

HOGY



July 15, 2005

Financial Report

1st Quarter of Fiscal 2005

(April 1 – June 30, 2005)

Jun-ichi Hoki, President and COO

Mitsunori Suzuki, Executive Vice President

Kazutaka Itoh, Executive Officer and Head of Administration Dept.

Future direction of management

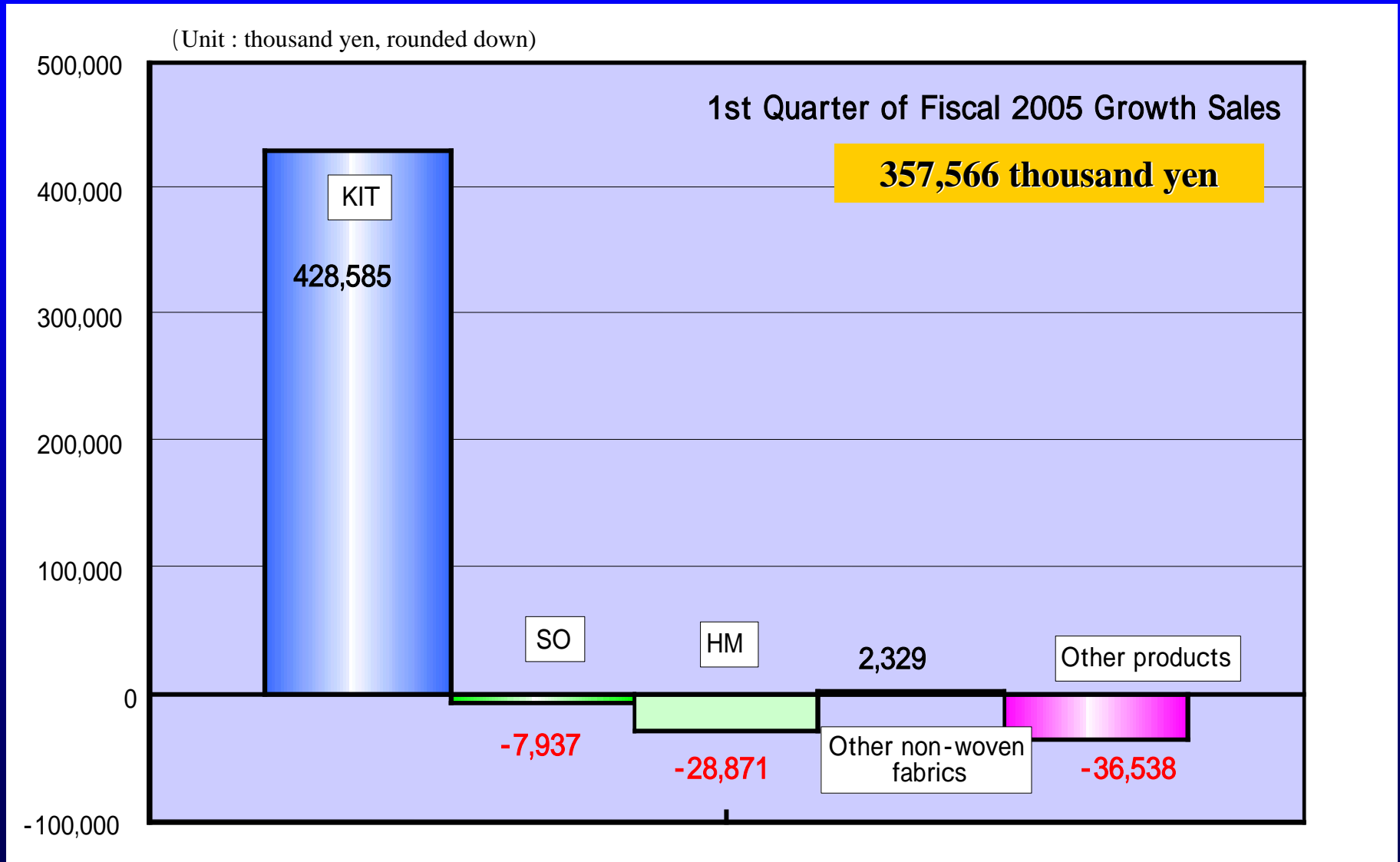
- **Follow previous business policies**
- **Get Opera Master up and running**
 - **Swiftly build production and other systems**
- **Establish a results-driven mindset**

Overview and Analysis (Consolidated)

Statements of Income: 1st Quarter, Fiscal 2005 (Consolidated)

(Unit: million yen, rounded down)	Fiscal 2004 1st quarter Results		Fiscal 2005 1st quarter Plan		Fiscal 2005 1st quarter Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	%	Amount	%
Net sales	6,072		6,172		6,429		357	105.9%	257	104.2%
Cost of sales	3,014	49.7%	3,009	48.8%	3,088	48.0%	73	102.5%	78	102.6%
Gross profit	3,057	50.3%	3,162	51.2%	3,341	52.0%	283	109.3%	178	105.7%
SG&A expenses	1,712	28.2%	1,835	29.7%	1,805	28.1%	92	105.4%	-29	98.4%
Operating income	1,344	22.1%	1,326	21.5%	1,535	23.9%	191	114.2%	208	115.7%
Non-operating income/loss	126		2		59					
Ordinary income	1,470	24.2%	1,329	21.5%	1,595	24.8%	124	108.5%	265	120.0%
Extraordinary income/loss	203		-		- 0					
Income before income taxes and minority interests	1,673	27.6%	1,329	21.5%	1,594	24.8%	-79	95.3%	264	119.9%
Net income	1,029	17.0%	820	13.3%	982	15.3%	-46	95.4%	162	119.8%
EPS (total shares)	63.01yen		50.22yen		60.14yen					
Number of shares outstanding	16,341,155		16,341,155		16,341,155					
EPS (minus treasury shares)	66.15yen		52.73yen		63.15yen					
Number of shares after deducting treasury shares	15,564,942		15,563,643		15,563,442					

Sales Growth by Major Products: 1st Quarter, Fiscal 2005 (Consolidated)



Analysis of 1st Quarter, Fiscal 2005

Net Sales : Up ¥ 357 million (105.9%), compared with forecast increase of ¥ 257 million (104.2%)

- **Kit products : Up ¥ 428 million (125.5%), compared with forecast increase of ¥ 215 million (111.4%)**
 - **Focus on getting Opera Master into full-scale operation**
 - **Regular kits : Steady sales growth Raise average sales prices**

- **Sontara products : Down ¥ 7 million (99.7%), compared with forecast decrease of ¥ 6 million (99.8%)**
 - **Practically according to forecast thanks to introduction of new products**

Analysis of 1st Quarter, Fiscal 2005

- **Cost of sales :**
 - ✓ **According to plan**

- **SG & A expenses : Compared with forecast decrease ¥ 29 million**
 - ✓ **Reason for failure to reach forecast : Sample costs, R&D expenses**

- **Non-operating income/loss :**
 - ✓ **¥ 41 million foreign exchange gains**
(rate at end of June 2005 : ¥110.63/US\$)

- **Extraordinary income/loss :**
 - ✓ **Inapplicable**

Projected Statements of Income (Fiscal 2005, Consolidated) ⁷

(Unit: million yen, rounded down)	Fiscal 2004 Results		Fiscal 2005 Plan		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	24,961		27,015		2,053	108.2%
Cost of sales	12,225	49.0%	13,319	49.3%	1,093	108.9%
Gross profit	12,735	51.0%	13,695	50.7%	959	107.5%
SG&A expenses	7,005	28.1%	7,500	27.8%	494	107.1%
Operating income	5,730	22.9%	6,195	22.9%	465	108.1%
Non-operating income/loss	167		- 23		- 191	
Ordinary income	5,897	23.6%	6,171	22.8%	274	104.7%
Extraordinary income/loss	- 83		- 50		33	
Income before income taxes and minority interests	5,813	23.3%	6,121	22.7%	308	105.3%
Net income	3,494	14.0%	3,773	14.0%	279	108.0%
EPS (total shares)	209.75yen		226.85yen			
Number of shares outstanding	16,341,155		16,341,155			
EPS (minus treasury shares)	220.21yen		238.19yen			
Number of shares after deducting treasury shares	15,564,400		15,563,256			

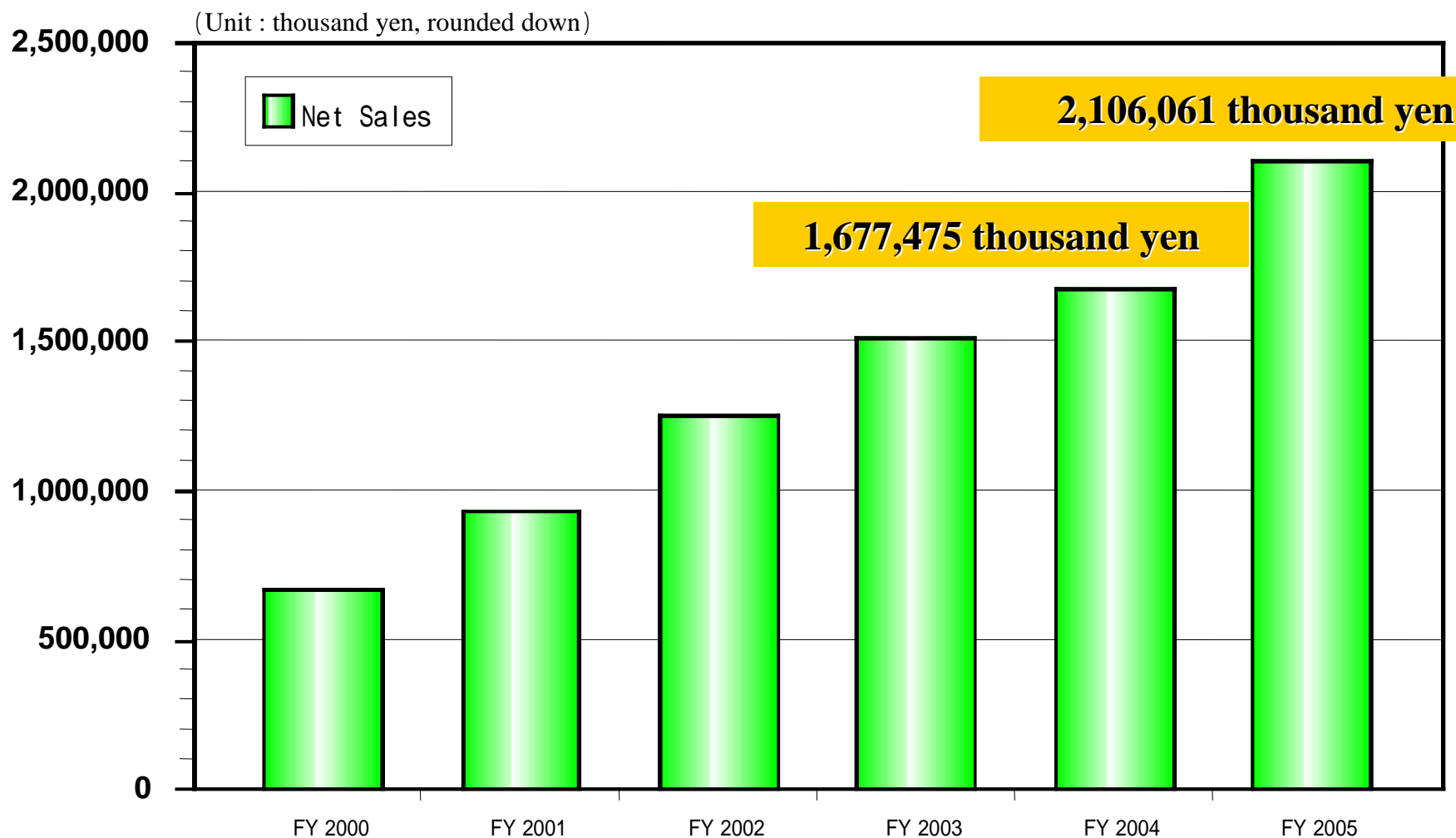
* ESP (forecast) is based on number of shares (excluding treasury stock) outstanding as of June 30, 2005.

Marketing Overview

Marketing Overview

- **History of Sales for kit products in the 1st Quarter**
- **Progress of Opera Master Marketing**
- **Introduction of Opera Master: The objective**
- **Opera Master introduction: Benefit 1(enhanced business efficiency)**
- **Opera Master introduction: Benefit 2(enhanced business efficiency)**
- **Opera Master introduction: Benefit 3(enhanced business efficiency)**
- **Opera Master introduction: Benefit 4(lower inventories)**
- **Opera Master introduction: Benefit 5(better cost control)**
- **Opera Master introduction: Benefit 6(better cost control)**

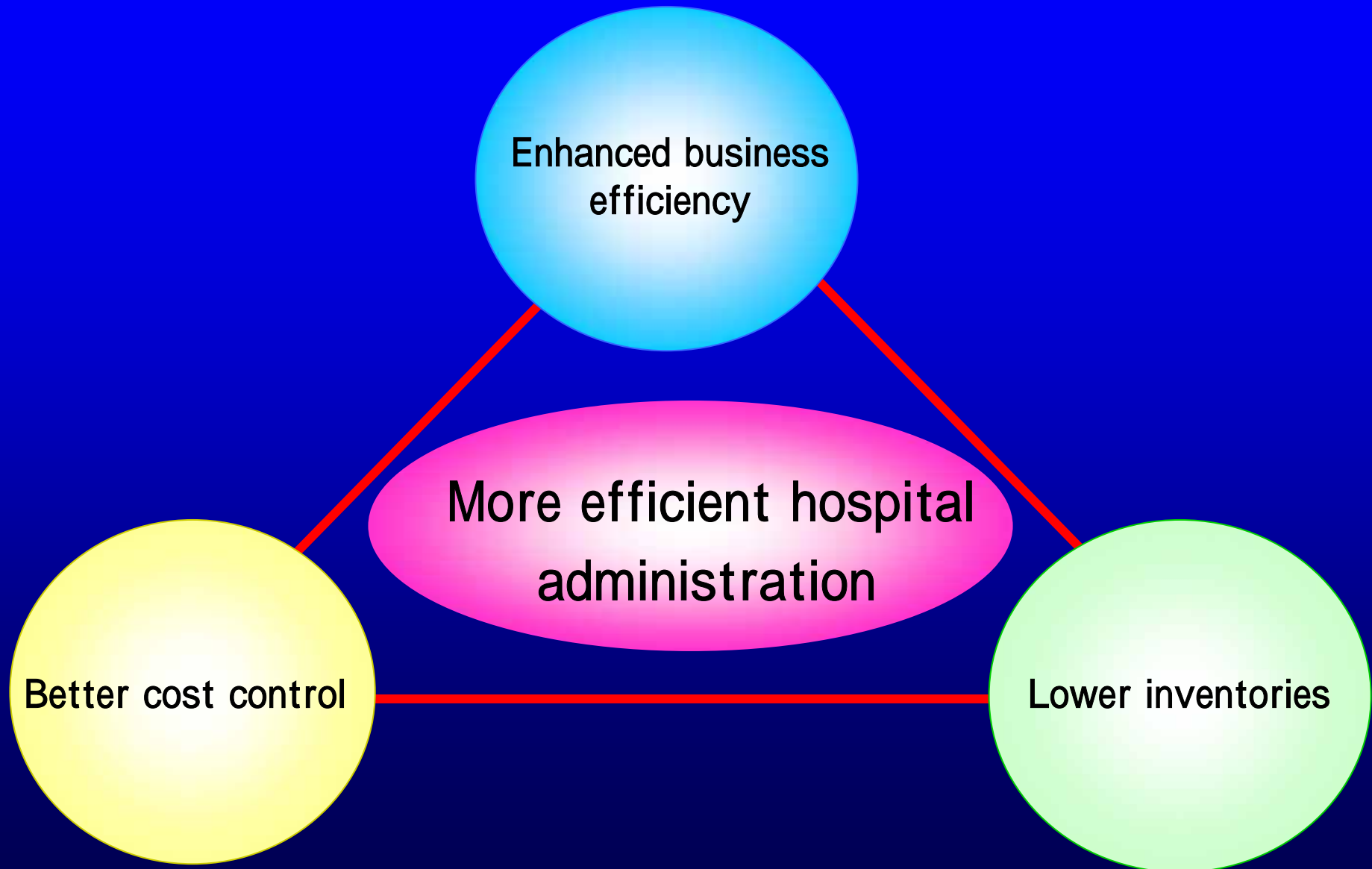
History of Sales for kit products in the 1st Quarter



Progress of Opera Master Marketing

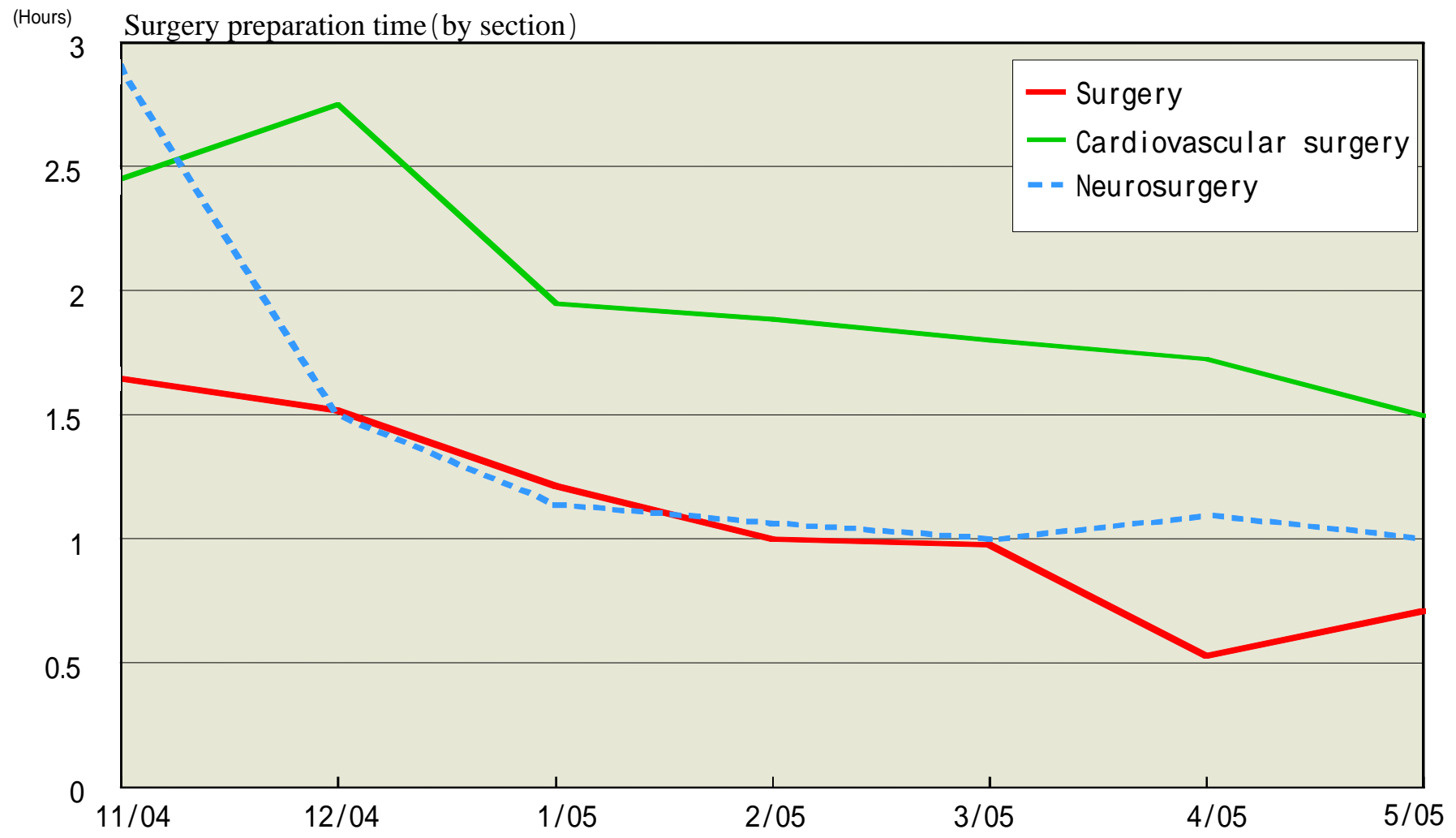
- **Number of under contracts for Opera Master**
by the end of 1st Quarter, Fiscal 2005 : 20
- **Sales of kit products in the 1st Quarter, Fiscal 2005 : ¥ 2,106 million**
(Up 125.5%, compared with forecast increase of 111.4%)
- **Plan of Opera Master in Fiscal 2005**
 - **Contracts : 41 (cumulative)**
 - **Sales : ¥ 3,700 million**
- **Plan of kit sales in Fiscal 2005**
 - **¥ 9,745 million (of which Opera Master to account for 38%)**

Introduction of Opera Master: the objective ¹²



Opera Master introduction : Benefit 1

(Example of enhanced business efficiency)

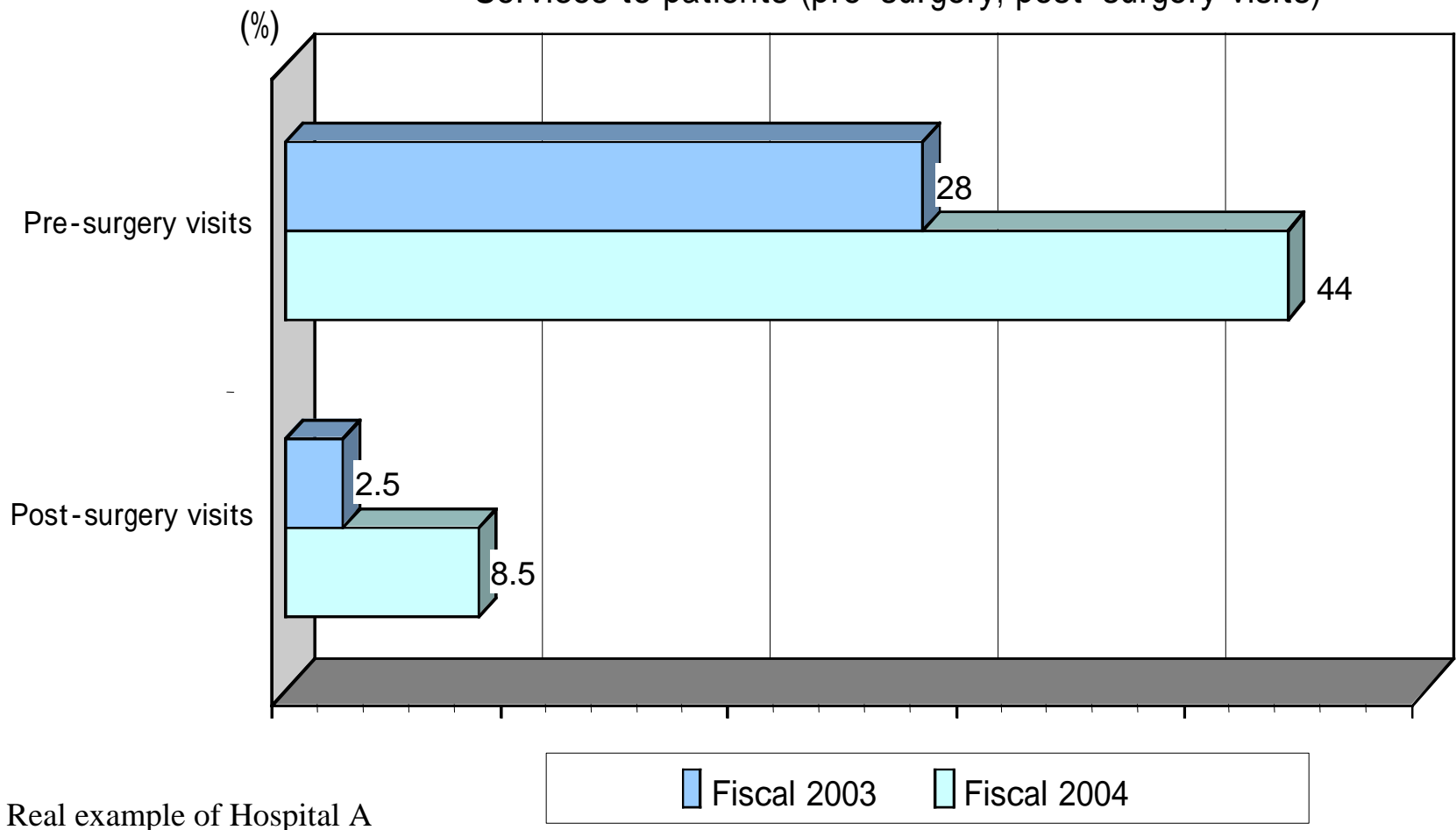


* Real example of Hospital B

Opera Master introduction : Benefit 2

(Example of enhanced business efficiency)

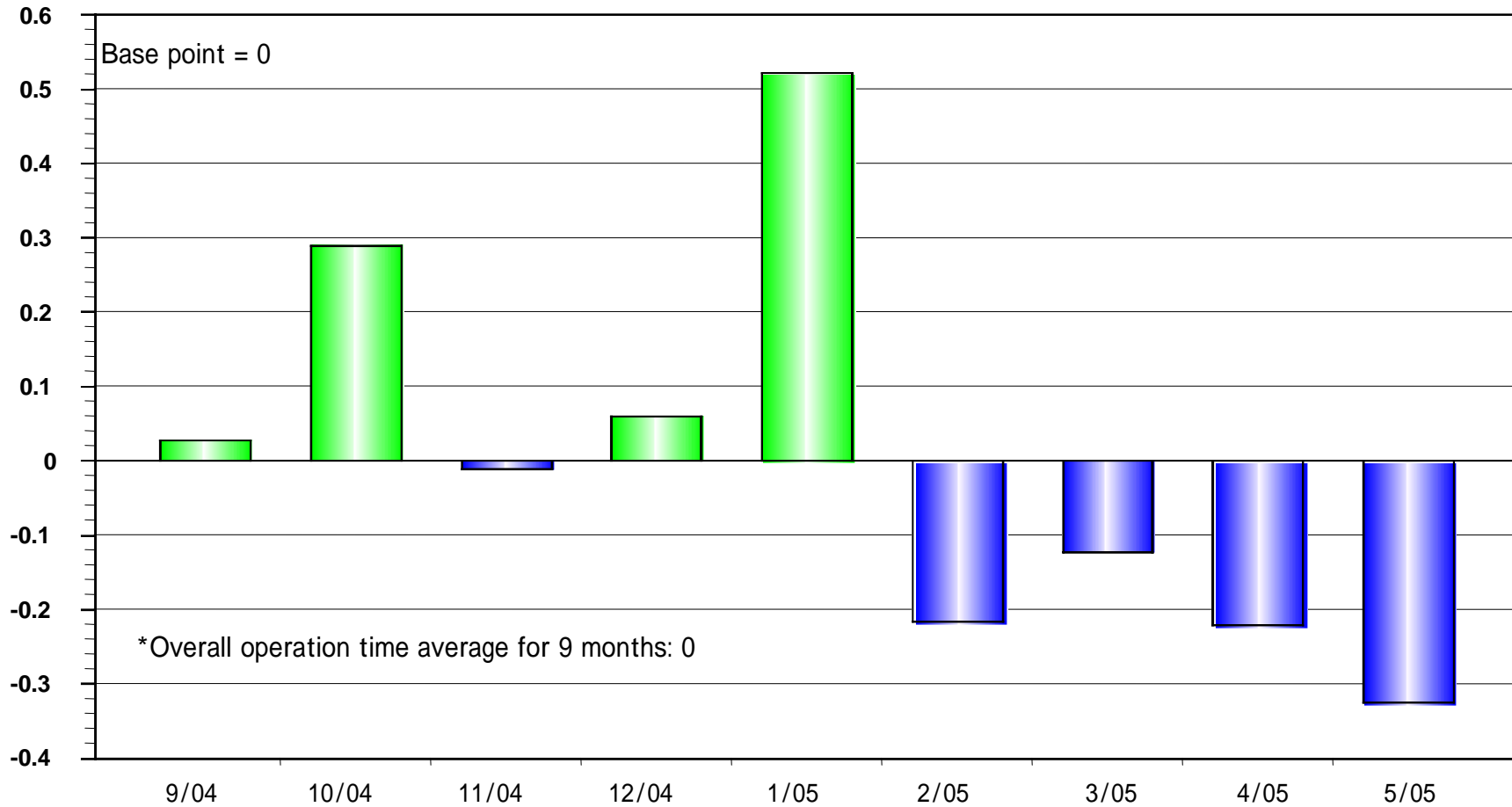
Services to patients (pre-surgery, post-surgery visits)



* Real example of Hospital A

Opera Master introduction : Benefit 3

(Example of reduction in surgery time)



* Real example of Surgery at Hospital A

Opera Master introduction : Benefit 4

(Example of lower inventories)

Before Opera Master

Types of materials
in inventory : 1,455

Number of inventory items
: 27,623

Types: 4% reduction
(60 types)

Items: 30% reduction
(8,192 items)

After Opera Master

Types of materials
in inventory : 1,395

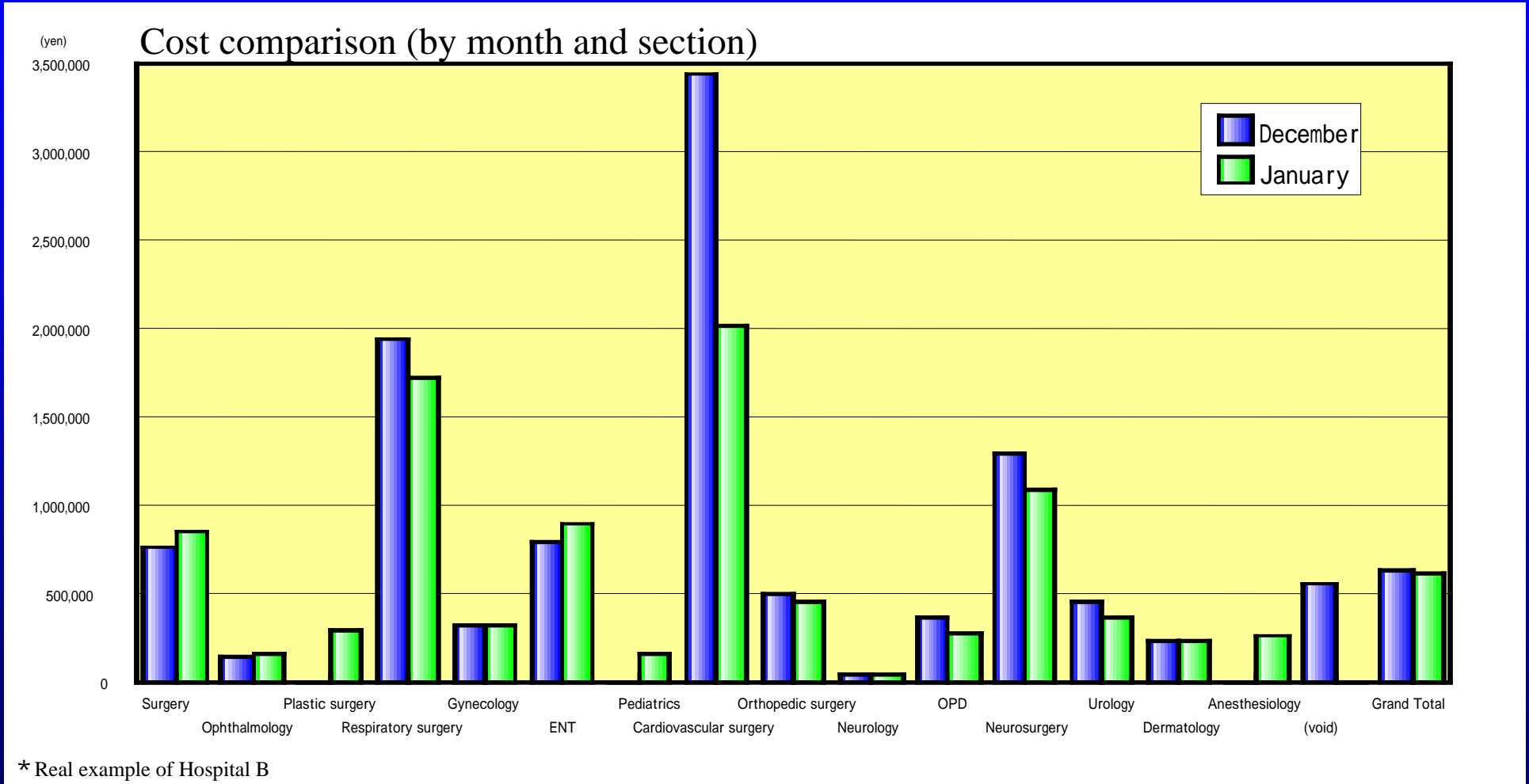
Number of inventory items
: 19,431

* Decline in inventories
enabled hospital to open
new recovery room.

* Real example of Hospital B

Opera Master introduction : Benefit 5

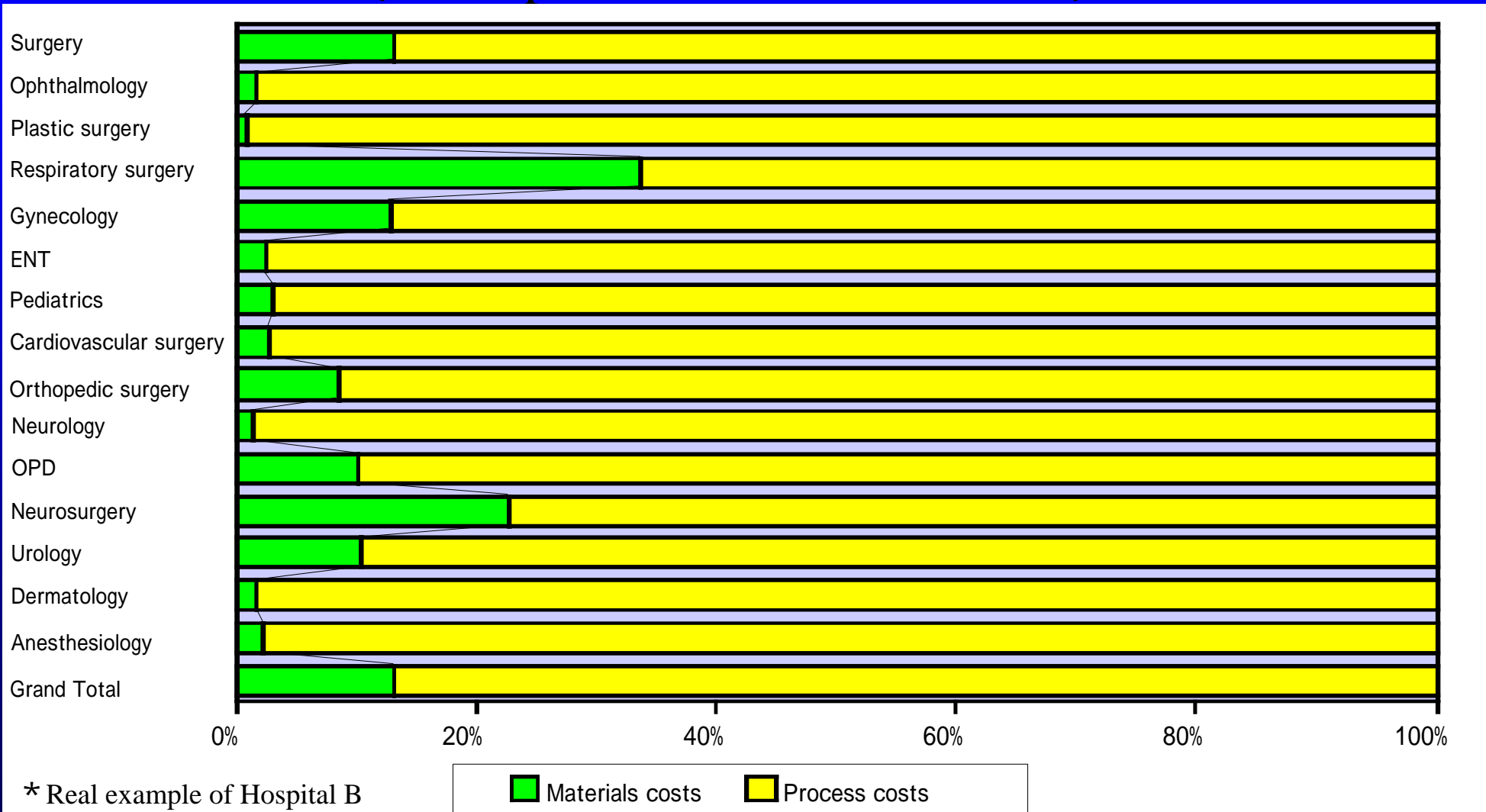
(Example of lower inventories)



*** Growing awareness of importance of administrative improvement,
Including better cost control in hospitals.**

Opera Master introduction : Benefit 6

(Example of lower inventories)



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