

HOGY



MEMBERSHIP

October 18, 2011



Financial Report First Quarter of Fiscal 2011

(April 1 – September 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.



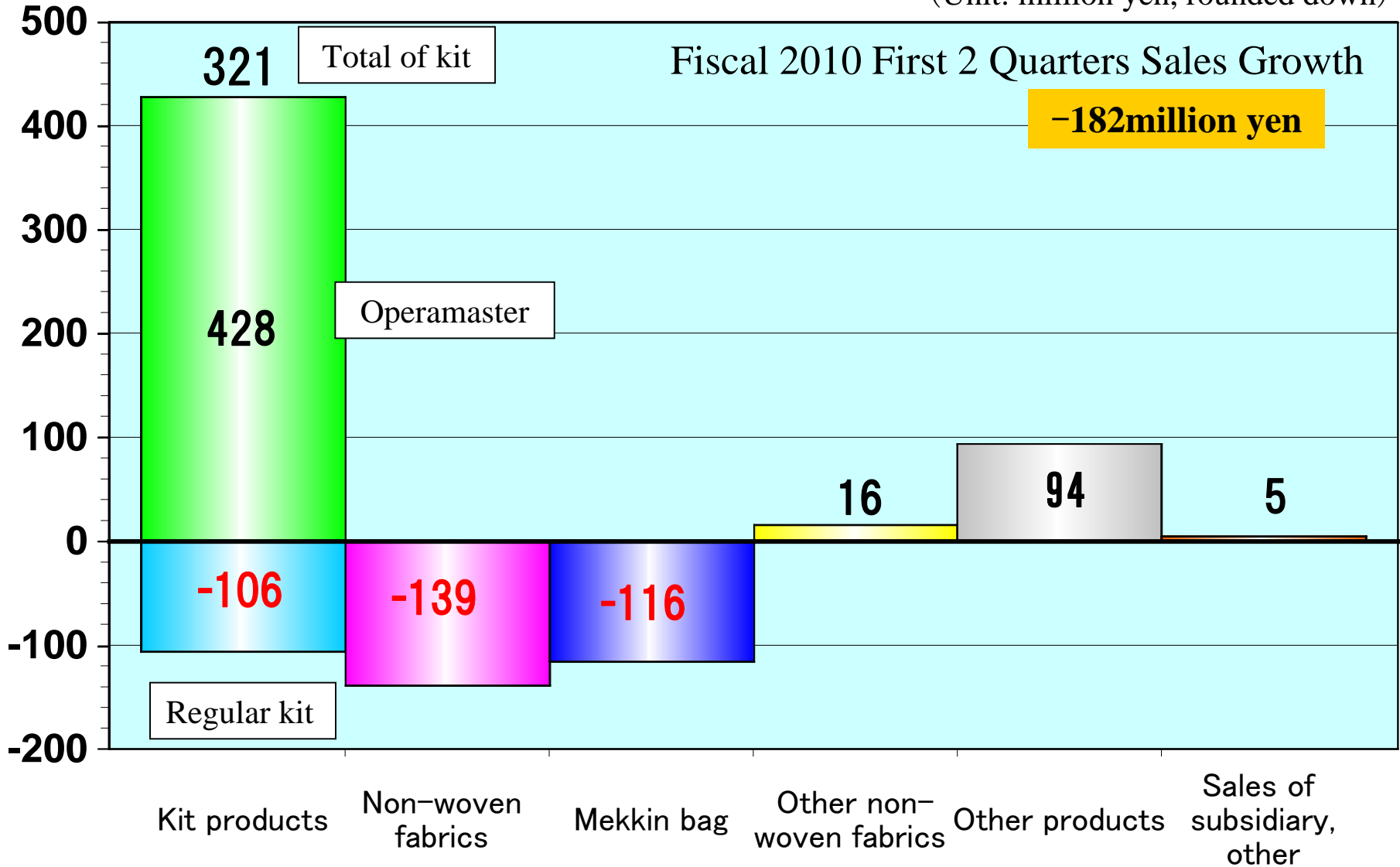
Overview

Fiscal 2011 - First 2 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2010 First 2 Quarters Results		Fiscal 2011 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	15,653		15,835		182	101.2%
Operating income	4,294	27.4%	4,000	25.3%	△294	93.2%
Ordinary income	4,208	26.9%	3,979	25.1%	△228	94.6%
Net income	2,517	16.1%	2,369	15.0%	△147	94.1%
EPS	160.04yen		150.67yen			

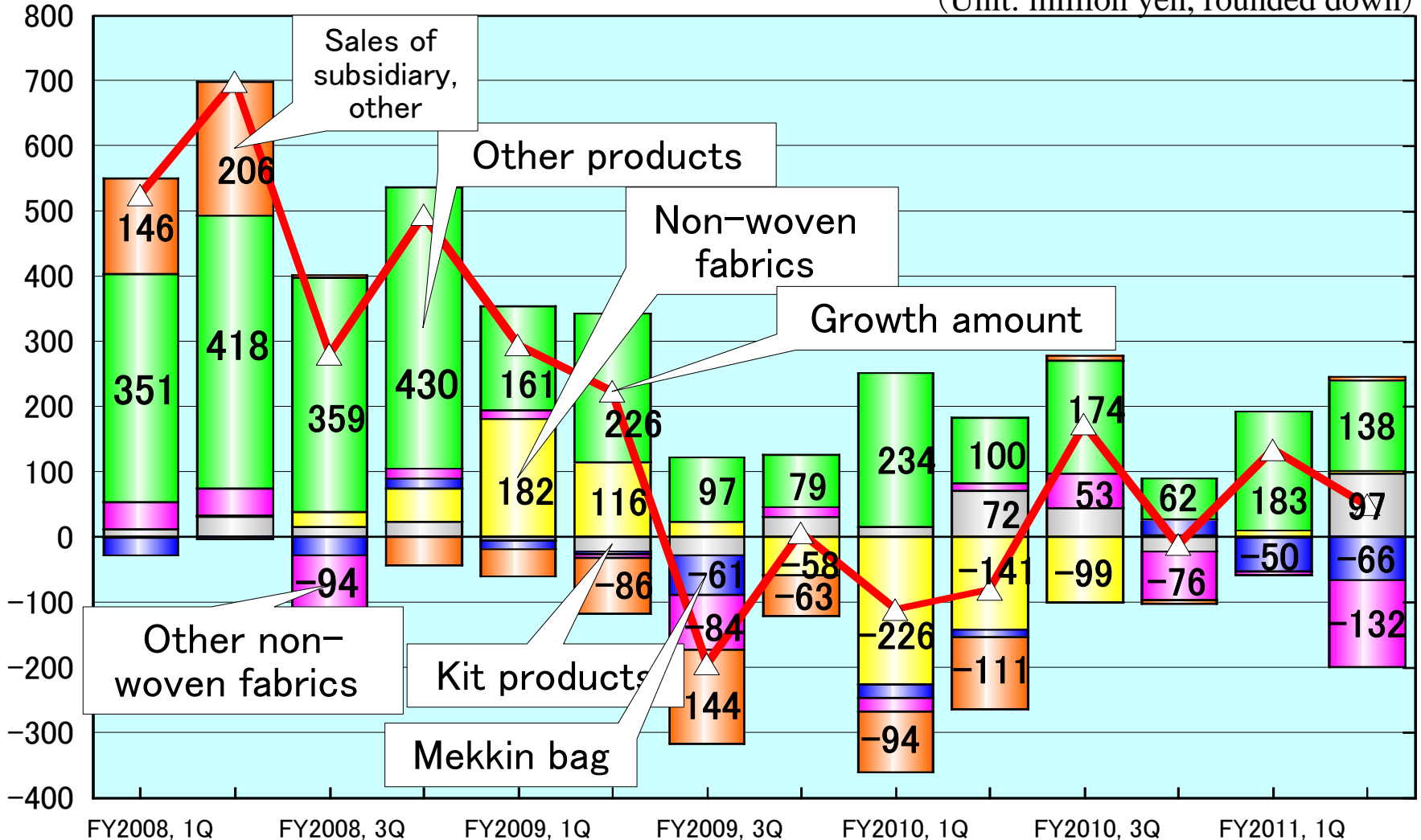
Fiscal 2011 - First 2 Quarters Sales Growth by Major Products

(Unit: million yen, rounded down)



Fiscal 2011 - First 2 Quarters Sales Growth by Quarter

(Unit: million yen, rounded down)



Fiscal 2011 – First 2 Quarters

Main Reasons for Increase/Decrease

	Sales	Cost of Sales	SG&A Expenses
Positive Factors	<ul style="list-style-type: none"> ▪ Increasing sales of Operamaster ▪ Impact of special demand (increased demand due to supply instability) ▪ Sale of leased assets 	<ul style="list-style-type: none"> ▪ Price revision discrepancy ▪ Increase in production volume to meet special demand 	
Negative Factors	<ul style="list-style-type: none"> ▪ Decline in sales of existing products ▪ Decline in growth rate for new patients ▪ <u>Lower sales in disaster-affected areas</u> ▪ Decreased sales activities in response to earthquake ▪ Impact of cancellations 	<ul style="list-style-type: none"> ▪ Start of depreciation of Sterilization Center ▪ Sale of leased assets ▪ Increase in overtime payments to address special demand 	<ul style="list-style-type: none"> ▪ Increase in product sample costs ▪ Higher experiment and research costs ▪ Start of depreciation of Surgery Management System



Fiscal 2011 – First 2 Quarters Main Point

Great East Japan Earthquake

- Restoration of Miho No. 2 Plant (early May)
- Factory capacity utilization rates boosted by increase in production due to special demand (higher demand stemming from supply instability)
- Partial change in factory operating hours to reduce power consumption
- Impact of power reduction generally less than predicted

Reduction in regular sales activities in response to earthquake



Fiscal 2011 – First 2 Quarters Main Point

Operamaster: New contracts and cancellations

- FY2011 (2Q): 8 new contracts, 5 cancellations (134 in effect at term-end)
- Restoration of institutions that cancelled contracts

Sterilization center on stream

- Equipment purchased and depreciation started in two stages (May and June)

Commencement of unveiling of Surgery Management System

Establishment of P.T. HOGY MEDICAL SALES INDONESIA

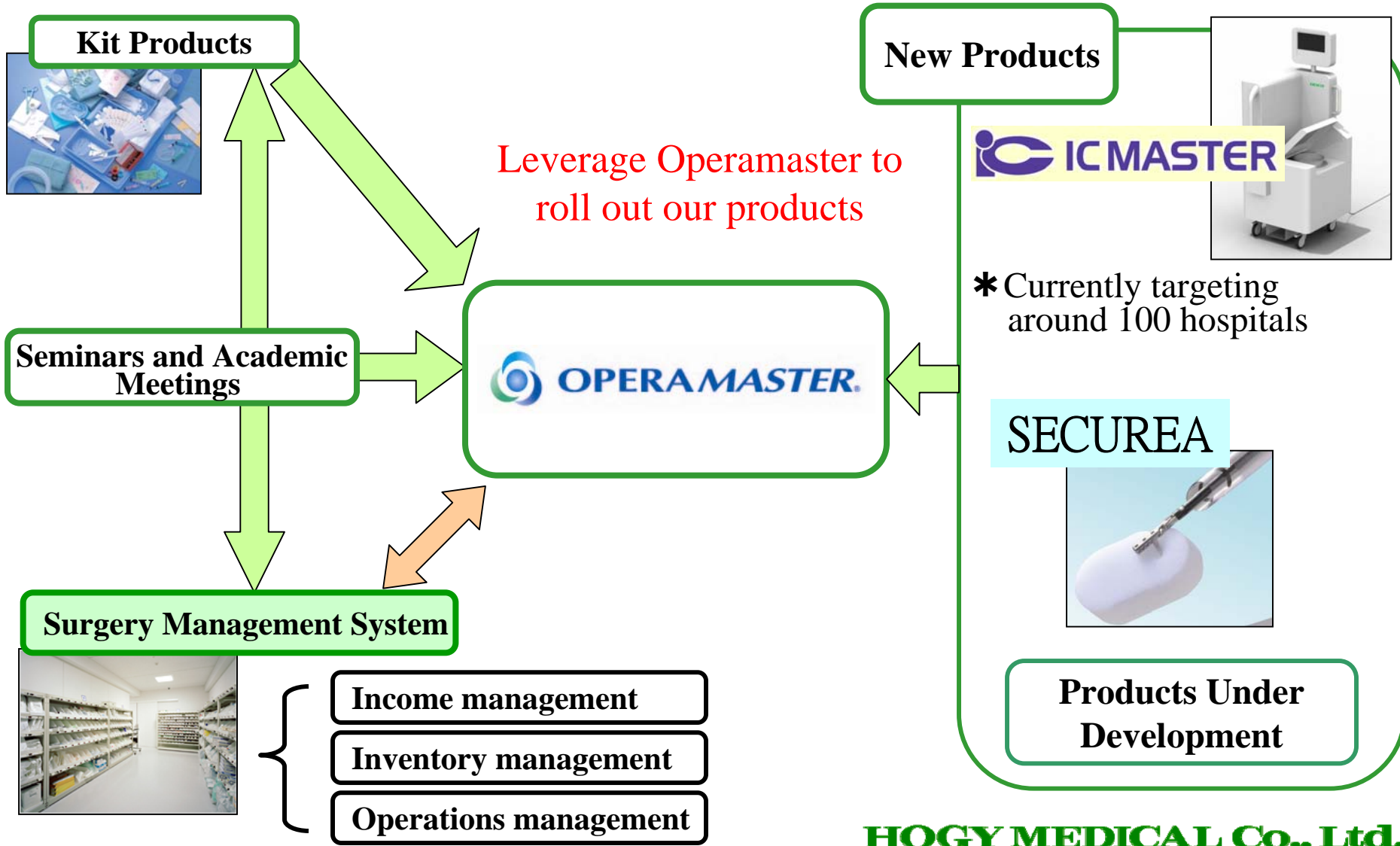


Future Responses

- Stimulate sales activities through launch of new products (IC Master, etc.)
- Further reinforce business foundation through renewal of existing products
- Strengthen proposals by starting tours of Surgery Management System showroom
- Reinforce study sessions for salespeople and managers
→ Fix discrepancies
- Hold seminars for hospital managers

Future Growth Strategies

Future Growth Strategies



Business Performance



Progress of Operamaster Marketing

Sales : ¥4,441 million (UP ¥428 million or 10.7%)

Number of contracts:

8 new contracts (an increase of 31,600 operations)

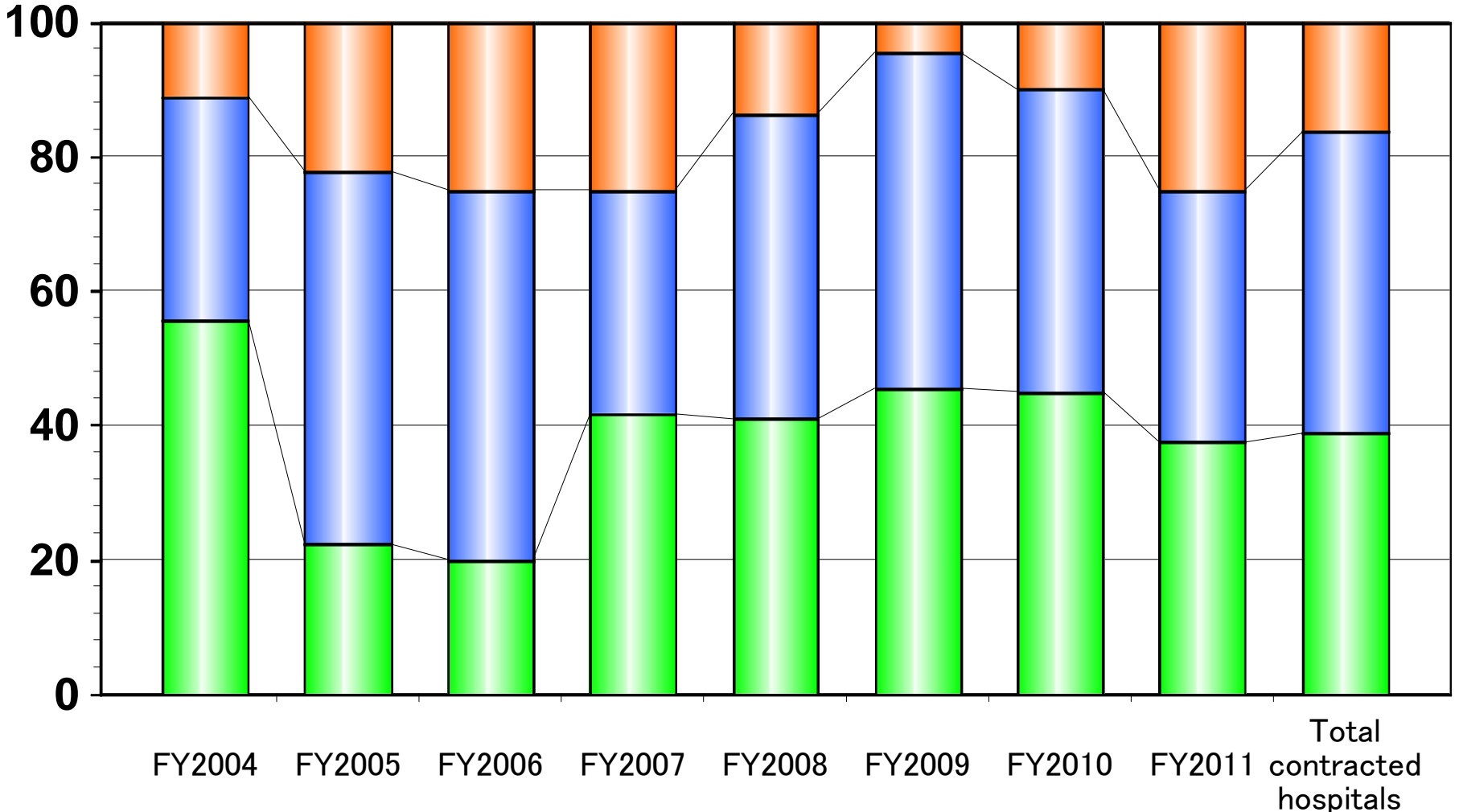
- Large hospitals : 3

- Small and medium-sized hospitals : 5

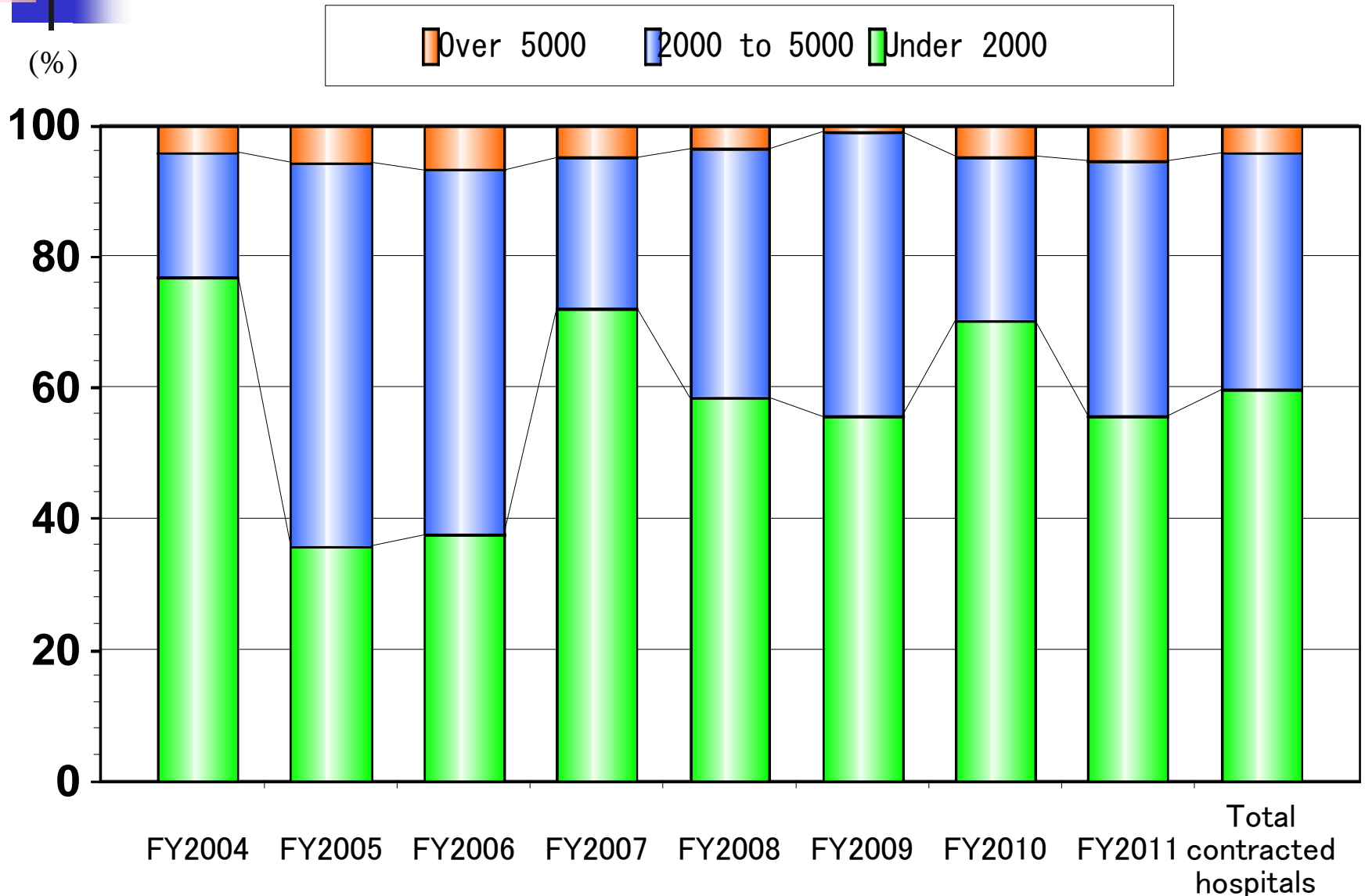
5 cancelled contracts (13,600 operations)

Cumulative total number of contracts: 134

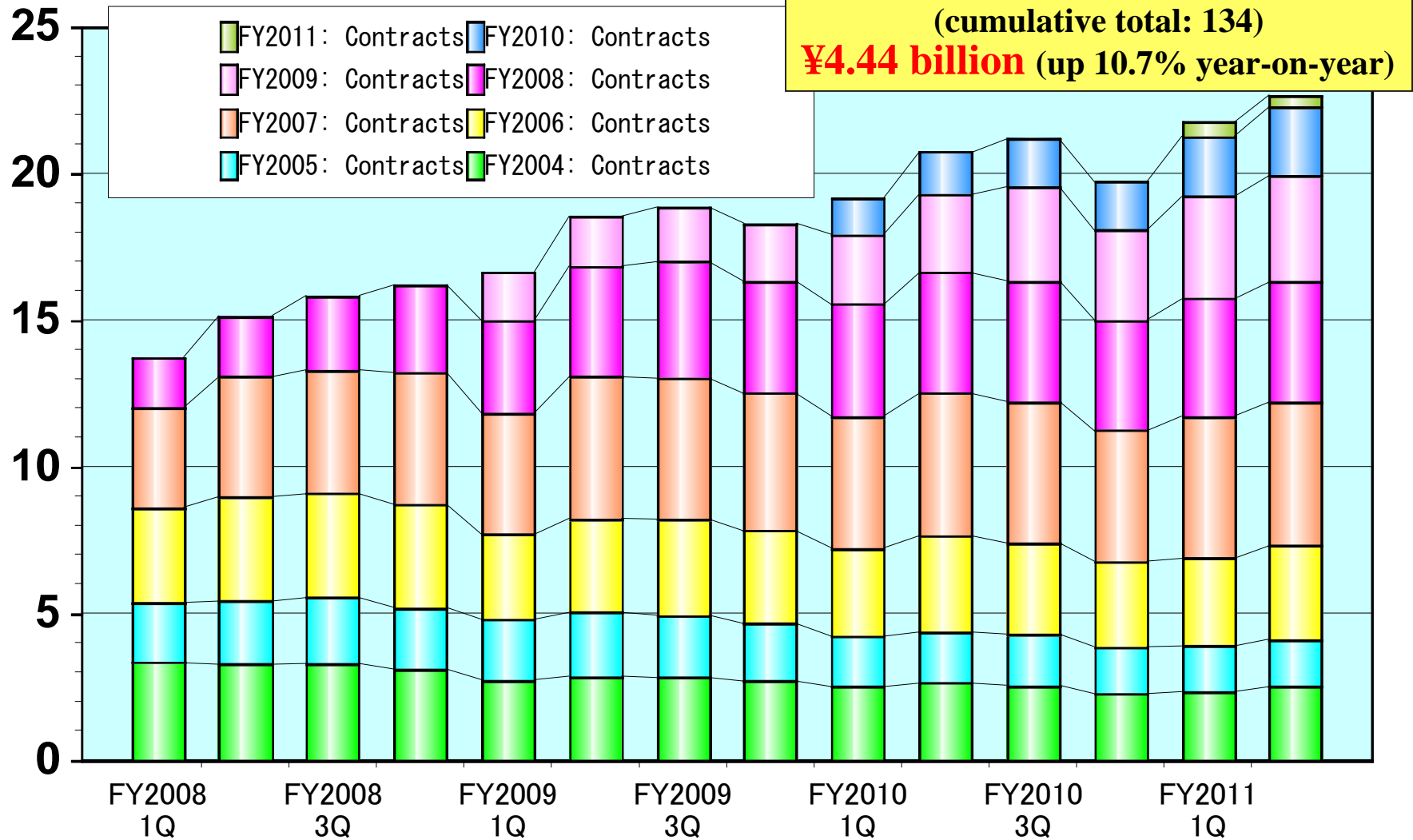
Operamaster-Contracted Hospitals: Breakdown by Size



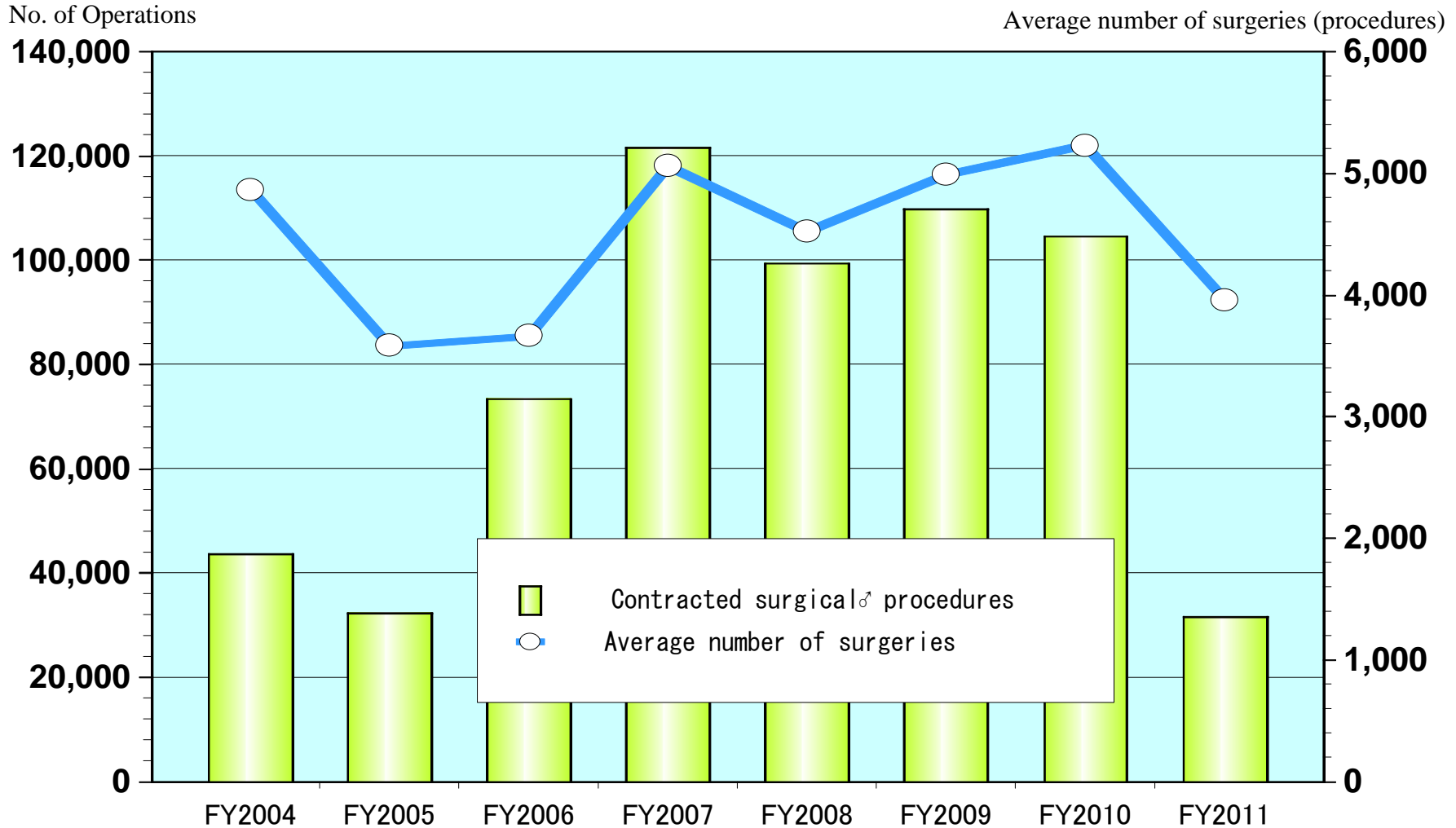
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospital



Sales of Operamaster

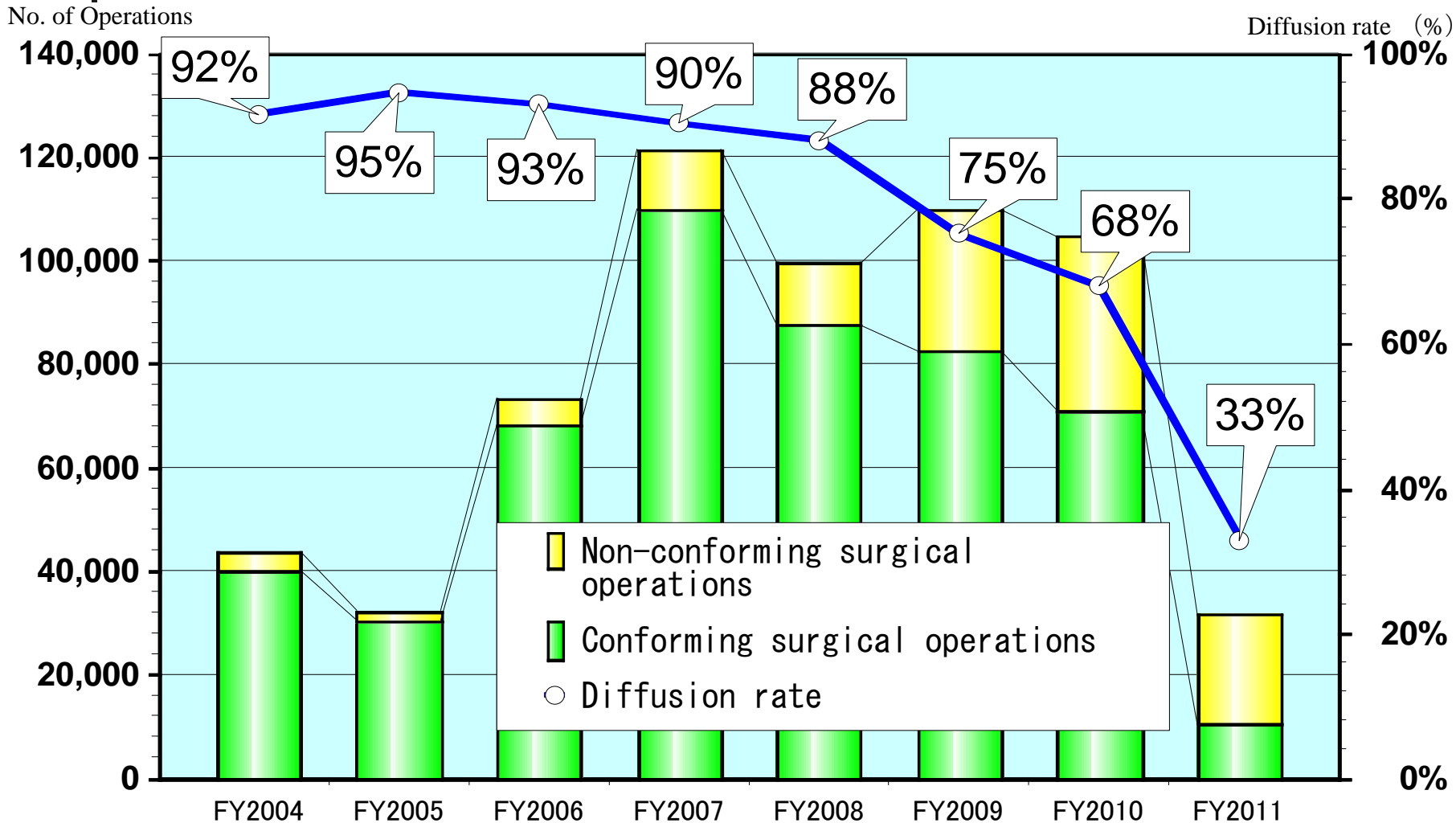


Number of Surgical Procedures, by Contract Period



* Contracted surgical procedures in first quarter (April–September 2011) used for FY2011

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



Fiscal 2011 – First 2 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2010 First 2 Quarters Results		Fiscal 2011 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	15,653		15,835		182	101.2%
Cost of sales	7,425	47.4%	7,745	48.9%	319	104.3%
Gross profit	8,227	52.6%	8,090	51.1%	△137	98.3%
SG & A expenses	3,932	25.1%	4,089	25.8%	156	104.0%
Operating income	4,294	27.4%	4,000	25.3%	△294	93.2%
Non-operating income/loss	△86		△20		65	
Ordinary income	4,208	26.9%	3,979	25.1%	△228	94.6%
Extraordinary income/loss	△34		△1		33	
Net income	2,517	16.1%	2,369	15.0%	△147	94.1%
EPS	160.04yen		150.67yen			



Fiscal 2011 – First 2 Quarters
Analysis of Cost, SG&A Expenses and Non-Operating items

Cost of sales ratio: Up 1.5 percentage points year on year

- Increase in depreciation
- Improved productivity on increased production as production delay problems solved
- Price revision discrepancy

SG&A expenses : Up¥156 million year-on-year

- Product sample costs : ¥71 million
- Experiment and research expenses : ¥44 million

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

Up ¥65 million year to year

- Foreign exchange loss : ¥92 million (Down ¥50 million year to year)



Fiscal 2011 – First 2 Quarters
Analysis of Extraordinary Items, Capex, Depreciation

Extraordinary loss (net of non-extraordinary income) :

Up ¥33 million year on year

- Extraordinary loss: Fiscal 2010 Loss due to application of Accounting Standard for Asset Retirement Obligations : ¥32 million

Capex : ¥644 million (Down ¥1,354 million year on year)

Depreciation : ¥1,439 million (Up ¥319 million year on year)

- Cost of sales: ¥1,104 million (Up ¥291 million)
- SG&A expenses: ¥335 million (Up ¥27 million)

Fiscal 2011 Full-Year Projections

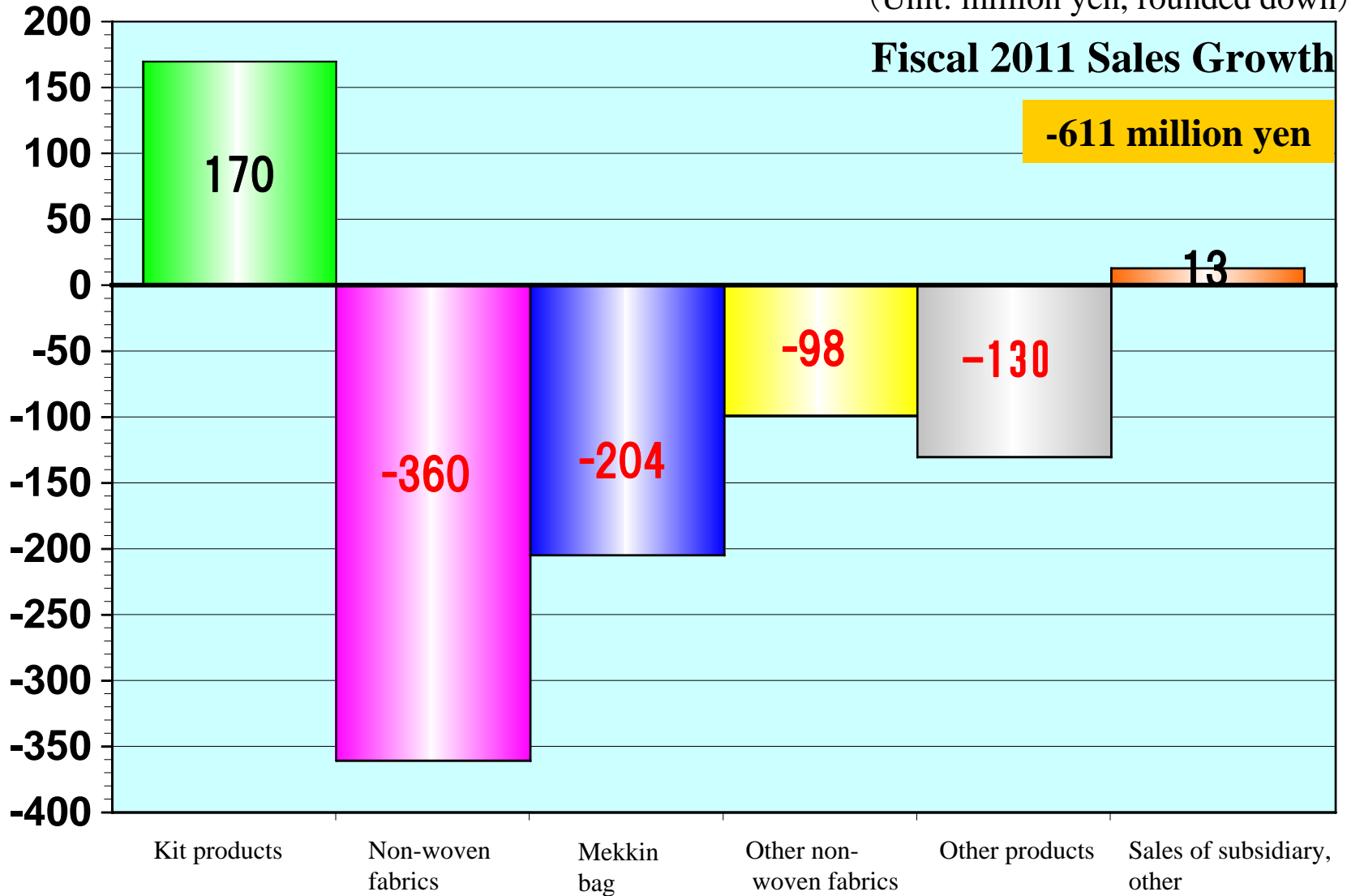
Fiscal 2011 Income Statements

(Unit: million yen, rounded down)	Fiscal 2010 Results		Fiscal 2011 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,311		30,700		-611	98.0%
Cost of sales	14,829	47.4%	15,500	50.5%	670	104.5%
Gross profit	16,482	52.6%	15,200	49.5%	-1,282	92.2%
SG & A expenses	7,880	25.2%	8,300	27.0%	419	105.3%
Operating income	8,601	27.5%	6,900	22.5%	-1,701	80.2%
Non-operating income/loss	-40		70		110	
Ordinary income	8,561	27.3%	6,970	22.7%	-1,591	81.4%
Extraordinary income/loss	-1,086		-20		1,066	
Net income	4,453	14.2%	4,200	13.7%	-253	94.3%
EPS	283.10yen		267.00yen			

Fiscal 2011

Sales Growth by Major Products

(Unit: million yen, rounded down)





Fiscal 2011 Sales Plan

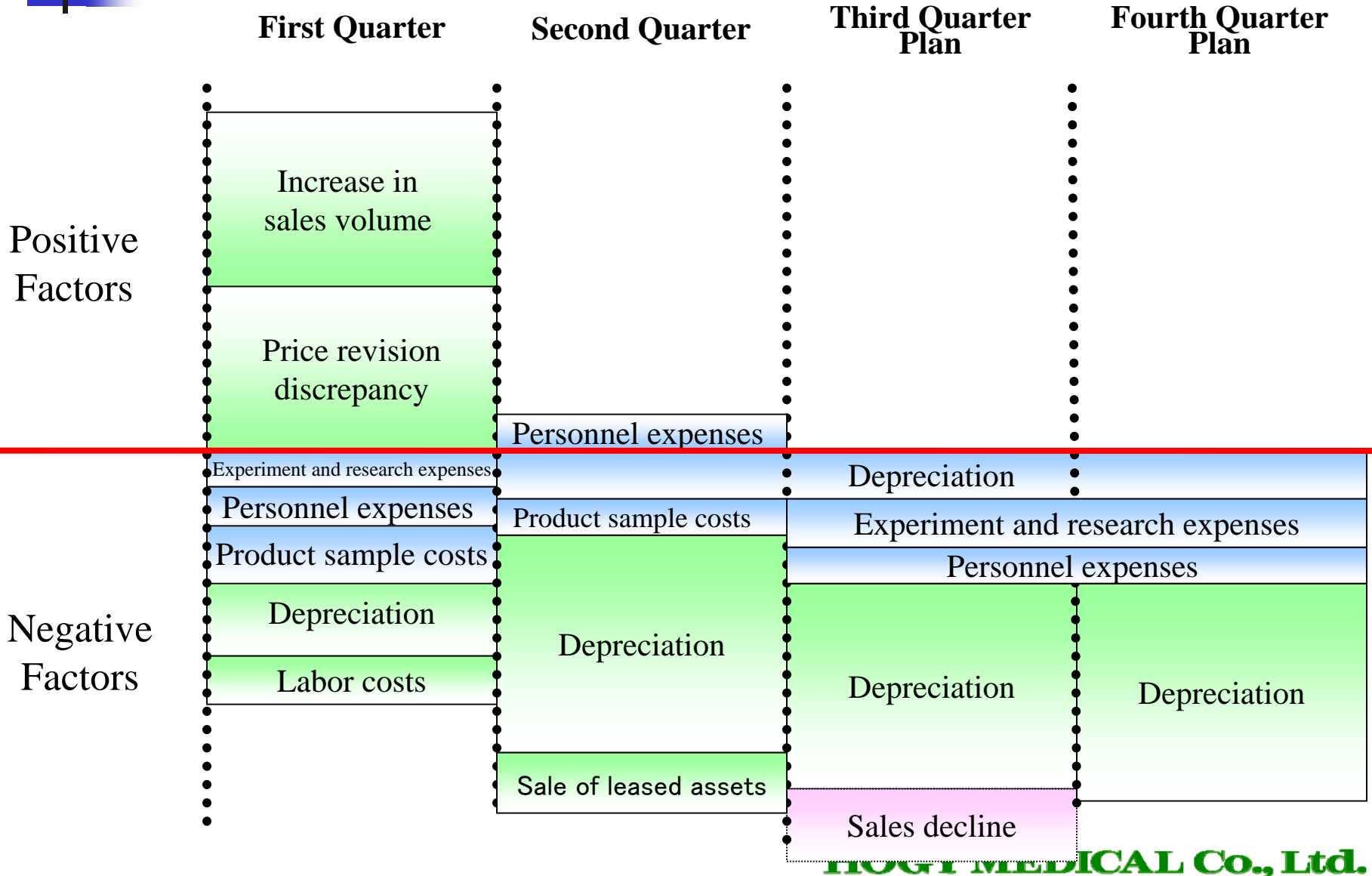
● Operamaster

- ✓ Sales started in June
- ✓ Sales to focus on increasing number of new contracts
- ✓ Stimulate sales activities through seminars
- ✓ Hospital management seminar gathered
- ✓ Strengthen consulting capabilities via renewal of showrooms

● Toward a normal business condition

- ✓ Deploy Surrem strategy to launch sales in competitors' markets
- ✓ Increase the number of sales people

Fiscal 2011 Revenue Projections



Fiscal 2011 Revenue Projections

Cost of sales ratio: Up 3.1% year-on-year

- Higher depreciation costs on expansion of Sterilization Center, introduction of surgery management system, and purchase of IC master equipment

SG&A expenses : Up ¥419 million year on year

- Depreciation +¥132 million
- Personnel expenses +¥98 million
- Experiment and research expenses +¥91 million

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