

HOGY



MEMBERSHIP
January 20, 2011



Financial Report **First 3 Quarters of Fiscal 2010**

(April 1 – December 31, 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.

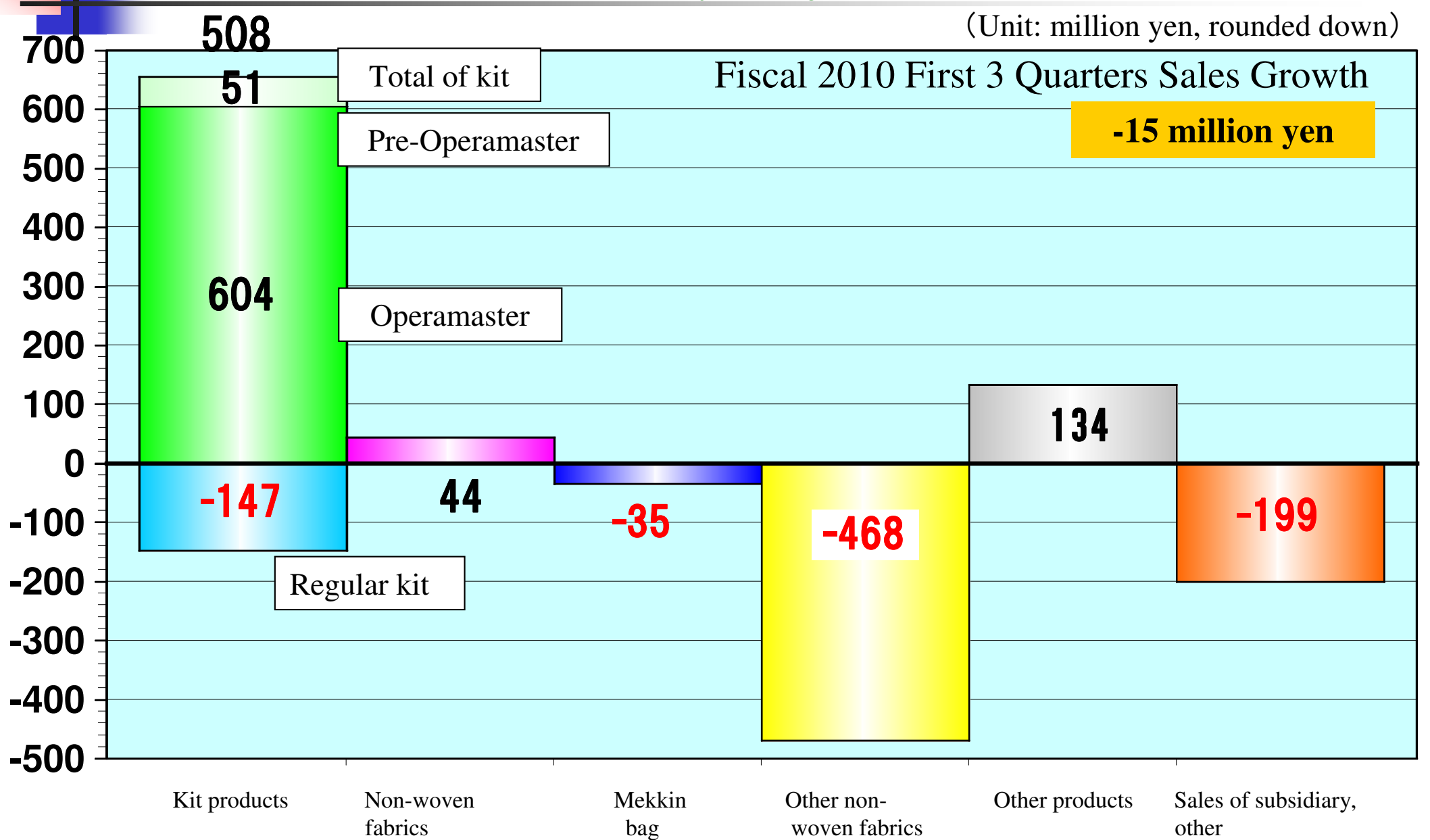
Overview

Fiscal 2010 - First 3 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2009 First 3 Quarters Results		Fiscal 2010 First 3 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	23,906		23,891		-15	99.9%
Operating income	6,241	26.1%	6,718	28.1%	477	107.6%
Ordinary income	6,258	26.2%	6,640	27.8%	381	106.1%
Net income	3,836	16.0%	3,940	16.5%	104	102.7%
EPS	246.88yen		250.47yen			

Fiscal 2010 - First 3 Quarters

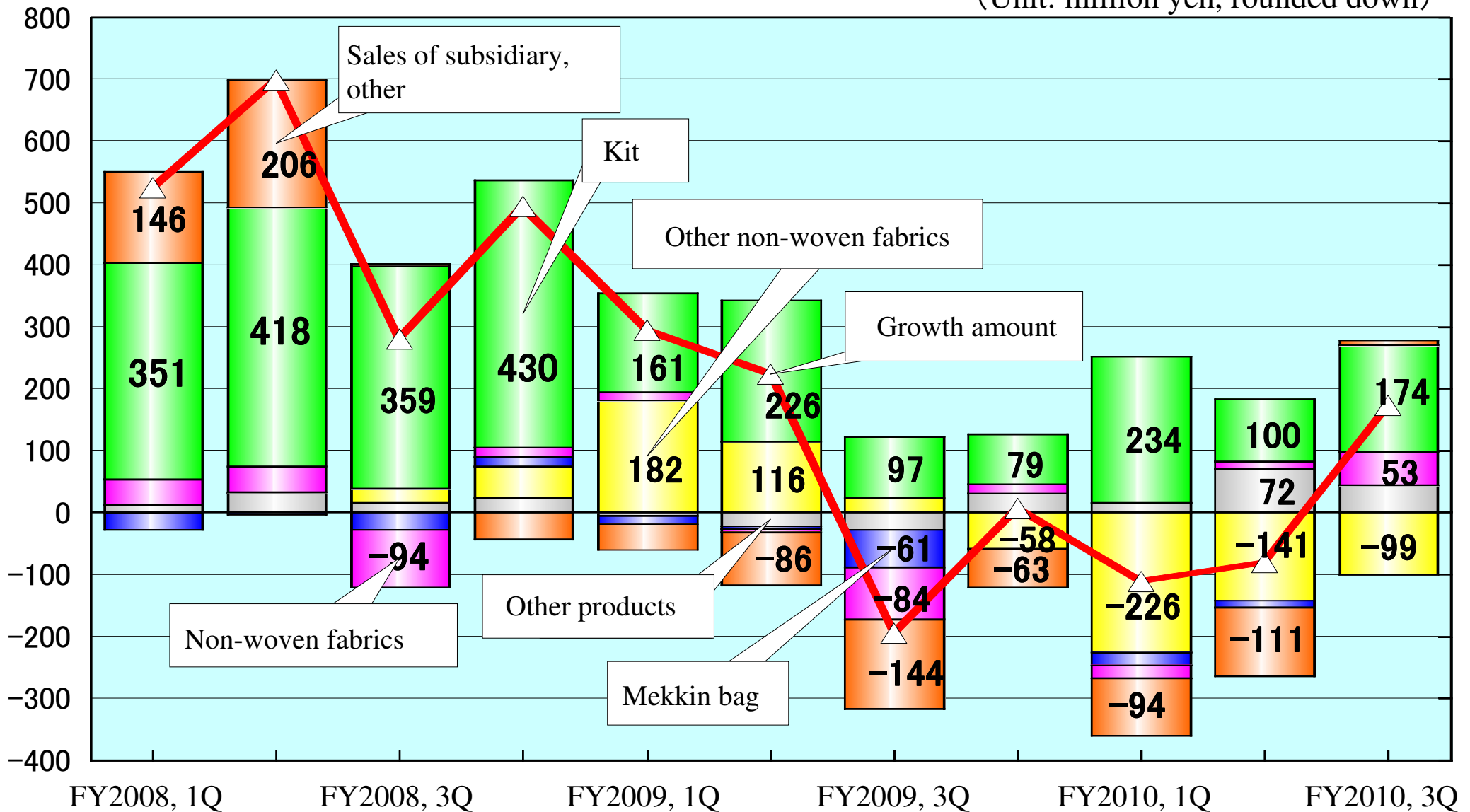
Sales Growth by Major Products



Fiscal 2010 - First 3 Quarters

Sales Growth by Quarter

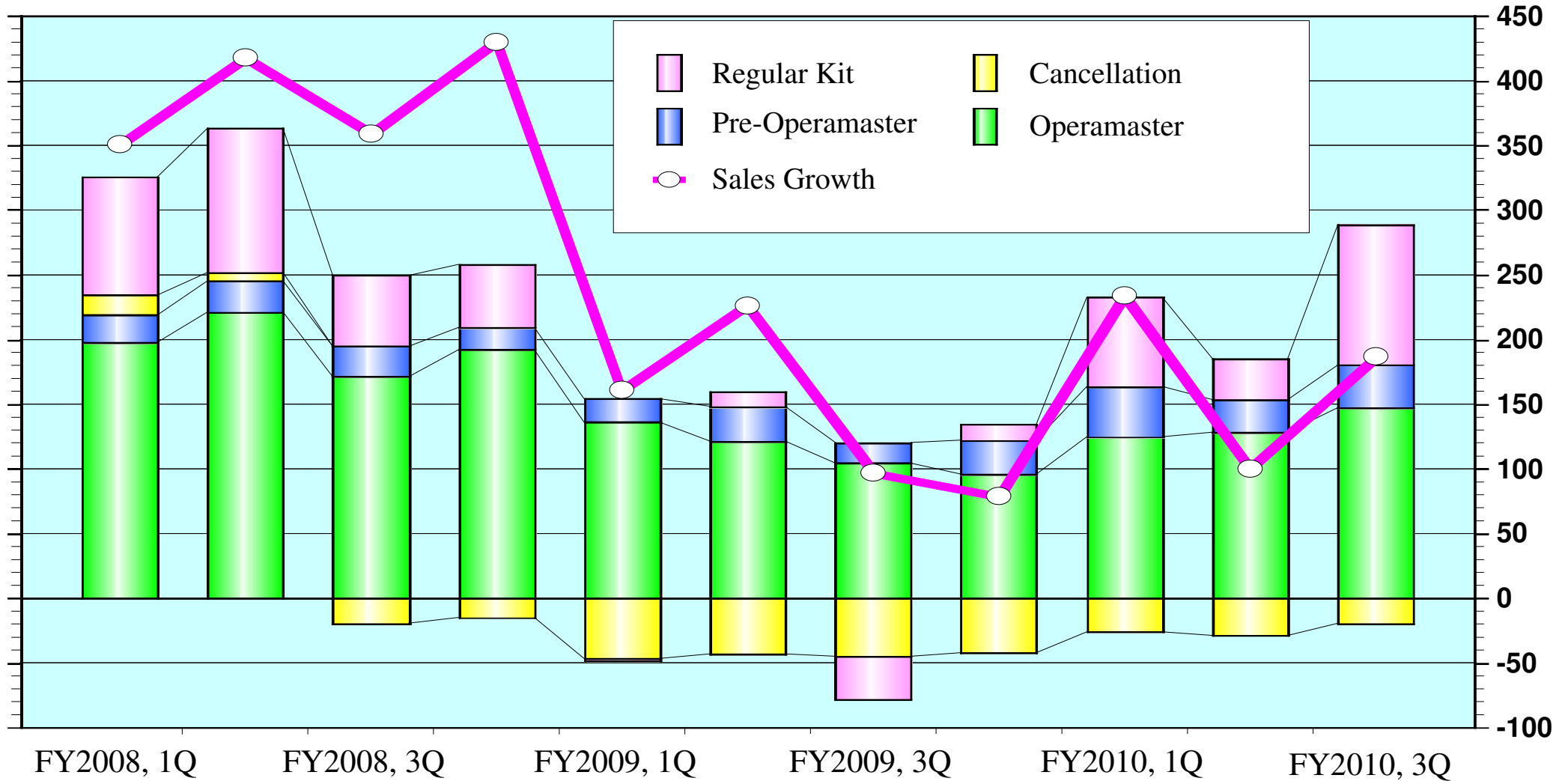
(Unit: million yen, rounded down)



Kit Products: Unit Sales and Sales Growth

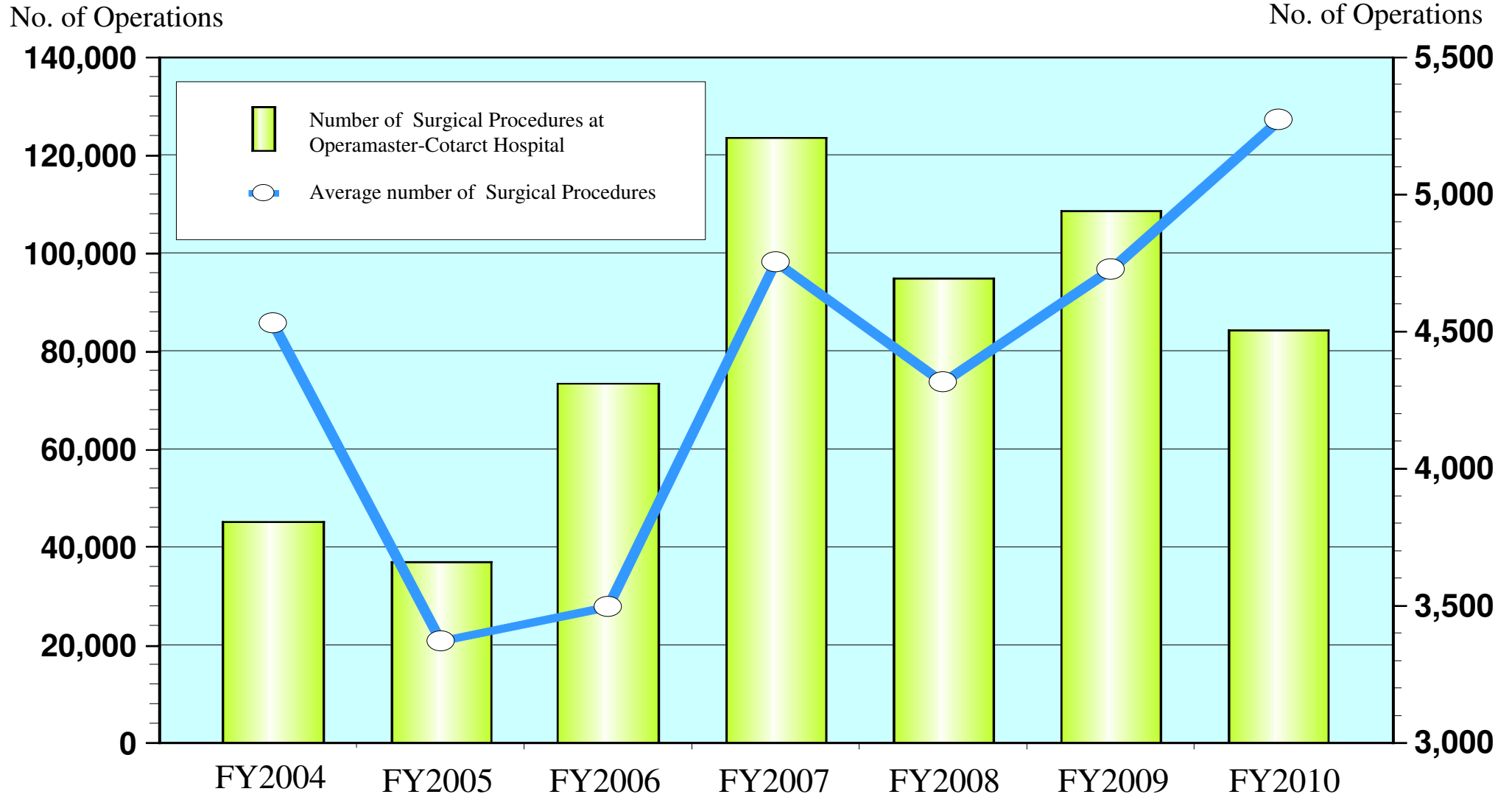
(Unit sales and sales growth, by quarter)

(Unit: million yen, rounded down)



* Number of contracts and cancellations as of December 31, 2010

Surgical Procedures at Operamaster-Contract Hospital



* Number of contracts and cancellations as of December 31, 2010

Main Points

- **Increase in share of large-scale Operamaster contracts**
- **Higher sales of regular kit products and non-wovens thanks to Surrem strategy**
- Impact of H1N1 influenza outbreak in previous fiscal year
(ceased to have effect in third quarter)
- Negative impact on revenue of partial sale of subsidiary (ceased to have effect in second quarter)

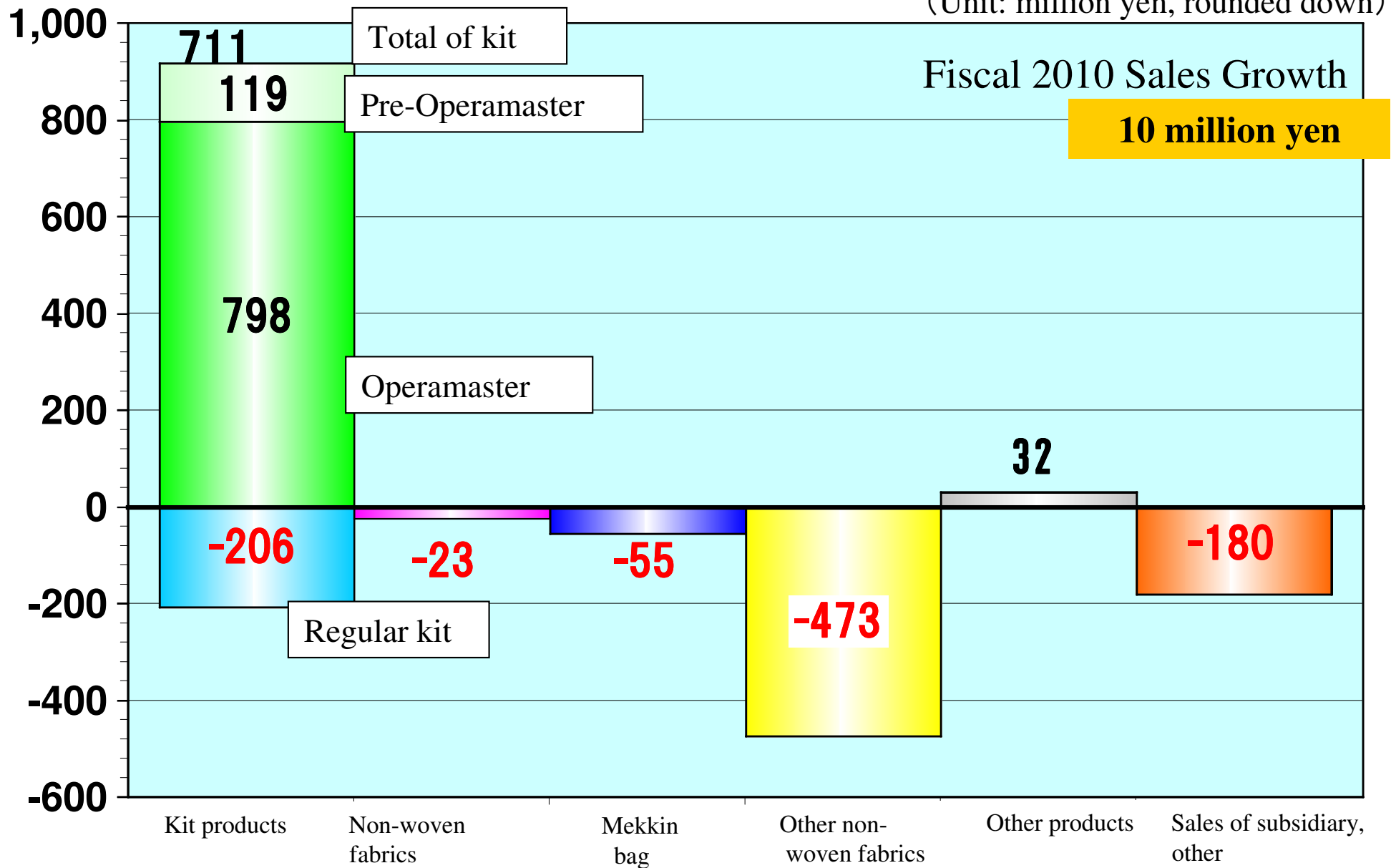
Full-Year Outlook

Fiscal 2010 Revised Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2009 Results		Fiscal 2010 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,339		31,350		10	100.0%
Operating income	7,974	25.4%	8,510	27.1%	535	106.7%
Ordinary income	8,020	25.6%	8,460	27.0%	439	105.5%
Net income	4,921	15.7%	5,040	16.1%	118	102.4%
EPS	315.74yen		320.40yen			

Fiscal 2010 Sales Growth by Major Products

(Unit: million yen, rounded down)





Fiscal 2010 Main Points

- **Promote development of new products**
- **Attract new hospitals to Operamaster contracts**
- Use “Surrem Strategy” to reinforce sales targeting markets of competitors
- IC Master (gauze counting system) to be launched in February 2011
- New Sterilization Center near completion (scheduled to start operation in April 2011)
- 50-year anniversary events to incur special expense

Future Challenges



Future Challenges

■ Promote Development of New Products

- Identify next-generation core products by developing new items based on concept of “products that contribute to front-line medical treatment”

■ Make Competitive Products

- Make high-quality products
- Develop new production methods emphasizing automation and labor reduction
- Identify the products to be translated to in-house production

■ Target Stable Business Growth

- Entrench Operamaster strategy; find ways to ensure extension of contracts
- Strengthen sales of new products
- Step up overseas sales (Indonesia)

Business Performance



Progress of Operamaster Marketing

Sales : ¥6,100million (UP ¥604million or 11%)

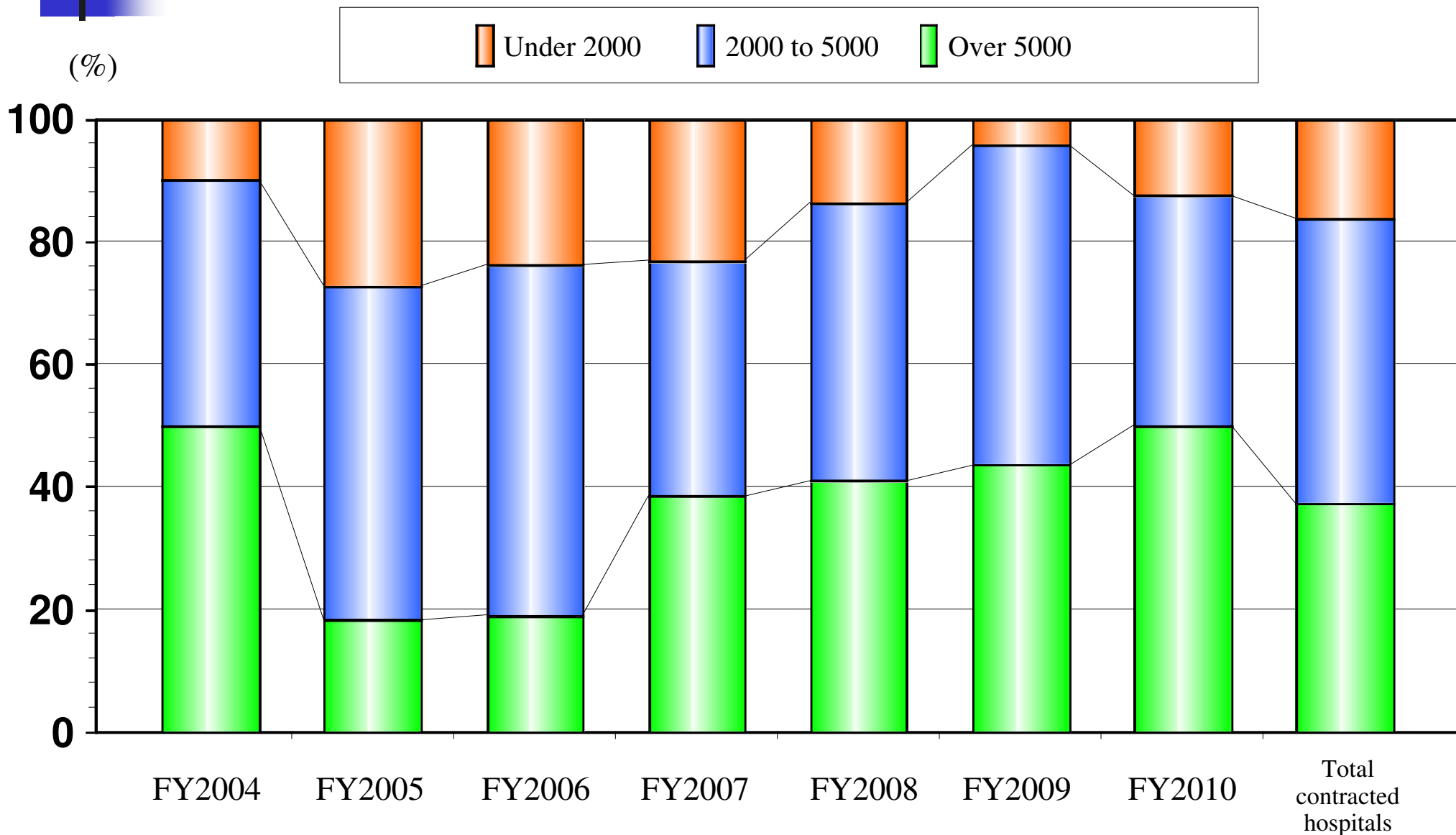
Number of contracts :

16 new contracts (an increase of 84,000 operations)

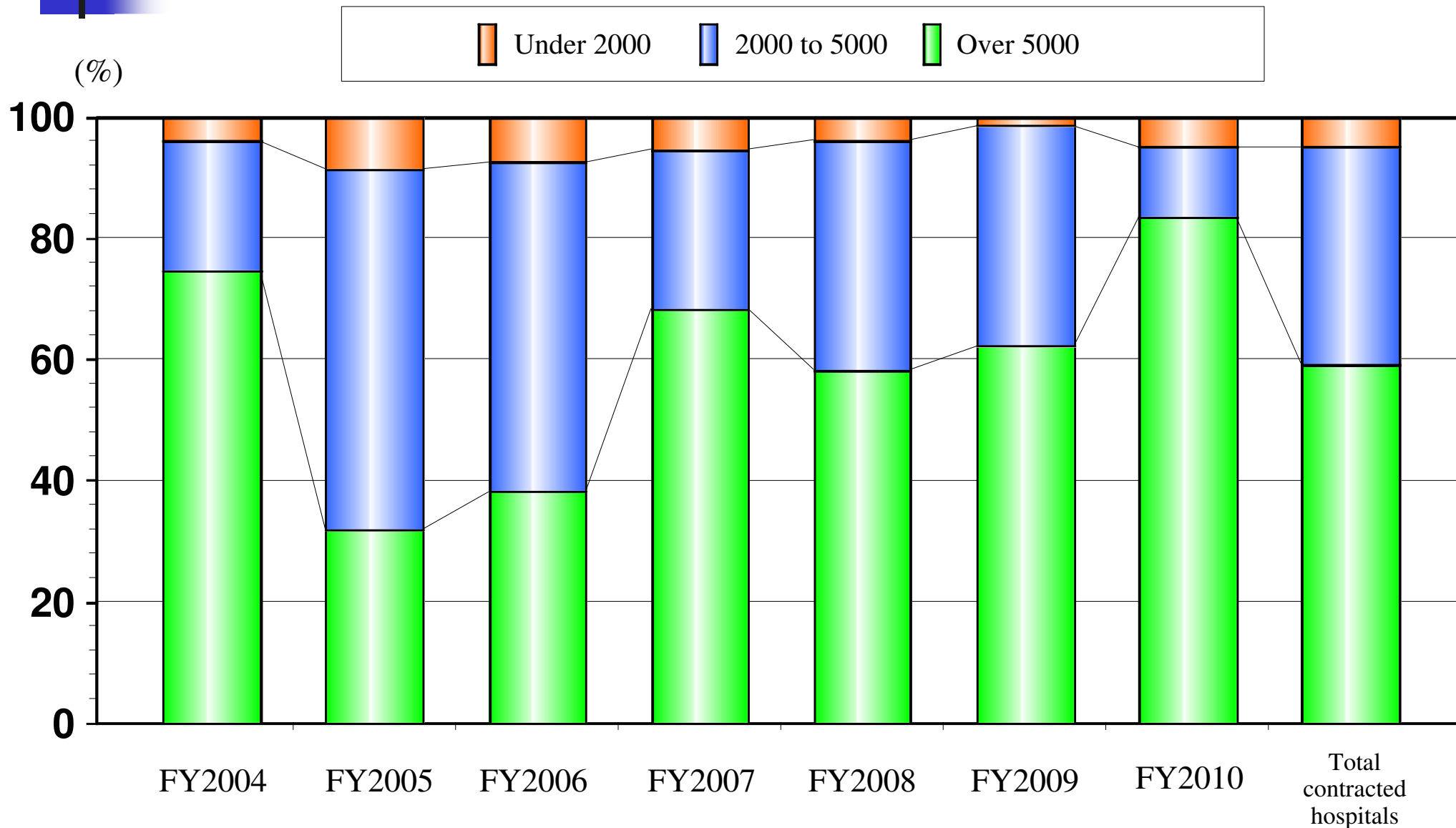
- Large hospitals : 8
- Small and medium-sized hospitals : 8

9 cancelled contracts (30,000 operations)

Operamaster-Contracted Hospitals: Breakdown by Size



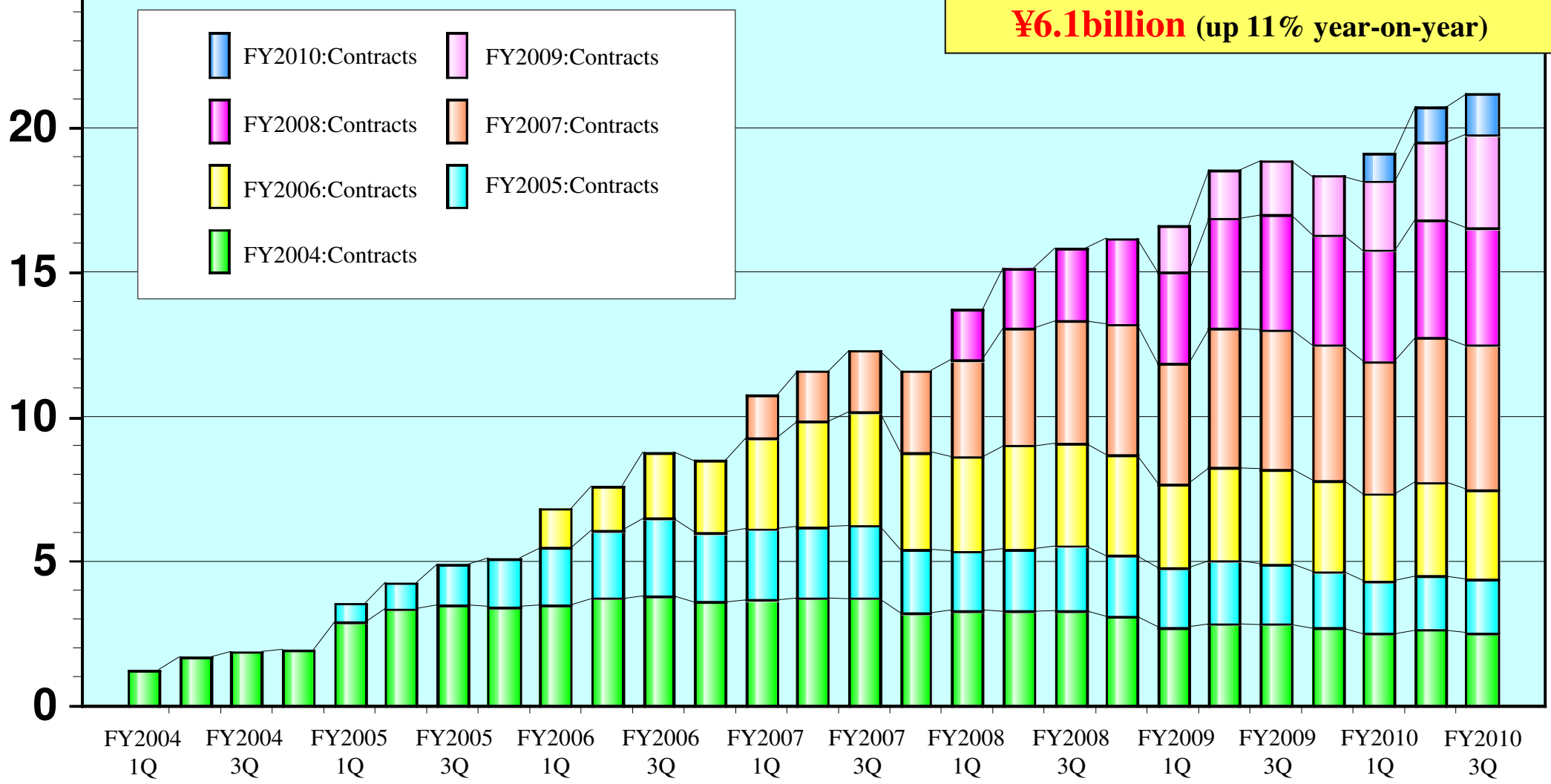
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



Sales of Operamaster

(¥100 million, rounded down)

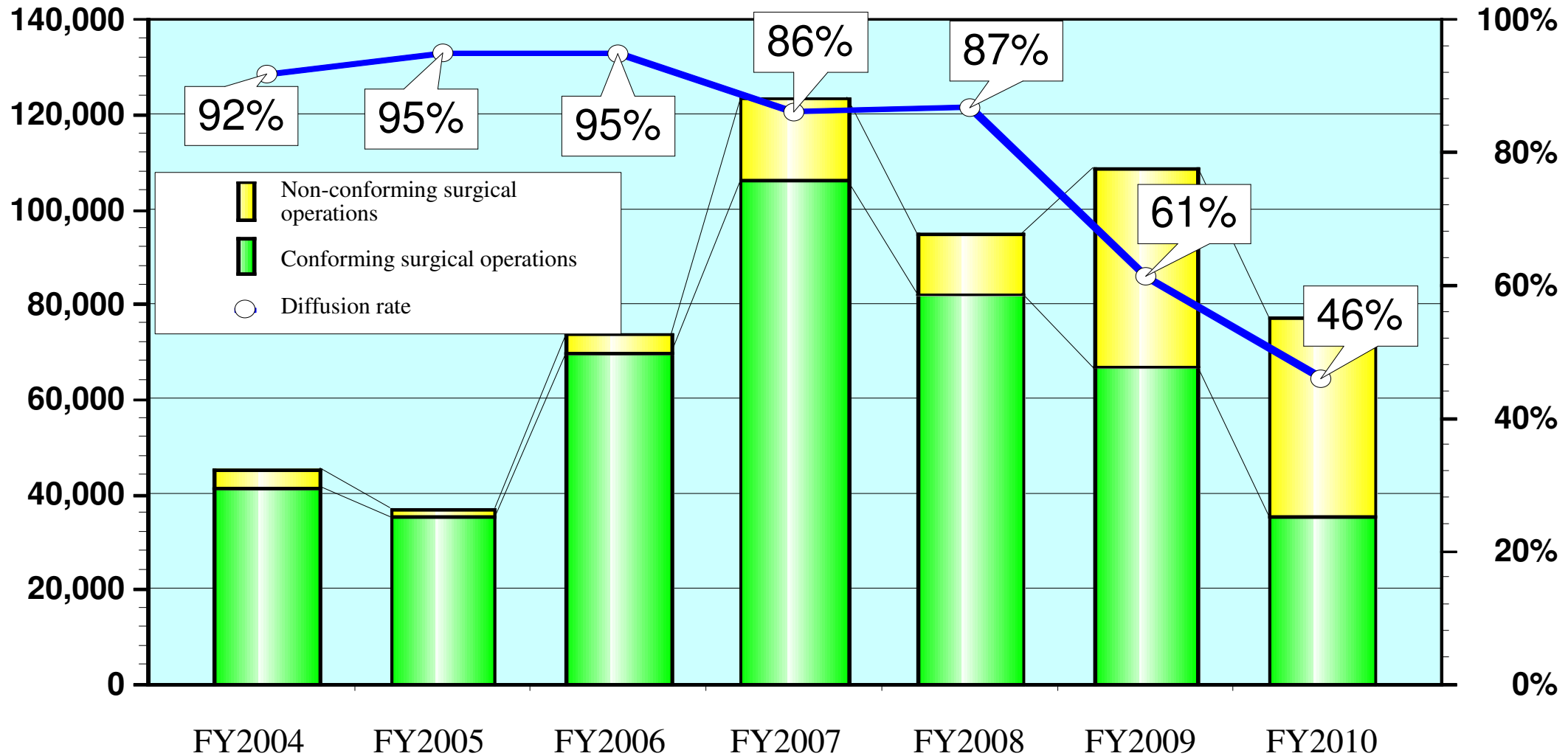
16 new contracts; 9 cancelled contract
 (cumulative total: 129)
¥6.1billion (up 11% year-on-year)



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

No. of Operations

Diffusion rate (%)



* First 3 Quarters data annualized

Factors Causing Revenue Fluctuation

Positive
factors

Increasing sales
of Operamaster

Higher sales to
surgery rooms

Negative
factors

Recoil from
special demand
in previous year
related to H1N1
influenza
outbreak

Partial sale of
subsidiary

Fiscal 2010 – First 3 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2009 First 3 Quarters Results		Fiscal 2010 First 3 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	23,906		23,891		-15	99.9%
Cost of sales	11,519	48.2%	11,265	47.2%	-253	97.8%
Gross profit	12,387	51.8%	12,625	52.8%	238	101.9%
SG & A expenses	6,145	25.7%	5,906	24.7%	-238	96.1%
Operating income	6,241	26.1%	6,718	28.1%	477	107.6%
Non-operating income/loss	17		-78		-95	
Ordinary income	6,258	26.2%	6,640	27.8%	381	106.1%
Extraordinary income/loss	78		-101		-179	
Net income	3,836	16.0%	3,940	16.5%	104	102.7%
EPS	246.88yen		250.47yen			

Fiscal 2010 – First 3 Quarters

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

Cost of sales ratio: 1.0% year-on-year improvement

- Improve productivity
- Improved sales composition mix
- Decline in depreciation
- Decline in price reform differential
- FY2009 (2Q): Factory design expense posted

SG&A expenses: -¥238 million year-on-year

- Personnel expenses: -¥125 million
- Depreciation and amortization: -¥61 million

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

-¥78 million (down 95 million year-on-year)

- Foreign exchange loss : ¥178 million



Fiscal 2010 – First 3 Quarters
Analysis of Extraordinary Items, Capex, Depreciation

Extraordinary loss (net of non-extraordinary income):

-¥101 million (down 179 million year-on-year)

- Extraordinary loss: ¥66 million expense related to 50th anniversary events
- Extraordinary loss: Loss due to application of Accounting Standard for Asset Retirement Obligations : ¥32 million
- Negative goodwill from acquisition of subsidiary in fiscal 2009: ¥83 million lump (Extraordinary income)

Capex: ¥3,086 million (up ¥16 million year-on-year)

- Equipment for new sterilization center: ¥1,815 million
(buildings: ¥1039 million; machinery: ¥584 million)

Depreciation : ¥1,689 million (down ¥201 million year-on-year)

- Cost of sales: ¥1,216 million (down ¥140 million)
- SG&A expenses: ¥473 million (down ¥61 million)

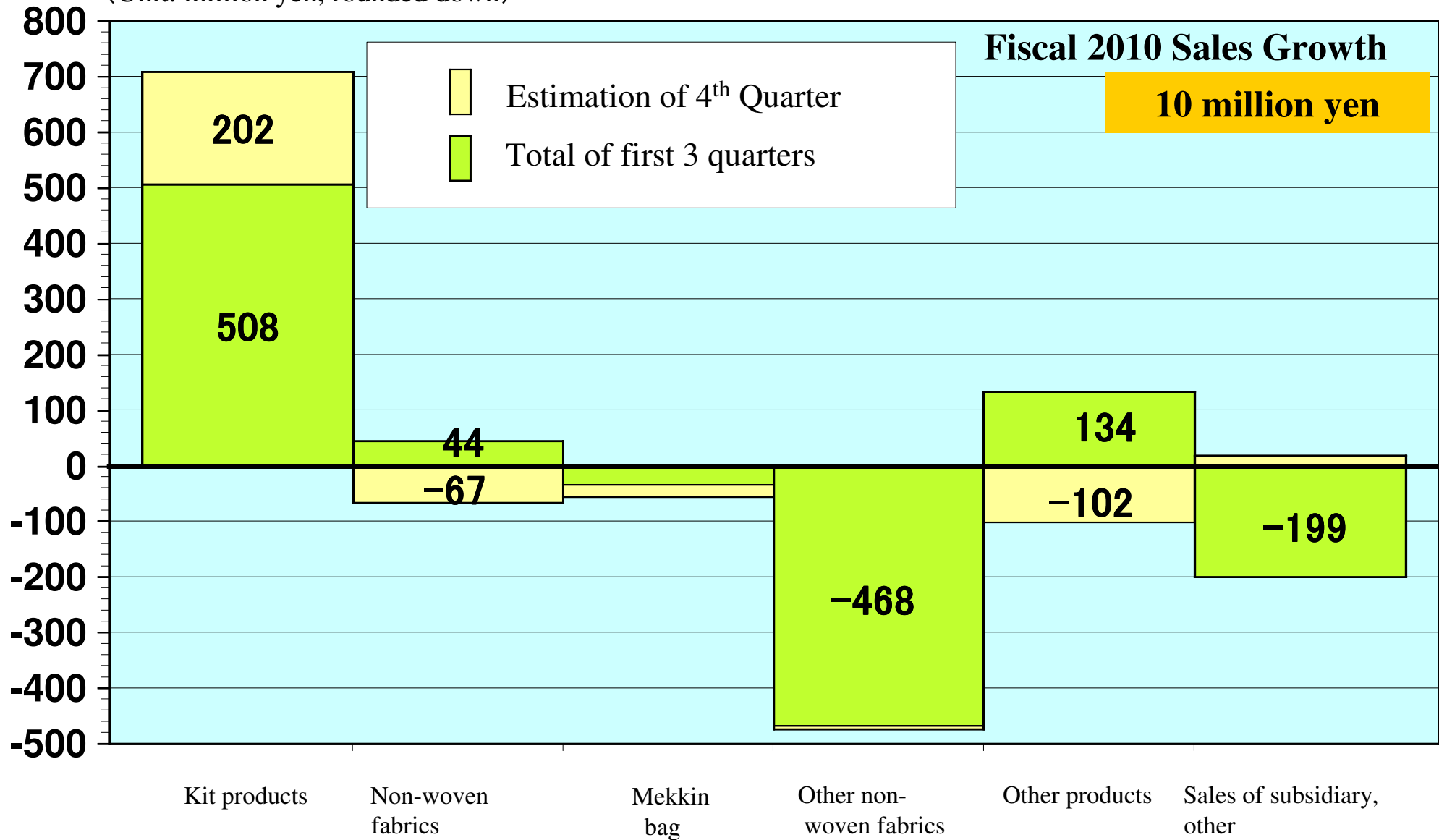
Fiscal 2010 Full-Year Projections

Fiscal 2010 Revised Income Statements

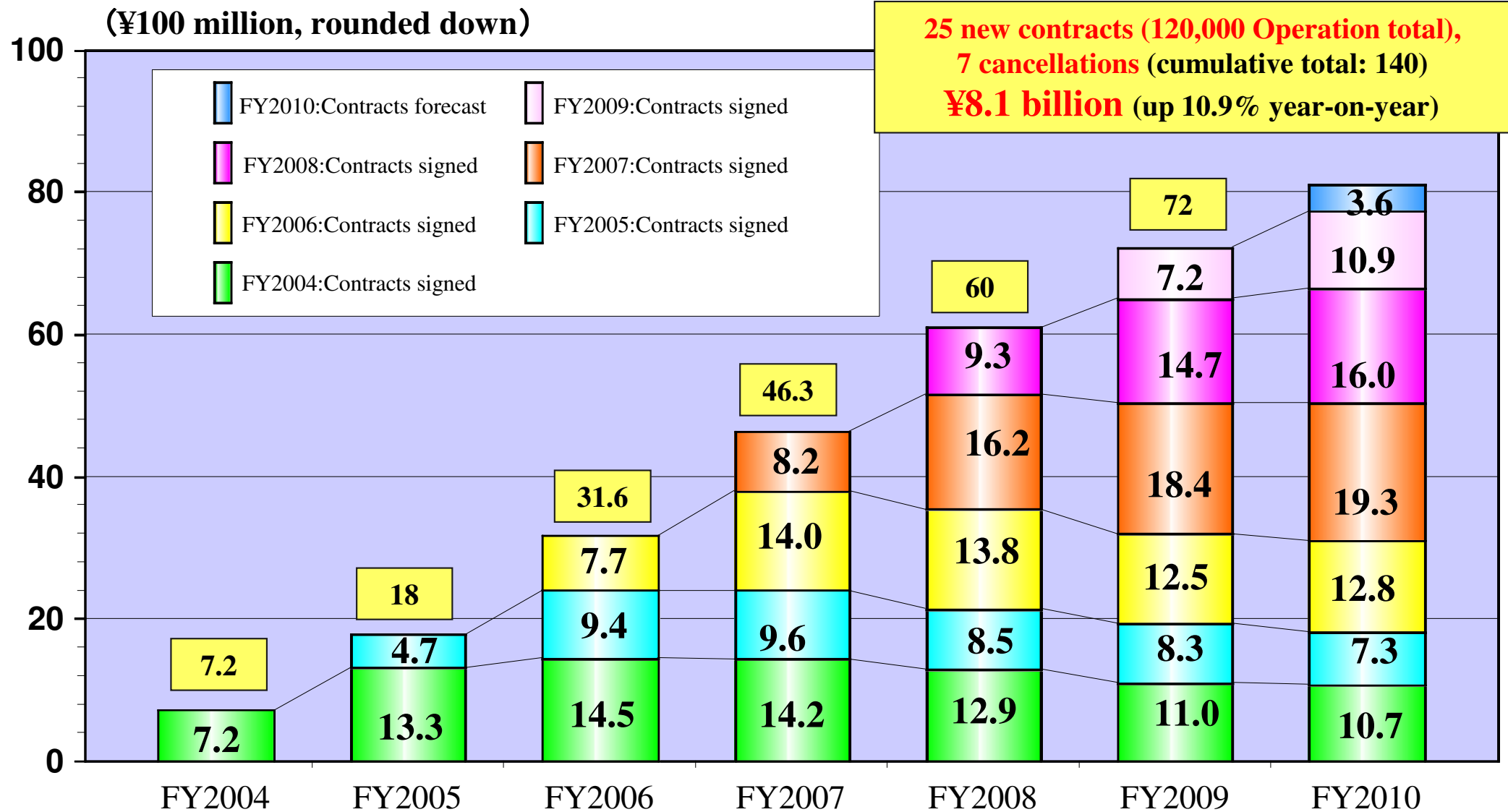
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	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,339		31,350		10	100.0%
Cost of sales	15,143	48.3%	14,850	47.4%	-293	98.1%
Gross profit	16,195	51.7%	16,500	52.6%	304	101.9%
SG & A expenses	8,220	26.2%	7,990	25.5%	-230	97.2%
Operating income	7,974	25.4%	8,510	27.1%	535	106.7%
Non-operating income/loss	45		-50		-95	
Ordinary income	8,020	25.6%	8,460	27.0%	439	105.5%
Extraordinary income/loss	83		-50		-133	
Net income	4,921	15.7%	5,040	16.1%	118	102.4%
EPS	315.74yen		320.40yen			

Fiscal 2010 Sales Growth by Major Products

(Unit: million yen, rounded down)



Sales of Operamaster



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