation adjustment (including taxes of \$247).....				(459)	(459)
Comprehensive income.....					65,037
Stock options exercised.....	326	6,584			6,584
Tax benefit of stock options exercised.....		2,666			2,666
Treasury shares purchased.....	(300)	(10,051)			(10,051)
BALANCE AT MARCH 31, 1998.....	34,010	\$230,477	\$135,009	\$(6,534)	\$358,952

See notes to consolidated financial statements

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED MARCH 31, 1998 AND 1997

A. ACCOUNTING POLICIES

STERIS Corporation (the "Company" or "STERIS") develops, manufactures, and markets infection prevention, contamination prevention, microbial reduction, and surgical support systems, products, services, and technologies for healthcare, scientific, research, food, and industrial Customers throughout the world.

BUSINESS COMBINATIONS

On May 13, 1996, STERIS merged with Amsco International, Inc. ("Amsco") in a tax-free, stock-for-stock transaction (the "Amsco Merger"). The Amsco Merger has been accounted using the pooling-of-interests method. Accordingly, the accompanying consolidated financial statements give retroactive effect to the transaction and include the combined operations of STERIS and Amsco for all periods presented. In addition, the historical financial information of Amsco (previously reported using fiscal years ending December 31) has been recast to conform to STERIS's annual reporting period ending March 31.

In accordance with the merger agreement, each outstanding share of Amsco common stock was converted on a tax-free basis into 0.46 of a Common Share of STERIS, resulting in the issuance of approximately 15,200,000 STERIS Common Shares. Summarized operating results of the separate entities for the period prior to the Amsco Merger follow:

	STERIS	AMSCO	COMBINED
	-----	-----	-----
YEAR ENDED MARCH 31, 1996:			
Net revenues.....	\$91,192	\$443,420	\$534,612
Income from operations.....	20,279	49,452	69,731
Net income.....	12,794	27,996	40,790

On September 17, 1997, pursuant to an offer to purchase the publicly traded common stock of Isomedix Inc., the Company acquired all of the shares of common stock of Isomedix Inc. in exchange for cash of \$134,102. Isomedix is a leading provider of contract sterilization and microbial reduction services, with gamma irradiation, ethylene oxide, and electron-beam processing facilities across North America. The acquisition has been accounted for as a purchase transaction. The following is a preliminary allocation of the purchase price:

Current assets.....	\$ 21,633
Property, plant, and equipment.....	94,546
Excess purchase price over net assets acquired.....	56,978
Other assets.....	3,284
Current liabilities.....	(31,519)
Long-term debt.....	(7,900)
Deferred income taxes.....	(2,920)

Total cost of acquisition.....	\$134,102
	=====

The following unaudited pro forma results of operations assume the acquisition occurred on April 1, 1996. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED MARCH 31	
	1998	1997
Net revenues.....	\$740,926	\$633,085
Income (loss) from continuing operations.....	\$ 65,393	\$(30,873)
Income (loss) from discontinued operations.....	200	(2,394)
Net income (loss).....	\$ 65,593	\$(33,267)
Income (loss) from continuing operations per share -- diluted.....	\$ 1.86	\$ (0.92)
Net income (loss) per share -- diluted.....	\$ 1.87	\$ (0.99)

In July 1997, STERIS acquired Joslyn Sterilizer Corporation, a designer and manufacturer of high quality, high performance sterile processing systems based upon widely accepted steam and gas sterilization methodologies. The acquisition was accounted for as a purchase transaction and did not have a material effect on the operations of the Company.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation. Certain reclassifications have been made to the Company's prior year financial statements to agree with current year classifications.

CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist exclusively of interest-bearing savings accounts and U.S. government securities.

Supplemental disclosure of cash flow information follows:

	YEARS ENDED MARCH 31		
	1998	1997	1996
Cash paid during the year for:			
Interest.....	\$ 5,885	\$ 6,130	\$ 4,922
Income taxes.....	\$27,193	\$17,286	\$12,445

REVENUES

The Company's net revenues include revenues earned on product sales and related after-sales, third-party service contracts and long-term construction contracts. The Company recognizes product revenues upon shipment to a location designated by the Customer. After-sales and third-party service contract revenues are recognized upon completion of the work. Advance billings for products or service work are recorded as deferred revenue until earned. Revenue on long-term construction contracts is recognized on the percentage-of-completion basis, using the cost-to-cost method. Accrued revenue for contracts accounted for on the percentage-of-completion basis accounted for less than one percent of fiscal 1998 net revenues.

The Company performs periodic credit evaluations of its Customers' financial condition and generally does not require collateral on sales. The Company principally sells to health care institutions with no single Customer accounting for more than two percent of sales during the year ended March 31, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

FOREIGN CURRENCY TRANSLATION

The accounts of the Company's foreign subsidiaries are recorded in the currency of the country in which they operate. All balance sheet accounts except stockholders' equity are translated at current exchange rates, and revenue and expense items are translated at rates of exchange prevailing during the year. Gains and losses resulting from the translation of foreign currency financial statements, which amounted to \$6,534 and \$6,075 as of March 31, 1998 and 1997, respectively, represent other comprehensive income and are reflected in the cumulative translation adjustment component of stockholders' equity.

B. INVENTORIES

Inventories are stated at cost, which did not exceed market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represent 54% of the inventory at March 31, 1998 and 1997. Inventory costs include material, labor and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$9,087 and \$10,934 higher than those reported at March 31, 1998 and 1997, respectively. Inventories were as follows:

	MARCH 31	
	1998	1997
Raw material.....	\$33,007	\$30,027
Work in process.....	17,666	15,240
Finished goods.....	40,325	33,495
	\$90,998	\$78,762
	=====	=====

C. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost, less accumulated depreciation. The Company provides for depreciation of the net carrying cost less anticipated salvage value over the estimated remaining useful lives of property, plant, and equipment, principally by using the straight-line method. Depreciation of radioisotope is determined by use of the annual decay factor inherent in the material, which is similar to the sum-of-the-years-digits method. Depreciation expense was approximately \$18,929, \$11,147 and \$11,728 for the years ended

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

March 31, 1998, 1997 and 1996, respectively. Expenditures that increase the value or productive capacity of assets are capitalized. Property, plant, and equipment consist of the following:

	MARCH 31	
	1998	1997
ASSET (ASSET LIVES)		
Land and land improvements (12 years).....	\$ 12,512	\$ 3,110
Buildings and leasehold improvements (7-50 yrs).....	91,426	62,558
Machinery and equipment (3-15 years).....	149,473	111,516
Radioisotope (20 years).....	36,247	0
TOTAL.....	289,658	177,184
Less: accumulated depreciation.....	84,366	74,332
PROPERTY, PLANT, AND EQUIPMENT, NET.....	\$205,292	\$102,852

Rental expense under all leases was approximately \$11,727, \$10,784 and \$10,708 for the years ended March 31, 1998, 1997 and 1996, respectively. Operating leases relate principally to warehouse and office space, service facilities, vehicles, equipment and communication systems. Future minimum annual rentals payable under noncancelable leases in fiscal 1999, 2000, 2001, 2002, 2003, and thereafter are \$9,527, \$8,130, \$6,812, \$4,211, \$1,314, and \$1,001, respectively.

D. INTANGIBLE ASSETS

Costs incurred to obtain product technology rights, including patents, have been capitalized and are being amortized over their estimated useful lives of five to seventeen years using the straight-line method. The Company currently provides for the amortization of intangible assets, including goodwill, over lives ranging from 5-40 years. Intangible assets consist of the following:

	MARCH 31	
	1998	1997
ASSETS (AMORTIZATION PERIOD)		
Goodwill, net of accumulated amortization of \$19,542 and \$20,700, respectively (35-40 years).....	\$163,752	\$105,578
Patents, trademarks and other intangible assets, net of accumulated amortization of \$46,974 and \$46,332, respectively (5-17 years).....	10,220	13,807
TOTAL.....	\$173,972	\$119,385

In September 1997, STERIS purchased the common shares of Isomedix Inc., a leading provider of contract sterilization and microbial reduction services, with gamma irradiation, ethylene oxide, and electron-beam processing facilities across North America. The acquisition was accounted for using the purchase method of accounting and resulted in an increase in goodwill of \$56,978.

In July 1997, STERIS acquired the assets of Joslyn Sterilizer Corporation, a privately held designer and manufacturer of high quality, high performance sterile processing systems based upon widely accepted steam and gas sterilization methodologies. The acquisition was accounted for using the purchase method of accounting and resulted in an increase in goodwill of \$6,760.

In late December 1996, STERIS completed the acquisition of the assets of the infection prevention and contamination prevention businesses of Calgon Vestal Laboratories from Bristol-Myers Squibb Company. The acquisition expands STERIS's consumable product lines for surface cleaning and decontamination. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

acquisition was accounted for using the purchase method of accounting and resulted in an increase in goodwill of \$52,979.

During the second quarter of fiscal 1997, STERIS acquired Surgicot, Inc., a privately held manufacturer and supplier of biological and chemical sterile process monitors, sterilization wraps and pouches, and other consumable infection prevention products for the health care and scientific markets. The acquisition was accounted for using the purchase method of accounting and resulted in an increase in goodwill of \$4,126.

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any intangible may warrant revision or that the remaining balance of the intangible may not be recoverable. When factors indicate that the intangibles should be evaluated for possible impairment, the Company uses an estimate of the related operation's cash flow from operations over the remaining life to determine recoverability.

E. FINANCIAL INSTRUMENTS

Long-term indebtedness was as follows:

	MARCH 31	
	1998	1997
Credit Facility.....	\$145,000	\$35,000
Other debt.....	10,079	891
Total.....	155,079	35,891
Less current portion.....	2,200	12
Long-term portion.....	\$152,879	\$35,879

During the first fiscal quarter 1998, STERIS increased the amount available for borrowing under its unsecured revolving Credit Facility from \$125,000 to \$215,000. The amended Credit Facility expires September 30, 2001 and may be used for general corporate purposes. Loans under the Credit Facility will bear interest, at STERIS's option, at either KeyBank National Association's prime rate or LIBOR rates plus 0.25 percent to 0.35 percent, which amounted to 6.0 percent and 5.8 percent at March 31, 1998 and 1997, respectively. The Credit Facility contains customary covenants which include maintenance of certain financial ratios. As of March 31, 1998, \$131,000 was available for dividend distributions under these provisions. Outstanding borrowings under the Credit Facility were \$145,000 and \$35,000 at March 31, 1998 and 1997, respectively.

Additional obligations consist mainly of industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index. These bond agreements contain various covenants relating to minimum capitalization, net worth, and working capital. At March 31, 1998, outstanding obligations under the industrial development revenue bonds were \$7,800, with a weighted average interest rate of 4.6 percent. Amounts payable for long-term debt in fiscal 1999, 2000, 2001, 2002, 2003, and thereafter are \$2,200, \$900, \$700, \$145,700, \$1,279, and \$4,300, respectively.

During the first fiscal quarter 1999, STERIS entered into a six month \$85,000 line of credit with substantially the same terms and conditions as the Credit Facility. The line of credit expires September 30, 1998 and there were no outstanding borrowings at March 31, 1998.

As of March 31, 1998 and 1997, the Company was contingently liable in the amount of \$15,980 and \$27,200, respectively, under standby letters of credit and guarantees. Approximately \$11,500 of the totals at March 31, 1998 and 1997 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The fair value of the Company's financial instruments, including long-term indebtedness and cash, and cash equivalents that amounted to \$17,172 and \$23,553 as of March 31, 1998 and 1997, respectively, approximated their carrying values.

On January 30, 1997, the Company announced that its Board of Directors had authorized the periodic repurchase of up to three million STERIS Common Shares in the open market. As of March 1998, the Company had repurchased 750,000 STERIS Common Shares.

F. ACCRUED EXPENSES AND OTHER

Accrued expenses and other consisted of the following:

	MARCH 31	
	1998	1997
Accrued warranty and product upgrade costs.....	\$ 13,646	\$ 12,390
Accrued self insured retention.....	9,045	11,200
Accrued associate compensation.....	18,082	15,185
Accrued taxes.....	33,147	20,006
Other accruals.....	56,321	58,192
TOTAL.....	\$130,241	\$116,973

G. INCOME TAXES

The Company records the effect of income taxes using the liability method. Income (loss) from continuing operations before income taxes was as follows:

	MARCH 31		
	1998	1997	1996
U. S. operations.....	\$110,755	\$ 2,995	\$70,628
Non-U. S. operations.....	(3,400)	(7,857)	(679)
	\$107,355	\$(4,862)	\$69,949

The components of the provision for income taxes consisted of the following:

	MARCH 31		
	1998	1997	1996
Current provision:			
U.S. federal.....	\$24,545	\$29,247	\$13,470
U.S. state and local.....	4,465	2,471	3,198
Non-U.S.....	2,742	1,061	1,069
Total current provision.....	31,752	32,779	17,737
Deferred expense (benefit).....	7,441	(12,173)	(1,055)
Taxes allocated to contributed capital for stock options exercised.....	2,666	5,138	12,477
Total provision for income taxes.....	\$41,859	\$25,744	\$29,159

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The total provision for income taxes can be reconciled to the tax computed at the U.S. federal statutory rate as follows:

	MARCH 31		
	1998	1997	1996
Tax computed at the U.S. federal statutory tax rate...	\$37,574	\$(1,702)	\$24,482
Merger and related costs for which no tax benefit was provided.....	0	22,260	0
State and local taxes, net of federal income tax benefit.....	2,902	1,606	2,079
Amortization of excess cost over net assets acquired.....	530	831	870
Valuation allowance, net.....	0	1,646	513
Difference in non-U.S. tax rates.....	532	500	554
All other, net.....	321	603	661
Total provision for income taxes.....	\$41,859	\$25,744	\$29,159

The significant components of the deferred tax assets and liabilities recorded in the accompanying balance sheets at March 31, 1998 and 1997, were as follows:

	MARCH 31	
	1998	1997
DEFERRED TAX ASSETS		
Post-retirement benefit accrual.....	\$ 17,029	\$ 17,397
Net operating loss carryforwards.....	1,339	7,990
Accrued expenses and other.....	33,789	29,238
Gross deferred tax assets.....	52,157	54,625
Valuation allowance.....	(1,339)	(7,990)
Total deferred tax assets.....	\$ 50,818	\$ 46,635
DEFERRED TAX LIABILITIES		
Plant & equipment.....	\$(13,031)	\$ (450)
Intangibles.....	(2,802)	(3,519)
Inventory.....	(538)	(246)
Other.....	(5,128)	(2,670)
Total deferred tax (liabilities).....	\$(21,499)	\$ (6,885)

For tax return purposes, certain subsidiaries, both U.S. and non-U.S., had operating loss carryforwards of \$3,827. Carryforwards of \$311 have no expiration dates and the balance expires at various dates from 2001 through 2006. The valuation allowance applies to net operating loss carryforwards that may expire before the Company can utilize them. The net change in deferred tax assets related to carryforwards and the valuation allowance for the year ended March 31, 1998 was a decrease of \$6,651, primarily due to the effect of foreign restructuring and application of the "check the box" regulations.

At March 31, 1998, undistributed earnings of non-U.S. subsidiaries included in consolidated retained earnings amounted to \$29,000. These earnings are indefinitely reinvested in non-U.S. operations. Accordingly, no provision has been made for withholding taxes related to such earnings, nor is it practicable to determine the amount of this liability.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

H. PENSION PLANS

The Company administers a defined contribution 401(k) Plan (the "Plan") for eligible Associates. During fiscal 1997, the Company amended the Plan to allow for matching contributions as determined by the Board of Directors. Matching contributions were \$2,936 and \$1,117 for fiscal 1998 and 1997, respectively. In addition, the Company had administered the Amsco Employees' Retirement Account (the "AERA"). The AERA was merged into the Plan during fiscal 1998. Contribution expense for AERA amounted to \$1,862 and \$3,165 in fiscal 1997 and 1996, respectively.

The Company also has a defined benefit pension plan which covers substantially all domestic bargaining unit Associates and provides pension benefits of stated amounts for each year of service of the Associate. The Company also has defined benefit plans which cover substantially all bargaining and non-bargaining Associates of the Company's subsidiaries in Finland and Germany, as well as certain other foreign distribution entities. The Company's funding methodologies differ from those used to recognize pension expense in the accompanying financial statements. Net periodic pension cost includes the following components:

	MARCH 31					
	1998		1997		1996	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Service cost: benefits earned during the period.....	\$ 908	\$ 81	\$ 517	\$168	\$ 464	\$139
Interest cost on projected benefit obligation.....	2,574	127	2,133	94	2,089	95
Actual return on assets.....	(9,692)	0	(2,863)	(12)	(7,066)	(14)
Net amortization and deferral.....	7,080	0	577	0	5,323	0
Net periodic pension cost.....	\$ 870	\$208	\$ 364	\$250	\$ 810	\$220

The following table sets forth the pension plan's funded status and amounts recognized in the accompanying consolidated balance sheets:

	MARCH 31			
	1998		1997	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Actuarial present value of benefit obligations:				
Vested.....	\$(38,127)	\$(1,716)	\$(28,278)	\$(2,257)
Nonvested.....	(238)	(53)	(936)	0
Accumulated benefit obligation.....	(38,365)	(1,769)	(29,214)	(2,257)
Projected benefit obligation.....	(39,148)	(2,130)	(29,214)	(2,257)
Plan assets at fair value.....	43,622	0	32,579	0
Plan assets greater (less) than projected benefit obligation.....	4,474	(2,130)	3,365	(2,257)
Unamortized initial net asset.....	(1,291)	0	(1,328)	0
Unrecognized net gain.....	(5,884)	(33)	(4,734)	0
Unrecognized prior service cost.....	2,687	0	2,439	0
(Accrued) pension cost.....	\$ (14)	\$(2,163)	\$ (258)	\$(2,257)

A weighted average discount rate of 7.0%, 7.75% and 7.25% was used in determining the actuarial present value of the projected benefit obligation at March 31, 1998, 1997 and 1996, respectively. The expected long-term rates of return on assets at the respective measurement dates were 8% at March 31, 1998 and 1997, and 7.5% at March 31, 1996. The initial net asset is being amortized and recognized as a component of net periodic pension

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

cost on a straight-line basis over 15 years. Plan assets consist primarily of common stocks, corporate bonds, U.S. government obligations, temporary investments and private placement investments.

I. POSTRETIREMENT BENEFITS

The Company has defined benefit retirement health care plans for the majority of domestic bargaining unit Associates. Such Associates are generally eligible for benefits upon retirement after completion of a specified number of years of creditable service. The Company does not pre-fund these benefits and has the right to modify these plans in the future. The components of expense were as follows:

	MARCH 31		
	1998	1997	1996
Service costs of benefits earned during the period.....	\$ 399	\$ 99	\$ 749
Interest cost on accumulated postretirement benefit obligation.....	3,529	3,321	3,607
Net postretirement benefit cost.....	<u>\$3,928</u>	<u>\$3,420</u>	<u>\$4,356</u>

The accumulated postretirement benefit obligation, which is reflected in the accompanying consolidated balance sheets, is comprised of the following components:

	MARCH 31	
	1998	1997
Accumulated postretirement benefit obligation		
Retirees.....	\$32,590	\$28,043
Fully eligible active plan participants.....	6,577	10,396
Other active plan participants.....	8,537	14,458
Total.....	47,704	52,897
Unrecognized prior service costs.....	949	2,290
Unrecognized net loss.....		(5,481)
Accrued postretirement benefit liability.....	<u>\$48,653</u>	<u>\$49,706</u>

Future benefit costs were estimated assuming medical costs would increase at approximately a 6.5% annual rate (7.25% in fiscal 1997 and 7.13% in fiscal 1996), decreasing to approximately a 5% annual growth rate ratably through fiscal 2001 and then remaining at that rate. A 1% increase in this annual trend rate would have increased the accumulated postretirement benefit obligation at March 31, 1998, by \$5,724 and increased the 1998 postretirement benefit expense by \$980. Unrecognized gains and losses are amortized over a fifteen year period. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 7.0% for fiscal 1998 and 7.75% for fiscal 1997.

During fiscal 1997, the Company announced changes in certain benefit plans to better conform benefits available to various Associate groups. One such change resulted in a curtailment of retiree health care benefits for certain non-bargaining unit active plan participants. The net postretirement benefit cost for fiscal 1998 and 1997 reflects the effects of this change. The curtailment effect in fiscal 1998 was approximately a \$2,000 gain, net of income taxes.

J. NON-RECURRING TRANSACTIONS

Non-recurring charges of \$90,831 (\$81,300 net of tax, or \$2.44 per share) were recorded in the 1997 fiscal first quarter for costs related to the Amsco Merger. The charges include transaction costs of approximately

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$15,000 and other non-recurring charges of approximately \$75,800 (\$66,300 net of tax). The transaction costs are for legal, accounting, investment banking, and related expenses. The other non-recurring charges are for (i) elimination of redundant facilities and other assets (\$27,000), (ii) satisfaction of Amsco executive employment agreements and other Associate severance (\$19,300), (iii) write-off of goodwill related to Amsco's Finn-Aqua business which was impaired as a result of the planned merger activities (\$27,250), and (iv) other merger-related items. Property write downs of \$20,000 were recorded as part of the estimated cost of eliminating redundant facilities based on fair value estimates. During fiscal 1997, STERIS closed a manufacturing and research facility in Apex, North Carolina, Amsco's headquarters in Pittsburgh, Pennsylvania, as well as Customer Service facilities in Dallas, Texas and Atlanta, Georgia. Operations of the closed facilities were consolidated into existing STERIS facilities. Cash payments related principally to transaction costs, executive employment agreements and Associate severance. Associate severance costs incurred related to closed facilities. The planned Associate severance was substantially complete as of March 31, 1997. Such severance included approximately 150 individuals and cost approximately \$6,000.

During the second quarter of fiscal 1998, STERIS completed the sale of the assets of its Management Services Division to General Electric Medical Systems, a business of General Electric Company. The transaction did not result in a material income statement effect. The transaction included tangible and intangible assets relating to the business, and costs included impairment of redundant assets and transaction related costs.

K. CONTINGENCIES

There are various pending lawsuits and claims arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits and claims will not have a material adverse effect on STERIS's consolidated financial position or results of operations. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

L. BUSINESS SEGMENT INFORMATION

The Company operates in a single business segment. The following is information about the Company's operations by geographic area:

	MARCH 31		
	----- 1998 -----	----- 1997 -----	----- 1996 -----
Net revenues (including intergeographic net revenues of \$8,260, \$11,594, and \$13,755 for the years 1998, 1997 and 1996, respectively) -- United States.....	\$590,904	\$499,273	\$490,667
Net revenues (including intergeographic net revenues of \$41,889, \$31,940, and \$37,944 for the years 1998, 1997 and 1996, respectively) -- Foreign.....	178,901	132,113	95,644
Adjustments and eliminations.....	(50,149)	(43,534)	(51,699)
Consolidated net revenues.....	\$719,656 =====	\$587,852 =====	\$534,612 =====
Long-lived assets			
United States.....	\$364,334	\$184,578	\$188,396
Foreign.....	17,949	39,973	11,155
Consolidated long-lived assets.....	\$382,283 =====	\$224,551 =====	\$199,551 =====

Transfers between geographic areas are accounted for at prices which approximate arms-length market prices. To reconcile geographic information with consolidated amounts, intergeographic net revenues were eliminated. Long-lived assets are those assets that are identified with the operations in each geographic area.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenues to a single Customer did not aggregate two percent or more of total revenues. Export revenues were less than 10% of consolidated net revenues in the years presented and are included in United States net revenues. Revenues by principal market are as follows:

	YEARS ENDED MARCH 31		
	1998	1997	1996
Infection Prevention.....	\$389,649	\$320,664	\$290,019
Surgical Support.....	158,160	128,502	112,400
Scientific and Industrial.....	123,106	101,442	101,124
Management Services.....	48,741	37,244	31,069
Total.....	\$719,656	\$587,852	\$534,612

M. COMMON SHARES

Basic earnings per share is based on average Common Shares outstanding. Diluted earnings per share includes the dilutive effect of stock options. Incremental Common Share equivalents are calculated for each measurement using the treasury stock method. Common Share equivalents were antidilutive for the fiscal year 1997 and accordingly were excluded from the computation of earnings (loss) per Common Share for such period. Following is a summary, in thousands, of Common Shares and Common Share equivalents outstanding used in the calculations of earnings (loss) per share:

	YEARS ENDED MARCH 31		
	1998	1997	1996
Weighted average Common Shares outstanding -- basic.....	33,949	33,678	32,511
Dilutive effect of stock options.....	1,163	0	2,346
Weighted average Common Shares and equivalents -- diluted.....	35,112	33,678	34,857

The Company has granted nonqualified stock options to certain Associates to purchase the Company's Common Shares at the market price on the date of grant. Stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company provides that no compensation expense is recognized when the exercise price equals the market price of the stock on the date of grant.

Effective July 11, 1995, Amsco entered into an employment agreement with its President and Chief Executive Officer (CEO) that included the granting of 690,000 nonqualified stock options at a discounted exercise price of \$26.35. The fair value of the options was \$16.50 per share. 460,000 of the stock options were performance-based and vested if Amsco's common stock achieved certain market value criteria. During the second quarter of fiscal 1996, 230,000 of these performance-based options vested because the average fair market value of Amsco's common stock exceeded target prices. The remaining performance-based options vested in fiscal 1997. The employment agreement referred to above also included an award of 37,939 shares of restricted stock of Amsco. Based on the terms of the award, this stock became completely vested during fiscal 1997. Upon granting the stock options and awarding the restricted stock to the Amsco CEO, Amsco recorded \$4,363 of deferred compensation expense, which was amortized over defined vesting schedules. The unamortized portion of the awards was \$2,605 as of March 31, 1996, and was recorded as a component of the special equity account entitled "cumulative translation and other" on the accompanying consolidated statements of shareholders' equity. During the second quarter of fiscal 1996, Amsco recorded an approximate \$1,000 charge to selling, informational and administrative expense because of the accelerated vesting of the 230,000 options discussed above. As a result of the Amsco Merger, vesting accelerated for the remaining stock options and restricted stock agreements. The

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

related charges were recorded in fiscal 1997 as part of the non-recurring charge in the accompanying consolidated statement of operations.

Following is a summary of option share information. The average grant price and fair value shown for fiscal 1996 excludes the options granted at a discounted exercise price.

	BEGINNING OF YEAR	GRANTED	EXERCISED	CANCELED	END OF YEAR
	-----	-----	-----	-----	-----
Fiscal 1998					
Option Shares.....	2,961,386	598,202	(326,121)	(119,169)	3,114,298
Average Price.....	\$ 16.61	\$ 38.12	\$ 20.19	\$ 50.93	\$ 19.03
Fair Value.....		\$ 18.28			
Fiscal 1997					
Option Shares.....	3,851,468	725,288	(1,448,695)	(166,675)	2,961,386
Average Price.....	\$ 16.10	\$ 27.38	\$ 19.32	\$ 28.03	\$ 16.61
Fair Value.....		\$ 13.23			
Fiscal 1996					
Option Shares.....	4,351,644	1,021,644	(1,332,348)	(189,472)	3,851,468
Average Price.....	\$ 11.98	\$ 19.72	\$ 8.02	\$ 21.96	\$ 16.10
Fair Value.....		\$ 9.78			

In relation to the exercise of approximately 190,000 options during the 1997 fiscal year, an executive officer of the Company borrowed from the Company approximately \$1,700. The outstanding balance at March 31, 1998 was \$1,800 and the related full recourse note bears interest at 6.4% and is payable on or before February 28, 2002.

Shares available for future grants were 514,705 at March 31, 1998. At March 31, 1998, the range and weighted average per share exercise prices of options outstanding and exercisable, and the weighted average remaining contractual life (years), was as follows:

RANGE OF EXERCISE PRICES	OUTSTANDING			EXERCISABLE	
	OPTION SHARES	WEIGHTED AVERAGE EXERCISE PRICE	CONTRACT LIFE (YEARS)	OPTION SHARES	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$0.96 -- \$5.99.....	746,550	\$ 1.92	3.1	746,550	\$ 1.92
\$6.00 -- \$17.99.....	705,151	9.60	5.5	624,651	9.45
\$18.00 -- \$27.99.....	887,088	24.43	7.8	325,338	23.40
\$28.00 -- \$56.79.....	775,509	37.89	8.7	183,961	39.39
	-----	-----	---	-----	-----
	3,114,298	\$19.03	6.4	1,880,500	\$11.80
	=====	=====	===	=====	=====

At March 31, 1997, options with an average exercise price of \$13.26 were exercisable on 1,892,861 shares; at March 31, 1996, options with an average exercise price of \$13.94 were exercisable on 2,405,675 shares.

Had the compensation cost for the stock options granted in fiscal 1998, 1997 and 1996 been determined based on the fair value at the grant date consistent with the fair value method, the Company's net earnings and earnings per share would have been reduced by \$3,197 (\$.09 per share) in fiscal 1998, net loss and loss per share would have been increased by \$3,060 (\$.09 per share) in fiscal 1997, and net earnings and earnings per share would have been reduced by \$2,960 (\$.09 per share) in fiscal 1996. The effect on fiscal 1998, 1997 and 1996 net earnings (loss) may not be representative of the effect on future years' net earnings amounts as the compensation

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

cost of each year's grant is recognized over the four-year vesting period. Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for fiscal 1998, 1997 and 1996: risk-free interest rate of 6.5%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

Under a Shareholder Rights Agreement, one Common Share purchase Right is attached to each outstanding Common Share. Each Right is exercisable only if a person or group acquires 15% or more of the outstanding Common Shares. If the Rights become exercisable, each Right will entitle the holder (other than the acquiring person or group) to acquire one Common Share for an exercise price of \$1.00 per share. The Rights will expire on November 7, 2006, unless redeemed earlier at one cent per Right.

N. QUARTERLY DATA (UNAUDITED)

	QUARTERS ENDED			
	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30
FISCAL 1998				
Net revenues.....	\$204,500	\$186,639	\$173,383	\$155,134
Gross profit.....	95,489	84,048	78,187	66,834
Percentage of revenues.....	47%	45%	45%	43%
NET INCOME.....	\$ 20,270	\$ 18,170	\$ 15,309	\$ 11,747
	=====	=====	=====	=====
Earnings per share -- basic.....	\$ 0.60	\$ 0.54	\$ 0.45	\$ 0.35
	=====	=====	=====	=====
Earnings per share -- diluted.....	\$ 0.58	\$ 0.52	\$ 0.44	\$ 0.34
	=====	=====	=====	=====
FISCAL 1997				
Net revenues.....	\$170,489	\$151,005	\$138,490	\$127,868
Gross profit.....	71,460	59,774	53,325	47,286
Percentage of revenues.....	42%	40%	39%	37%
NET INCOME (LOSS).....	\$ 15,916	\$ 13,535	\$ 11,538	\$(71,595)
	=====	=====	=====	=====
Earnings (loss) per share -- basic.....	\$ 0.47	\$ 0.40	\$ 0.35	\$ (2.16)
	=====	=====	=====	=====
Earnings (loss) per share -- diluted...	\$ 0.45	\$ 0.38	\$ 0.33	\$ (2.16)
	=====	=====	=====	=====

As discussed in Note J, certain non-recurring expenses were recognized in the 1997 first fiscal quarter.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

COL. A -----	COL. B -----	COL. C -----	COL. D -----	COL. E -----	COL. F -----
DESCRIPTION	BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS (2)	BALANCE AT END OF PERIOD
-----	-----	CHARGES TO COSTS AND EXPENSES (1)	CHARGES TO OTHER ACCTS.	-----	-----
Year ended March 31, 1998					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$3,810	\$3,561	\$0	\$591	\$6,780
	=====	=====	==	=====	=====
Year ended March 31, 1997					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$1,947	\$2,557	\$0	\$694	\$3,810
	=====	=====	==	=====	=====
Year ended March 31, 1996					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$1,754	\$ 592	\$0	\$399	\$1,947
	=====	=====	==	=====	=====

(1) Charges to costs and expenses during the periods reflect an increase in allowances to support larger receivable balances.

(2) Uncollectible accounts written off, net of recoveries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company incorporates herein by reference the information appearing under the captions "Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 19, 1998.

Executive officers of the Company serve for a term of one year from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. Information concerning executive officers of the Company is contained in Part I of this report under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

The Company incorporates herein by reference the information appearing under the caption "Compensation of Executive Officers" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 19, 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company incorporates herein by reference the information appearing under the caption "Ownership of Voting Securities" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 19, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company incorporates herein by reference the information appearing under the caption "Compensation of Executive Officers" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 19, 1998.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

(a)(1) The following consolidated financial statements of STERIS Corporation and subsidiaries are included in Item 8:

Consolidated Balance Sheets -- March 31, 1998 and 1997.

Consolidated Statements of Operations -- Years ended March 31, 1998, 1997 and 1996.

Consolidated Statements of Cash Flows -- Years ended March 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity -- Years ended March 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements -- March 31, 1998 and 1997.

(a)(2) The following consolidated financial statement schedule of STERIS Corporation and subsidiaries is included in Item 8:

Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

(a)(3) Exhibits

- - - - -

EXHIBIT NUMBER - - - - -	EXHIBIT DESCRIPTION - - - - -
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, amended as of May 13, 1996 (filed as Exhibit 4.2 to the Registration Statement on Form S-3 filed June 21, 1996, and incorporated herein by reference).
3.2	1992 Amended Regulations of STERIS Corporation.
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form S-1 filed April 30, 1992, and incorporated herein by reference).
10.1	Amended Non-Qualified Stock Option Plan (filed as Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 filed April 23, 1992, and incorporated herein by reference).
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 99 to the Registration Statement on Form S-8 filed April 21, 1995, and incorporated herein by reference).
10.3	STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan (filed as Exhibit 10.3 to Form 10-K filed for the fiscal year ended March 31, 1997, and incorporated herein by reference). (A management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.)
10.4	Amsco International, Inc. Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement of Amsco International, Inc. on Form S-8, Registration No. 33-79566, filed on June 2, 1994).
10.5	Form of grant of Incentive Stock Option under Amsco International, Inc. Stock Option Plan (filed as Exhibit 10.6 to Form 10-K filed for the fiscal year ended March 31, 1997, and incorporated herein by reference).
10.6	Form of grant of Non-Qualified Stock Option under the Amsco International, Inc. Stock Option Plan (filed as Exhibit 10.7 to Form 10-K filed for the fiscal year ended March 31, 1997, and incorporated herein by reference).

EXHIBIT NUMBER -----	EXHIBIT DESCRIPTION -----
10.7	Credit Agreement, dated May 13, 1996, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent (filed as Exhibit 10.14 to Form 10-K filed for the fiscal year ended March 31, 1996, and incorporated herein by reference).
10.8	Second Amendment Agreement, dated June 10, 1997, to Credit Agreement, dated May 13, 1996, among STERIS Corporation, various financial institutions and KeyBank National Association, as Agent (filed as Exhibit 10.1 to Form 10-Q filed for the quarter ended June 30, 1997, and incorporated herein by reference).
10.9	Third Amendment Agreement dated June 10, 1997, to Credit Agreement, dated May 13, 1996, among STERIS Corporation, various financial institutions and KeyBank National Association, as Agent (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1997, and incorporated herein by reference).
10.10	Master Promissory Note.
10.11	Management Incentive Compensation Plan FY 1998.
10.12	Promissory Note.
10.13	The Agreement and Plan of Merger, dated August 12, 1997, by and among Isomedix Inc., STERIS Corporation, and STERIS Acquisition Corporation (filed as Exhibit (c) (1) to the Tender Offer Statement on Schedule 14D-1 filed by STERIS Corporation and STERIS Acquisition Corporation on August 18, 1997, and incorporated herein by reference).
10.14	STERIS Corporation 1997 Stock Option Plan
21.1	Subsidiaries of STERIS Corporation
23.1	Consent of Independent Auditors
24	Powers of Attorney
27	Financial Data Schedules

STERIS or its subsidiaries are parties to several indentures relating to long-term debt instruments, which, individually or in the aggregate, do not exceed 10% of the total assets of STERIS and its subsidiaries on a consolidated basis. STERIS will furnish a copy of any such indenture to the Securities and Exchange Commission upon request.

(b) Reports on Form 8-K

No Current Reports on Form 8-K were filed by STERIS during the fourth quarter of fiscal 1998.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date indicated.

STERIS Corporation
(Registrant)

/s/ Michael A. Keresman, III

Michael A. Keresman, III
Chief Financial Officer and
Senior Vice President
(Principal Financial Officer)
May 29, 1998

Pursuant to the requirements of Sections 13 or 15 (d) of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

BILL R. SANFORD, Chairman of the Board of Directors, President, and Chief Executive Officer (Principal Executive Officer); MICHAEL A. KERESMAN, III, Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer); RAYMOND A. LANCASTER, Director; THOMAS J. MAGULSKI, Director; J.B. RICHEY, Director; JERRY E. ROBERTSON, Director; FRANK E. SAMUEL, JR., Director; and LOYAL W. WILSON, Director.

STERIS Corporation
(Registrant)

/s/ Michael A. Keresman, III

Michael A. Keresman, III
Attorney-in-Fact
May 29, 1998

EXHIBIT INDEX

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1992 Amended Regulations of STERIS Corporation.
STERIS CORPORATION

AMENDED AND RESTATED REGULATIONS

As adopted by the shareholders on
April 26, 1988 and amended by the shareholders
effective July 12, 1988 and June 8, 1992

ARTICLE I

SHAREHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the shareholders of the corporation for the election of directors, the consideration of reports to be laid before the meeting, and the transaction of such other business as may properly be brought before the meeting shall be held in the place described in the Articles of Incorporation as the place where the principal office of the corporation is or is to be located, or at such other place either within or without the State of Ohio as may be designated by the Board of Directors, the Chairman of the Board, or the President and specified in the notice of the meeting, at ten o'clock a.m., or at such other time as may be designated by the Board of Directors, the Chairman of the Board, or the President and specified in the notice of the meeting, on the second Tuesday of the fourth month following the end of each fiscal year of the corporation or on such other day of the fourth month following the end of each fiscal year of the corporation as may be designated by the Board of Directors, the Chairman of the Board, or the President and specified in the notice of the meeting.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders of the corporation may be held on any business day when called by the Chairman of the Board, the President, a Vice President, the Board of Directors acting at a meeting, a majority of the directors acting without a meeting, or the persons who hold fifty percent of all the shares outstanding and entitled to vote at the meeting.

Upon request in writing delivered either in person or by registered mail to the President or the Secretary by any persons entitled to call a meeting of the shareholders, that officer shall forthwith cause to be given to the shareholders entitled thereto notice of a meeting to be held on the date not less than seven or more than sixty days after receipt of the request, as that officer may fix; if the notice is not given within thirty days after the delivery or mailing of the request, the persons calling the meeting may fix the time of the meeting and give notice thereof in the manner provided by law or as provided in these Regulations or cause the notice to be given by any designated representative. Each special meeting shall be called to convene between nine o'clock a.m. and five o'clock p.m., and shall be held at the principal office of the corporation unless the meeting is called by the directors, acting with or without a meeting, in which case the meeting may be held at any place either within or without the State of Ohio designated by the Board of Directors and specified in the notice of the meeting.

SECTION 3. NOTICE OF MEETINGS. Not less than seven or more than sixty days before the date

fixed for a meeting of the shareholders, written notice stating the time, place, and purposes of the meeting shall be given by or at the direction of the Secretary, an Assistant Secretary, or any other person or persons required or permitted by these Regulations to give the notice. The notice shall be given by personal delivery or by mail to each shareholder entitled to notice of the meeting who is of record as of the day next preceding the day on which notice is given or, if a record date therefor is duly fixed, of record as of that date; if mailed, the notice shall be addressed to the shareholders at their respective addresses as they appear on the records of the corporation. Notice of the time, place, and purposes of any meeting of the shareholders may be waived in writing, either before or after the holding of the meeting, by any shareholder, which writing shall be filed with or entered upon the records of the corporation. Attendance of any shareholder at any meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by him of notice of the meeting.

SECTION 4. QUORUM; ADJOURNMENT. Except as may be otherwise provided by law or by the Articles of Incorporation, at any meeting of the shareholders the holders of shares entitling them to exercise a majority of the voting power of the corporation present in person or by proxy shall constitute a quorum for the meeting, except that no action required by law, the Articles, or these Regulations to be authorized or taken by a designated proportion of the shares of any particular class or of each class of the corporation may be authorized or taken by a lesser proportion and except that the holders of a majority of the voting shares represented at the meeting, whether or not a quorum is present, may adjourn the meeting from time to time; if any meeting is adjourned, notice of adjournment need not be given if the time and place to which the meeting is adjourned are fixed and announced at the meeting.

SECTION 5. ACTION WITHOUT A MEETING. Any action which may be authorized or taken at a meeting of the shareholders may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by or on behalf of, all of the shareholders who would be entitled to notice of a meeting of the shareholders held for the purpose, which writing or writings shall be filed with or entered upon the records of the corporation.

SECTION 6. PROXIES. Persons entitled to vote shares or to act with respect to shares may vote or act in person or by proxy. The person appointed as proxy need not be a shareholder. Unless the writing appointing a proxy otherwise provides, the presence at a meeting of the person who appointed a proxy shall not operate to revoke the appointment. Notice to the corporation, in writing or in open meeting, of the revocation of the appointment of a proxy shall not affect any vote or act previously taken or authorized.

SECTION 7. APPROVAL AND RATIFICATION OF ACTS OF OFFICERS AND DIRECTORS. Except as otherwise provided by the Articles of Incorporation or by law, any contract, action, or transaction, prospective or past, of the corporation or of the Board of Directors or of any director or officer may be approved or ratified by the affirmative vote in person or by proxy of the holders of record of a majority of the shares held by persons not interested in the contract, action, or transaction and entitled to vote in the election of directors (without regard to voting powers which may thereafter exist upon a default, failure, or other contingency), which approval or ratification shall be as valid and binding as though affirmatively voted for or consented to by every shareholder of the corporation.

SECTION 8. SHAREHOLDER PROPOSALS. No proposal made by a shareholder of the corporation shall be eligible to be submitted to the shareholders for their approval or adoption at any annual or special meeting of shareholders unless all of the following requirements are met:

(1) the shareholder submitting the proposal (the "proponent") submits the proposal to the corporation in writing at the corporation's principal executive offices;

(2) at the time the proponent submits such proposal the proponent is a shareholder of record of the corporation and continues to be a shareholder of record of the corporation as of the close of business on the record date for determining shareholders entitled to notice of and to vote at such annual or special meeting of shareholders, in both instances as reflected in the shareholder records of the corporation;

(3) at the time the proponent submits such proposal the proponent provides the corporation in writing with the proponent's name, address, the number of voting securities held of record, the date upon which the proponent acquired such securities, and a list of all other proposals submitted by the proponent to the corporation during the preceding five years; and

(4) the proposal is received at the corporation's principal executive offices (a) in the case of a proposal to be acted upon at an annual meeting of shareholders, not less than 120 calendar days in advance of the date of the previous year's annual meeting of shareholders, or, if no annual meeting was held in the previous year, a reasonable time (as determined by the corporation in its sole discretion) before the current year's annual meeting; and (b) in the case of a proposal to be acted upon at a special meeting of shareholders, a reasonable time (as determined by the corporation in its sole discretion) before the special meeting.

Notwithstanding the foregoing provisions of this Section 8, in the case of any proposal that the corporation is required to include in its proxy statement and form of proxy under the provisions of Rule 14a-8 (as from time to time amended) promulgated under the Securities Exchange Act of 1934 (or any similar or successor rule or regulation under that or any successor act), compliance by the proponent with all of the requirements of such rule shall be deemed to constitute compliance with the provisions of this Section 8.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. NUMBER; CLASSIFICATION; TERM OF OFFICE. Commencing with the election of directors at the annual meeting of shareholders in 1992 and at all times thereafter, the Board of Directors shall be divided into two classes. The respective terms of the two classes of directors shall be staggered so that at any time the term of one class will expire at the next annual meeting of shareholders thereafter occurring and the term of the second class will expire at the second annual meeting of shareholders thereafter occurring. At each annual meeting of shareholders of the corporation, the successors to the directors of the class whose term will expire in that year shall be elected to hold office for a term expiring at the annual meeting of shareholders occurring in the second year after the date of their election. In each instance, directors shall hold office until their successors are chosen and qualified.

At the 1992 annual meeting of shareholders, the size of the Board of Directors shall be fixed at seven members, divided into one class of three directors and a second class of four directors. At the 1992 annual meeting of shareholders three directors shall be elected to the class whose term will expire at the annual meeting of shareholders in 1993, and four directors shall be elected to the class whose term will expire at the annual meeting of shareholders in 1994. The Board of Directors or the shareholders may from time to time thereafter change the size of the Board of Directors to a total number of no fewer than six directors and no more than nine directors. The shareholders may change the number of directors as provided in the immediately preceding sentence at a meeting of the shareholders called for the purpose of electing directors at which a

quorum is present by the affirmative vote of the holders of a majority of the voting power represented at the meeting and entitled to elect the directors. The Board of Directors may change the number of directors by a vote of two-thirds of the directors then in office. If the Board of Directors or the shareholders change the number of directors, the two classes of the Board of Directors shall be divided into as equal a number of directors as possible, with the Board of Directors or the shareholders, as the case may be, fixing or determining the adjustment to be made in each class. No reduction in the number of directors shall of itself have the effect of shortening the term of any incumbent director.

Except as provided in the immediately preceding paragraph, the number of directors and the number of directors of any class may not be fixed or changed by the shareholders or directors, except (i) by amending these Regulations in accordance with the provisions of Article X of these Regulations, or (ii) pursuant to an agreement of merger or consolidation recommended by two-thirds of the members of the Board of Directors and adopted by the shareholders at a meeting held for such purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on such proposal.

This Section 1 and other provisions of these Regulations are subject to the provisions of the Articles of Incorporation with respect to special voting rights of holders of Preferred Shares in the event of certain defaults by the corporation in redeeming or paying dividends on such Preferred Shares.

SECTION 2. ELECTION OF DIRECTORS; NOMINATIONS; VACANCIES. The directors shall be elected at each annual meeting of shareholders or at a special meeting called for the purpose of electing directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election as directors may be made at a meeting of shareholders by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board of Directors, or by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy-five (75) days' notice to the shareholders or prior public disclosure of the date of the meeting is given or made, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth (15th) day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person who is not an incumbent director when the shareholder proposes to nominate such person for election as a director: (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person for the past five years; (iii) the class and number of shares of the corporation which are beneficially owned by such person; and (iv) any other information relating to such person that is required to be disclosed in solicitations for proxies for election of director pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice: (i) the name and record address of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder. Such notice shall be accompanied by the written consent of each proposed nominee to serve as a director of the corporation, if elected. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 2, and if he should so determine, the defective nomination shall be disregarded.

In the event of the occurrence of any vacancy in the Board of Directors, however caused, or in the event of the creation of any director's office by an increase in the number of directors, the remaining directors, though less than a majority of the whole authorized number of directors, may, by the vote of two-thirds of their number, fill the vacancy or the newly created office, as the case may be, for the unexpired term.

SECTION 3. RESIGNATIONS; REMOVAL OF DIRECTORS. The office of a director becomes vacant if he dies or resigns. Any director may resign at any time by oral statement to that effect made at a meeting of the Board of Directors or in a writing to that effect delivered to the Secretary, which resignation shall take effect immediately or at such other time as the director may specify.

The Board of Directors may remove any director and thereby create a vacancy in the Board: (a) if by order of court he has been found to be of unsound mind or if he is adjudicated a bankrupt; (b) if within sixty days from the date of his election he does not qualify by accepting in writing his election to such office or by acting at a meeting of directors.

All the directors, or all of the directors of a particular class or any individual director, may be removed from office, without assigning any cause, by the vote of the holders of 75% of the voting power entitling them to elect directors in place of those to be removed. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed. Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the Board. Any vacancy created by virtue of a resignation or removal under this Section 3 shall be filled by the Board in accordance with Section 2 hereof.

SECTION 4. ORGANIZATION MEETING. Immediately after each annual meeting of the shareholders, the newly elected directors shall hold an organization meeting for the purpose of electing officers and transacting any other business. Notice of the organization meeting need not be given.

SECTION 5. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such times and places within or without the State of Ohio as may be provided for in bylaws or resolutions adopted by the Board of Directors and upon such notice, if any, as shall be so provided. Unless otherwise indicated in the notice of a regular meeting, any business may be transacted at that regular meeting.

SECTION 6. SPECIAL MEETINGS. Special meetings (including "telephone" meetings) of the Board of Directors may be held at any time within or without the State of Ohio (or through use of telephone or other communications equipment if all persons participating can hear each other) upon call by the Chairman of the Board, the President, a Vice President, or any two directors. Written notice of the time and place of each special meeting shall be given to each director either by personal delivery or by mail, telegram, or cablegram at least two days before the meeting, which notice need not specify the purposes of the meeting, except that attendance of any director at any special meeting (and participation in a meeting employing telephone or other communications equipment) without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by him of notice of the meeting and except that notice of a special meeting may be waived in writing, either before or after the holding of the meeting, by any director, which writing shall be filed with or entered upon the records of the corporation. Unless otherwise indicated in the notice of a special meeting, any business may be transacted at that special meeting.

SECTION 7. QUORUM; ADJOURNMENT. A quorum of the Board of Directors at an organization, regular, or special meeting shall consist of at least two-thirds of the directors then in office, except that a majority of the directors present at a meeting duly held, whether or not a quorum is present, may adjourn the meeting from time to time; if any meeting is adjourned, notice of adjournment need not be given if the time and place to which the meeting is adjourned are fixed and announced at the meeting. At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by a vote of at least two-thirds of the directors then-in office, except as in these Regulations otherwise expressly provided.

SECTION 8. ACTION WITHOUT A MEETING. Any action which may be authorized or taken at a meeting of the Board of Directors may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all of the directors, which writing or writings shall be filed with or entered upon the records of the corporation.

SECTION 9. COMMITTEES. The Board of Directors may at any time appoint from its members an Executive, Finance, or other committee or committees, consisting of such number of members, not less than three, as the Board of Directors may deem advisable, together with such alternates as the Board of Directors may deem advisable, to take the place of any absent member or members at any meeting of the committee. Each member and each alternate shall hold office during the pleasure of the Board of Directors. Any committee shall act only in the intervals between meetings of the Board of Directors and shall have such authority of the Board of Directors as may, from time to time, be delegated by the Board of Directors, except the authority to fill vacancies in the Board of Directors or in any committee of the Board of Directors. Subject to these exceptions, any person dealing with the corporation shall be entitled to rely upon any act or authorization of an act by any committee to the same extent as an act or authorization of the Board of Directors. Each committee shall keep full and complete records of all meetings and actions, which shall be open to inspection by the directors. Unless otherwise ordered by the Board of Directors, any committee may prescribe its own rules for calling and holding meetings, including telephone meetings, and for its own method of procedure, and may act at a meeting, including a telephone meeting, by two-thirds of its members or without a meeting by a writing or writings signed by all of its members.

ARTICLE III

----- OFFICERS -----

SECTION 1. ELECTION AND DESIGNATION OF OFFICERS. The Board of Directors shall elect a President, a Secretary, and a Treasurer and, in its discretion, may elect a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board of Directors may deem necessary. The Chairman of the Board and the President shall be directors, but no one of the other officers need be a director. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if the instrument is required to be executed, acknowledged, or verified by two or more officers.

SECTION 2. TERM OF OFFICE; VACANCIES. Each officer of the corporation shall hold office until the next organization meeting of the Board of Directors and until his successor is elected or until his earlier resignation, removal from office, or death. The Board of Directors may remove any officer at any time with or without cause by a two-thirds vote of the directors then in office. Any vacancy in any office may be filled by the Board of Directors.

SECTION 3. CHAIRMAN OF THE BOARD. The Chairman of the Board, if any, shall preside at all

meetings of the Board of Directors, shall, unless that duty has been delegated by the Board of Directors to the President or another officer, preside at all meetings of the shareholders, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

SECTION 4. PRESIDENT. The Secretary shall keep the minutes of meetings of the shareholders and of the Board of Directors. He shall keep such books as may be required by the Board of Directors, shall give notices of meetings of the shareholders and of meetings of the Board of Directors required by law or by these Regulations or otherwise, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

SECTION 5. VICE PRESIDENTS. The Vice Presidents shall, respectively, have such authority and perform such duties as may be determined by the Board of Directors.

SECTION 6. SECRETARY. The Secretary shall keep the minutes of meetings of the shareholders and of the Board of Directors. He shall keep such books as may be required by the Board of Directors, shall give notices of meetings of the shareholders and of meetings of the Board of Directors required by law or by these Regulations or otherwise, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

SECTION 7. TREASURER. The Treasurer shall receive and have in charge all money, bills, notes, bonds, securities of other corporations, and similar property belonging to the corporation and shall do with this property as may be ordered by the Board of Directors. He shall keep accurate financial accounts and hold them open for the inspection and examination of the directors and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

SECTION 8. OTHER OFFICERS. The Assistant Secretaries and Assistant Treasurers, if any, and any other officers whom the Board of Directors may elect shall, respectively, have such authority and perform such duties as may be determined by the Board of Directors.

SECTION 9. DELEGATION OF AUTHORITY AND DUTIES. The Board of Directors is authorized to delegate the authority and duties of any officer to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein.

ARTICLE IV

COMPENSATION OF AND TRANSACTIONS WITH

DIRECTORS, OFFICERS, AND EMPLOYEES

SECTION 1. DIRECTORS AND MEMBERS OF COMMITTEES. Members of the Board of Directors and members of any committee of the Board of Directors shall, as such, receive such compensation, which may be either a fixed sum for attendance at each meeting of the Board of Directors or at each meeting of the committee or stated compensation payable at intervals, or shall otherwise be

compensated as may be determined by or pursuant to authority conferred by the Board of Directors or any committee of the Board of Directors, which compensation may be in different amounts for various members of the Board of Directors or any committee. No member of the Board of Directors and no member of any committee of the Board of Directors shall be disqualified from being counted in the determination of the presence of a quorum or from acting at any meeting of the Board of Directors or of a committee of the Board of Directors by reason of the fact that matters affecting his own compensation as a director, member of a committee of the Board of Directors, officer, or employee are to be determined.

SECTION 2. OFFICERS AND EMPLOYEES. The compensation of officers and employees of the corporation, or the method of fixing their compensation, shall be determined by or pursuant to authority conferred by the Board of Directors or any committee of the Board of Directors. Compensation may include pension, disability, and death benefits, and may be by way of fixed salary, on the basis of earnings of the corporation, any combination thereof, or otherwise, as may be determined or authorized from time to time by the Board of Directors or any committee of the Board of Directors.

SECTION 3. TRANSACTIONS WITH DIRECTORS, OFFICERS, AND EMPLOYEES. No contract, action, or transaction shall be void, or be voidable by the corporation, for the reason that it is between or affects the corporation and one or more of the directors, officers, or employees of the corporation or is between or affects the corporation and another corporation, partnership, joint venture, trust, or other enterprise in which one or more of the directors, officers, or employees of the corporation are directors, trustees, or officers or have a financial or personal interest or for the reason that one or more interested directors, officers, or employees of the corporation participate in or vote at the meeting of the Board of Directors or a committee of the Board of Directors that authorizes the contract, action, or transaction if, in any such case, the contract, action, or transaction is approved, ratified, or authorized in the manner prescribed in the Articles of Incorporation, these Regulations, or by law or if, in any such case, the contract, action, or transaction is fair as to the corporation as of the time it is authorized or approved by the directors, a committee of the Board of Directors, or the shareholders.

ARTICLE V

STANDARD OF CARE AND INDEMNIFICATION

SECTION 1. STANDARD OF CARE OF DIRECTORS. A director of the corporation shall perform his duties as a director, including his duties as a member of any committee of the directors upon which he may serve, in good faith, in a manner he reasonably believes to be in or not opposed to the best interests of the corporation, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In performing his duties a director is entitled to rely on information, opinions, reports, and statements that are prepared or presented by such person or persons and under such circumstances that the director's reliance on the information, opinions, reports, or statements is at the time found warranted under the provision of the Ohio General Corporation Law. Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, a director shall not be found to have violated his duties as specified under the preceding sentences of this Section unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the director has not acted in good faith, in a manner he reasonably believes to be in or not opposed to the best interests of the Company, or with the care that an ordinarily prudent person in a like position would use under similar circumstances, in any action brought against a director, including actions involving or effecting a change or potential change in control of the corporation, a termination or potential termination of the director's service to the corporation, and the director's service in any other position or relationship with the corporation.

SECTION 2. LIMITATION OF LIABILITY IN DAMAGES. Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, a director or officer of the corporation shall be liable in damages for any action he takes or fails to take as a director or as an officer, as the case may be, only if it is proved by clear and convincing evidence in a court of competent jurisdiction that his act nor failure to act involved an act or omission either undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation.

SECTION 3. THIRD PARTY ACTION INDEMNIFICATION. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action, suit, or proceeding by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit, or proceeding unless it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation and that, with respect to any criminal action or proceeding, he had reasonable cause to believe his conduct was unlawful; the termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, constitute proof.

SECTION 4. DERIVATIVE ACTION INDEMNIFICATION. Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of the action or suit unless it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregards for the best interests of the corporation, except that the corporation shall indemnify him to the extent the court in which the action or suit was brought determines upon application that, despite the proof but in view of all the circumstances of the case, he is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 5. DETERMINATIONS OF INDEMNIFICATION RIGHTS. Any indemnification under Section 3 or Section 4 of this Article V (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances. The determination shall be made (a) by a majority vote of those directors who, in number constitute a quorum of the directors and who also were not and are not parties to or threatened with any such action, suit, or proceeding or (b), if such a quorum is not obtainable (or even if obtainable) and a majority of disinterested directors so directs, in a written opinion by independent legal counsel (compensated by the corporation) or (c) by the affirmative vote in person or by proxy of the holders of record of a majority of the shares held by persons who were not and are not parties to or threatened with any such action, suit, or proceeding and entitled to vote in the election of directors without regard to voting power that may thereafter exist upon a default, failure, or other contingency or (d) by the court in which the action, suit, or proceeding was brought.

SECTION 6. ADVANCES OF EXPENSES. Unless the action or suit is one in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, expenses (including attorney's fees) incurred by a director, officer, employee, or agent of the corporation in defending any action, suit, or proceeding referred to in Section 3 or Section 4 of this Article V shall be paid by the corporation, as they are incurred, in advance of final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent in which he agrees both (a) to repay the amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation and (b) to cooperate with the corporation concerning the action, suit, or proceeding.

SECTION 7. PURCHASE OF INSURANCE. The corporation may purchase and maintain insurance or furnish similar protection, including trust funds, letters of credit, and self-insurance, on behalf of or for any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against any liability asserted against him and incurred by him in any capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against liability under the provisions of this Article or of the Ohio General Corporation Law. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

SECTION 8. MERGERS. Unless otherwise provided in the agreement or merger pursuant to which there is a merger into this corporation of a constituent corporation that, if its separate existence had continued, would have been required to indemnify directors, officers, employees, or agents in specified situations, any person who served as a director, officer, employee, or agent of the constituent corporation, or served at the request of the constituent corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, shall be entitled to indemnification by this corporation (as the surviving corporation) to the same extent he would have been entitled to indemnification by the constituent corporation if its separate existence had continued.

SECTION 9. HEIRS; NON-EXCLUSIVITY. The limitation of liability in damages and the indemnification provided by this Article V shall continue as to a person who has ceased to be a director, officer, employee, or agent of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person and shall not be deemed exclusive of, and shall be in addition to, any other rights granted to a person seeking indemnification as a matter of law or under the Articles, these Regulations, any agreement, a vote of shareholders or disinterested directors, any insurance purchased by the corporation, any action by the directors to take into account amendments to the Ohio General Corporation Law that expand the authority of the corporation to indemnify a director, officer, employee, or agent of the corporation, or otherwise, both as to action in his official capacity and as to action in another capacity while holding an office.

ARTICLE VI

RECORD DATES

For any lawful purpose, including, without limitation, the determination of the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders, the Board of Directors may fix a record date in accordance with the provisions of the Ohio General Corporation Law. The record date for the purpose of the determination of the shareholders who

are entitled to receive notice of or to vote at a meeting of the shareholders shall continue to be the record date for all adjournments of the meeting unless the Board of Directors or the persons who shall have fixed the original record date shall, subject to the limitations set forth in the Ohio General Corporation Law, fix another date and shall cause notice thereof and of the date to which the meeting shall have been adjourned to be given to shareholders of record as of the newly fixed date in accordance with the same requirements as those applying to a meeting newly called. The Board of Directors may close the share transfer books against transfers of shares during the whole or any part of the period provided for in this Article, including the date of the meeting of the shareholders and the period ending with the date, if any, to which adjourned. If no record date is fixed therefor, the record date for determining the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders shall be the date next preceding the day on which notice is given or the date next preceding the day on which the meeting is held, as the case may be.

ARTICLE VII

 CERTIFICATES FOR SHARES

SECTION 1. FORM OF CERTIFICATES AND SIGNATURES. Each holder of shares shall be entitled to one or more certificates, signed by the Chairman of the Board, the President, or a Vice President and by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer of the corporation, which shall certify the number and class of shares held by him in the corporation, but no certificate for shares shall be executed or delivered until the shares are fully paid. When a certificate is countersigned by an incorporated transfer agent or registrar, the signature of any officer of the corporation may be facsimile, engraved, stamped, or printed. Although any officer of the corporation whose manual or facsimile signature is affixed to a certificate ceases to be that officer before the certificate is delivered, the certificate nevertheless shall be effective in all respects when delivered.

SECTION 2. TRANSFER OF SHARES. Shares of the corporation shall be transferable upon the books of the corporation by the holders thereof, in person, or by a duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares of the same class or series, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures to such assignment and power of transfer as the corporation or its agents may reasonably require.

SECTION 3. LOST, STOLEN, OR DESTROYED CERTIFICATES. The corporation may issue a new certificate for shares in place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed; the Board of Directors may, however, in its discretion, require the owner, or his legal representatives, to give the corporation a bond containing such terms as the Board of Directors may require to protect the corporation or any person injured by the execution and delivery of a new certificate.

SECTION 4. TRANSFER AGENT AND REGISTRAR. The Board of Directors may appoint, or revoke the appointment of, transfer agents and registrars and may require all certificates for shares to bear the signatures of the transfer agents and registrars, or any of them.

ARTICLE VIII

AUTHORITY TO TRANSFER AND VOTE SECURITIES

The Chairman of the Board, the President, any Vice President, the Secretary, the Treasurer of the corporation, and each such officer are authorized to sign the name of the corporation and to perform all acts necessary to effect a sale, transfer, assignment, or other disposition of any shares, bonds, other evidences of indebtedness or obligations, subscription rights, warrants, or other securities of another corporation owned by the corporation and to issue the necessary powers of attorney; and each such officer is authorized, on behalf of the corporation, to vote the securities, to appoint proxies with respect thereto, to execute consents, waivers, and releases with respect thereto, or to cause any such action to be taken.

ARTICLE IX

CORPORATE SEAL

The Ohio General Corporation Law provides in effect that the absence of a corporate seal from any instrument executed on behalf of the corporation does not affect the validity of the instrument; if in spite of that provision a seal is imprinted on or attached, applied, or affixed to an instrument by embossment, engraving, stamping, printing, typing, adhesion, or other means, the impression of the seal on the instrument shall be circular in form and shall contain the name of the corporation and the words "corporate seal."

ARTICLE X

AMENDMENTS

These Regulations may be amended, or new Regulations may be adopted, by the shareholders at a meeting held for that purpose, by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on that proposal. Notwithstanding anything to the contrary contained in these Regulations or in this Article X, to amend or add to or repeal Article I Section 2 and Section 8, Article II - Sections 2 and 3, and this Article X shall require the affirmative vote at a meeting of holders of shares entitled to exercise 75% of the voting power on such proposal, unless such action is recommended by two-thirds of the members of the Board of Directors.

MASTER PROMISSORY NOTE

\$85,000,000

April 14, 1998
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION, an Ohio corporation, 5960 Heisley Road, Mentor, Ohio 44060 ("Borrower") promises to pay to the order of KEYBANK NATIONAL ASSOCIATION, 127 Public Square, Cleveland, Ohio 44114-1306 ("Bank"), at any of its offices, the principal sum of EIGHTY-FIVE MILLION DOLLARS (\$85,000,000), or the aggregate unpaid principal amount of all Advances made by Bank to Borrower hereunder, whichever is less, in lawful money of the United States of America, on September 30, 1998.

Advances hereunder shall be made by Bank as Prime Rate Advances or LIBOR Advances. Borrower promises to pay interest (based on a year having three hundred sixty (360) days and calculated for the actual number of days elapsed) on the daily principal balance of each Advance at a rate per annum equal to the Interest Rate applicable to such Advance, with such interest to be due and payable (a) with respect to any Prime Advance, on June 30, 1998 and on the Maturity Date; and (b) with respect to any LIBOR Advance, on the last day of the Interest Period applicable to such Advance. The daily principal balance of each Advance that remains outstanding after the Maturity Date shall bear interest at a rate per annum equal to the Default Rate. No LIBOR Advance may be prepaid prior to the end of the Interest Period applicable thereto, except that each LIBOR Advance must be paid upon the Maturity Date and any prepayment of a LIBOR Advance resulting therefrom shall be subject to the reimbursement provisions set forth below. Borrower may prepay any Prime Advance.

This Note shall serve as a master note to evidence all Advances; provided, however, that the aggregate unpaid principal amount of all Advances shall not at any one time outstanding exceed the Line of Credit. Borrower shall make an immediate prepayment on this Note in the event that the aggregate unpaid principal amount of all Advances shall at any time exceed the Line of Credit and such prepayment shall be subject to the reimbursement provisions set forth below. Bank shall record (a) the principal amount of each Advance, the Interest Period, if any, and the Interest Rate applicable thereto, and (b) the amount of any principal, interest or other payment and the applicable dates with respect thereto, by such method as Bank may generally employ; provided, however, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note. The aforesaid information with respect to the Advances set forth on the records of Bank shall be rebuttably presumptive evidence of the principal and interest owing and unpaid on this Note. Borrower shall provide notice to Bank of a requested LIBOR Advance no fewer than three (3) days (prior to 11:00 A.M. Cleveland, Ohio time) prior to the proposed date of borrowing. Borrower may request same day borrowings (prior to 11:00 A.M. Cleveland, Ohio time) with respect to Prime Advances. Borrower's request for any Advance shall be in an amount of not less than One Million Dollars (\$1,000,000). Whenever any payment to be made under this Note shall be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in each case be included in the computation of the interest payable hereunder; provided, however, that with respect to any LIBOR Advance, if the next succeeding Business Day falls in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly. Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

If any LIBOR Advance becomes due and payable or is prepaid prior to the end of the Interest Period applicable thereto, Borrower also promises to reimburse Bank on demand for any resulting

loss, cost or expense incurred (including loss of margin) by Bank as a result thereof, including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties. If, because of the introduction of or any change in, or because of any judicial, administrative or other governmental interpretation of any law or regulation, there shall be any increase in the cost to Bank of making, funding, maintaining or allocating capital to any LIBOR Advance, then Borrower shall, from time to time upon demand by Bank, pay to Bank additional amounts sufficient to compensate Bank for such increased cost. If, because of the introduction of or any change in, or because of any judicial, administrative or other governmental interpretation of, any law or regulation, it becomes unlawful for Bank to make, fund or maintain any LIBOR Advance, then Bank's obligation to make, fund or maintain any such LIBOR Advance shall terminate and each affected outstanding LIBOR Advance shall be converted to a Prime Advance on the earlier of the last day of the applicable Interest Period for each such LIBOR Advance or the date the making, funding or maintaining of each such LIBOR Advance becomes unlawful.

Upon the occurrence of any Event of Default and at all times thereafter, at the option of Bank (but automatically with respect to Events of Default (f) through (i)), all Obligations shall become immediately due and payable, Bank may terminate the Line of Credit and no further Advance may be requested by Borrower. In addition, Bank may apply or setoff any Deposit Account against all Obligations, all without any notice to or demand upon Borrower, in addition to any other rights and remedies Bank may have pursuant to law, this Note or any other instruments or agreements, which rights and remedies shall be cumulative.

This Note shall bind Borrower and Borrower's successors and assigns and shall inure to the benefit of Bank and its successors and assigns. Borrower may not assign or otherwise transfer any of its rights under this Note without the express written consent of Bank. All provisions hereof shall be subject to, governed by, and construed in accordance with Ohio law, without regard to principles of conflict of laws. Unenforceability of any provision hereof or any application of any provision hereof shall not affect the enforceability of any other provision or application of any provision. This Note constitutes a final written expression of all of the terms of this instrument, is a complete and exclusive statement of those terms and supersedes all oral representations, negotiations and prior writings, if any, with respect to the subject matter hereof. The relationship between Borrower and Bank with respect to this Note is and shall be solely that of debtor and creditor, respectively, and Bank shall have no fiduciary obligation toward Borrower with respect to this Note or the transactions contemplated hereby. Any amendment or waiver hereof or any waiver of any right or remedy otherwise available must be in writing and signed by the party against whom enforcement of the amendment or waiver is sought.

For the purposes of this Note, the following terms shall have the following meanings:

"ADVANCES" means, collectively, all loans made by Bank to Borrower pursuant to the Line of Credit; "ADVANCE" means any of the Advances.

"APPLICABLE FACILITY FEE RATE" means the Applicable Facility Fee Rate, as defined in the Credit Agreement, which rate shall be immediately adjusted to correspond with each change of such rate in accordance with the terms of the Credit Agreement.

"APPLICABLE LIBOR MARGIN" means the Applicable LIBOR Margin, as defined in the Credit Agreement, which margin shall be immediately adjusted to correspond with each change of such margin in accordance with the terms of the Credit Agreement.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized to close in Cleveland, Ohio and, if the applicable Business Day relates to any LIBOR Advance, on

which dealings are carried on in the London interbank eurodollar market.

"CREDIT AGREEMENT" means the Credit Agreement among Borrower, KeyBank National Association, as Agent, and the banking institutions named on Schedule 1 attached thereto, dated as of May 13, 1996, as amended and as it may from time to time be further amended, restated or otherwise modified.

"DEFAULT RATE" means a floating rate per annum equal to two percent (2%) in excess of the Prime Rate from time to time in effect, which rate shall be immediately adjusted to correspond with each change in the Prime Rate.

"DEPOSIT ACCOUNT" means any demand, time, statement, savings, passbook or similar account or balance (including, without limitation, any certificate of deposit) presently or at any time hereafter maintained with Bank at any of its foreign or domestic offices either by Borrower severally or jointly by Borrower and another person or entity.

"DERIVED LIBOR RATE" means a rate per annum which shall be the sum of the Applicable LIBOR Margin plus the LIBOR Rate.

"EUROCURRENCY RESERVE PERCENTAGE" means, for any Interest Period in respect of any LIBOR Advance, as of any date of determination, the aggregate of the then stated maximum reserve percentages (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, applicable to such Interest Period (if more than one such percentage is applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) by the Board of Governors of the Federal Reserve System, any successor thereto, or any other banking authority, domestic or foreign, to which Bank may be subject in respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board) or in respect of any other category of liabilities, including deposits by reference to which the interest rate on LIBOR Advances is determined or any category of extension of credit or other assets that include the LIBOR Advances. For purposes hereof, such reserve requirements shall include, without limitation, those imposed under Regulation D of the Federal Reserve Board and the LIBOR Advances shall be deemed to constitute Eurocurrency Liabilities subject to such reserve requirements without benefit of credits for proration, exceptions or offsets which may be available from time to time to Bank under said Regulation D.

"EVENT OF DEFAULT" means the occurrence of any of the following events: (a) failure of Borrower to pay or perform any Obligation when it becomes due and payable; (b) an Event of Default or a Possible Default under the Credit Agreement; (c) the Credit Agreement or the Commitments (as defined in the Credit Agreement) thereunder shall have been terminated for any reason; (d) untruthfulness, proved to the satisfaction of Bank, of any statement, representation or certification contained in any financial statement, or other document given by Borrower in connection with any Advance; (e) breach by Borrower of any provision, agreement, representation, warranty or covenant set forth in this Note, the Credit Agreement or any Loan Document, as defined in the Credit Agreement, in any other instrument, document or agreement evidencing or relating to any Obligation; (f) dissolution, termination of existence, insolvency, business failure or appointment of a receiver of any part of the property of Borrower; (g) assignment for the benefit of creditors by Borrower; (h) failure or inability of Borrower to pay its debts as such debts come due; (i) the commencement of any proceedings under any bankruptcy or insolvency laws by or against Borrower; or (j) any judgment, attachment, execution, or similar process is rendered, issued, or levied against Borrower or any material amount of its property and is not fully satisfied, released, vacated, or bonded within thirty (30) days after its rendering, issue or levy.

"INTEREST PERIOD" means, with respect to any LIBOR Advance, the period commencing on the date such Advance is made and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof, and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof. The duration of each Interest Period for any LIBOR Advance shall be one (1) month, two (2) months or three (3) months, in each case as Borrower may select upon notice, as set forth herein, provided that if Borrower fails to so select the duration of any Interest Period, the LIBOR Advance shall be converted to a Prime Advance.

"INTEREST RATE" means (a) as to any Prime Advance, that floating rate per annum equal to the Prime Rate, which rate shall be immediately adjusted to correspond with each change in the Prime Rate, and (b) as to any LIBOR Advance, that fixed rate per annum (subject to changes in the Applicable Facility Fee Rate and the Applicable Margin) equal to the sum of the following: (i) the LIBOR Rate, plus (ii) the Applicable Facility Fee Rate, plus (iii) the Applicable Margin.

"LIBOR ADVANCE" means any Advance that bears interest determined with reference to the LIBOR Rate.

"LIBOR RATE" means, for any Interest Period with respect to a LIBOR Advance, the quotient (rounded upwards, if necessary, to the nearest one sixteenth of one percent (1/16th of 1%)) of: (a) the per annum rate of interest, determined by Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two (2) Business Days prior to the beginning of such Interest Period pertaining to such LIBOR Advance, as provided by Telerate Service, Bloomberg's or Reuters (or any other similar company or service that provides rate quotations comparable to those currently provided by such companies as the rate in the London interbank market for dollar deposits in immediately available funds with a maturity comparable to such Interest Period), DIVIDED BY (b) a number equal to 1.00 MINUS the Eurocurrency Reserve Percentage. In the event that such rate quotation is not available for any reason, then the rate (for purposes of clause (a) hereof) shall be the rate, determined by Bank as of approximately 11:00 A.M. (London time) two (2) Business Days prior to the beginning of such Interest Period pertaining to such LIBOR Advance, to be the average (rounded upwards, if necessary, to the nearest one sixteenth of one percent (1/16th of 1%)) of the per annum rates at which dollar deposits in immediately available funds in an amount comparable to such LIBOR Advance and with a maturity comparable to such Interest Period are offered to the prime banks by leading banks in the London interbank market. The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Percentage.

"LINE OF CREDIT" means the line of credit established hereunder by Bank for Borrower pursuant to which Bank shall make Advances to Borrower up to the aggregate principal amount at any one time outstanding of Eighty-Five Million Dollars (\$85,000,000).

"MATURITY DATE" means September 30, 1998, or such earlier date on which the Line of Credit shall have been terminated after an Event of Default.

"OBLIGATION" means (a) each Advance evidenced by this Note or pursuant to the Line of Credit, (b) the Debt (as defined in the Credit Agreement), and (c) any other present or future obligation, indebtedness or liability of Borrower owed to Bank, of whatever kind and however evidenced, together with all extensions, renewals, amendments, restatements and substitutions thereof or therefor.

"PRIME ADVANCE" means any Advance that bears interest determined with reference to the

Prime Rate.

"PRIME RATE" means that interest rate established from time to time by Bank as Bank's Prime Rate, whether or not such rate is publicly announced; the Prime Rate may not be the lowest interest rate charged by Bank for commercial or other extensions of credit. Each change in the Prime Rate shall be effective immediately from and after such change.

Borrower authorizes any attorney at law at any time or times after the maturity hereof (whether maturity occurs by lapse of time or by acceleration) to appear in any state or federal court of record in the United States of America, to waive the issuance and service of process, to admit the maturity of this Note and the nonpayment thereof when due, to confess judgment against the undersigned in favor of the holder of this Note for the amount then appearing due, together with interest and costs of suit, and thereupon to release all errors and to waive all rights of appeal and stay of execution. The foregoing warrant of attorney shall survive any judgment, and if any judgment be vacated for any reason, the holder hereof nevertheless may thereafter use the foregoing warrant of attorney to obtain an additional judgment or judgments against the undersigned. The undersigned agrees that Bank's attorney may confess judgment pursuant to the foregoing warrant of attorney. The undersigned further agrees that the attorney confessing judgment pursuant to the foregoing warrant of attorney may receive a legal fee or other compensation from Bank.

JURY TRIAL WAIVER. BORROWER AND BANK WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN BORROWER AND BANK, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS NOTE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO. THIS WAIVER SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY BANK'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT BETWEEN BORROWER AND BANK.

STERIS CORPORATION

By: /s/ Bill R. Sanford

Bill R. Sanford, Chairman, President
and Chief Executive Officer

and /s/ Michael A. Keresman, III

Michael A. Keresman, III, Senior
Vice President and Chief Financial
Officer

"WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT OR ANY OTHER CAUSE."

STERIS CORPORATION
MANAGEMENT INCENTIVE COMPENSATION PLAN
FY 1998

OBJECTIVE
- - - - -

The objective of the STERIS Corporation Management Incentive Compensation Plan (MICP) is to encourage greater initiative, resourcefulness, teamwork, efficiency, and achievement of objectives on the part of key management whose performance and responsibilities directly affect Company profits.

GENERAL PROVISIONS
- - - - -

The MICP for FY 1998 may be reviewed and revised at the Chief Executive Officer's discretion within the guidelines established by the Compensation Committee of the Board of Directors. Any incentive payouts under the terms of this Plan will be limited by any governmental regulations that are in effect at the time of such incentive payouts.

The incentive compensation fund available for disbursement to participants shall be determined by achievement of key parameters of the approved Annual Business Plan.

Management Incentive Compensation will be calculated after the close of each quarter and will be cumulative and retroactive. That is, deficiencies in year-to-date (YTD) performance can be made up by overachievement in subsequent quarters during the fiscal year.

A portion of the earned Management Incentive Compensation will be paid on a quarterly basis with another portion held in an escrow account to be paid on an annual basis. An accrual funding schedule will be developed and maintained by the Finance Department to reserve adequate funds for the payment of earned Management Incentive Compensation.

KEY PARAMETERS
- - - - -

MICP compensation will be determined through achievement of a combination of Annual Business Plan (ABP) objectives and Quarterly Individual Objectives (IO). ABP parameters are the Net Revenue, Operating Income, and Net Income objectives. IO parameters are approved quarterly personal objectives that are brief, specific, measurable, and consistent with overall Company objectives.

ELIGIBILITY

The management level classifications of individuals who may be eligible to participate in the MICP are the following:

Chief Executive Officer
 Sr. Vice President
 Division President/Unit Head
 Vice President
 Director
 Manager
 Supervisor/Professional

Incumbents holding a key management position with one of the above titles are immediately eligible for participation. New hires for an above titled position will begin participation in the MICP during the first full fiscal quarter of employment unless otherwise specified in the employment offer. An individual promoted to a higher management level during a quarter will have MICP compensation for that quarter at the management level held by the individual for the majority of the quarter.

Termination of employment of a participant shall result in his or her forfeiture of all unpaid incentive earnings.

MICP FY'98 PARTICIPANT BONUS SCHEDULE

The bonus opportunity for each management level upon 100% achievement of the FY'98 Net Revenue, Operating Income, and Net Income objectives is as follows:

Management Level -----	Quarterly Funding -----
Chief Executive Officer	150% of Base Income
Senior Vice President	100% of Base Income
Division President/Unit Head	75% of Base Income
Vice President	50% of Base Income
Director	35% of Base Income
Manager	20% of Base Income
Supervisor/Professional	\$625

BONUS POOL FUNDING

The funding of the bonus pool will be determined quarterly on a YTD basis. Any funding will be dependent upon the Company's YTD achievement of net revenue and operating income in relationship to the Annual Business Plan parameters. The following weighting factor will apply to the qualification parameters:

Net Revenue	75%
Operating Income	25%

Funding will occur on a sliding scale basis from 80% to 120% of the Blended Achievement Percentage. The following is a calculation example based upon YTD achievement of 104% of net revenue and 110% of operating income parameters of the ABP.

$$\begin{array}{r}
 104 \times 3 = 312 \\
 110 \times 1 = 110 \\
 \text{---} \\
 422 / 4 = 105.5\% - \text{Blended Rate}
 \end{array}$$

During FY'98, the Company must achieve at least an 80% blended rate to be eligible for MICP participation. For divisional MICP participation the Company and the respective division must achieve an 80% blended rate to be eligible for MICP participation.

INDIVIDUAL OBJECTIVES (IO)

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Quantifiable management objectives are developed and approved quarterly for each MICP participant. An individual's performance is evaluated at the end of each quarter and a percentage Individual Objectives (IO) Achievement calculated. The Individual Objectives are consistent with the quarterly and longer term objectives for the Company and the individual business units, profit centers, corporate services groups, or departments.

BONUS CALCULATION

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Individual participant bonuses and bonus payouts will be determined as defined in this bonus calculation section.

1. The bonus qualifier will be based on the Blended Achievement Percentage of the Company's Net Revenue and Operating Income objectives.
2. The performance in achieving the Net Revenue and Operating Income bonus qualification parameters will be determined on a YTD basis with a weighting of 3X for Net Revenue and 1X for Operating Income.
3. Individual participant payout targets will be taken from the then current Participant and Target Bonus Schedule.

4. The YTD Blended Achievement Percentage will be applied to the individual Target Bonus to determine the quarterly MICP eligible bonus amount.
5. If bonus eligibility on a YTD quarterly basis has occurred, the individual MICP eligible bonus amount is multiplied by the percentage achievement of the quarterly Individual Objectives that have been approved at the beginning of each quarter by the participant's direct supervisor and the senior executive/business head of the individual's business unit.

Bonus calculation example:

Vice President	
\$80,000 Base Salary	
50% Target Bonus	
Corp Achievement	
104% Net Revenue	
110% Op Income	
$104 \times 3 = 312$	
$110 \times 1 = 110$	

$422 / 4 = 105.5\%$	- Blended Rate
Individual Objectives (IO) Achievement	
96%	
Quarterly Target Bonus	
$\$80,000 \times 50\% / 4 = \$10,000$	
Sliding Scale Blended Target	
$\$10,000 \times 105.5\% = \$10,550$	
Earned Bonus	
$\$10,550 \times 96\% \text{ (IO)} = \$10,128$	

BONUS PAYMENT

Seventy-five percent (75%) of the eligible individual quarterly bonus will be paid following the end of each quarter. Twenty-five percent (25%) of the eligible individual quarterly bonus will be held in a bonus escrow account and will be paid following the end of the fiscal year only if the CORPORATION meets or exceeds its Net Income objective for the full fiscal year. Should the Corporation fail to meet or exceed its Net Income objective for the full fiscal year, all funds in the bonus escrow account will be forfeited.

EFFECTIVE DATE
- - - - -

The STERIS Management Incentive Compensation Plan is effective April 1, 1997,
through March 31, 1998.

PROMISSORY NOTE

Original Principal Amount
\$2,371,813.76

Mentor, Ohio
April 15, 1998

FOR VALUE RECEIVED, BILL R. SANFORD ("Maker") promises to pay to the order of STERIS Corporation ("Holder") the principal amount of Two Million Three Hundred Seventy-One Thousand Eight Hundred and Thirteen Dollars and Seventy-Six Cents (\$2,371,813.76) together with interest thereon as hereinafter provided.

1. PRINCIPAL. The principal amount hereof shall be due and payable in full on February 28, 2002 (the "Maturity Date").

2. INTEREST. The principal amount outstanding under this Promissory Note from time to time shall bear interest from and including the date hereof at the rate of 5.70% per annum, compounded annually on each anniversary of April 15, 1998, until paid in full. Interest on this Promissory Note shall be computed on the basis of a 365 day year for the actual number of days elapsed.

3. PAYMENT IN FULL ON MATURITY DATE. Maker shall pay the full amount then due under this Promissory Note, both principal and interest (including compounded interest) in a single payment on the Maturity Date. Payment of the principal of and interest on this Promissory Note shall be made in lawful money of the United States of America to Holder at 5960 Heisley Road, Mentor, Ohio 44060 or to such other payee or at such other address as may be designated to Maker by Holder from time to time.

4. MANDATORY PREPAYMENT ON SALE OF SHARES. Maker has used the proceeds of the loan from STERIS Corporation that is evidenced by this Promissory Note to fund the exercise of certain options for 186,500 STERIS Corporation Common Shares (the "Shares") and the taxes incurred in connection with that exercise. Upon any sale of any portion of the Shares, Maker shall promptly pay to Holder such amount, if any, as is necessary so that, immediately after that payment, the portion of the original principal on this Promissory Note that has been repaid, and as to which all accrued interest has been paid, is at least directly proportionate to the portion of the 186,500 Shares that have been sold by Maker through the date of that payment. For example, if, on a particular date Maker, having not previously sold any of the Shares and having not previously made any payment on this Promissory Note, sells 46,625 Shares (1/4 of the original number), Maker shall promptly pay to Holder at least \$592,953.44 of principal (1/4 of the original principal), together with all accrued interest on that amount of principal. If the facts were the same as in the example just given except that Maker had previously repaid \$100,000 of principal and accrued interest on this Promissory Note, Maker would be required to promptly pay to Holder at least \$492,953.44 of principal (1/4 of the original principal net of the earlier \$100,000 payment), together with all accrued interest on that amount of principal.

5. WAIVER OF DEMAND, ETC. Maker waives demand, presentment, notice of dishonor, protest, notice of protest, and diligence in collection and bringing suit and agrees that Holder may extend the time for payment, accept partial payment, or take security therefor without discharging or releasing Maker.

6. GOVERNING LAW. This Promissory Note has been executed in Mentor, Ohio. The construction, validity, and enforceability of this Promissory Note shall be governed by the laws of the State of Ohio applicable to promissory notes made and to be satisfied entirely within the State of Ohio.

7. COSTS OF ENFORCEMENT. Maker agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Holder in the collection of this Promissory Note and in the enforcement of the rights under this Promissory Note.

8. WAIVER. Maker, to the extent not prohibited by law, waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort or otherwise, between Holder and Maker arising out of, in connection with, related to, or incidental to the relationship established between Maker and Holder in connection with this Promissory Note, or any other agreement, instrument, or document executed or delivered in connection therewith or the transactions related thereto. This waiver shall not in any way affect, waive, limit, amend, or modify the ability of any Holder hereof to pursue remedies pursuant to any confession of judgment or cognovit provision contained in this note.

9. PREPAYMENT. Maker may prepay all or any portion of the principal sum hereof at any time without penalty. All such prepayments shall be applied to the payment of the principal due hereon, and shall be accompanied by the payment of accrued interest on the amount of the prepayment to the date thereof.

10. OVERDUE PAYMENTS. Any payment of principal and interest under this Promissory Note must be received by Holder by 5:00 p.m. E.S.T. on a business day in order to be credited on such date. If Maker fails to make any payment of principal, interest, or other amount becoming due pursuant to the provisions of this Promissory Note within ten business days of the date due and payable, Maker also shall pay to Holder a late charge equal to five percent of the amount of such payment. Such ten day period shall not be construed in any way to extend the due date of any such or subsequent payment.

11. WARRANT OF ATTORNEY. Maker hereby irrevocably authorizes any attorney-at-law to appear for Maker in an action on this Promissory Note at any time after the same becomes due, whether by acceleration or otherwise, in any court of record in the State of Ohio or elsewhere and to waive the issuing of service of process against Maker, and to confess judgment in favor of the Holder against Maker for all amounts that may be due, together with costs of suit, and thereupon to waive all errors and all rights of appeal and stays of execution in respect of the judgment rendered. Maker hereby expressly (a) waives any conflict of interest in an attorney retained by the Holder confessing judgment against Maker upon this Promissory Note, and (b) consents to any attorney retained by the Holder receiving a legal fee or other value for legal services rendered for confessing judgment against Maker upon this Promissory Note. The foregoing warrant of attorney shall survive any judgment, and if any judgment is vacated for any reason, the Holder may thereafter use the foregoing warrant of attorney to obtain an additional judgment or judgments against Maker. A copy of this Promissory Note, certified by the Holder, may be filed in any proceeding in place of filing the original as a warrant of attorney.

"WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE."

/s/ Bill R. Sanford

Bill R. Sanford

STERIS CORPORATION
1997 STOCK OPTION PLAN

1. Purpose. The purpose of this Plan is to provide to key Employees and to Directors a proprietary interest in the Company and to thereby stimulate their interest in the development and financial success of the Company. To achieve these purposes, the Company may grant Options to selected Employees and Directors, all in accordance with the terms and conditions hereinafter set forth. Capitalized terms used in this Plan have the meanings ascribed to them in Section 22, the last section hereof.

2. Administration.

2.1 Administrator. The Plan shall be administered by the Committee, which shall consist of three or more Directors appointed from time to time by the Board of Directors. Unless the Board of Directors determines otherwise, the Committee shall be comprised solely of individuals who are "outside directors" within the meaning of Section 162(m) of the Code and are "non-employee" directors within the meaning of SEC Rule 16b-3. The Board of Directors may, in its discretion, delegate to a committee or subcommittee of the Board of Directors that does not meet the requirements set forth in the immediately preceding sentence any or all of the authority and responsibility of the Committee with respect to awards of Options to Participants who are not Section 16 Persons or "covered employees" for purposes of Section 162(m) of the Code at the time any such delegated authority or responsibility is exercised. Such other committee or subcommittee may consist of three or more directors who may, but need not, be officers or employees of the Company or of any of its Subsidiaries. To the extent that the Board of Directors has delegated to such other committee or subcommittee the authority and responsibility of the Committee, all references to the Committee in the Plan shall be to such other committee or subcommittee.

2.2 Administrative Powers. The Committee shall have authority, subject to the terms of the Plan, (a) to determine the Employees and Directors who are eligible to receive Options under the Plan and the type, size, and terms of Options to be granted to any Participant, the time or times at which Options shall be exercisable or at which restrictions, conditions, and contingencies shall lapse, and the terms and provisions of the instruments by which Options shall be evidenced, (b) to establish any other restrictions, conditions, and contingencies on Options in addition to those prescribed by the Plan, (c) to interpret the Plan, and (d) to make all determinations necessary for the administration of the Plan. The construction and interpretation by the Committee of any provision of the Plan or any Option delivered pursuant to the Plan and any determination by the Committee pursuant to any provision of the Plan or any Option Instrument shall be final and conclusive. No member or alternate member of the Committee shall be liable for any such action or determination made in good faith. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee and the Committee may delegate to one or more employees, agents, or officers of the Company, or to one or more third party consultants, accountants, lawyers, or other advisors, such ministerial duties related to the operation of the Plan as it may deem appropriate.

3. Eligibility. Options may be granted to any Employee or Director selected by the Committee in its sole discretion.

4. Common Shares Subject to the Plan.

4.1 Maximum Number in the Aggregate. Subject to Section 4.3, the total number of Common Shares as to which Options may be granted under the Plan as of the date on which the Plan is approved by the shareholders of the Company shall be equal to one percent (1%) of the total number of Common Shares outstanding as of June 13, 1997 (the "Record Date"). Thereafter, on each January 1

occurring during the term of the Plan through and including (but not after) January 1, 2001, the number of Common Shares remaining available as to which Options may be granted under the Plan shall be increased by an additional one percent (1%) of the total number of Common Shares outstanding as of the Record Date (with the effect that the maximum number of Common Shares authorized under the Plan will not exceed five percent (5%) of the total number of Common Shares outstanding as of the Record Date), provided, however, that the maximum number of Common Shares remaining available for grants as of any January 1, taking into account the additional one percent (1%) added as of that January 1, shall not exceed three percent (3%) of the total number of Common Shares outstanding as of the Record Date. Common Shares issued and distributed to Employees in connection with Options granted under the Plan may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open market specifically for distribution under the Plan, as the Board of Directors may from time to time determine. Notwithstanding any other provision of the Plan, but subject to adjustment under Section 10, the maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options shall be 500,000 Common Shares.

4.2 Maximum Number -- Per Participant. Subject to adjustment under Section 10, the maximum number of Options that may be granted to any particular Participant in any calendar year during any part of which the Plan is in effect shall be 500,000 Common Shares.

4.3 Charging of Shares. Common Shares subject to Options that are forfeited, terminated, or canceled without having been exercised will again be available for grant under the Plan, without reducing the number of Common Shares available in any calendar year for grant of Options.

5. Options.

5.1 Types of Options. Options granted may be Incentive Stock Options or Nonqualified Options, as the Committee may determine at the time of grant. The Option Instrument pursuant to which any Incentive Stock Option is granted shall specify that the Option granted thereby shall be treated as an Incentive Stock Option. The Option Instrument pursuant to which any Nonqualified Option is granted shall specify that the Option granted thereby shall not be treated as an Incentive Stock Option.

5.2 Date of Grant of Options. The day on which the Committee authorizes the grant of an Incentive Stock Option shall be the date on which that Option is granted. The day on which the Committee authorizes the grant of a Nonqualified Option shall be considered the date on which that Option is granted, unless the Committee specifies a later date.

5.3 Exercise Price. The Exercise Price under any Option shall be not less than the Fair Market Value of the Common Shares subject to the Option on the date the Option is granted.

5.4 Option Expiration Date. The Option Expiration Date under any Incentive Stock Option shall not be later than ten years from the date on which the Option is granted. The Option Expiration Date under any Nonqualified Option shall not be later than ten years and one month from the date on which the Option is granted.

6. Exercise of Options.

6.1 Service Requirement. Except as otherwise provided in Section 7, an Option may be exercised only while the Participant to whom the Option was granted is in the employ of the Company or of a Subsidiary (or, in the case of a Participant who is a nonemployee Director of the Company, while the Participant remains a Director).

6.2 Vesting Schedule. Subject to the service requirement set forth in Section 6.1, and unless otherwise specified by the Committee in the relevant Option Instrument, each Option shall first become exercisable to the extent of:

- (a) from and after the first anniversary date of the Option Instrument, 25% of the Common Shares subject to the Option;

(b) from and after the second anniversary date of the Option Instrument, an additional 25% of the Common Shares subject to the Option;

(c) from and after the third anniversary date of the Option Instrument, an additional 25% of the Common Shares subject to the Option; and

(d) from and after the fourth anniversary date of the Option Instrument, the remaining 25% of the Common Shares subject to the Option.

If, by reason of the application of Section 7, an Option may be exercised at a time when a Participant is no longer in the service of the Company, and, on the Service Termination Date, the Participant held any Options that were not then otherwise fully exercisable, each such Option shall be exercisable as of the Service Termination Date (i) to the extent that it was exercisable pursuant to the foregoing schedule plus (ii) to the extent of an additional percentage determined by multiplying 25% by a fraction the numerator of which is the number of days between the Service Termination Date and the immediately preceding anniversary date of the Participant's Option Instrument (or, if no anniversary date has occurred, the numerator will be the number of days between the Service Termination Date and the date of the grant of the Option) and the denominator of which is 365. Once any portion of an Option becomes exercisable, that portion shall remain exercisable until expiration or termination of the Option. A Participant to whom an Option is granted may exercise the Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Option.

6.3 Procedure for Exercise. A Participant electing to exercise an Option shall deliver to the Company (a) the Exercise Price payable in accordance with Section 6.4 and (b) written notice of the election that states the number of whole Common Shares with respect to which the Participant is exercising the Option.

6.4 Payment For Common Shares. Upon exercise of an Option by a Participant, the Exercise Price shall be payable by the Participant in cash or in such other form of consideration as the Committee determines may be accepted, including, without limitation, (a) by delivery by the Participant (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act to promptly deliver to the Company the amount of sale or loan proceeds to pay the Exercise Price, (b) in Common Shares (including through an attestation procedure) or other property surrendered to the Company, (c) by the surrender of all or part of the Option being exercised, or (d) by a combination of the foregoing methods, as and to the extent permitted by the Committee. Property for purposes of this section shall include an obligation of the Company unless prohibited by applicable law. Common Shares surrendered in connection with the exercise of an Option shall be valued at their Fair Market Value on the date of exercise. Any other property so surrendered shall be valued at its fair market value on any reasonable basis established or approved by the Committee. Any Common Shares surrendered to the Company in connection with the exercise of an Option (including by attestation) will again be available for grant under the Plan, without reducing the number of Common Shares otherwise available in any calendar year for grant of Options.

7. Termination of Service. After a Participant's Service Termination Date, the rules set forth in this Section 7 shall apply. All factual determinations with respect to the termination of a Participant's employment or service as a Director, as the case may be, that may be relevant under this Section 7 shall be made by the Committee in its sole discretion.

7.1 Termination Other Than Upon Death or Disability or for Cause. Upon any termination of a Participant's service for any reason other than the Participant's disability or death or the Participant's termination for Cause, unless otherwise provided in the relevant Option Instrument, the Participant shall have the right, during the period ending three months after the Service Termination Date, but not later than the Option Expiration Date, to exercise any Options that were outstanding on the Service Termination Date, if and to the same extent as those Options were exercisable by the Participant on the Service Termination Date.

7.2 Termination Due To Disability. Upon any termination of a Participant's service due to disability, unless otherwise provided in the relevant Option Instrument, the Participant, or the Participant's Representative, shall have the right to exercise, from time to time during the period ending one year after the Service Termination Date, but not later than the Option Expiration Date, any Options that were outstanding on the Service Termination Date, if and to the same extent those Options were exercisable by the Participant on the Service Termination Date.

7.3 Death of a Participant. Upon the death of a Participant while in the service of the Company or any Subsidiary as an Employee or in the service of the Company as a Director or within any of the periods referred to in either of Sections 7.1 or 7.2 during which any particular Option remains potentially exercisable, unless otherwise provided in the relevant Option Instrument (in which the Committee may specify a different period of extension of the Option Expiration Date in the event of the death of the Participant), (a) if the Option Expiration Date of any Nonqualified Option that had not expired before the Participant's death would otherwise expire before the first anniversary of the Participant's death, that Option Expiration Date shall automatically be extended to the first anniversary of the Participant's death and (b) unless otherwise provided in the relevant Option Instrument, all Options held by the Participant at the date of the Participant's death shall become immediately exercisable in full and the Participant's Representative shall have the right to exercise any such Options from time to time during the period ending one year after the date of the Participant's death, but not later than the Option Expiration Date.

7.4 Termination for Cause. Upon any termination of a Participant's service with the Company or a Subsidiary for Cause, all of the Participant's rights with respect to unexercised Options shall expire immediately before the Service Termination Date.

8. Acceleration Upon Change of Control. Unless otherwise specified in the relevant Option Instrument, upon the occurrence of a Change of Control of the Company, each Option theretofore granted to any Participant that then remains outstanding shall become immediately exercisable in full.

9. Transferability. Unless otherwise determined by the Committee, no Option may be transferred other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined in Section 414(p)(1)(B) of the Code) that satisfies the requirements of Section 414(p)(1)(A) of the Code. During a Participant's lifetime, only the Participant (or in the case of incapacity of a Participant, the Participant's attorney in fact or legal guardian) may exercise any Option.

10. Adjustment Upon Changes in Common Shares. In the event of any stock dividend, stock split, or share combination of the Common Shares or any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Company or any spin-off or other distribution to shareholders of the Company (other than normal cash dividends), (a) the Committee shall make appropriate adjustments to the maximum number of Common Shares that may be issued under the Plan pursuant to Section 4.1 and (b) the Committee shall adjust the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Option to the extent necessary and in such manner that the benefits of Participants under all then outstanding Options shall be maintained substantially as before the occurrence of such event. Any adjustment so made by the Committee shall be conclusive and binding for all purposes of the Plan as of such date as the Committee may determine.

11. Purchase For Investment. Each person acquiring Common Shares pursuant to an Option may be required by the Company to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Company, in its sole discretion, determines that such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any time such representation is no longer necessary for such purposes.

12. Withholding of Taxes. The Company will withhold from any payments of cash made pursuant to the Plan such amount as is necessary to satisfy all applicable federal, state, and local withholding tax obligations. The Committee may, in its discretion and subject to such rules as the Committee may adopt from time to time, permit or require a Participant to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the grant of an Option, the lapse of any restrictions with respect to an Option, the acquisition of Common Shares pursuant to any Option, or the disposition of any Common Shares received pursuant to any Option by such means as the Committee may determine including, without limitation, by having the Company hold back some portion of the Common Shares that would otherwise be delivered pursuant to the Option or by delivering to the Company an amount equal to the withholding tax obligation arising with respect to such grant, lapse, acquisition, or disposition in (a) cash, (b) Common Shares, or (c) such combination of cash and Common Shares as the Committee may determine. The Fair Market Value of the Common Shares to be so held back by the Company or delivered by the Participant shall be determined as of the date on which the obligation to withhold first arose. The Company may apply the provisions of this Section 12 based upon generally applicable withholding rates and without regard to any statutory minimum rate applicable to special payments.

13. Options in Substitution for Options Granted by Other Companies. Options, whether Incentive Stock Options or Nonqualified Options, may be granted under the Plan in substitution for options held by employees of a company who become Employees of the Company or a Subsidiary as a result of the merger or consolidation of the employer company with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of the employer company, or the acquisition by the Company or a Subsidiary of stock of the employer company as a result of which it becomes a Subsidiary. The terms, provisions, and benefits of the substitute Options so granted may vary from the terms, provisions, and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions, and benefits of the options in substitution for which they are granted.

14. Legal Requirements. No Options shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Common Shares, cash, or any combination thereof, except in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

15. Effective Date and Termination of the Plan. The Plan shall become effective and shall be deemed to have been adopted on the date on which it is approved by the shareholders of the Company and shall remain in effect thereafter through April 23, 2007, unless earlier terminated by the Board of Directors of the Company. In no event shall an Incentive Stock Option be granted under the Plan more than ten years from the date the Plan is adopted by the Board of Directors, or the date the Plan is approved by the shareholders of the Company, whichever is earlier. No termination of the Plan shall adversely affect the rights of any Participant with respect to any Option granted before the effective date of the termination.

16. Amendments. Subject to any applicable shareholder approval requirements of applicable law or the rules of the registered national securities association through whose inter-dealer quotation system the Common Shares are quoted, the Board of Directors, or a duly authorized committee thereof, may alter or amend the Plan from time to time prior to its termination in any manner the Board of Directors, or such duly authorized committee, may deem to be in the best interests of the Company and its shareholders, except that, without shareholder approval, no amendment shall increase the aggregate number of shares that may be issued under Incentive Stock Options under the Plan. The Committee shall have the authority to amend the terms and conditions applicable to outstanding Options (a) in any case where expressly permitted by the terms of the Plan or of the relevant Option Instrument or (b) in any other case with the consent of the Participant to whom the Option was granted. Except as expressly provided in the Plan or in the Option Instrument evidencing the Option, the Committee may not, without the consent of the holder of an Option granted under the Plan, amend the terms and conditions applicable to that Option in a manner adverse to the interests of the Participant.

17. Plan Noncontractual. Nothing herein contained shall be construed as a commitment to or agreement with any person employed by the Company or a Subsidiary or serving as a Director of the Company to continue such person's employment or service as a Director with the Company or the Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Company or any Subsidiary to continue the employment, other service, or the annual rate of compensation of any such person for any period. All Employees shall remain subject to discharge and all Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.

18. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Company or any Subsidiary, their officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

19. Absence of Liability. No member of the Board of Directors of the Company or a Subsidiary, of the Committee, of any other committee of the Board of Directors, or any officer or Employee of the Company or a Subsidiary shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, or, except in circumstances involving his or her bad faith or willful misconduct, for anything done or omitted to be done by himself or herself.

20. Severability. The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

21. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

22. Definitions.

22.1 1934 Act. The term "1934 Act" means the Securities Exchange Act of 1934, as amended.

22.2 Board of Directors. The term "Board of Directors" means the Board of Directors of the Company.

22.3 Cause. The Company shall be deemed to have "Cause" for the termination of an Employee's employment if the Employee has committed any act or series of acts determined by the Committee (in a determination made either before or after the Service Termination Date) to warrant discharge from employment, including, without limitation, any act of theft or dishonesty in connection with the Employee's employment with the Company, any unauthorized disclosure of confidential information belonging to the Company, or other similar action.

22.4 Change of Control. A "Change of Control" shall be deemed to have occurred if at any time or from time to time after the date of adoption of the Plan:

(a) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as adopted under the 1934 Act, disclosing the acquisition of 25% or more of the voting stock of the Company in a transaction or series of transactions by any person (as the term "person" is used in Section 13(d) and Section 14(d)(2) of the 1934 Act),

(b) during any period of 730 consecutive days or less, individuals who at the beginning of such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election of each new Director of the Company was approved or recommended by the vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period,

(c) the Company merges with or into or consolidates with another corporation following approval of the shareholders of the Company of such merger or consolidation and, after giving effect to such merger or consolidation, less than fifty percent (50%) of the then outstanding voting

securities of the surviving or resulting corporation represent or were issued in exchange for voting securities of the Company outstanding immediately prior to such merger or consolidation,

(d) there is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company following approval of the shareholders of the Company of such transaction or series of transactions, or

(e) the shareholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company.

22.5 Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

22.6 Committee. The term "Committee" means the Compensation Committee of the Board of Directors or such other committee or subcommittee designated by the Board of Directors to administer the Plan.

22.7 Common Shares. The term "Common Shares" means common shares of the Company without par value.

22.8 Company. The term "Company" means STERIS Corporation and its successors, including the surviving or resulting corporation of any merger of STERIS Corporation with or into, or any consolidation of STERIS Corporation with, any other corporation or corporations.

22.9 Director. The term "Director" means any member of the Board of Directors.

22.10 Disability. A Participant shall be deemed to have suffered a "Disability" if and only if (a) the Participant has established to the satisfaction of the Committee that the Participant is unable to perform the Participant's normal duties and responsibilities with the Company by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, all within the meaning of Section 22(e)(3) of the Code and (b) the Participant has satisfied any other requirement that may be imposed by the Committee.

22.11 Employee. The term "Employee" means any individual employed by the Company or by any Subsidiary.

22.12 Exercise Price. The term "Exercise Price" with respect to an Option means the price specified in the Option at which the Common Shares subject to the Option may be purchased by the holder of the Option.

22.13 Fair Market Value. Except as otherwise determined by the Committee, the term "Fair Market Value" with respect to Common Shares means the closing sales price of the Common Shares as reported on the national securities exchange on which the Common Shares are traded, or, if applicable, as reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market, on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares. If the Common Shares are not or cease to be traded on a national securities exchange or on the NASDAQ National Market, the "Fair Market Value" of Common Shares shall be determined in the manner prescribed by the Committee.

22.14 Incentive Stock Option. The term "Incentive Stock Option" means an Option intended by the Committee to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

22.15 Nonqualified Option. The term "Nonqualified Option" means an Option intended by the Committee not to qualify as an "incentive stock option" under Section 422 of the Code.

22.16 Option. The term "Option" means an award entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

22.17 Option Expiration Date. The term "Option Expiration Date" with respect to any Option means the date selected by the Committee after which the Option may not be exercised, except as provided in Section 7.3 in the case of the death of the Participant to whom the option was granted.

22.18 Option Instrument. The term "Option Instrument" means a written instrument evidencing an Option in such form and with such provisions as the Committee may prescribe. Each Option Instrument shall provide that acceptance of the Option Instrument by an Employee constitutes agreement to the terms of the Option evidenced thereby.

22.19 Participant. The term "Participant" means any Director or Employee selected by the Committee to receive one or more Options under the Plan.

22.20 Participant's Representative. The term "Participant's Representative" means, (a) in the case of a deceased Participant, the Participant's executor or administrator or the person or persons to whom the Participant's rights under any award are transferred by will or the laws of descent and distribution and (b) in the case of a disabled or incapacitated Participant, the Participant's attorney in fact or legal guardian.

22.21 Plan. The term "Plan" means this STERIS Corporation 1997 Stock Option Plan as from time to time hereafter amended in accordance with Section 16 hereof.

22.22 SEC Rule 16b-3. The term "SEC Rule 16b-3" means Rule 16b-3 or any successor provision under the 1934 Act.

22.23 Section 16 Person. The term "Section 16 Person" means a person subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.

22.24 Service Termination Date. The term "Service Termination Date" with respect to an Employee means the first date on which the Employee is no longer employed by the Company or any Subsidiary and with respect to a Director means the first date on which the Director ceases to be a Director of the Company.

22.25 Subsidiary. The term "Subsidiary" means any corporation, partnership, joint venture, or other business entity in which the Company owns, directly or indirectly, 50 percent (50%) or more of the total combined voting power of all classes of stock (in the case of a corporation) or other ownership interests (in the case of any entity other than a corporation).

SUBSIDIARIES OF STERIS CORPORATION

STERIS has no parent company. As of March 31, 1998, certain of its direct and indirect subsidiaries were as follows:

Subsidiary -----	Location -----
STERIS Foreign Sales Corporation	US Virgin Islands
Medical & Environmental Designs, Inc. (MED Inc.)	Missouri
STERIS GmbH	Germany
STERIS S.A.	Belgium
STERIS S.r.l.	Italy
Ecomed, Inc.	Indiana
STERIS Korea Limited	Korea
Surgicot, Inc.	Delaware
Calgon Vestal, Inc.	Delaware
Isomedix Inc.	Delaware
Isomedix Corporation	Canada
Isomedix Management Inc.	Delaware
Isomedix Operations Inc	Delaware
American Sterilizer Company	Pennsylvania
STERIS Inc.	Delaware
STERIS Canada Inc.	Canada
STERIS Canada Corporation	Canada
STERIS Europe, Inc.	Delaware
CLBV Limited	United Kingdom
AEI AMSCO Holdings B.V.	Netherlands
AMSCO Finn-Aqua Oy	Finland
AMSCO Finn-Aqua GmbH	Germany
AMSCO S.A./N.V.	Belgium
AMSCO Finn-Aqua, S.A. (Spain)	Spain
AMSCO Finn-Aqua S.A. (France)	France
STERIS Limited	United Kingdom
STERIS Asia Pacific, Inc.	Delaware
AMSCO Japan, K.K.	Japan
AMSCO Hong Kong Limited	Hong Kong
STERIS Singapore Pte. Ltd.	Singapore
American Sterilizer (Thailand) Co. Ltd.	Thailand
STERIS Latin America, Inc.	Delaware
AMSCO Brasil Comercio e Servicos Ltda.	Brazil
AMSCO de Costa Rica, S.A.	Costa Rica

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements and related Prospectuses of our report dated April 20, 1998, with respect to the consolidated financial statements and schedule of STERIS Corporation and Subsidiaries included in this Annual Report (Form 10-K) for the year ended March 31, 1998:

Registration Number	Description	Filing Date
333-32005	Form S-8 Registration Statement -- STERIS Corporation 1997 Stock Option Plan	July 24, 1997
333-06529	Form S-3 Registration Statement -- STERIS Corporation	June 21, 1996
333-01610	Post-effective Amendment to Form S-4 on Form S-8 -- STERIS Corporation	May 16, 1996
33-91444	Form S-8 Registration Statement -- STERIS Corporation 1994 Equity Compensation Plan	April 24, 1995
33-91442	Form S-8 Registration Statement -- STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan	April 24, 1995
33-55976	Form S-8 Registration Statement -- STERIS Corporation 401(k)Plan	December 21, 1992
33-55258	Form S-8 Registration Statement -- STERIS Corporation Amended and Restated Non-Qualified Stock Option Plan	December 4, 1992

Ernst & Young LLP

Cleveland, Ohio
May 26, 1998

POWER OF ATTORNEY

The undersigned, an officer or director, or both an officer and director, of STERIS Corporation, an Ohio corporation, which proposes to file with the Securities and Exchange Commission, Washington, D. C. under the provisions of the Securities and Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the fiscal year ended March 31, 1998 (the "Annual Report"), hereby constitutes Bill R. Sanford, Michael A. Keresman, III, David C. Dvorak, and Roy L. Turnell, and each of them, as attorney for the undersigned, with full power of substitution and resubstitution, for and in the name, place, and stead of the undersigned, to sign and file the Annual Report, and exhibits thereto, and any and all amendments thereto, with full power and authority to do and perform any and all acts whatsoever requisite and necessary to be done in the premises, hereby ratifying and approving the acts of such attorney or any such substitute.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Bill R. Sanford

 Bill R. Sanford,
 Chairman of the Board,
 President, Chief Executive Officer

POWER OF ATTORNEY

The undersigned, an officer or director, or both an officer and director, of STERIS Corporation, an Ohio corporation, which proposes to file with the Securities and Exchange Commission, Washington, D. C. under the provisions of the Securities and Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the fiscal year ended March 31, 1998 (the "Annual Report"), hereby constitutes Bill R. Sanford, Michael A. Keresman, III, David C. Dvorak, and Roy L. Turnell, and each of them, as attorney for the undersigned, with full power of substitution and resubstitution, for and in the name, place, and stead of the undersigned, to sign and file the Annual Report, and exhibits thereto, and any and all amendments thereto, with full power and authority to do and perform any and all acts whatsoever requisite and necessary to be done in the premises, hereby ratifying and approving the acts of such attorney or any such substitute.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Michael A. Keresman, III

 Michael A. Keresman, III,
 Senior Vice President and
 Chief Financial Officer
 (Principal Financial Officer and
 Principal Accounting Officer)

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Raymond A. Lancaster

Raymond A. Lancaster
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Thomas J. Magulski

Thomas J. Magulski
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ J.B. Richey

J. B. Richey
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Jerry E. Robertson, Ph.D.

Jerry E. Robertson, Ph.D.
Director

POWER OF ATTORNEY

The undersigned, an officer or director, or both an officer and director, of STERIS Corporation, an Ohio corporation, which proposes to file with the Securities and Exchange Commission, Washington, D. C. under the provisions of the Securities and Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the fiscal year ended March 31, 1998 (the "Annual Report"), hereby constitutes Bill R. Sanford, Michael A. Keresman, III, David C. Dvorak, and Roy L. Turnell, and each of them, as attorney for the undersigned, with full power of substitution and resubstitution, for and in the name, place, and stead of the undersigned, to sign and file the Annual Report, and exhibits thereto, and any and all amendments thereto, with full power and authority to do and perform any and all acts whatsoever requisite and necessary to be done in the premises, hereby ratifying and approving the acts of such attorney or any such substitute.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of April 23, 1998.

/S/ Frank E. Samuel, Jr.

Frank E. Samuel, Jr.
Director

12-MOS	6-MOS	3-MOS	12-MOS
MAR-31-1998	MAR-31-1998	MAR-31-1998	MAR-31-1996
MAR-31-1998	SEP-30-1997	JUN-30-1997	MAR-31-1996
	17,172	35,815	24,429
	0	933	1,020
203,992		177,402	156,181
0		0	0
90,998		86,896	82,876
334,332		334,601	295,970
	289,658	280,865	184,756
(84,366)		(81,505)	(77,511)
732,325		723,550	538,989
169,654		195,523	147,148
0	0	0	0
0	0	0	0
	230,477	233,524	229,877
	128,475	91,010	76,123
732,325	723,550	538,989	592,697
	719,656	328,517	155,134
	395,098	183,496	88,300
	0	0	0
	0	0	0
6,239		1,395	522
107,355		44,355	19,273
41,859		17,299	7,526
65,496		27,056	11,747
0		0	0
0		0	0
	0	0	0
	65,496	27,056	11,747
	1.93	0.80	0.35
	1.87	0.78	0.34

12-MOS	9-MOS		6-MOS		3-MOS		
MAR-31-1997	MAR-31-1997	MAR-31-1997	DEC-31-1996	MAR-31-1997	SEP-30-1996	MAR-31-1997	JUN-30-1996
	20,576		34,822		56,701		142,820
	2,977		6,120		6,077		6,102
	164,163		147,877		131,953		126,555
	0		0		0		0
	78,762		88,775		80,890		77,822
	300,042		294,060		292,784		373,477
	177,184		168,163		141,564		138,856
	(74,332)		(73,931)		(63,514)		(63,368)
	539,455		554,035		479,948		557,611
156,308		151,717		150,885		250,638	
0	0	0	0	0	0	0	0
	0		0		0		0
	231,278		239,316		223,411		211,904
	63,438		50,214		37,029		25,480
539,455	554,035		479,948		557,611		
	587,852		417,363		266,358		127,868
	356,007		256,978		165,747		80,582
	0		0		0		0
	0		0		0		0
	2,919		2,140		1,948		0
	(4,862)		(30,865)		(53,232)		(73,636)
	25,744		15,657		6,825		(2,041)
(30,606)		(46,522)		(60,057)		(71,595)	
	0		0		0		0
	0		0		0		0
	0		0		0		0
	(30,606)		(46,522)		(60,057)		(71,595)
	(0.91)		(1.39)		(1.81)		(2.16)
	(0.91)		(1.39)		(1.81)		(2.16)