

HOGY



MEMBERSHIP
April 16, 2012

Financial Report Fiscal 2011

(April 1 – March 31, 2012)

Jun-ichi Hoki, President and CEO

Kazuo Takahashi, Director, Administration Dept.

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.

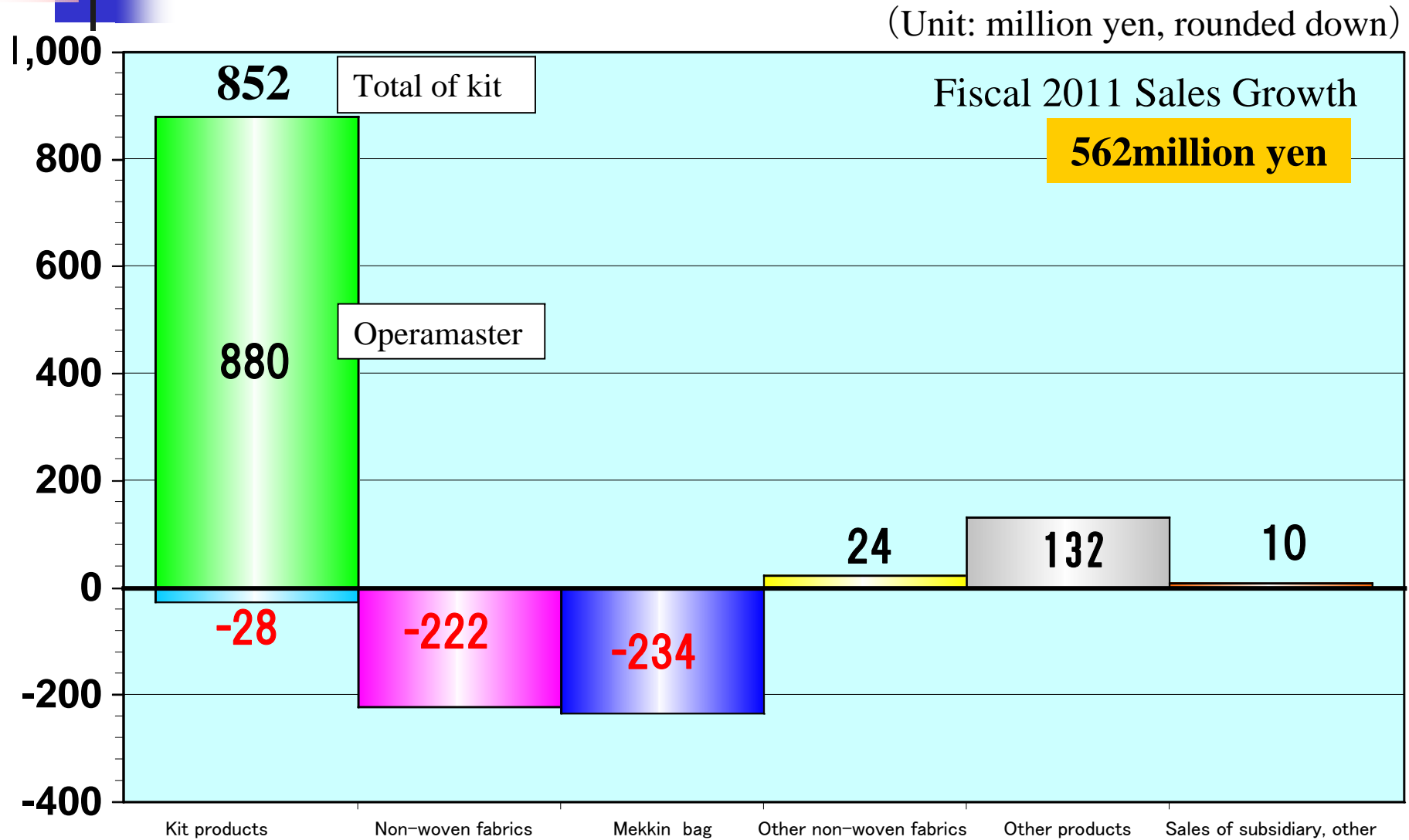
Financial results reported herein have not been audited.

Overview

Fiscal 2011 Income Statements

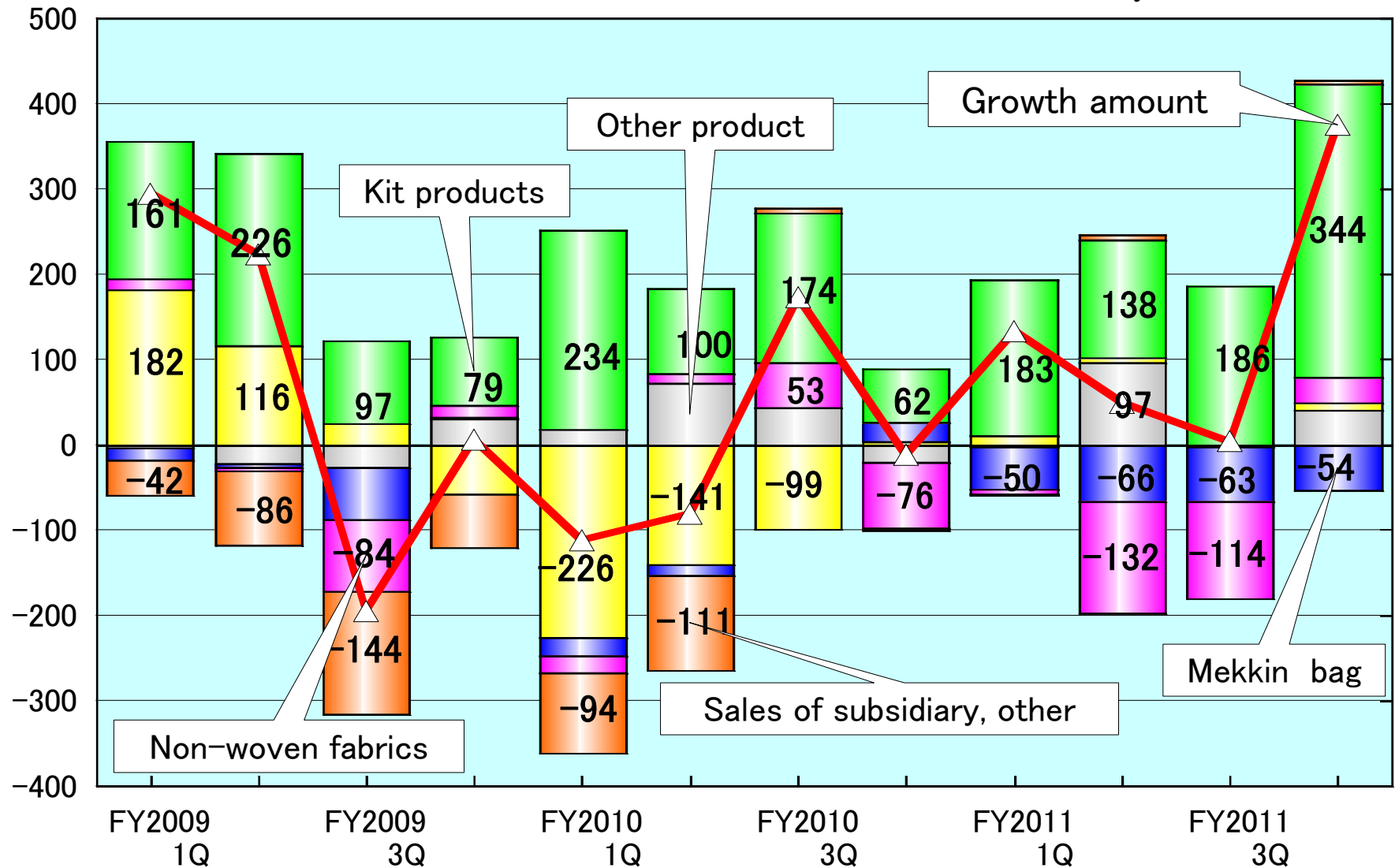
(Unit: million yen, rounded down)	Fiscal 2010 Results		Fiscal 2011 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,311		31,873		562	101.8%
Operating income	8,601	27.5%	7,750	24.3%	-851	90.1%
Ordinary income	8,561	27.3%	7,825	24.6%	-735	91.4%
Net income	4,453	14.2%	4,624	14.5%	171	103.9%
EPS	283.10yen		294.01yen			

Fiscal 2011 Sales Growth by Major Products



Fiscal 2010 Sales Growth by Quarter

(Unit: million yen, rounded down)





Fiscal 2011 Main Reasons for Increase/Decrease

7

Net Sales

- 20 new Operamaster contracts (7 cancellations)
- Commenced sales of IC Tracer
- Started promoting Surgery Management System
- Higher unit sales of kit products
- Seized market share for non-woven fabrics thanks to pricing strategy
- Benefits yielded from seminars and academic announcements
- Decline in sales activities in wake of earthquake, but stepped up such activities based on subsequent strategy



Fiscal 2011 Main Reasons for Increase/Decrease

8

Cost of Sales

- Extended portion of New Sterilization Center came on-stream
- Production methods for kit products reconsidered
- Increase in production volume in wake of earthquake
- Impact of strong yen

SG & A expenses

- Increase in product sample costs (due to disaster response efforts and rejuvenation of sales activities)
- Expense incurred for IC Tracer development
- Start of depreciation due to commissioning of Surgery Management System

Strategies and Measures

Fiscal 2012 Income Forecasts

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



Main Strategies and Measures

■ Strategies related to Sales

- Higher unit sales of kit products (both Operamaster and kit products)
- Reinforced sales of new products ⇒ Synergistic benefits for Operamaster
 - ✓ Promoted sales of IC Tracer
 - ✓ Reinforced sales of Surgery Management System
- Reassessed incentives
 - ✓ Placed emphasis on four areas: boost sales of kit products, target sales to non-existing customers, capture Operamaster customers, sell new products



Main Strategies and Measures

■ Strategies related to sales activities

▪ Organizational restructuring

- ✓ Shift from five sales departments to four
- ✓ Allocate sales resources based on regional strategies, centering on Tokyo, Nagoya, and Osaka
- ✓ Newly establish a Sales Management Dept. to focus on supporting ongoing Operamaster sales
- ✓ Sales support for Surgery Management System



Main Strategies and Measures

■ Strategies related to educational activities

▪ Reinforce luncheon seminars

- ✓ Hold seminars from specific perspectives of hospital managers, doctors, nurses, and administration staff

- ✓ New Products

SECUREA, IC TRACER, Surgery Management System

Ongoing management seminars for hospital managers

▪ Introduce iPads

- ✓ Distribute to salespeople to build framework for swift, easy-to-understand, and accurate information delivery to customers



Main Strategies and Measures

- **Strategies related to overseas business development**
 - **Step up sales to overseas markets, centering on Indonesia**
 - ✓ Continue with strategy for non-woven fabrics
 - ✓ Develop and sell products tailored to needs of local hospitals
 - ✓ Identify methods to facilitate sales (sales units, services, etc.)



Main Strategies and Measures

■ Strategies for reducing costs

- Increase in-house manufacturing ratio
- Target new production methods
 - ✓ Tsukuba Plant
Start two-shift system to accommodate higher production volume
Prepare for production at new plant (partial change to production system)
 - ✓ Miho Plant
Prepare for greater emphasis on in-house production
- Maintain costs at current levels while increasing automation of production at P.T. Hogy



Main Strategies and Measures

■ Stance on SG&A expenses

- Allocate investment expenditures with the aim of achieving corporate growth
 - ✓ Expenses related to sales activities
 - ✓ Expenses related to new product development

Business Performance



Progress of Operamaster Marketing

Sales : ¥9,166million (UP ¥880million or 10.6%)

Number of contracts:

20 new contracts (an increase of 73,000 operations)

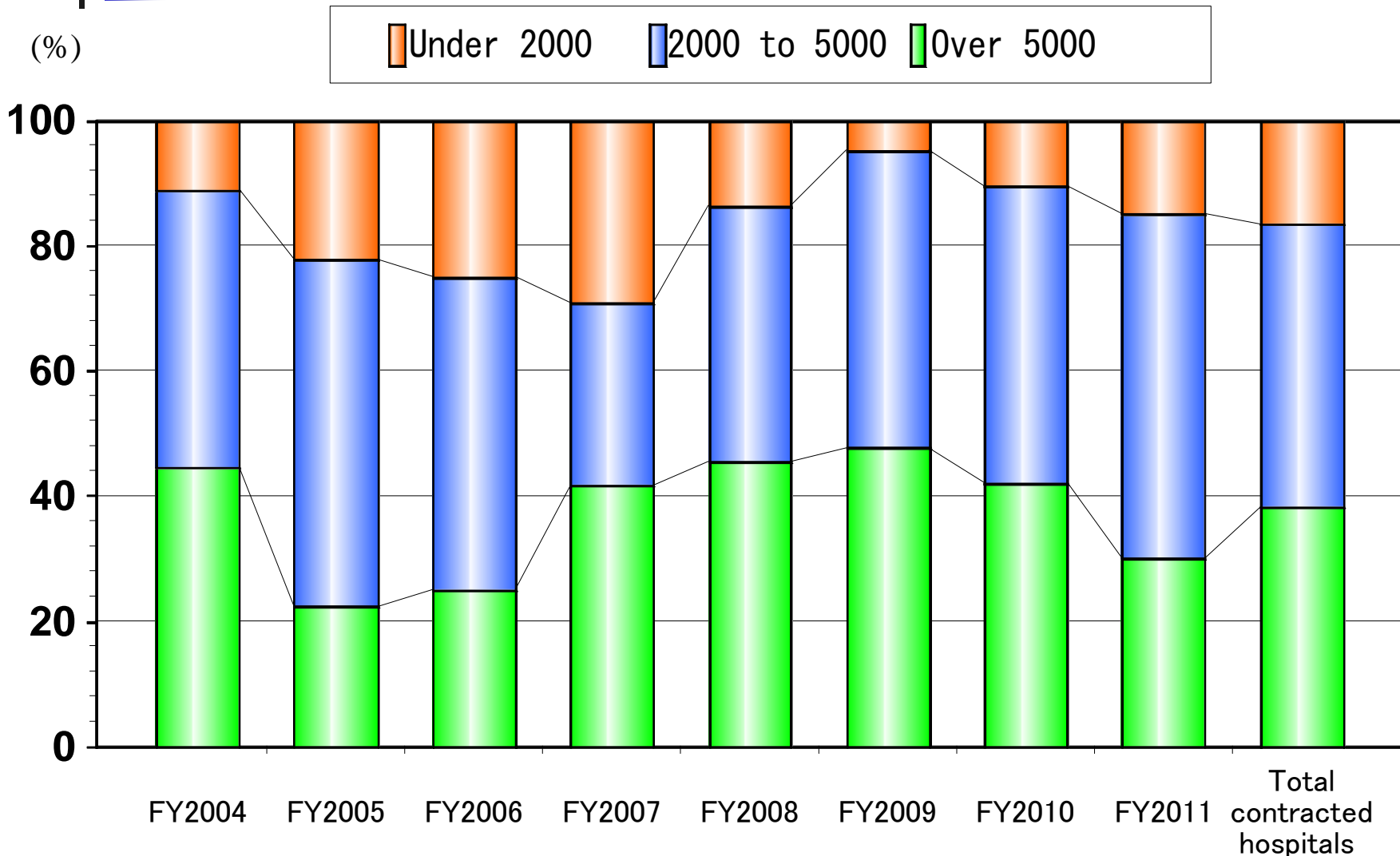
- Large hospitals : 6
- Small and medium-sized hospitals : 14

7 cancelled contracts (24,200operations)

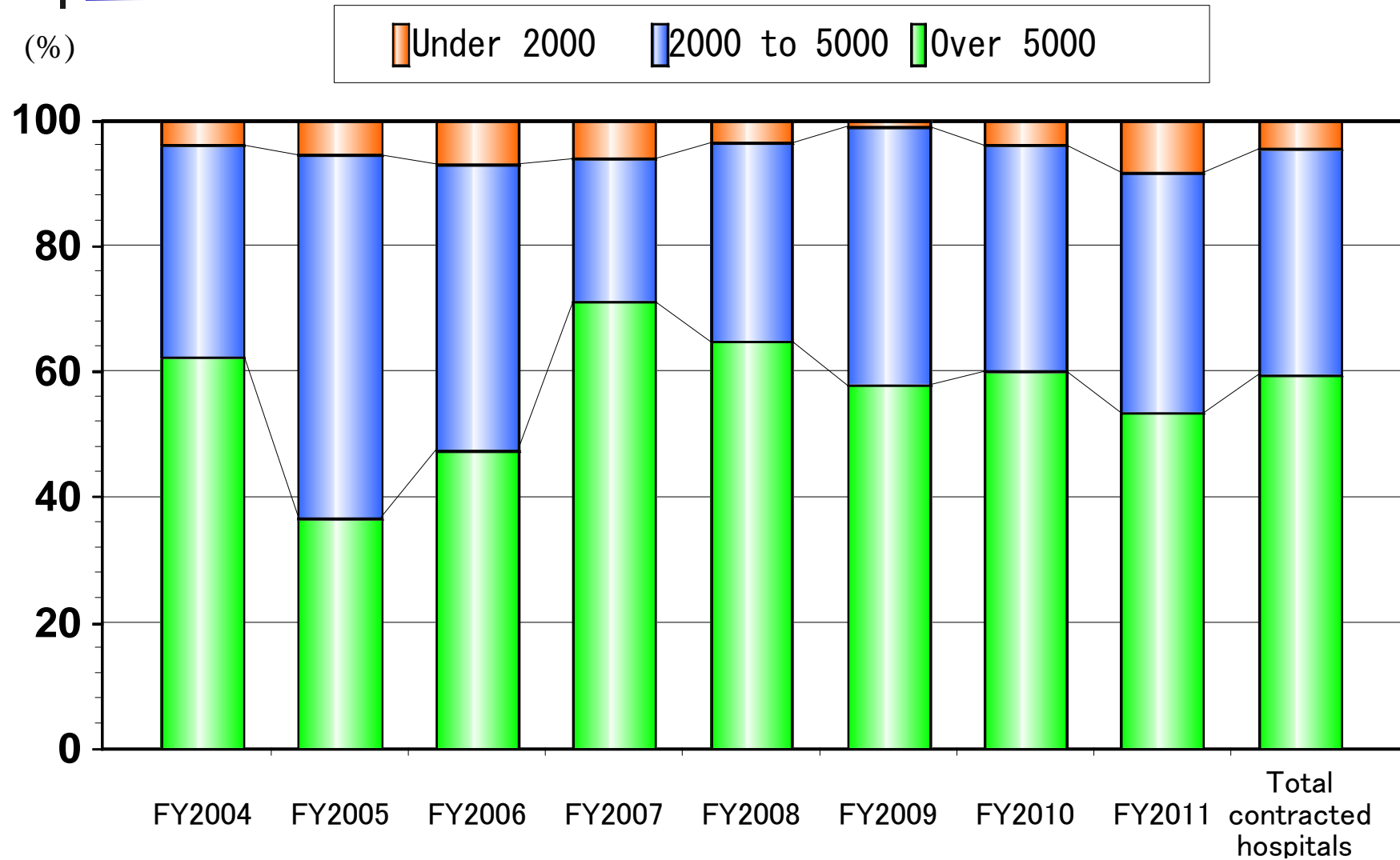
Cumulative total number of contracts: 144

Operamaster-Contracted Hospitals:

Breakdown by Size

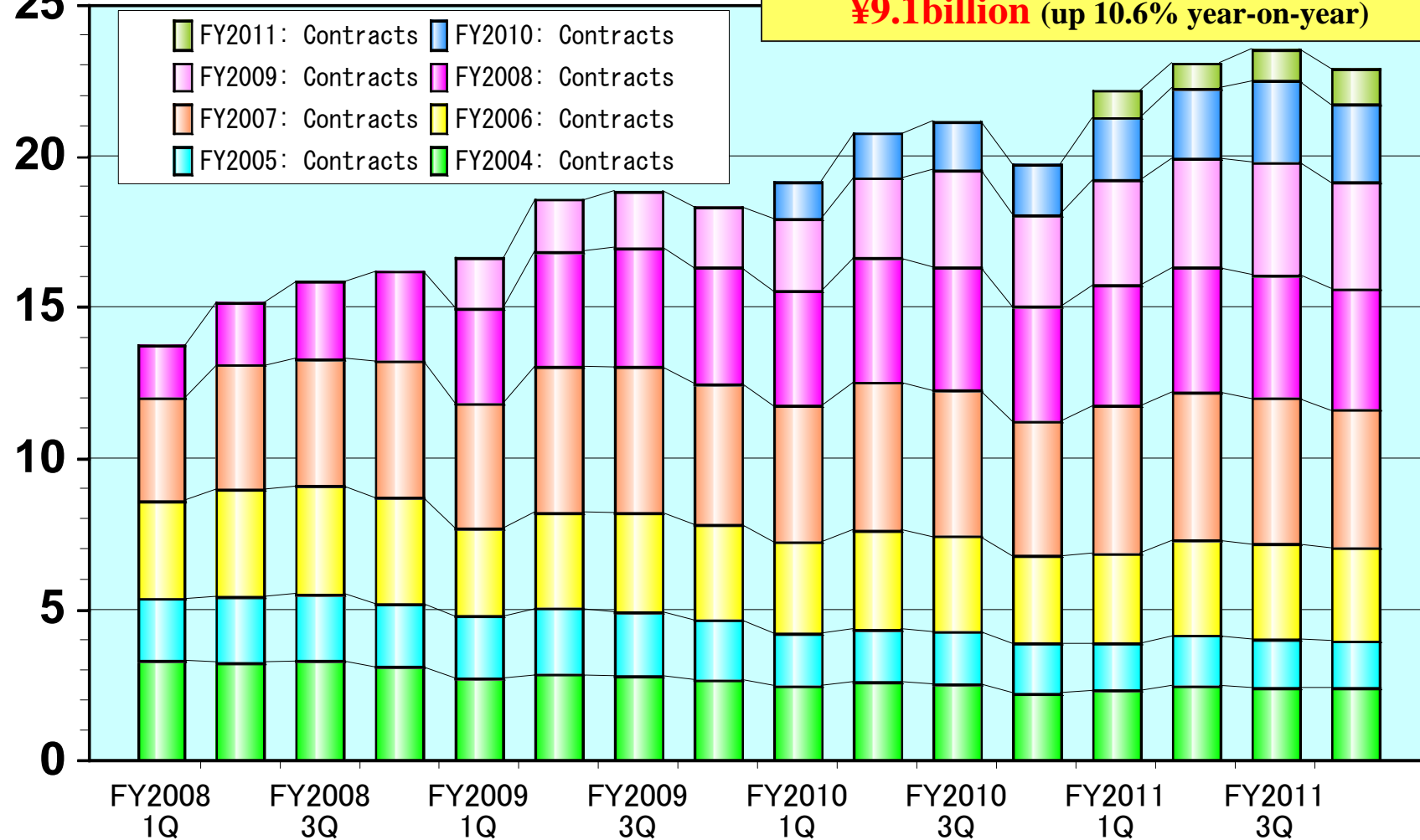


Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals

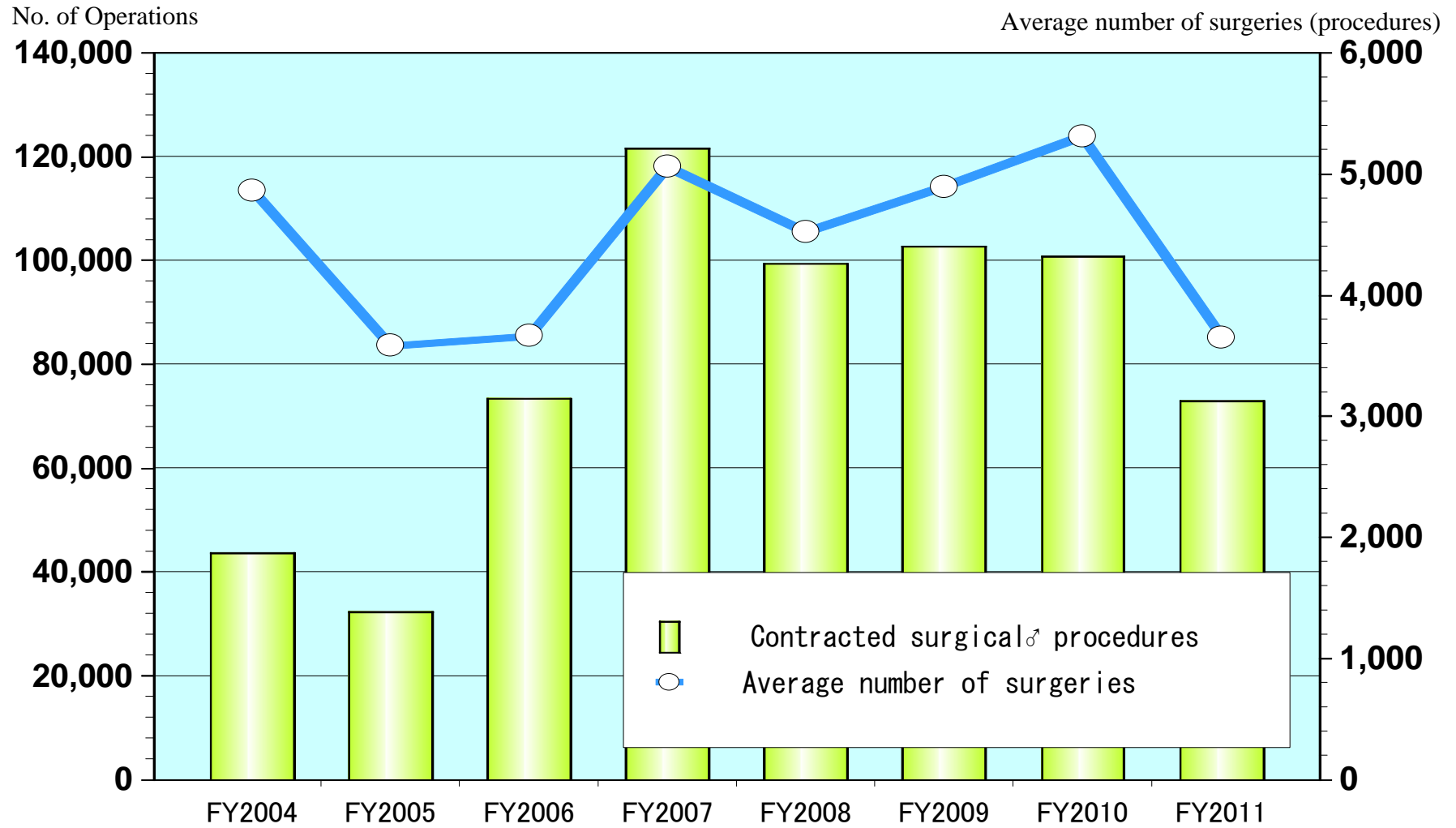


Sales of Operamaster

(¥100 million, rounded down)

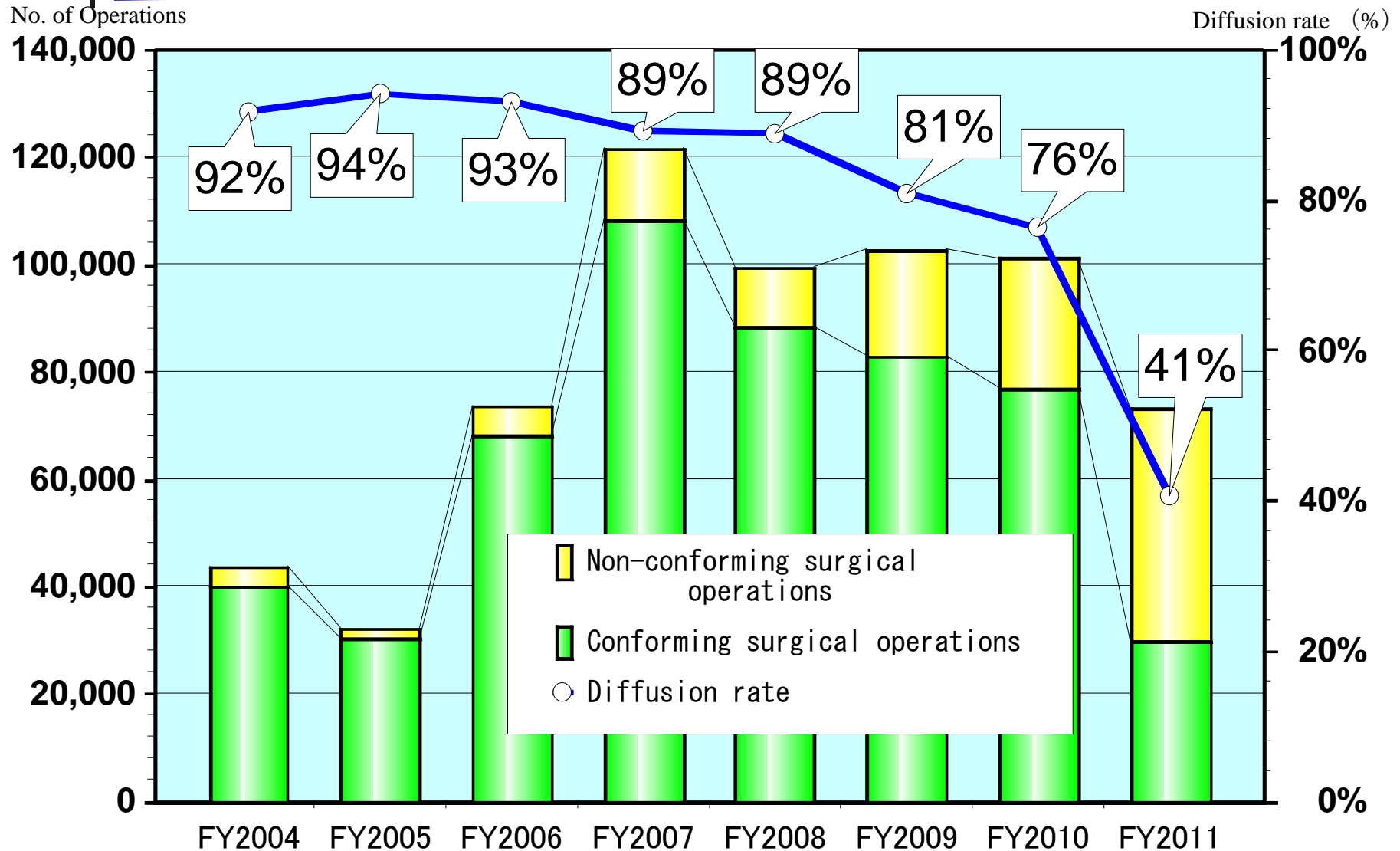


Number of Surgical Procedures, by Contract Period



*** As of March 31, 2011**

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



Fiscal 2010 Income Statements

(Unit: million yen, rounded down)	Fiscal 2010 Results		Fiscal 2011 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,311		31,873		562	101.8%
Cost of sales	14,829	47.4%	15,711	49.3%	882	106.0%
Gross profit	16,482	52.6%	16,162	50.7%	-320	98.1%
SG & A expenses	7,880	25.2%	8,412	26.4%	531	106.7%
Operating income	8,601	27.5%	7,750	24.3%	-851	90.1%
Non-operating income/loss	-40		75		115	
Ordinary income	8,561	27.3%	7,825	24.6%	-735	91.4%
Extraordinary income/loss	-1,086		-3		1,082	
Net income	4,453	14.2%	4,624	14.5%	171	103.9%
EPS	283.10yen		294.01yen			

Analysis of Cost, SG&A Expenses and Non-Operating items

Cost of sales ratio : Up 1.9 points year-on-year

- Increase in depreciation expenses
- Improved productivity on increased production as production delay problems solved
- Revaluation of inventories

SG&A expenses: UP ¥531 million year-on-year

- Personnel expenses +126 million
- Product sample costs +114 million
- Depreciation expenses +81 million

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

UP ¥116 million year-on-year

- Foreign exchange loss : ¥27 million (down ¥124 million year to year)



Fiscal 2011
Analysis of Extraordinary Items, Capex, Depreciation

Extraordinary income/loss: Up ¥1,082million year on year

- Extraordinary loss (fiscal 2010)
 - : Loss on disaster ¥1,054 million
 - : Expenses related to 50th anniversary event ¥66 million

Capex: ¥1,637 million (down ¥2,674million year on year)

Depreciation: ¥3,064 million (up ¥787 million year on year)

- Cost of sales: ¥2,340 million (up ¥706 million)
- SG&A expenses: ¥724 million (up ¥81 million)

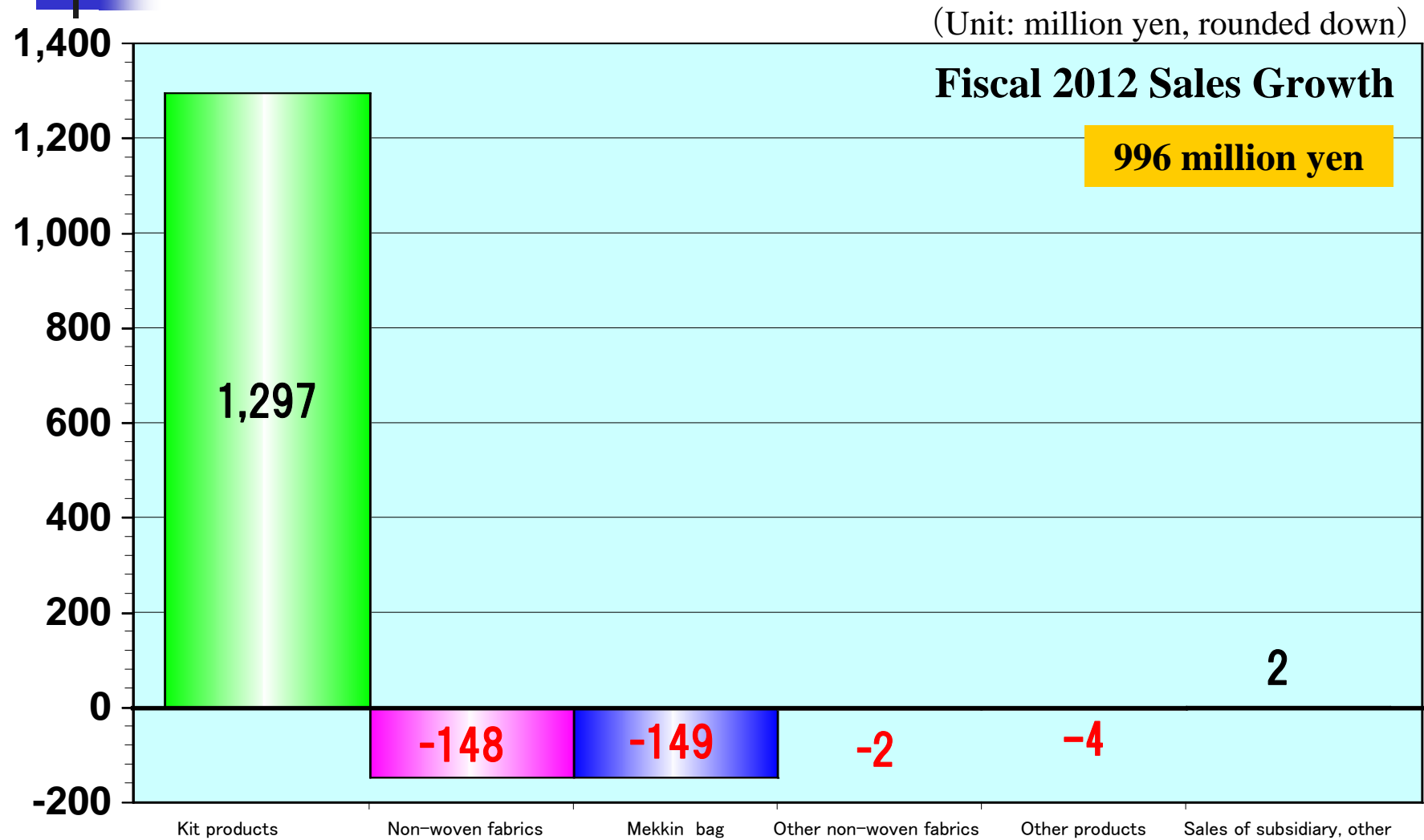
Fiscal 2012 Full-Year Projections

Fiscal 2012 Income Statements

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

Fiscal 2012

Sales Growth by Major Products





Fiscal 2012 Sales Projections

- Kit Products

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

- Revitalize sales activities

- ✓ Reinforce support system to facilitate sales activities

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

Fiscal 2012 Revenue Projections

	First Half	Second Half
Positive Factors	Product Sample Costs	
	Disaster-related expense	
	Depreciation	
	Inventory revaluation	Miscellaneous costs
Negative Factors		Foreign exchange
		Property tax on New Sterilization Center
	Experiment and research expenses	Experiment and research expenses
	Depreciation expenses	Depreciation expenses
		Personnel expenses



Fiscal 2012 Revenue Projections

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

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

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

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



Fiscal 2012 Revenue Projections

Capex : ¥2,000 million (up ¥363 million year-on-year)

Depreciation : ¥3,135 million (up ¥71 million year-on-year)

-Cost of sales : ¥2,244 million (down ¥96 million)

-SG&A expenses : ¥890 million (up ¥166 million)

Cash dividends : ¥96.00 per share (annual total)

1Q: ¥24 2Q: ¥24 3Q: ¥24 4Q: ¥24

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