

HOGY



January 20, 2005

Financial Report **Third Quarter of Fiscal Year** **Ending in March 2005**

(April 1 – December 31, 2004)

Masao Hoki, President and CEO

Jun-ichi Hoki, Senior Managing Director

Mitsunori Suzuki, Managing Director

Overview and Analysis

Consolidated Statements of Income (9 months ending in December 2004)

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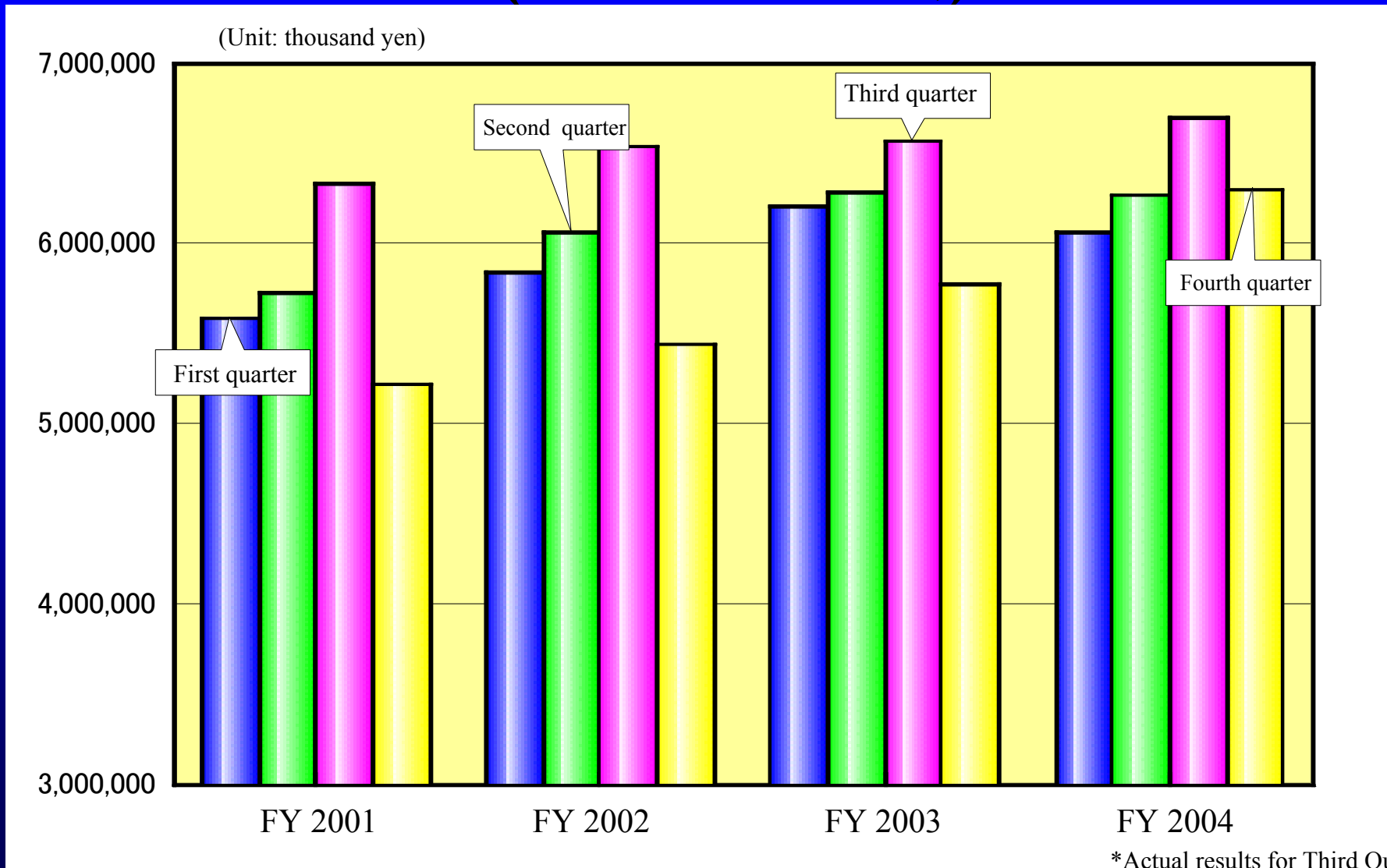
(Unit: million yen, rounded down)	Dec. 2003 Third Quarter Results		Dec. 2004 Third Quarter Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	19,068		19,036		-32	99.8%
Cost of sales	9,186	48.2%	9,320	49.0%	134	101.5%
Gross profit	9,882	51.8%	9,716	51.0%	-166	98.3%
Selling, general, and administrative expenses	5,151	27.0%	5,314	27.9%	162	103.2%
Operating income	4,730	24.8%	4,402	23.1%	-328	93.1%
Non-operating income/loss	-206		116		322	
Ordinary income	4,523	23.7%	4,518	23.7%	-5	99.9%
Extraordinary income/loss	-14		201		216	
Income before income taxes and minority interests	4,509	23.6%	4,719	24.8%	210	104.7%
Net income	2,692	14.1%	2,858	15.0%	166	106.2%
EPS (total shares)	164.76 yen		174.95 yen			
Number of shares outstanding	16,341,155		16,341,155			
EPS (minus treasury shares)	172.01 yen		183.68 yen			
Number of shares after deducting treasury shares	15,652,204		15,564,608			

Full-Year Forecasts		
Amount	% of total	% of achievement
25,344		75.1%
12,534	49.5%	
12,809	50.5%	
7,020	27.7%	
5,789	22.8%	76.0%
169		
5,959	23.5%	75.8%
-77		
5,882	23.2%	
3,544	14.0%	80.6%
212.83 yen		
16,341,155		
223.45 yen		
15,564,484		

* Full-year EPS forecast (after deducting directors' bonuses): ¥223.46 (based on shares outstanding [15,563,902] after deducting treasury shares at end of 3rd quarter)

HOGY MEDICAL Co., Ltd.

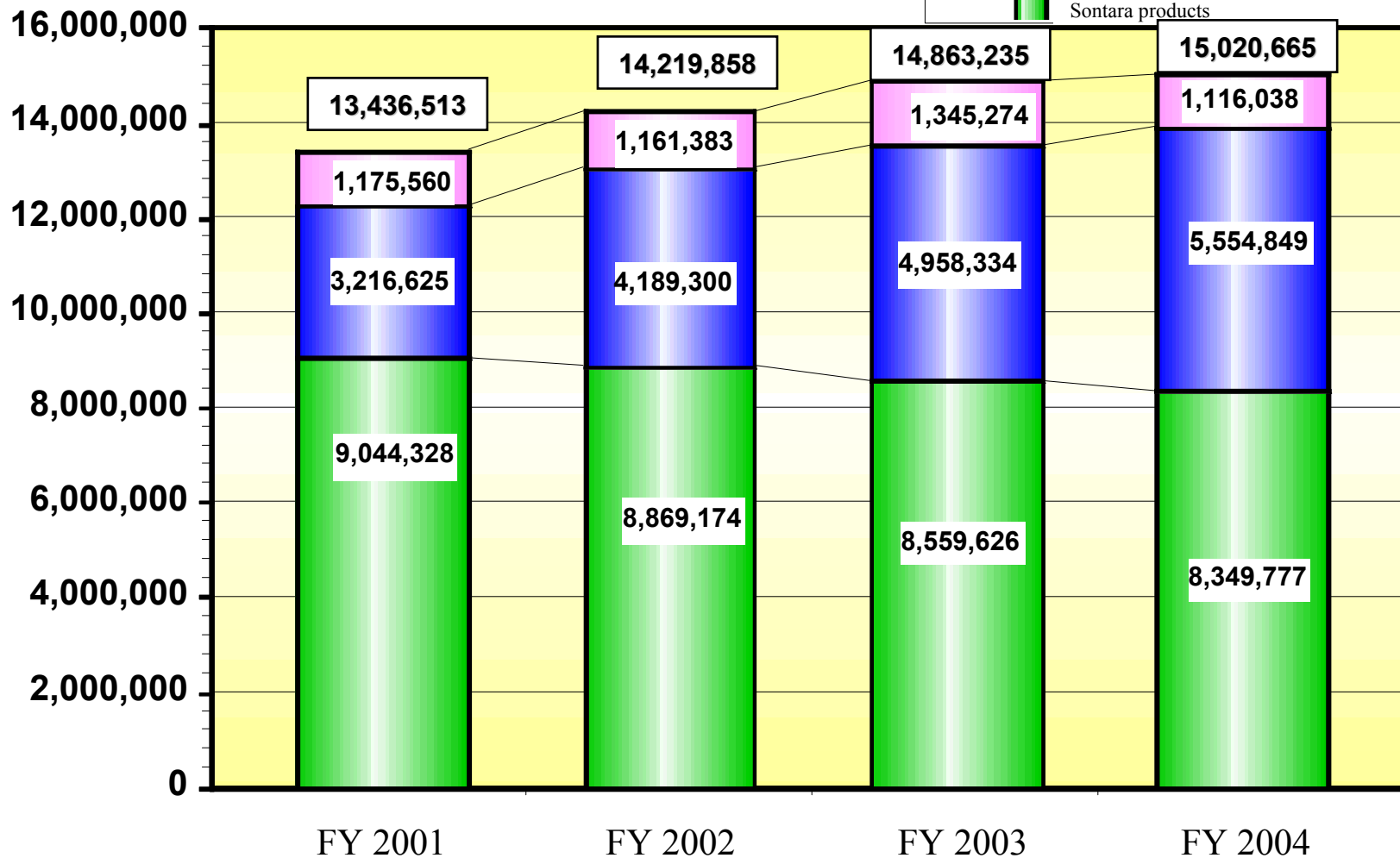
History of Quarterly Net Sales (Consolidated)



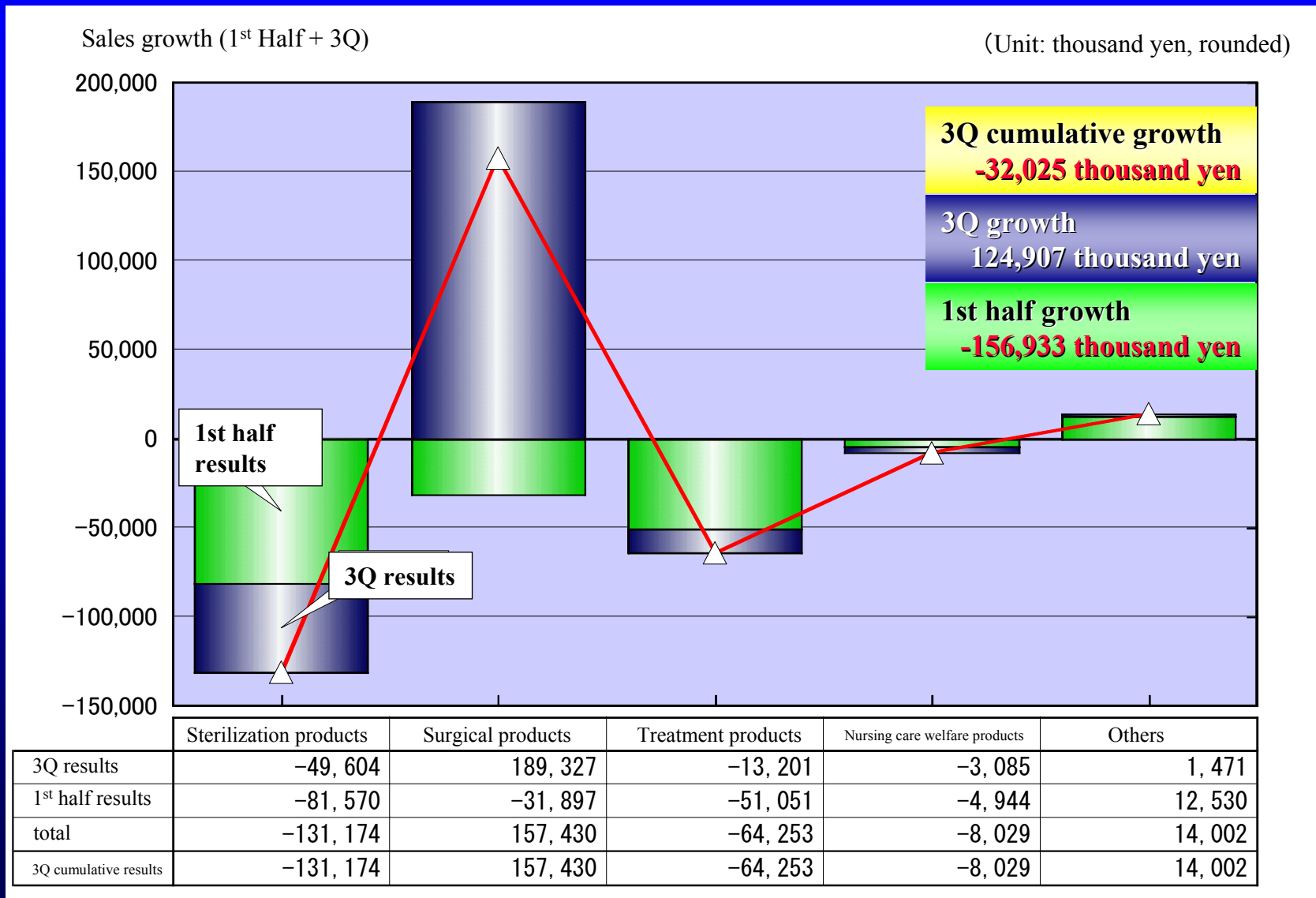
History of Sales of Surgical Products (Third Quarter, Consolidated)

(Unit: thousand yen, rounded)

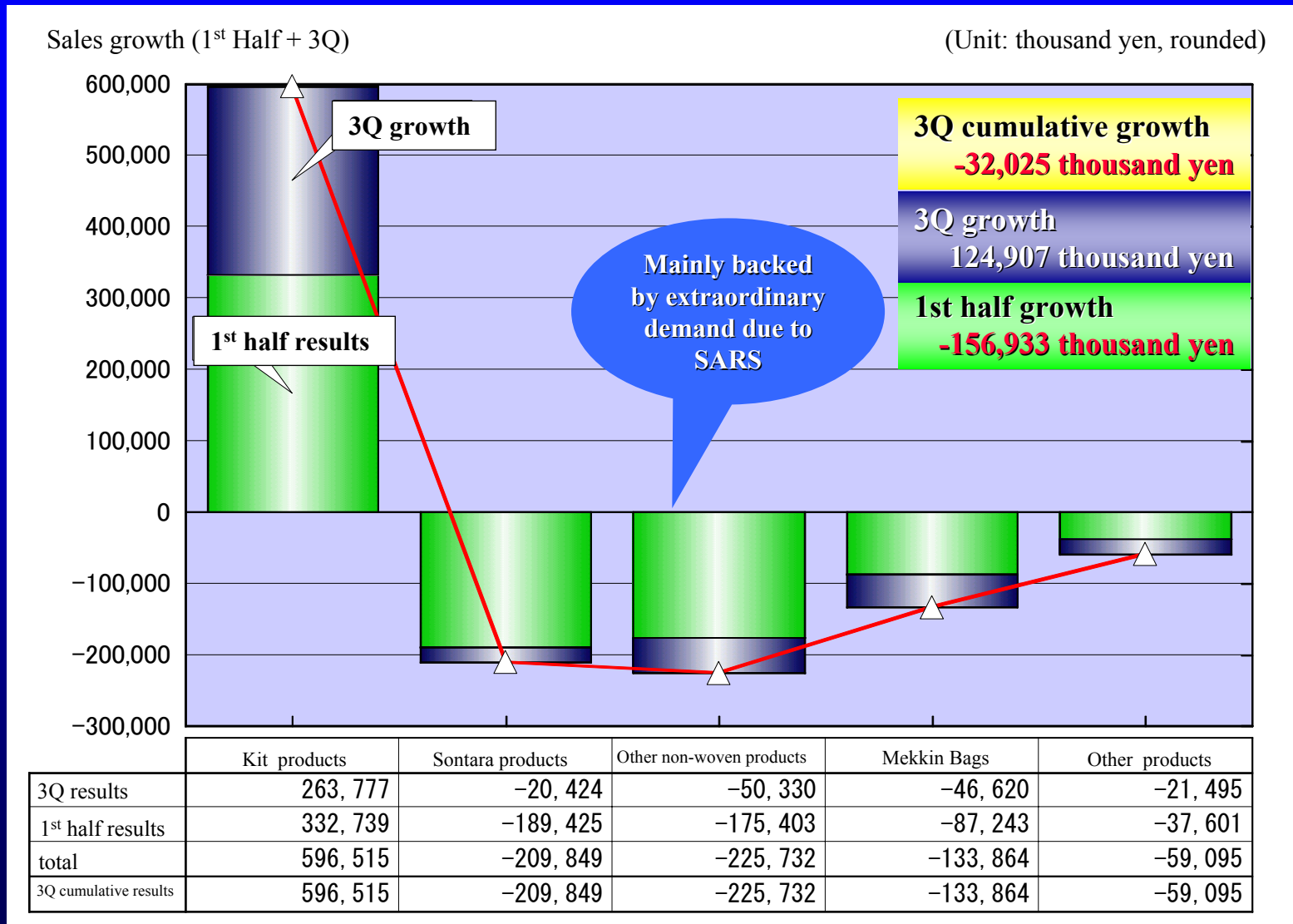
- Others (other non-woven fabrics/steel instruments)
- Kit products
- Sontara products



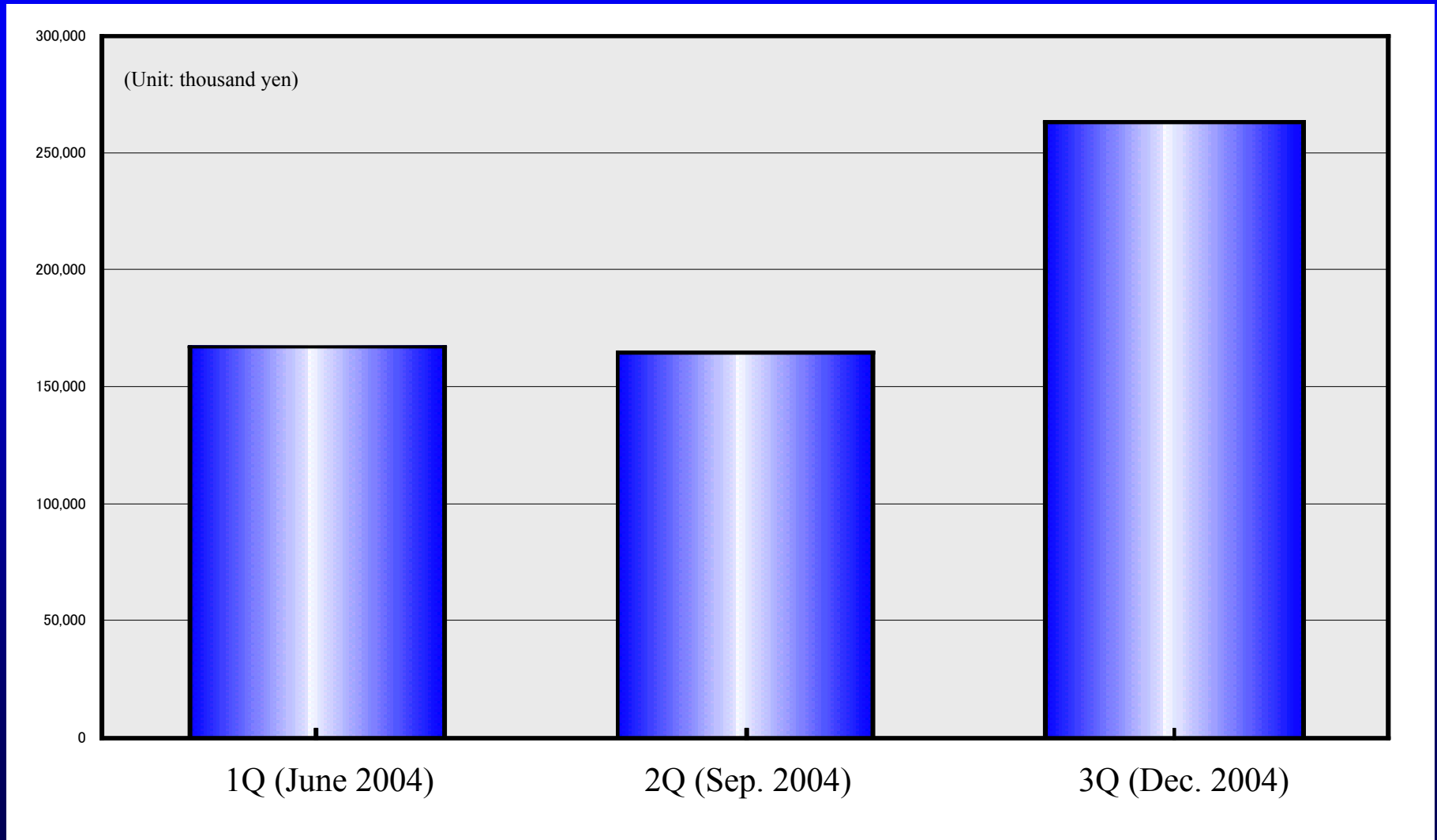
Growth in Sales by Product Line for 9 months ending in December 2004 (Consolidated)



Growth in Sales by Major Products for 9 months ending in ⁶ December 2004 (Consolidated)



Fiscal Year Ending in March 2005 Growth in Sales of Kit Products, by Quarter (Consolidated)



Fiscal Year Ending in March 2005

Analysis of 3rd Quarter Results (Consolidated)

Net sales:

- **Down ¥32 million (-0.2%) year-on-year**
 - ✓ **Kit products: Up ¥596 million (+12.0%)**
 - * Sales growth healthy compared with first half of fiscal year
 - * Sales to existing customers growing steadily
 - Progress in raising overall base
 - ✓ **Sontara products: Down ¥209 million (-2.4%)**
 - * Magnitude of sales decline narrowing
- **Cost of sales: According to revised plan**
- **Selling, general and administrative expenses: Charitable donations, recruiting costs, consumables**
- **Non-operating income/loss: ¥62 million foreign exchange loss (rate at end of December 2004: ¥104.20/US\$)**
- **Extraordinary income/loss: According to revised plan**

Full-Year Outlook

Consolidated Statements of Income for Fiscal 2004

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(Unit: million yen, rounded down)	March 2005 Fiscal Year: 3rd Quarter Results (Cumulative)		March 2005 Fiscal Year: 4th Quarter Forecasts		March 2005 Full-Year Forecasts		March 2004 Full-Year Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Change	% change
Net sales	19,036		6,308		25,344		24,844		500	102.0%
Cost of sales	9,320	49.0%	3,214	51.0%	12,534	49.5%	12,160	48.9%	373	103.1%
Gross profit	9,716	51.0%	3,093	49.0%	12,809	50.5%	12,683	51.1%	126	101.0%
Selling, general, and administrative expenses	5,314	27.9%	1,705	27.0%	7,020	27.7%	6,840	27.5%	179	102.6%
Operating income	4,402	23.1%	1,387	22.0%	5,789	22.8%	5,842	23.5%	-52	99.1%
Non-operating income/loss	116		53		169		-238		408	
Ordinary income	4,518	23.7%	1,441	22.8%	5,959	23.5%	5,604	22.6%	355	106.3%
Extraordinary income/loss	201		-279		-77		-126		49	
Income before income taxes and minority interests	4,719	24.8%	1,162	18.4%	5,882	23.2%	5,477	22.0%	404	107.4%
Net income	2,858	15.0%	685	10.9%	3,544	14.0%	3,225	13.0%	319	109.9%
EPS (total shares)	174.95 yen				212.83 yen		193.26 yen			
Number of shares outstanding	16,341,155				16,341,155		16,341,155			
EPS (minus treasury shares)	183.68 yen				223.45 yen		202.05 yen			
Number of shares after deducting treasury shares	15,564,608				15,564,484		15,630,611			

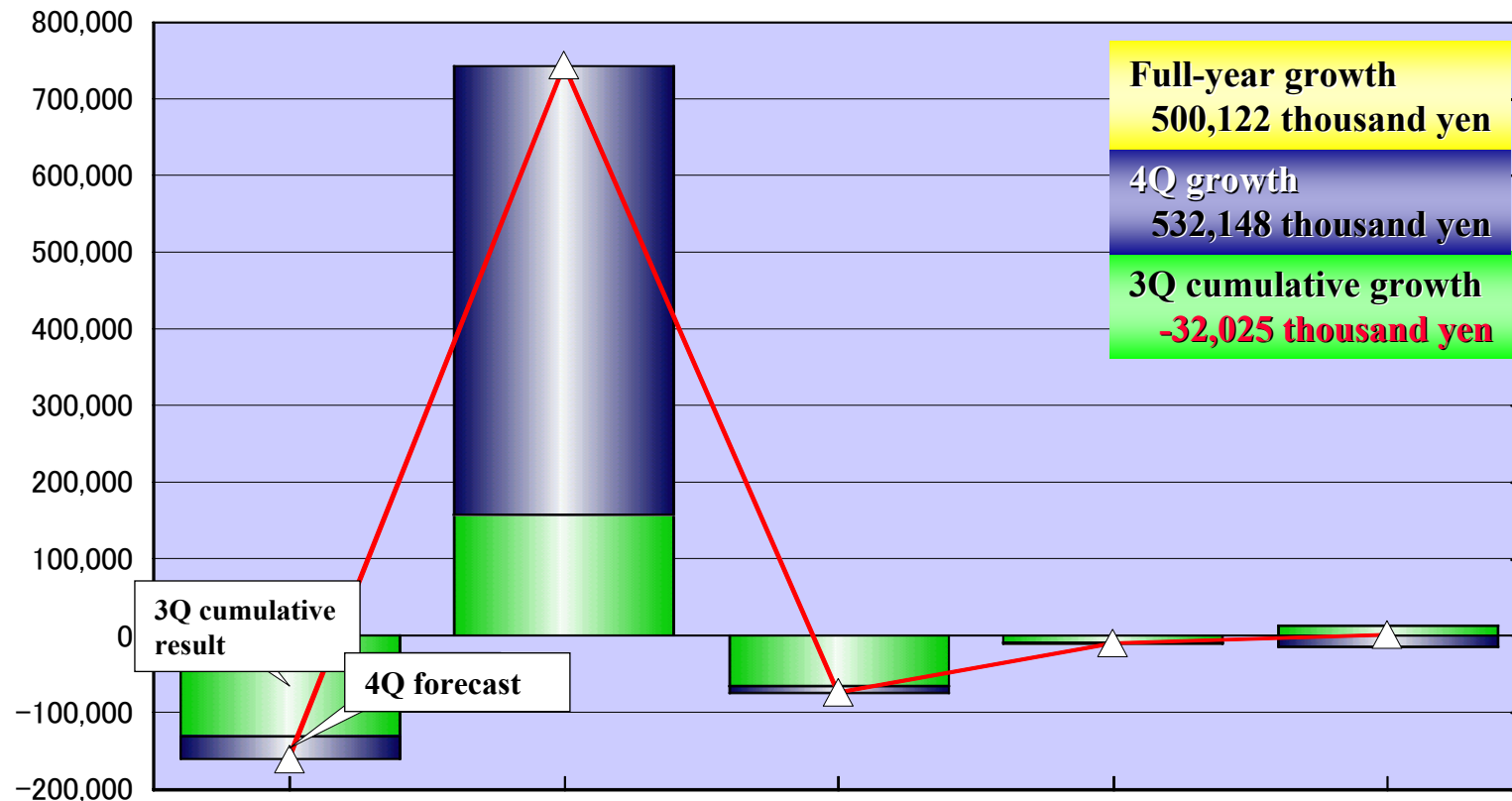
*Full-year EPS forecast (after deducting directors' bonuses): ¥223.46 (based on shares outstanding [15,563,902]
after deducting treasury shares at end of 3rd quarter)

HOGY MEDICAL Co., Ltd.

Fiscal 2004 Sales Growth by Product Line (Consolidated)

Sales Growth (3Q Results + 4Q Forecast)

(Unit: thousand yen, rounded)

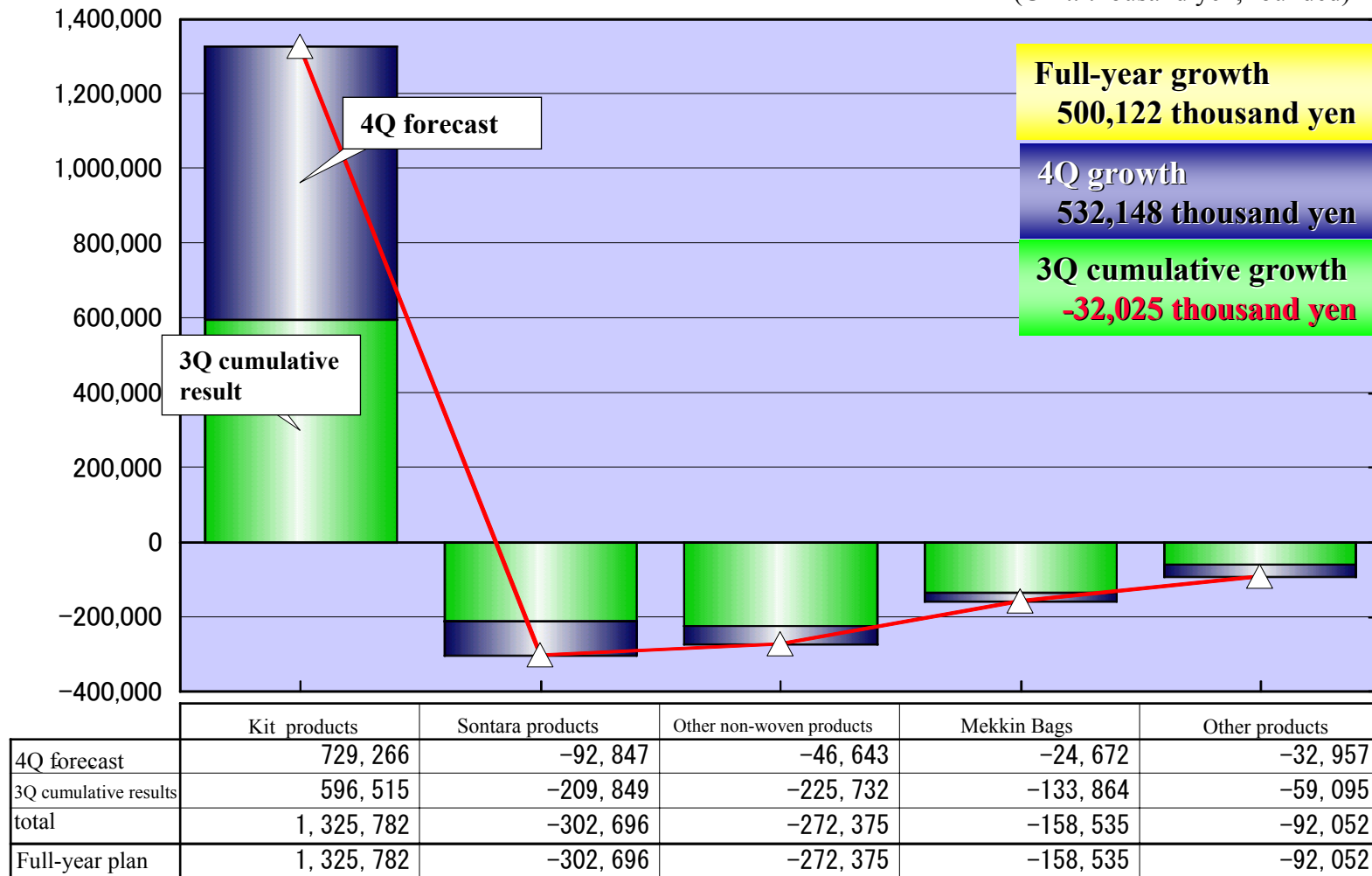


	Sterilization products	Surgical products	Treatment products	Nursing care welfare products	Others
4Q forecast	-29,949	586,438	-9,738	-1,736	-12,867
3Q cumulative results	-131,174	157,430	-64,253	-8,029	14,002
total	-161,123	743,868	-73,991	-9,765	1,134
Full-year plan	-161,123	743,868	-73,991	-9,765	1,134

Fiscal 2004 Sales Growth by Major Product (Consolidated)

Sales growth (3Q Results + 4Q Forecast)

(Unit: thousand yen, rounded)



Breakdown of Fiscal 2004 Plans (Consolidated)

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- **Net sales: Steady growth in sales of Opera Master and higher sales of kit products due to broader overall market base** (Full-year net sales: ¥7,962 million, up 20% year-on-year)
- **Cost of sales: According to revised plan**
- **Selling, general and administrative expenses: According to revised plan**
- **Non-operating income/loss: Does not reflect foreign exchange effect**
- **Extraordinary income/loss: Includes loss on disposal of machinery and equipment**



Marketing Overview

- **Stronger Sales Support System**
- **Progress of Opera Master Marketing**

Stronger Sales Support System

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➤ Sales Promotion Department established

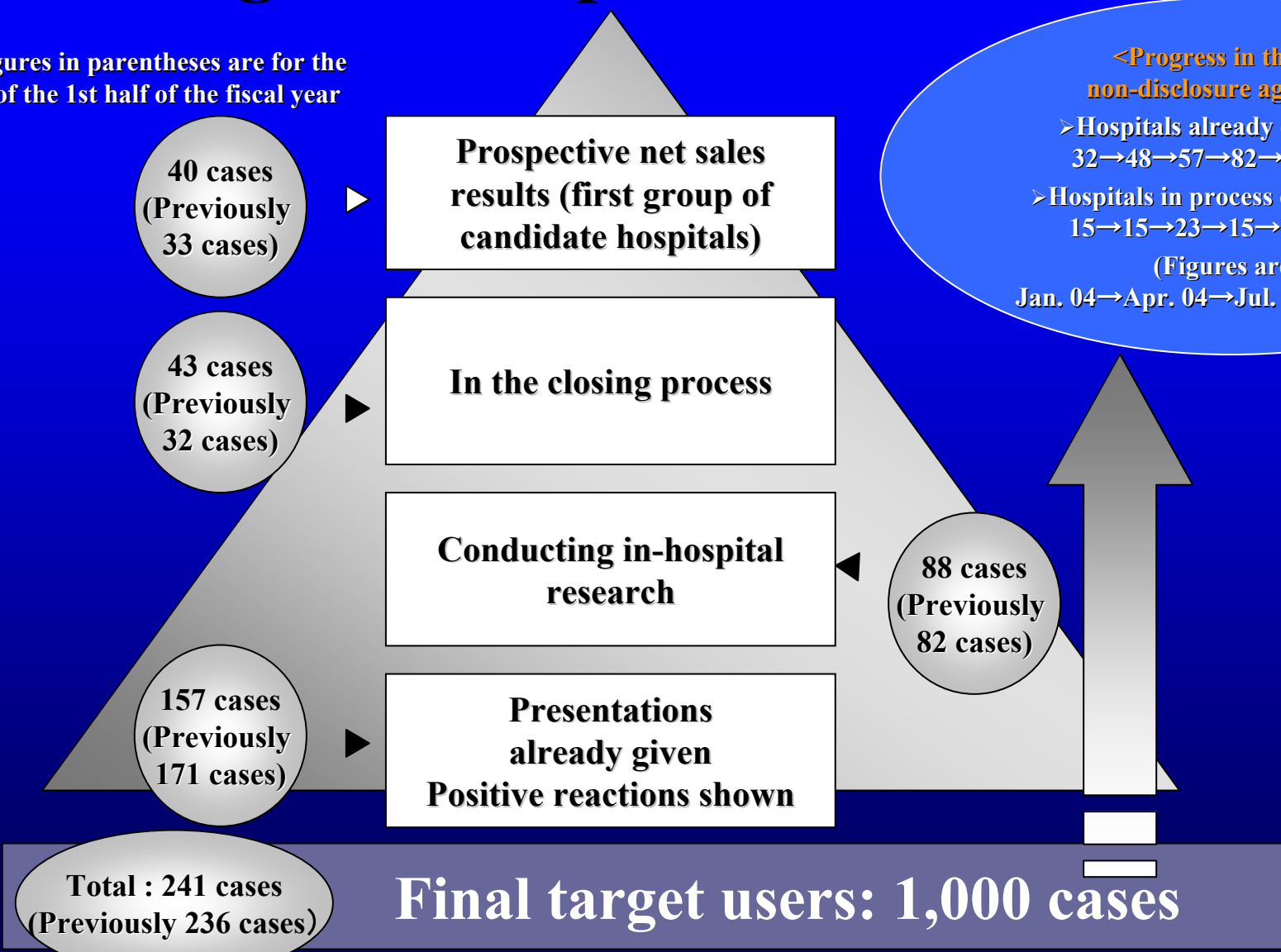
- Opera Master Support Team (set up in 1st half) upgraded
- Provides support for formulation and execution of sales and promotion strategies for strategic products



- Steady increase in Opera Master agreements
- Focus on strategic sales of non-woven fabrics: Sales of “Suprel” gown to begin in February

Progress of Opera Master Marketing

* Figures in parentheses are for the end of the 1st half of the fiscal year



<Progress in the number of non-disclosure agreements>

- >Hospitals already concluding them: 32→48→57→82→88 hospitals
- >Hospitals in process of concluding them: 15→15→23→15→22 hospitals

(Figures are those for: Jan. 04→Apr. 04→Jul. 04→Oct. 04→Jan. 05)

Future Strategies

➤ **Revision of Pharmaceutical Law**

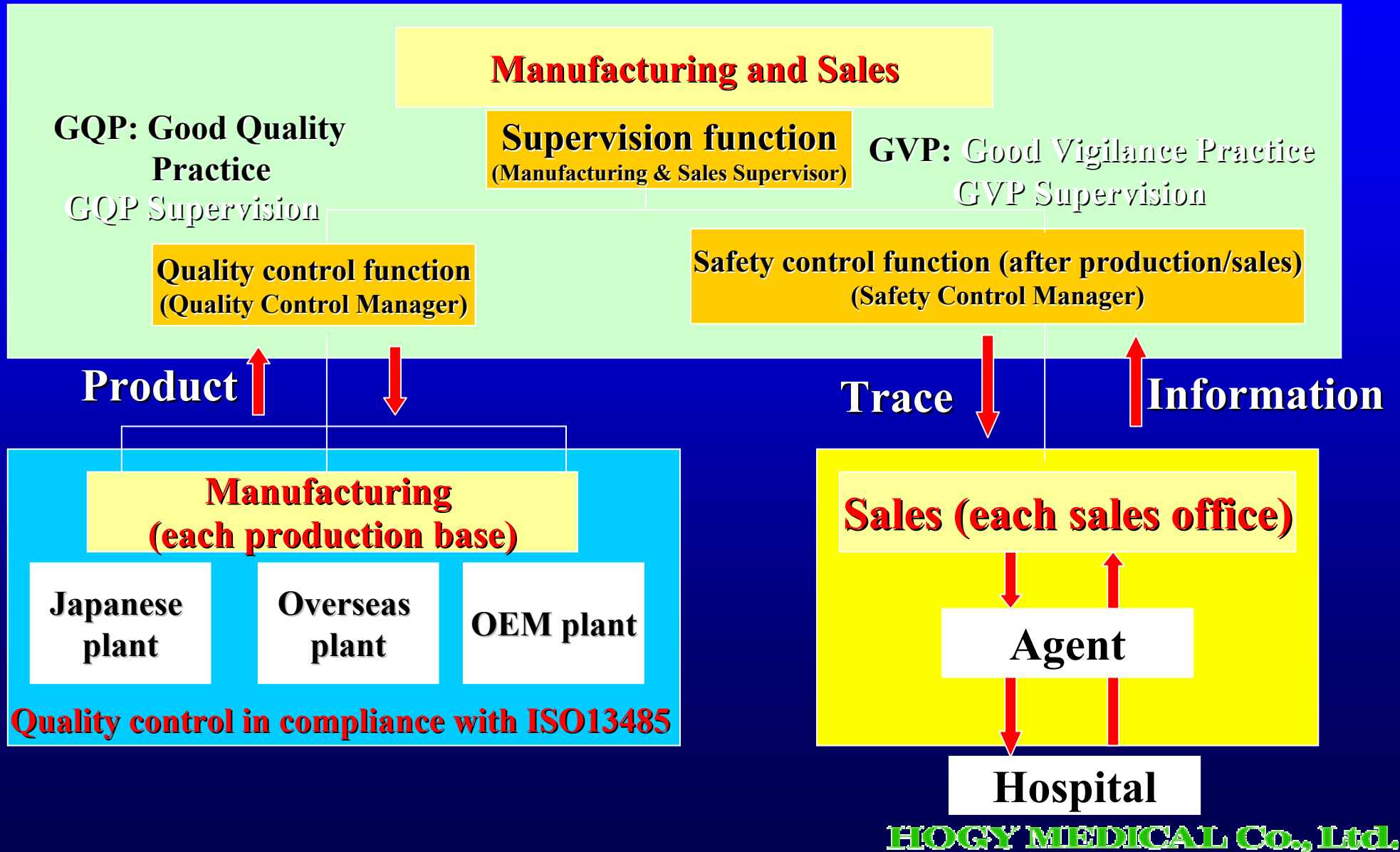
- **Industry reorganization due to revision of Pharmaceutical Law**
- **Tighter regulations of Ministry of Health, Labor and Welfare (MHLW)**
- **Capital expenditures to date**

➤ **Opera Master: Progress and Future Strategies**

- **Sales of kit products**
- **Opera Master agreements: Current status and future strategies**

Industry Reorganization Due to Pharmaceutical Law Revision

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Tighter MHLW Regulations

- **Enhanced responsibility of companies due to revision of Pharmaceutical Law**

- Revision of approval and authorization system (related to primary distributors, manufacturers, retailers) to take effect from April 2005
- Stiffening of penalties

Quality control requirements

- Revised GMP (Good Manufacturing Practice) applicable (conforming to ISO 13485)
- Reinforcement of quality standards related to imported medical equipment (introduction of approval system for foreign manufacturers)

After-sales safety measures

- Instruction manuals for medical equipment (full-scale implementation January 2003)
- Post market evaluation of medical equipment



Legal regulations



Our ability to respond to various regulations will determine our competitive edge

Capital Expenditures to Date

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- Installation of large scale equipment to meet ethylene oxide gas (EOG) emission control regulation
- EOG residue elimination and associated shipping control
- Total implementation of sterilization guarantee and revalidation procedures
- Total implementation of Medical Use Instructions system
- Building “lot-tracing” computer system (March 2005)
- Responding to equipment standards (new plant for kit products)

Opera Master Agreements: Current Status and Future Strategies

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- **Agreements as December 31, 2004: 10**
- **Target agreements by March 31, 2005: 20**

- **Improve profitability and management of cost of sales**
 - **Introduce corporate accounting methods**
(receipts and discharge for inventory control, reserve for retirement benefits, impairment accounting)
 - **Reduce usage periods for disposable products**