

HOGY



MEMBERSHIP
January 19, 2012



Financial Report First 3 Quarters of Fiscal 2011

(April 1 – December 31, 2011)

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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



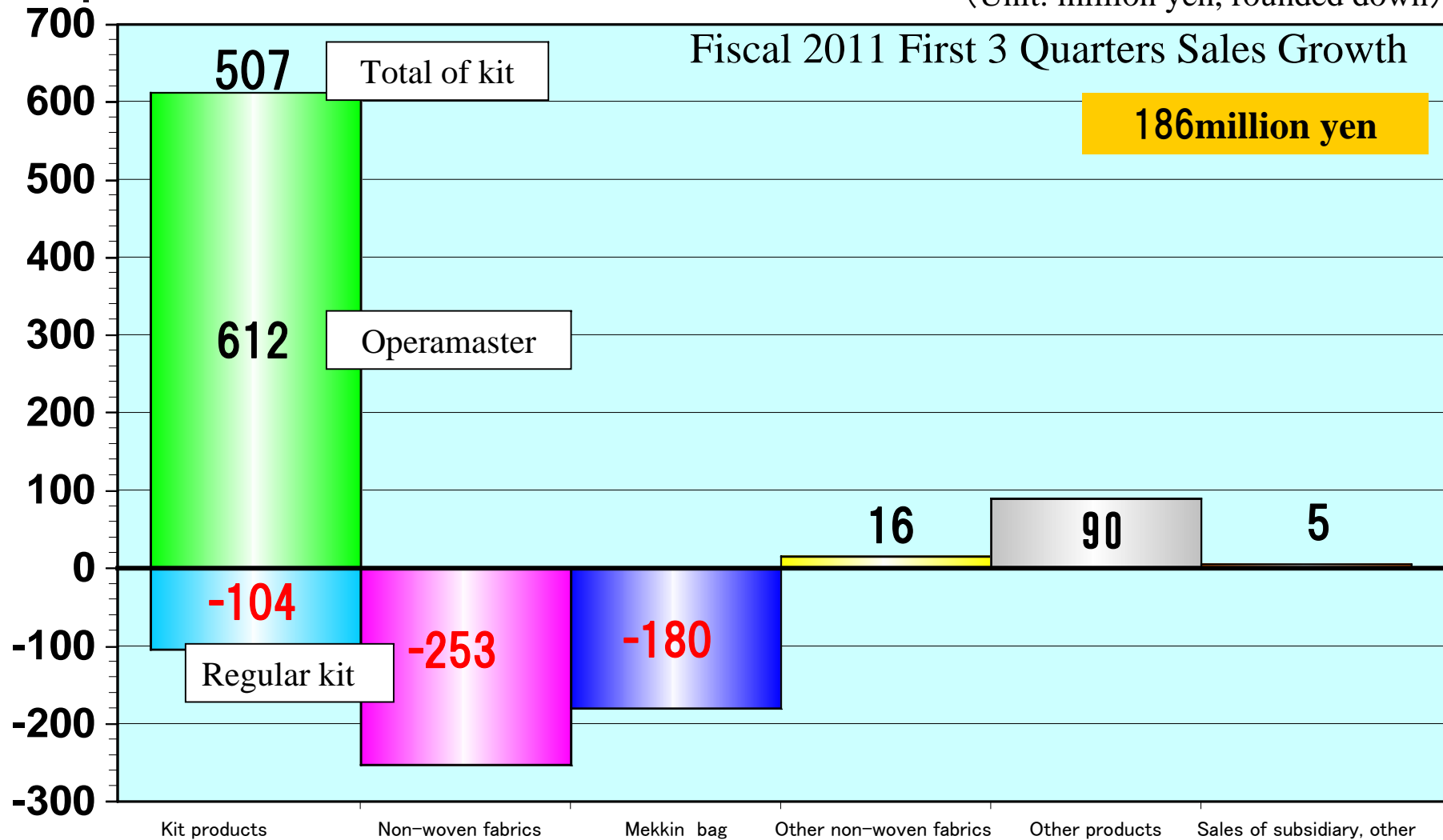
Fiscal 2011 - First 3 Quarters Income Statements

4

| (Unit: million yen, rounded down) | Fiscal 2010 First 3 Quarters Results | | Fiscal 2011 First 3 Quarters Results | | Year-on-Year Comparison | |
|--------------------------------------|--|---------------|--|---------------|----------------------------|--------|
| | Amount | % of Total | Amount | % of Total | Amount | % |
| Net sales | 23,891 | | 24,078 | | 186 | 100.8% |
| Operating income | 6,718 | 28.1% | 6,160 | 25.6% | -558 | 91.7% |
| Ordinary income | 6,640 | 27.8% | 6,169 | 25.6% | -471 | 92.9% |
| Net income | 3,940 | 16.5% | 3,627 | 15.1% | -312 | 92.1% |
| EPS | 250.47yen | | 230.61yen | | | |

Fiscal 2011 - First 3 Quarters Sales Growth by Major Products

(Unit: million yen, rounded down)





Fiscal 2011 – First 3 Quarters Main Point

- Five new Operamaster contracts (zero cancellation)
- Held management seminars for hospital chiefs on two occasions
- Promoted guided tours of head office showroom and Tsukuba Plant
- Increased personnel at Sales Department
- Emphasized new product development



Fiscal 2011 – First 3 Quarters

Main Reasons for Increase/Decrease

7

Net sales

- Increase in sales of Operamaster
- Decline in sales of existing products
- Decline in sales activities due to disaster response efforts
- Lower sales in disaster-affected areas
- Business impacted by contract cancellations
- Sold leased building (2Q)



Fiscal 2011 – First 3 Quarters

Main Reasons for Increase/Decrease

8

Cost of sales

- Start of depreciation due to commissioning of New Sterilization Center
- Price revision discrepancy
- Production volume up thanks to special demand
- Sold leased building (2Q)

SG & A expenses

- Increase in product sample costs (due to disaster response efforts and rejuvenation of sales activities)
- Increase in experimental research expenses
- Start of depreciation due to commissioning of Surgery Management System

Full-Year Outlook

Fiscal 2011 Revised Income Forecasts

| (Unit: million yen, rounded down) | Fiscal 2009 Results | | Fiscal 2010 Revised Plan | | Year-on-Year Comparison | | Initial Plan Comparison | |
|-----------------------------------|---------------------|------------|--------------------------|------------|-------------------------|--------|-------------------------|--------|
| | Amount | % of Total | Amount | % of Total | Amount | % | Amount | % |
| Net sales | 31,311 | | 31,460 | | 148 | 100.5% | 760 | 102.5% |
| Operating income | 8,601 | 27.5% | 7,380 | 23.5% | △1,221 | 85.8% | 480 | 107.0% |
| Ordinary income | 8,561 | 27.3% | 7,400 | 23.5% | △1,161 | 86.4% | 430 | 106.2% |
| Net income | 4,453 | 14.2% | 4,350 | 13.8% | △103 | 97.7% | 150 | 103.6% |
| EPS | 283.10yen | | 276.54yen | | | | | |



Fiscal 2011 Main Points

「Responses to Great East Japan Earthquake」

- Decline in sales activities due to disaster response efforts
- Response to defective products slower than predicted due to increased demand
- Decline in surgical procedures in disaster-affected areas

「Commencement of operations at Mekkin Center」

- Increase in depreciation expenses

「Emphasis on R&D」



Future Response

- Emphasize theme-specific new product development
- Further reinforce business foundation through renewal of existing products
- Simulate sales activities through launch of new products (IC TRACER, etc.); link to Operamaster
- Host ongoing management seminars
- Rebuild BCP (business continuity plan)
- Build new production system focusing on “cost reduction” and “safety assurance”
- Strengthen sales activities in Indonesia

Business Performance



Progress of Operamaster Marketing

Sales : ¥6,821 million (UP ¥612 million or 9.9%)

Number of contracts:

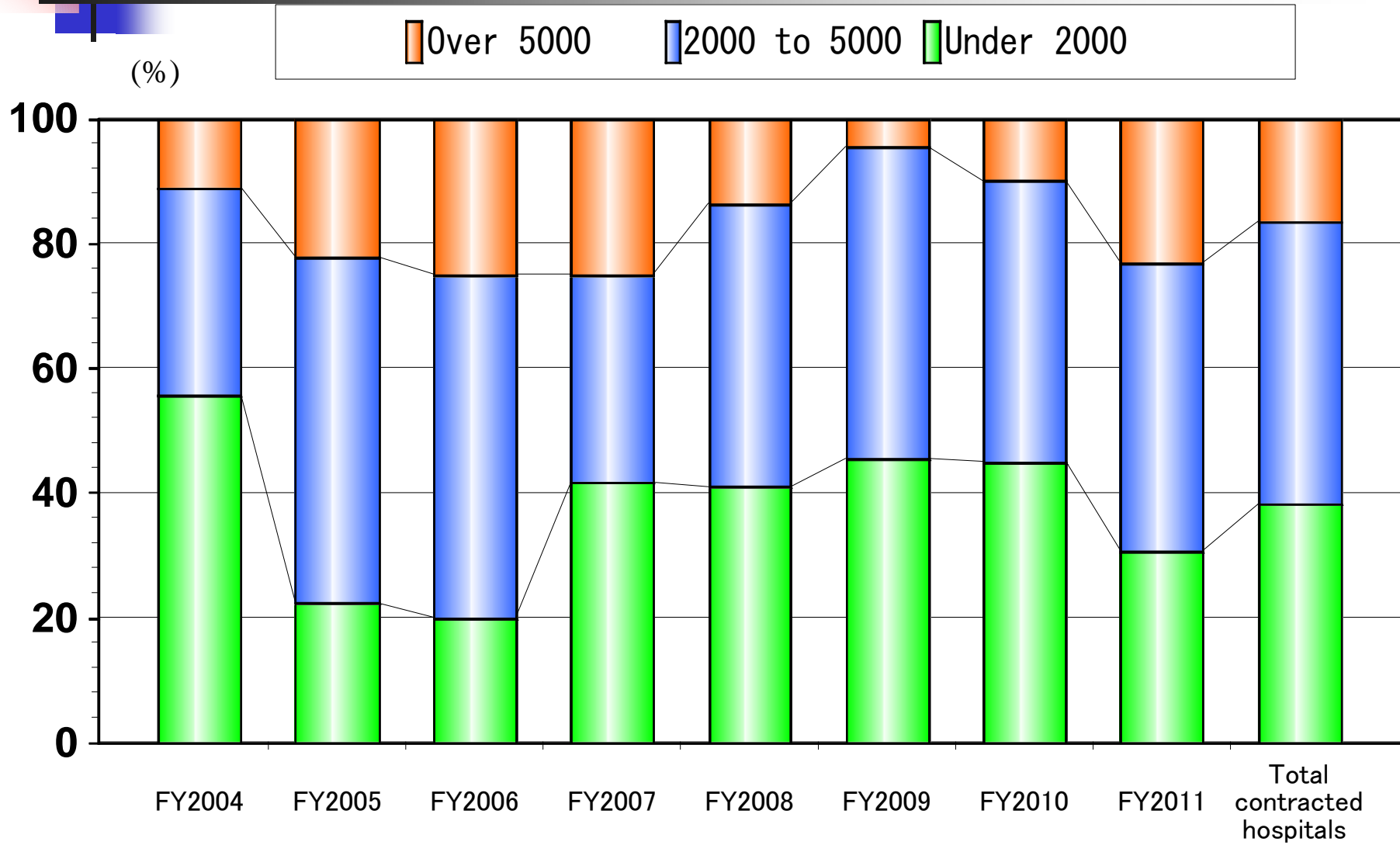
13 new contracts (an increase of 49,300 operations)

- Large hospitals : 4
- Small and medium-sized hospitals : 9

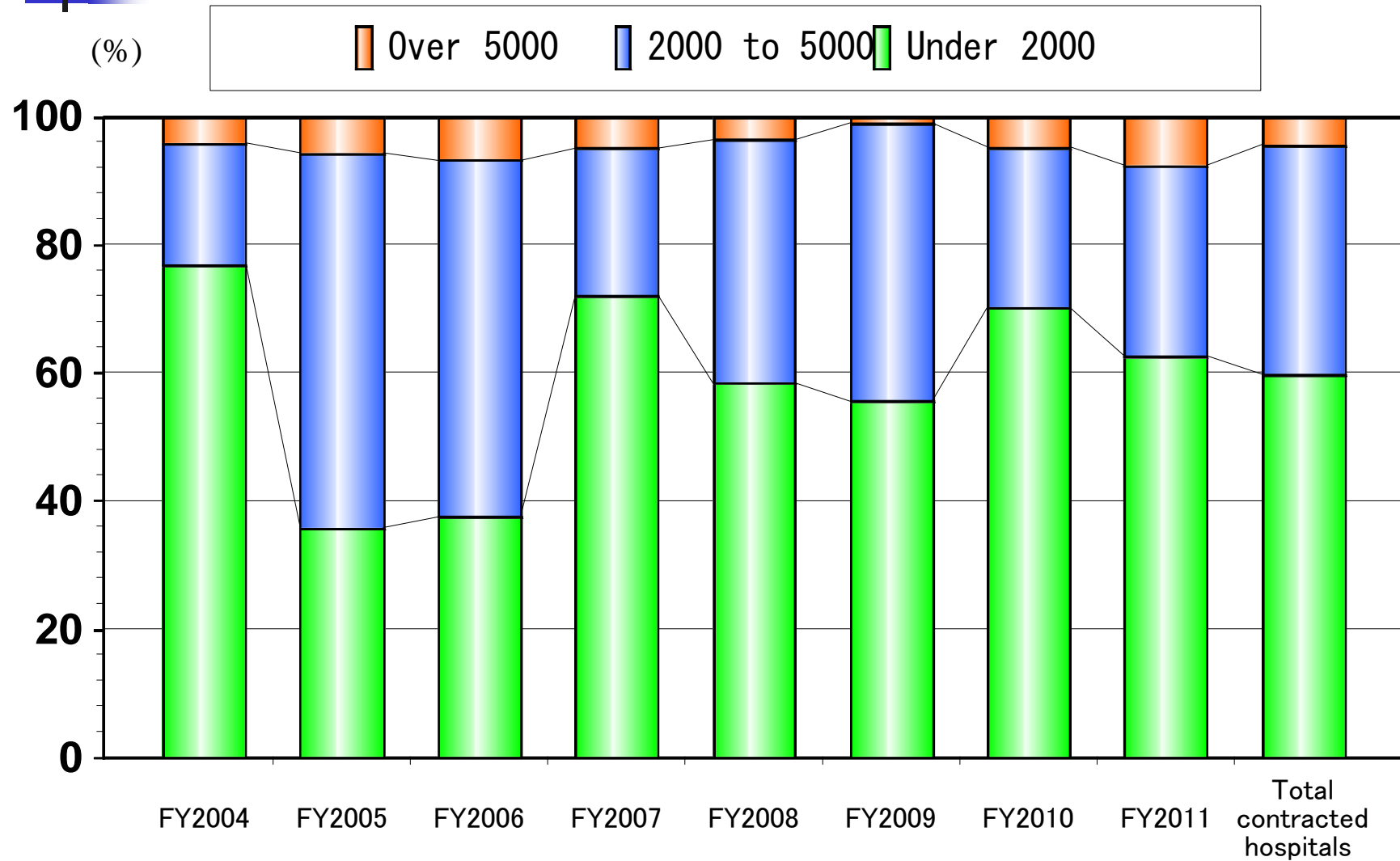
5 cancelled contracts (13,600 operations)

Cumulative total number of contracts: 139

Operamaster-Contracted Hospitals: Breakdown by Size

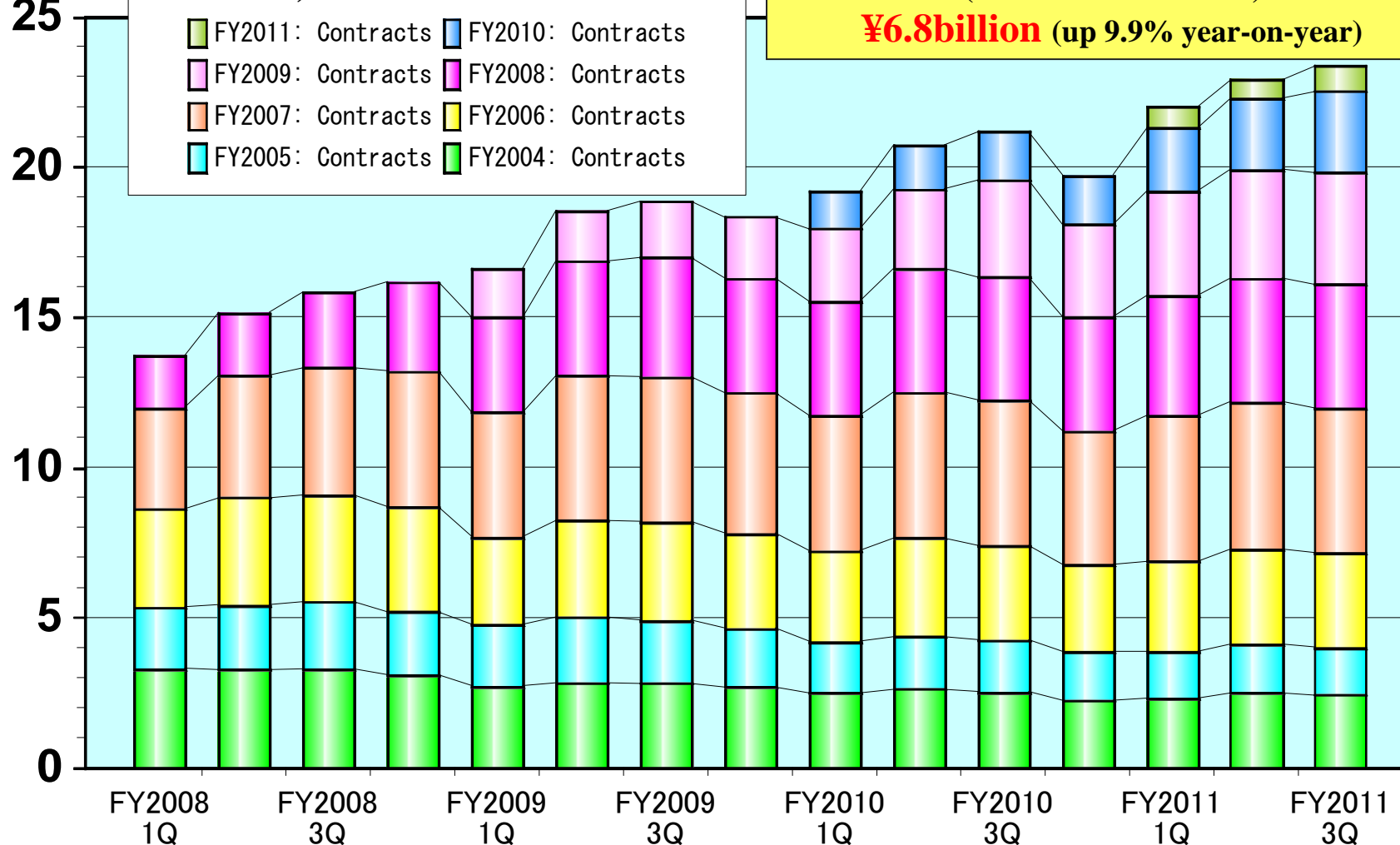


Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals

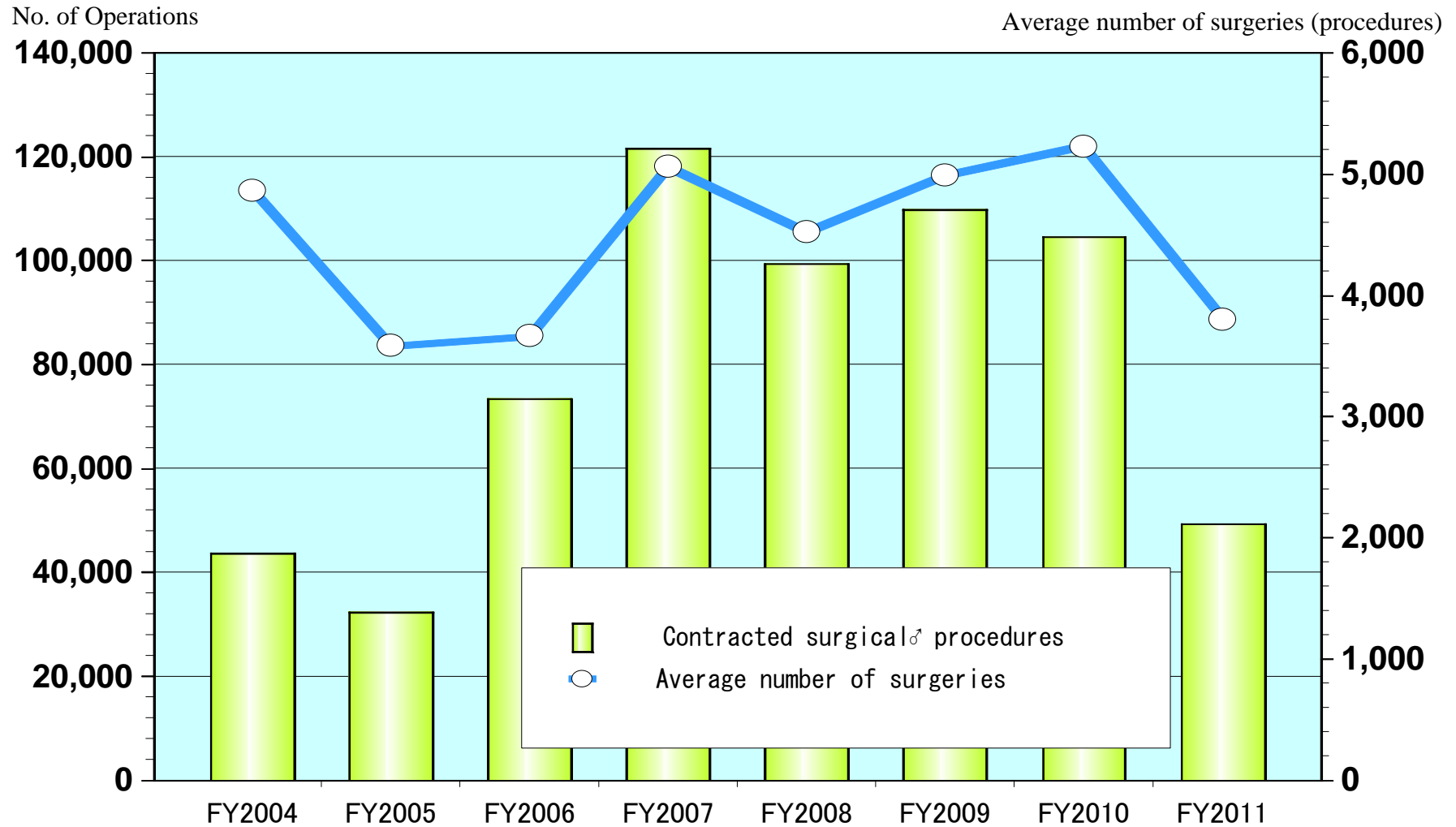


Sales of Operamaster

(¥100 million, rounded down)



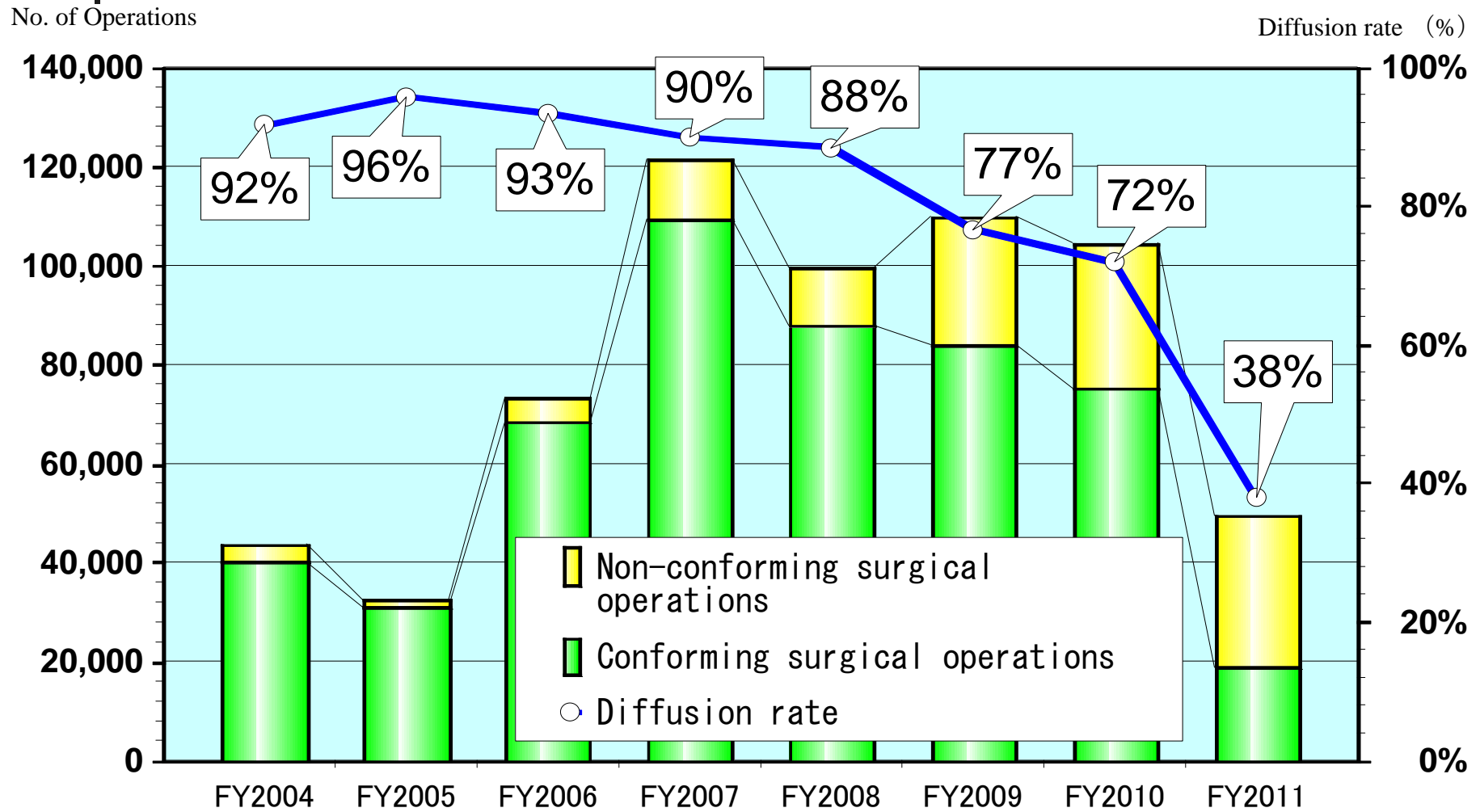
Number of Surgical Procedures, by Contract Period



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

HUGI MEDICAL CO., LTD.

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



Fiscal 2011 – First 3 Quarters Income Statements

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|--------------------------------------|--|---------------|---|---------------|----------------------------|--------|
| | Amount | % of Total | Amount | % of Total | Amount | % |
| Net sales | 23,891 | | 24,078 | | 186 | 100.8% |
| Cost of sales | 11,265 | 47.2% | 11,738 | 48.8% | 472 | 104.2% |
| Gross profit | 12,625 | 52.8% | 12,339 | 51.2% | -285 | 97.7% |
| SG & A expenses | 5,906 | 24.7% | 6,179 | 25.7% | 272 | 104.6% |
| Operating income | 6,718 | 28.1% | 6,160 | 25.6% | -558 | 91.7% |
| Non-operating income/loss | -78 | | 8 | | 86 | |
| Ordinary income | 6,640 | 27.8% | 6,169 | 25.6% | -471 | 92.9% |
| Extraordinary income/loss | -101 | | -2 | | 98 | |
| Net income | 3,940 | 16.5% | 3,627 | 15.1% | -312 | 92.1% |
| EPS | 250.47yen | | 230.61yen | | | |

Fiscal 2011 – First 3 Quarters
Analysis of Cost, SG&A Expenses and Non-Operating items

Cost of sales ratio: Up 1.6 points year-on-year

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

SG&A expenses: UP¥272 million year-on-year

- Product sample costs +91 million
- Experiment and research expenses +44 million
- Depreciation +44 million

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

UP¥86 million year-on-year

- Foreign exchange loss : ¥81 million (down ¥97 million year to year)



Fiscal 2011 –First 3 Quarters
Analysis of Extraordinary Items, Capex, Depreciation

Extraordinary loss (net of non-extraordinary income):

Up ¥98million year on year

▪Extraordinary loss (fiscal 2010)

: Expenses related to 50th anniversary event ¥66 million

: Loss due to application of Accounting Standard for Asset Retirement Obligations ¥32 million

Capex: ¥1,085 million (down ¥2,001million year on year)

Depreciation: ¥2,235 million (up ¥545 million year on year)

▪ Cost of sales: ¥1,717 million (up ¥500 million)

▪ SG&A expenses: ¥518 million (up ¥44 million)

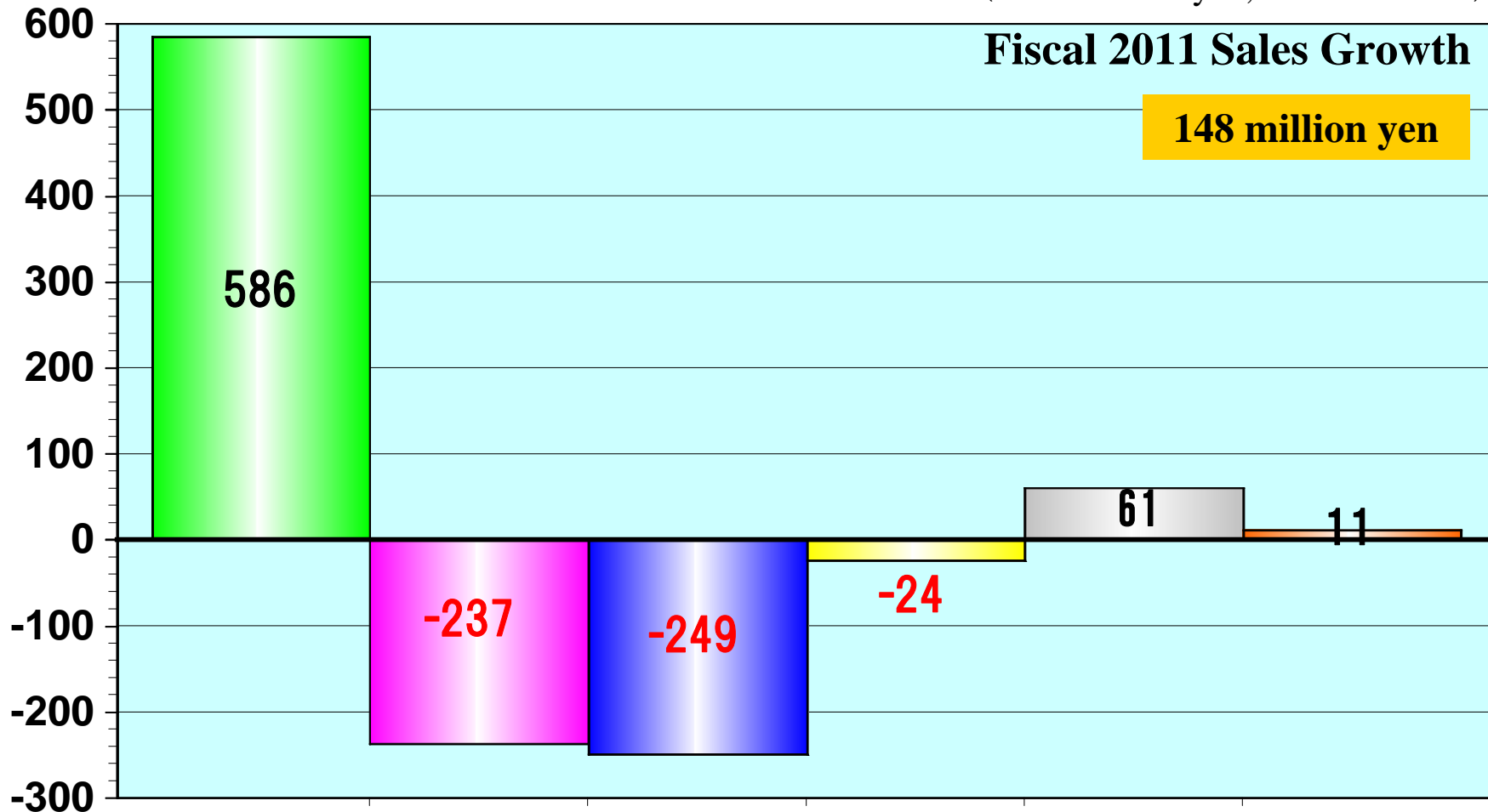
Fiscal 2011 Full-Year Projections

Fiscal 2011 Revised Income Forecasts

| (Unit: million yen, rounded down) | Fiscal 2010 Results | | Fiscal 2011 Revised Plan | | Year-on-Year Comparison | |
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| | Amount | % of Total | Amount | % of Total | Amount | % |
| Net sales | 31,311 | | 31,460 | | 148 | 100.5% |
| Cost of sales | 14,829 | 47.4% | 15,500 | 49.3% | 670 | 104.5% |
| Gross profit | 16,482 | 52.6% | 15,960 | 50.7% | △522 | 96.8% |
| SG & A expenses | 7,880 | 25.2% | 8,580 | 27.3% | 699 | 108.9% |
| Operating income | 8,601 | 27.5% | 7,380 | 23.5% | △1,221 | 85.8% |
| Non-operating income/loss | △40 | | 20 | | 60 | |
| Ordinary income | 8,561 | 27.3% | 7,400 | 23.5% | △1,161 | 86.4% |
| Extraordinary income/loss | △1,086 | | △10 | | 1,076 | |
| Net income | 4,453 | 14.2% | 4,350 | 13.8% | △103 | 97.7% |
| EPS | 283.10yen | | 276.54yen | | | |

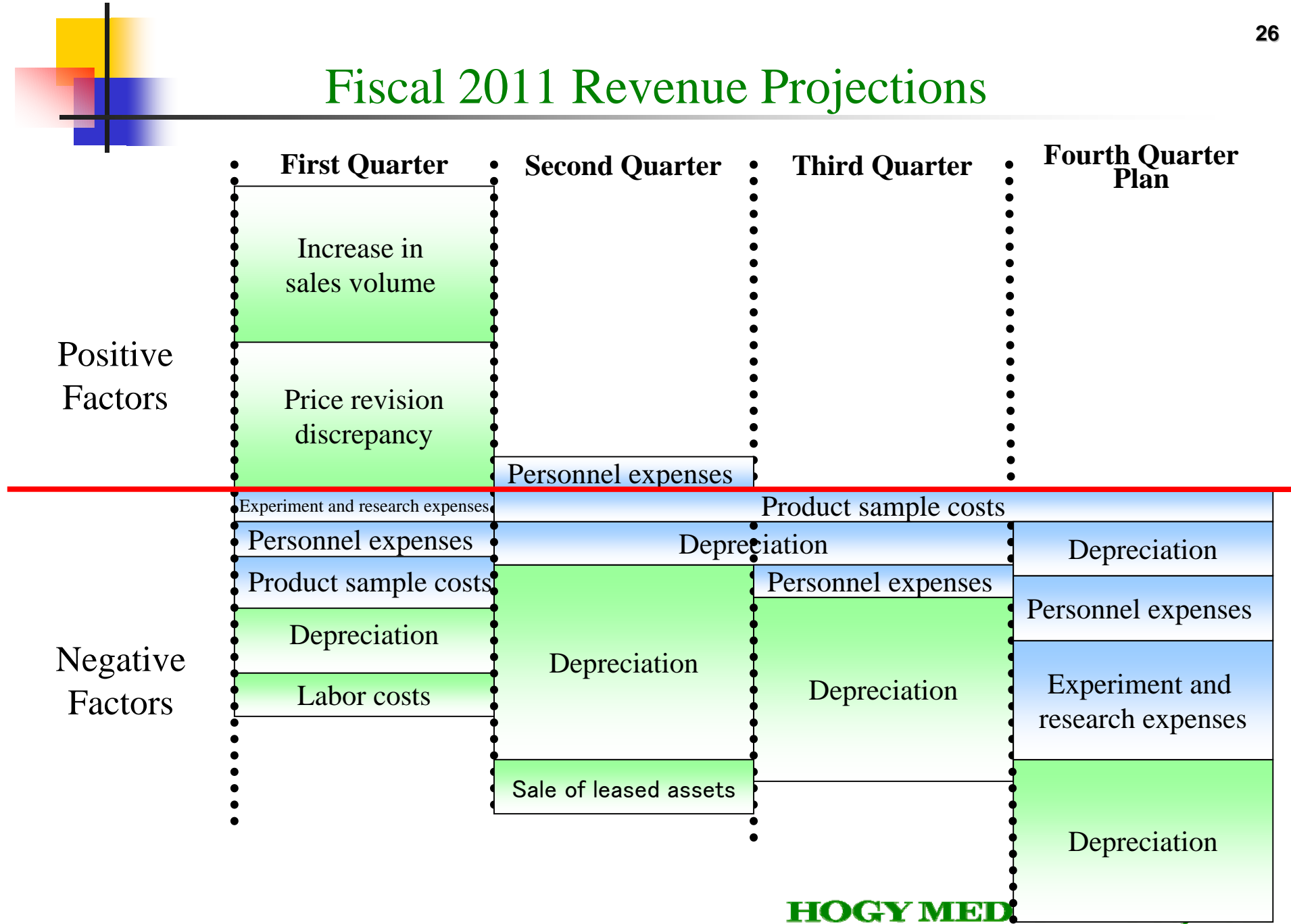
Fiscal 2011 Sales Growth by Major Products

(Unit: million yen, rounded down)



Kit products Non-woven fabrics Mekkin bag Other non-woven fabrics Other products Sales of subsidiary, other

Fiscal 2011 Revenue Projections





Fiscal 2011 Revenue Projections

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

- Start of depreciation due to commissioning of New Sterilization Center
- Sold leased building (2Q)

SG&A expenses : Up ¥699 million year on year

- Experiment and research expenses +237million
- Personnel expenses +152million
- Product sample costs +113million
- Depreciation +100million

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

-¥20 million (up 60 million year-on-year)

- Foreign exchange loss : ¥81 million (Down ¥70 million year to year)
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Fiscal 2011 Revenue Projections

Extraordinary loss (net of non-extraordinary income) :

Up ¥1,076 million year on year

- Extraordinary loss (fiscal 2010)
 - : Loss on disaster ¥1,054 million
 - : Expenses related to 50th anniversary event ¥90 million

Capex : ¥1,885 million (down ¥2,426 million year-on-year)

Depreciation : ¥3,103 million (up ¥825 million year-on-year)

- Cost of sales : ¥2,360 million (up ¥725 million)
- SG&A expenses : ¥743 million (up ¥100 million)

Cash dividends : ¥86.00 per share (annual total)

1Q: ¥20 2Q: ¥20 3Q: ¥23 4Q: ¥23 (estimate)