Financial Report
First Quarter of Fiscal 2010

(April 1 – June 30, 2010)

Jun-ichi Hoki, President and CEO
Kazuo Takahashi, Director, Administration Div.
Notice Regarding Forward-Looking Statements

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

Financial results reported herein have not been audited.
Overview
## Fiscal 2010 - First Quarter Income Statements

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Fiscal 2010 - First Quarter
Sales Growth by Major Products

(Unit: million yen, rounded down)

-112 million yen

Kit products   Non-woven fabrics   Mekkin bag   Other non-woven fabrics   Other products   Sales of subsidiary, other

Regular kit   Pre-Operamaster   Operamaster   Total of kit

-226

-32

-20

-21

-94

-50

-100

-150

-200

-250

234

39

227

0

50

100

150

200

250

300
Fiscal 2010 - First Quarter
Sales Growth by Quarter

(Unit: million yen, rounded down)

Sales of subsidiary, other

Kit

Other non-woven fabrics

Growth amount

Non-woven fabrics

Other products

Mekkin bag

-400 -300 -200 -100 0 100 200 300 400 500 600 700 800

FY2008, 1Q FY2008, 3Q FY2009, 1Q FY2009, 3Q FY2010, 1Q
Fiscal 2010 - First Quarter
Sales Growth for Kit Products, by Quarter

(Unit: million yen, rounded down)
Fiscal 2010 - First Quarter Main Points

Impact of revision to medical treatment remuneration system

Operamaster: New contracts and cancellations
  ▪ FY2010–1Q: 6 new contracts, 3 cancellations (total 125 contracts at term-end)
  ▪ Targeting large-scale institutions
  ▪ Get system up and running at contracted hospitals

Recovery in sales of regular kit products
  ▪ Benefits of “Surrem strategy”
Fiscal 2010 - First Quarter Main Points

Impact of H1N1 influenza outbreak in previous fiscal year

- Negative year-on-year growth, especially for masks

Decline subsidiary’s sales to outside customers

Impact of revision to accounting standards

- Application of “Accounting Standard for Asset Retirement Obligations”
Full-Year Outlook
## Fiscal 2010 Income Statements

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Fiscal 2010 Sales Growth by Major Products

(Unit: million yen, rounded down)

- Total of kit: 1,411
- Regular kit: 1,456
- Pre-Operamaster: 145
- Operamaster: 1,205

Fiscal 2010 Sales Growth:
- Pre-Operamaster: 400
- Operamaster: 56
- Mekkin bag: -55
- Other non-woven fabrics: -403
- Other products: 32
- Sales of subsidiary, other: -180

Kit products: 860 million yen
Fiscal 2010 Main Points

- Attract new hospitals to Operamaster contracts
- Swiftly get Operamaster up and running at contracted hospitals
- Use “Surrem strategy” to reinforce sales targeting markets of competitors
- Special demand in previous fiscal year due to H1N1 influenza outbreak
- Revenue decline due to partial sale of business of consolidated subsidiary
New Sterilization Center in Tsukuba Plant
New Sterilization Center in Tsukuba Plant
New Sterilization Center in Tsukuba Plant
Business Performance
Progress of Operamaster Marketing

Sales : ¥1,905 million (Up ¥227 million, or 13.6%)

Number of contracts:

6 new contracts (an increase of 28,500 operations)

- Large hospitals: 2
- Small and medium-sized hospitals: 4

3 cancelled contracts (4,500 operations)
Sales of Operamaster

6 new contracts; 3 cancellations (cumulative total: 125) ¥1.9 billion (up 13.6% year-on-year)
Surgical Procedures at Operamaster-Contract Hospital, by Quarter

Number of Operations

FY2004 1st Quarter
FY2005 1st Quarter
FY2006 1st Quarter
FY2007 1st Quarter
FY2008 1st Quarter
FY2009 1st Quarter
FY2010 1st Quarter

Number of Operations: 0 - 50000
Operamaster-Contracted Hospitals:
Breakdown by Size

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<td>Under 2000</td>
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<td>2000 to 5000</td>
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(%)
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals

- **Under 2000**
- **2000 to 5000**
- **Over 5000**

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<td>80</td>
<td>20</td>
<td>40</td>
<td>20</td>
<td>40</td>
<td>20</td>
<td>40</td>
<td>200 (单位:%)</td>
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<td>2000 to 5000</td>
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<td></td>
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- **FY2004**
- **FY2005**
- **FY2006**
- **FY2007**
- **FY2008**
- **FY2009**
- **FY2010**

**Total Contracted Hospitals**
### Operamaster-Diffusion Rate and Number of Operations

#### No. of Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-conforming surgical operations</th>
<th>Conforming surgical operations</th>
<th>Diffusion rate</th>
</tr>
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<tbody>
<tr>
<td>FY2004</td>
<td>40,000</td>
<td>60,000</td>
<td>84%</td>
</tr>
<tr>
<td>FY2005</td>
<td>60,000</td>
<td>80,000</td>
<td>94%</td>
</tr>
<tr>
<td>FY2006</td>
<td>80,000</td>
<td>100,000</td>
<td>91%</td>
</tr>
<tr>
<td>FY2007</td>
<td>100,000</td>
<td>120,000</td>
<td>81%</td>
</tr>
<tr>
<td>FY2008</td>
<td>120,000</td>
<td>140,000</td>
<td>79%</td>
</tr>
<tr>
<td>FY2009</td>
<td>140,000</td>
<td></td>
<td>53%</td>
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<tr>
<td>FY2010</td>
<td>120,000</td>
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<td>41%</td>
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#### Diffusion rate (%)

- FY2004: 84%
- FY2005: 94%
- FY2006: 91%
- FY2007: 81%
- FY2008: 79%
- FY2009: 53%
- FY2010: 41%

* FY2005 data annualized

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* 1Q data annualized

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**HOGY MEDICAL Co., Ltd.**
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<td>3,817</td>
<td>48.8%</td>
<td>3,678</td>
</tr>
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<td>Gross profit</td>
<td>3,999</td>
<td>51.2%</td>
<td>4,026</td>
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<td>2,015</td>
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Cost and SG&A Expenses Analysis

**Cost of sales ratio**: 1.1% year-on-year increase

- Improve productivity
- Improved sales composition mix
- Decline in depreciation
- Decline in price reform differential

**SG&A expenses**: Down ¥152 million year-on-year

- Personnel expenses: Down ¥42 million
- Experiment and research expenses: Down ¥26 million
Non-operating expenses (net of non-operating income): ¥43 million (from ¥2 million in FY2009-1Q)
  • Foreign exchange loss in previous corresponding period: ¥75 million

Extraordinary loss (net of non-extraordinary income): ¥27 million (from ¥1 million in FY2009-1Q)
  • Application of “Accounting Standard for Asset Retirement Obligations”: ¥32 million (treated as extraordinary loss)

Capex: ¥1,178 million (down ¥485 million year-on-year)
  • Equipment for new sterilization center: ¥873 million
    (buildings: ¥519 million; machinery: ¥353 million)

Depreciation: ¥574 million (down ¥47 million year-on-year)
  • Cost of sales: ¥422 million (down ¥23 million)
  • SG&A expenses: ¥152 million (down ¥23 million)
Fiscal 2010 Full-Year Projections
Net Sales Plan for Operamaster

(¥100 million, rounded down)

New contracted: 25 (120,000 operations)  
(cumulative total: 147)  
¥8.85 billion (up 15.8% year-on-year)
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Fiscal 2010 Cost of Sales, SG&A Plan

Positive factors:
- FY2009: Price revision discrepancy
- FY2009: New factory design costs

Negative factors:
- Devaluation of inventories
- 50th anniversary events
Financial Report
First Quarter of Fiscal 2010

(April 1 – June 30, 2010)

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