

Medium-Term Business Plan

March 2005 – March 2009

Medium-Term Business Plan and Market Environment

Market Environment

2005

- Revision of Pharmaceutical Law

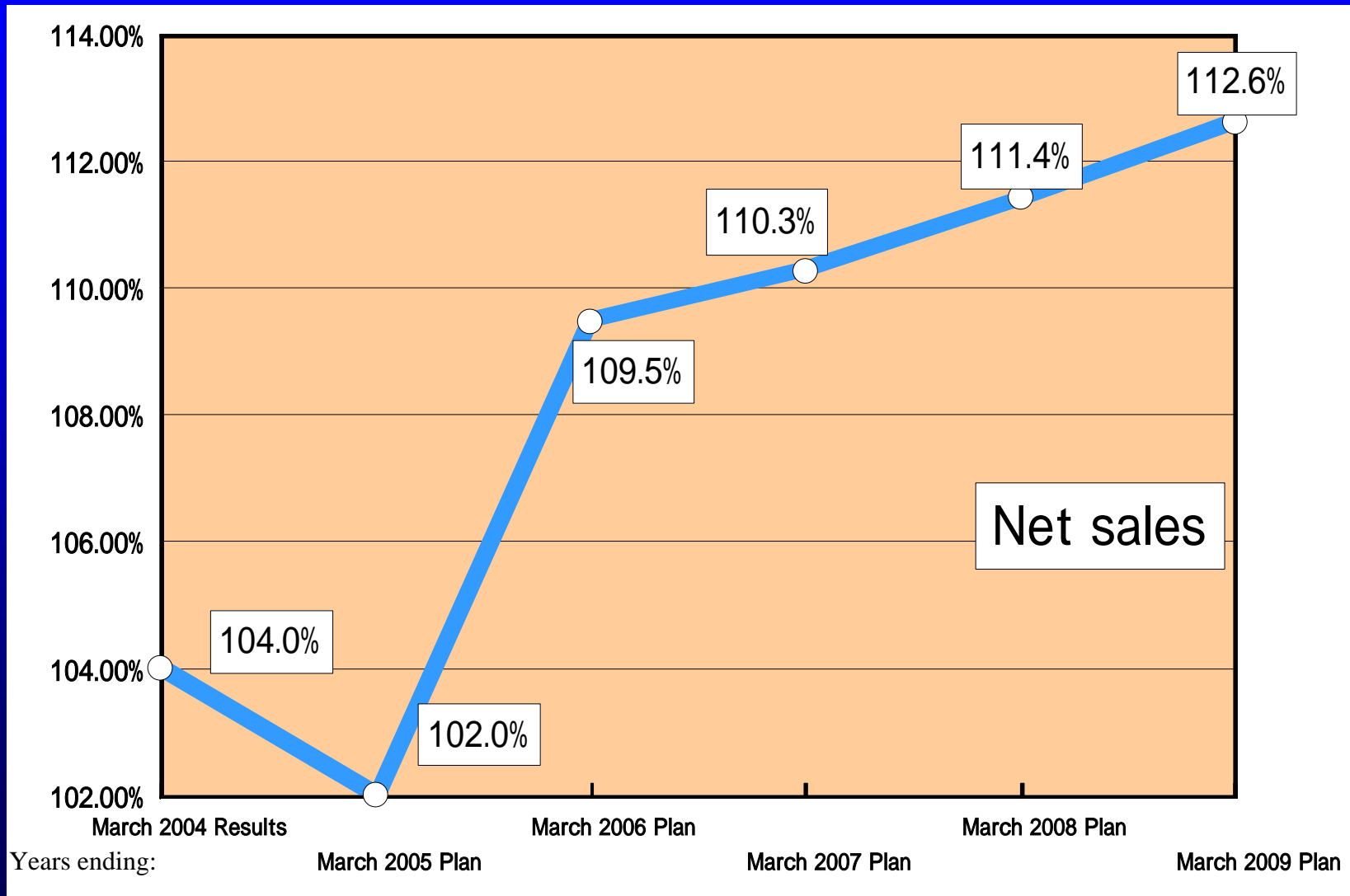
2006 Revision of medical compensation standards

- Full-on introduction of comprehensive evaluation system that is based on the illness and level of severity

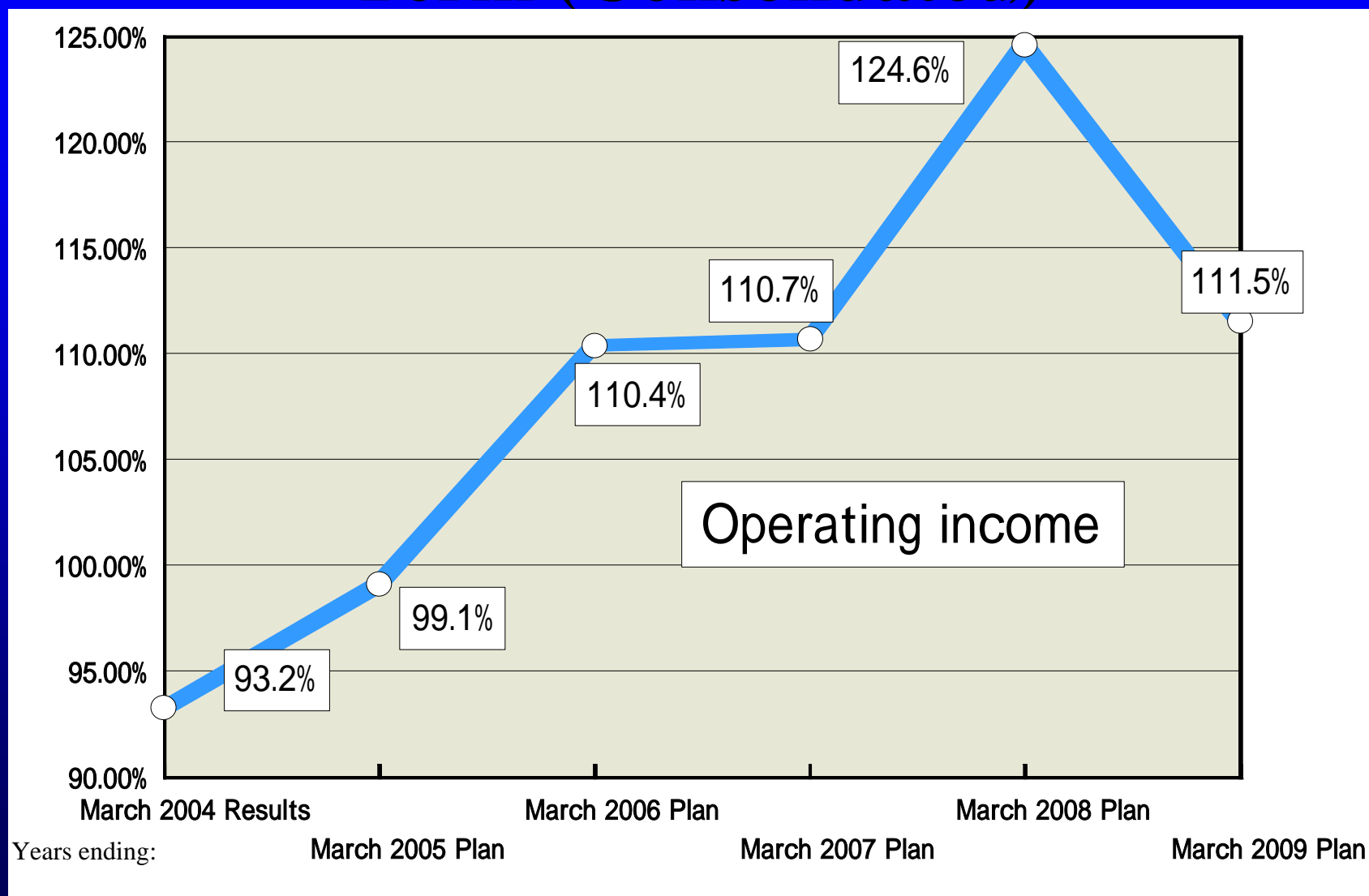
MHLW's proposal calls for reducing the number of hospital beds by 2010

- Beds for general patients reduced from current 1.2 million to 0.42 million

Sales Growth over the Medium-Term (Consolidated)



Operating Income Growth over the Medium Term (Consolidated)



Profit and Loss Plan over the Medium Term (Consolidated)

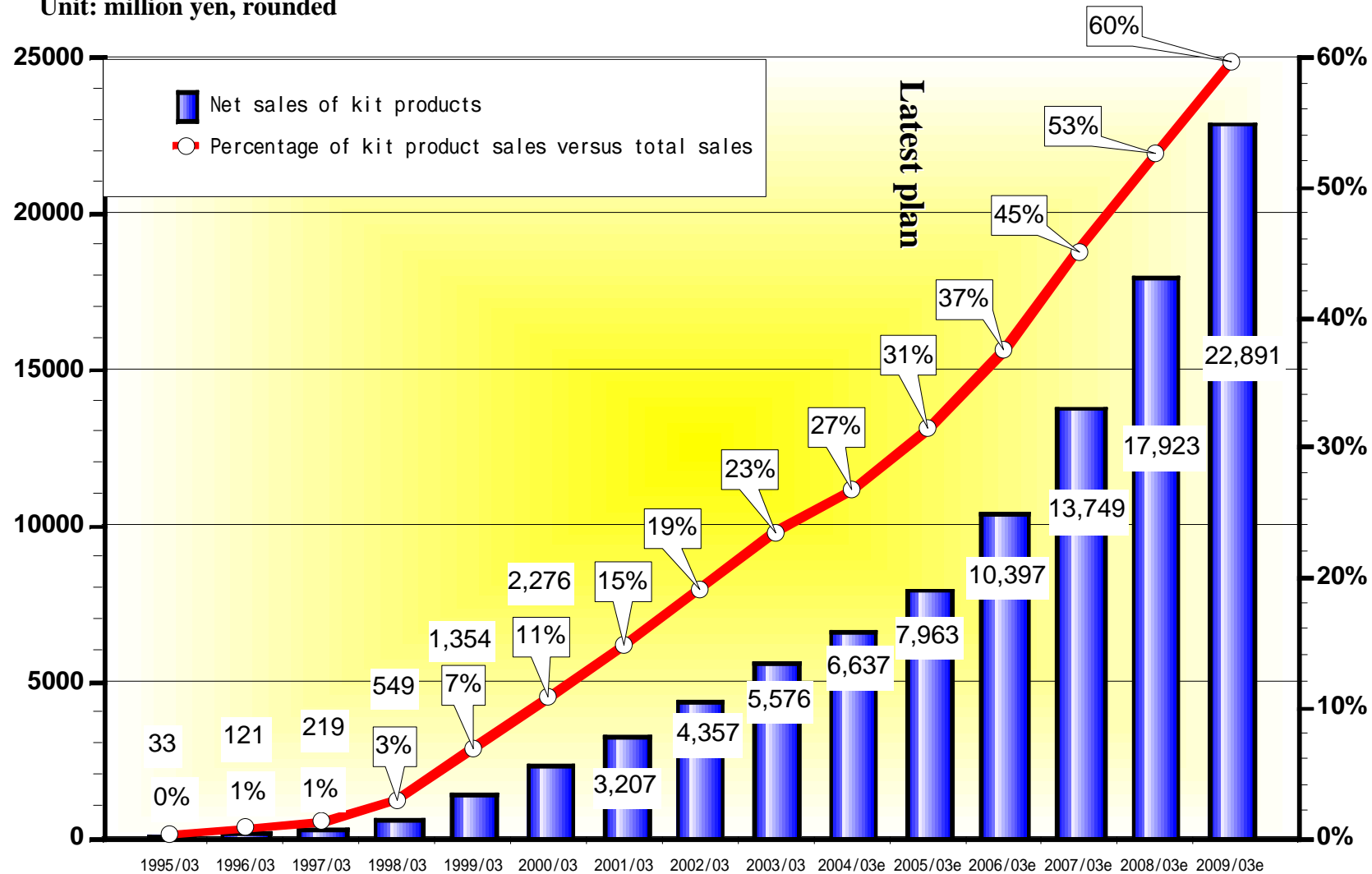
(Unit: million yen, rounded down)	Fiscal 2003 Figures	Fiscal 2004 Plan	Fiscal 2005 Plan	Fiscal 2006 Plan	Fiscal 2007 Plan	Fiscal 2008 Plan
Net sales	24,844	25,344	27,748	30,598	34,099	38,404
Operating income	5,842	5,789	6,390	7,073	8,813	9,827
Ordinary income	5,604	5,959	6,365	7,078	8,818	9,832
Net income	3,225	3,544	3,876	4,313	5,372	5,988
EPS (divided by the number of shares outstanding)	193.26 yen	212.83 yen	233.13 yen	259.87 yen	324.66 yen	362.38 yen
EPS (after subtracting treasury shares)	202.05 yen	223.45 yen	244.76 yen	269.38 yen	332.39 yen	371.01 yen
ROE	8.0%	8.3%	8.4%	8.4%	9.6%	9.8%
Focus of income/loss (Anticipated time depreciation starts for large investments)			*Depreciation starts for additional Opera Master facilities in October	*Depreciation starts for new delivery center in April		*Depreciation starts for new sterilization center in April

(*EPS has been calculated after deducting bonuses to directors.)

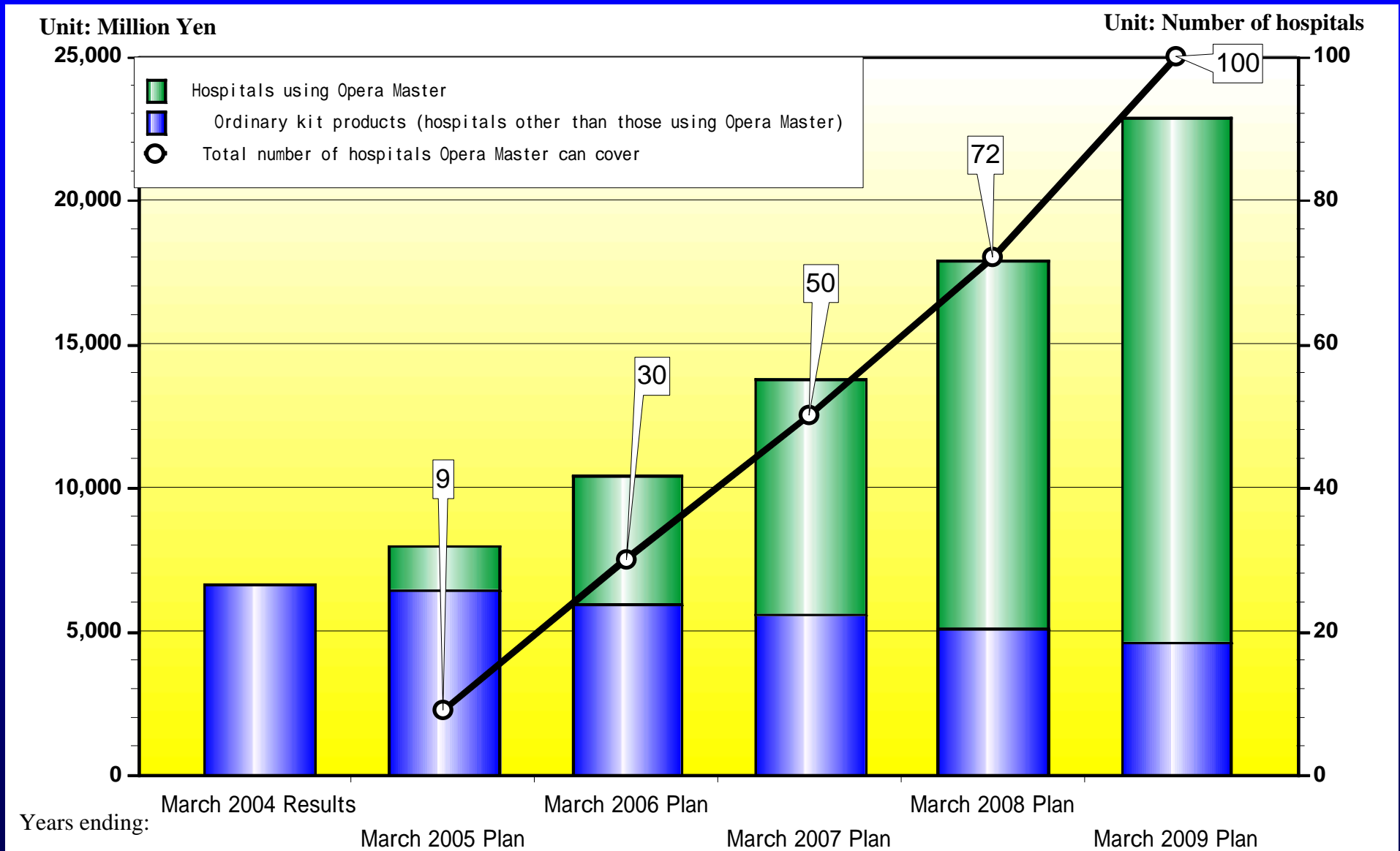
HOGY MEDICAL Co., Ltd.

Actual and Planned Sales of Kit Products

Unit: million yen, rounded



Opera Master Sales Plan for the Medium Term



Capital Investment Plan for the Medium Term

(Unit: million yen, rounded down)	Fiscal 2003 Figures	Fiscal 2004 Plan	Fiscal 2005 Plan	Fiscal 2006 Plan	Fiscal 2007 Plan	Fiscal 2008 Plan
Total capital investment value	2,606	1,052	3,915	4,403	203	7,703
Major large investments	Kit plant · Structures attached to buildings · Production facilities	No large investment	Opera Master line · Production facilities	New delivery center · Structures attached to buildings · Production facilities	No large investment	New sterilization center · Structures attached to buildings · Production facilities
Investment total	2,354	-	3,600	4,200	-	7,500
Total depreciation	2,500	2,351	2,378	2,784	2,398	2,585
Depreciation of production equipment	1,914	1,810	1,904	1,959	1,679	1,952
Depreciation of selling, general and administrative expenses	585	541	474	825	718	633



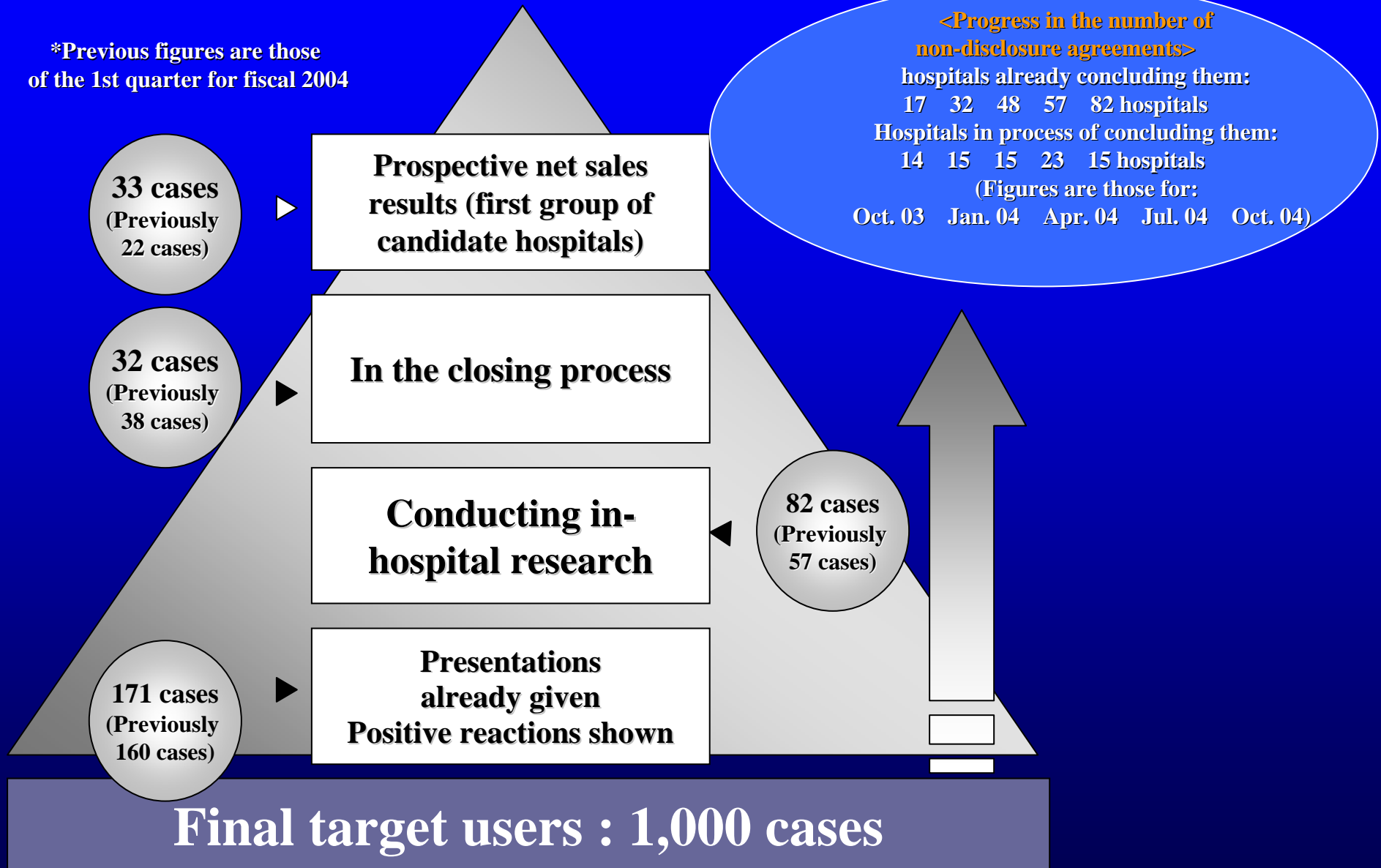
Marketing Overview

Marketing Overview

- **Progress of Opera Master marketing activities**
- **Future sales strategy for Opera Master**
 - Differences between Opera Master and full kit product strategies -
- **New standard non-woven fabric “Suprel”**
 - Aiming to activate the non-woven fabrics market -

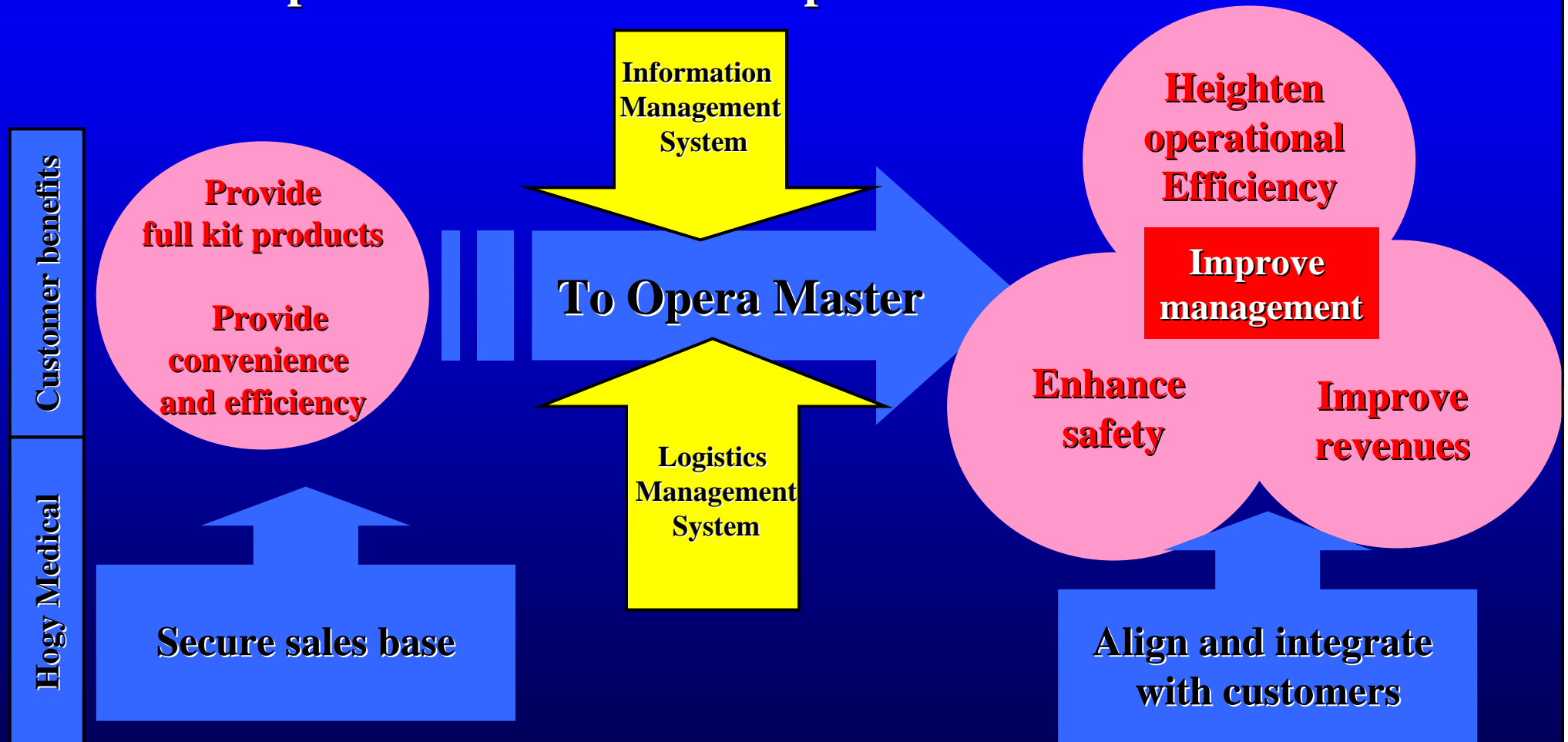
Progress of Opera Master Marketing

*Previous figures are those of the 1st quarter for fiscal 2004



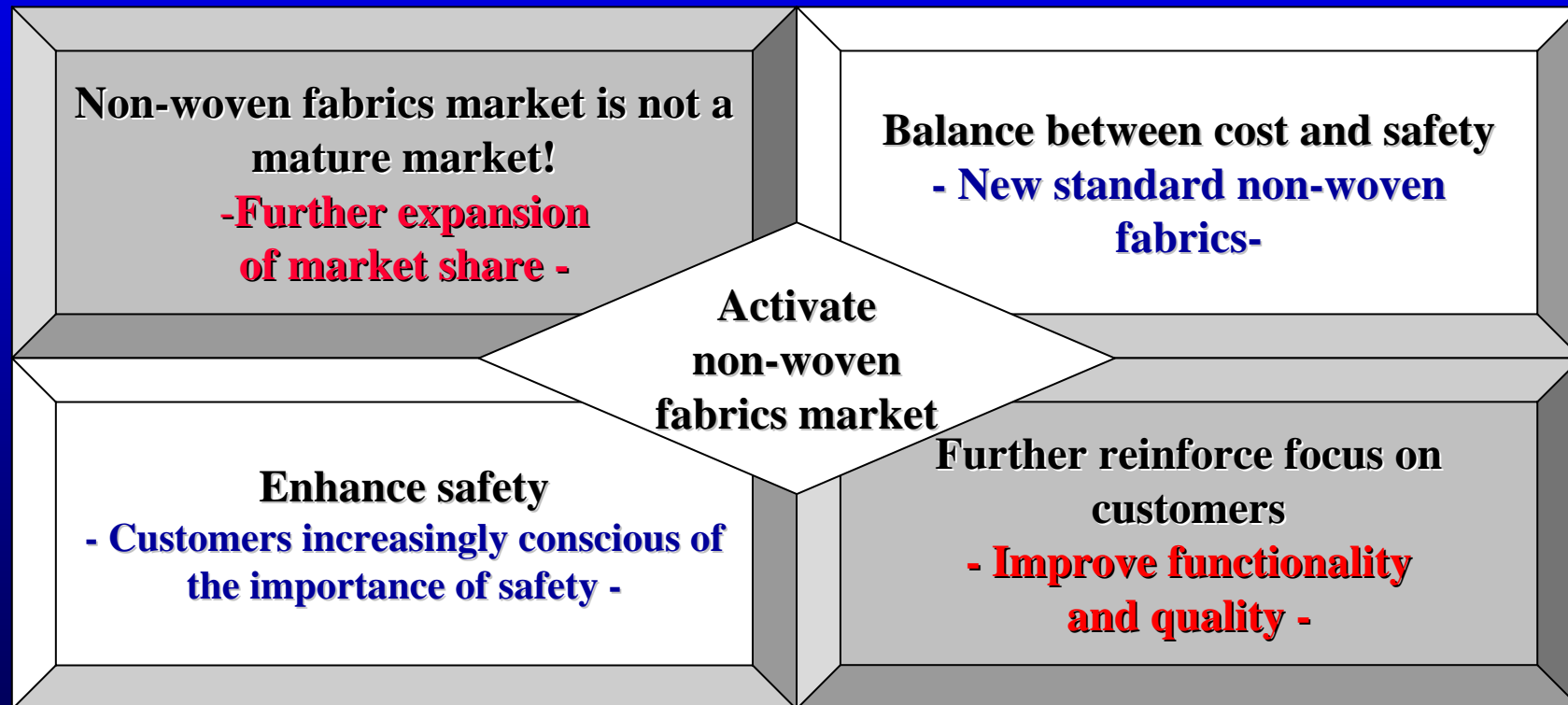
Future Opera Master Sales Strategy

***Clearly demonstrate the difference between Opera Master and full kit products to customers**



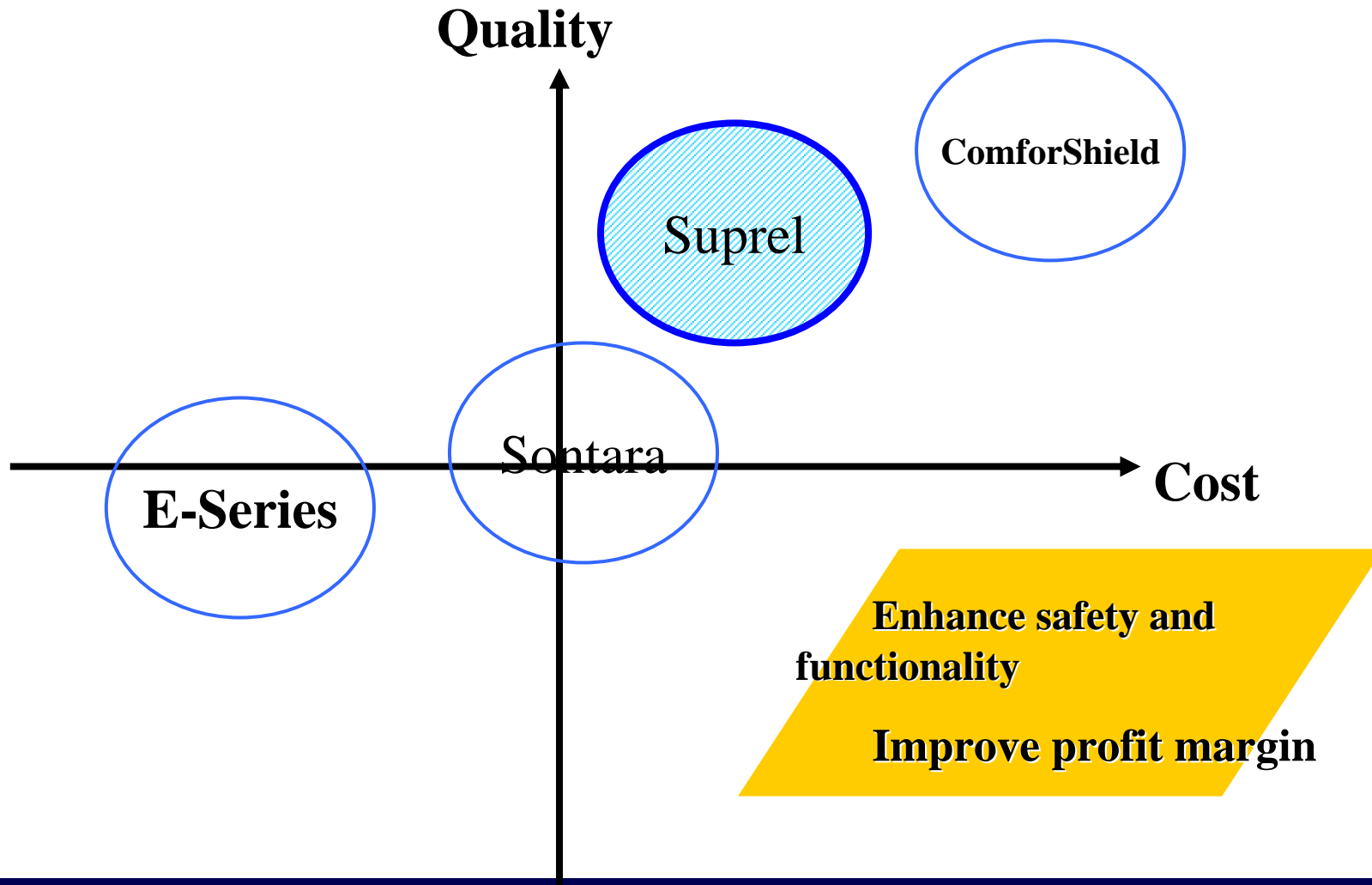
New Standard Non-Woven Fabric “Suprel”

***Launch scheduled in April 2005**



Product Concept and Positioning

“Suprel” sets new standard for “safety” and “functionality”



Features of Suprel

- Comparison with Sontara Products -

	New material Suprel	Comparison with Sontara
Flexibility	Silky-touch softness and comfort	Soft
Barrier properties	Highly water resistant	High
Dust (lint) generation	Low lint	Low lint
Strength	Very strong	Equal

Present Situation and Future Strategy

Production Strategy

- **Present: Improve efficiency**
 - Improve productivity
 - Improve production quality (reduce error rate)
- **Future: Reinforce production capacity**
 - Further improve productivity by establishing dedicated Opera Master line
 - Construct new distribution centers
 - Construct new sterilization centers

Sales Strategy

- Progress of Opera Master sales
- Reinforce backup by support teams

Non-woven Fabrics Market and Strategy

- **Present situation: Affected by negative impact of national hospitals being reorganized into independent administrative corporations**
 - Market environment factors placing downward pressure on prices
- **Future: introduction of new materials**
 - Aim to expand market share and assure profits