

**HOGY**



October 18, 2004

# **Interim Report**

## **First Half of Fiscal 2004**

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(April 1 - September 30, 2004)

**Masao Hoki, President and CEO**

**Jun-ichi Hoki, Senior Managing Director**

**Mitsunori Suzuki, Managing Director**

# **Overview and Analysis of First Half Performance**

# Interim Consolidated Income Statements for Fiscal 2004

(Unit: million yen, rounded down)	Sept 2003 Interim Results		Sept 2004 Interim Plan		Sept 2004 Interim Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	%	Amount	%
Net sales	12,500		13,096		12,343		-156	98.7%	-752	94.3%
Cost of sales	5,982	47.9%	6,415	49.0%	6,042	49.0%	60	101.0 %	-372	94.2%
Gross profit	6,518	52.1%	6,680	51.0%	6,300	51.0%	-217	96.7%	-380	94.3%
Selling, general, and administrative expenses	3,480	27.8%	3,701	28.3%	3,482	28.2%	2	100.1 %	-219	94.1%
Operating income	3,038	24.3%	2,979	22.7%	2,818	22.8%	-219	92.8%	-160	94.6%
Non-operating income	-133		1		166		300		165	
Ordinary income	2,904	23.3%	2,980	22.8%	2,984	24.2%	80	102.8%	4	100.1%
Extraordinary income	1		-75		202		201		277	
Income before income taxes and minority interests	2,906	23.3%	2,905	22.2%	3,187	25.8%	281	109.7%	281	109.7%
Net income	1,725	13.8%	1,753	13.4%	1,920	15.5%	194	111.2%	166	109.5%
EPS (total shares)	105.62 yen		107.33 yen		117.50 yen					
Number of shares outstanding	16,341,155		16,341,155		16,341,155					
EPS (minus treasury shares)	109.96 yen		112.68 yen		123.36 yen					
Number of shares after deducting treasury shares	15,695,756		15,565,292		15,564,742					

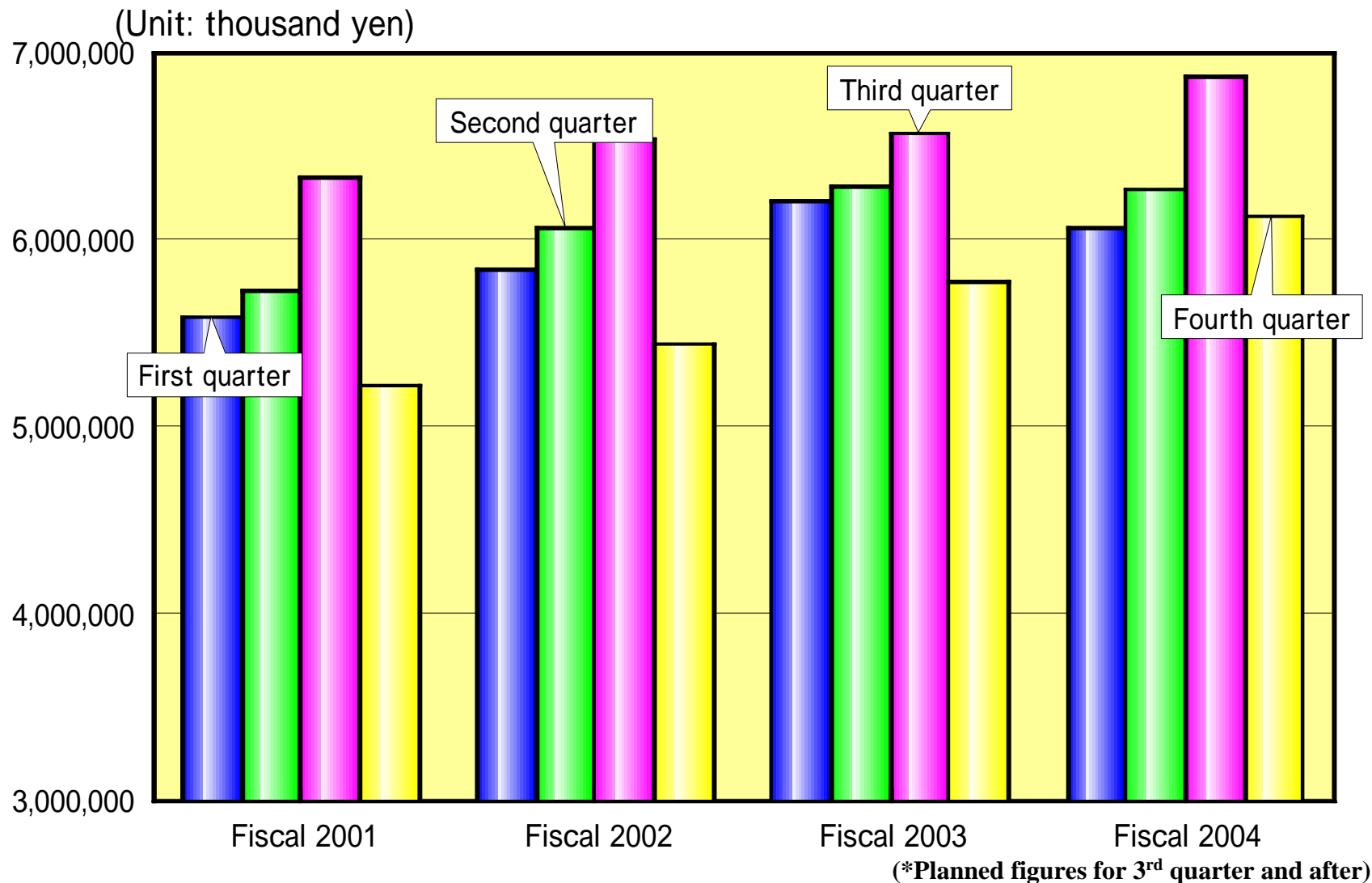
# **Performance Analysis for First Half of Fiscal 2004**

## **Overview and analysis of net sales**

### **➤ Major factors**

- ✓ Extraordinary demand during last year (due to outbreak of SARS)**
- ✓ Impact of reorganization of national hospitals into independent administrative corporations**

# History of Quarterly Total Net Sales (Consolidated)



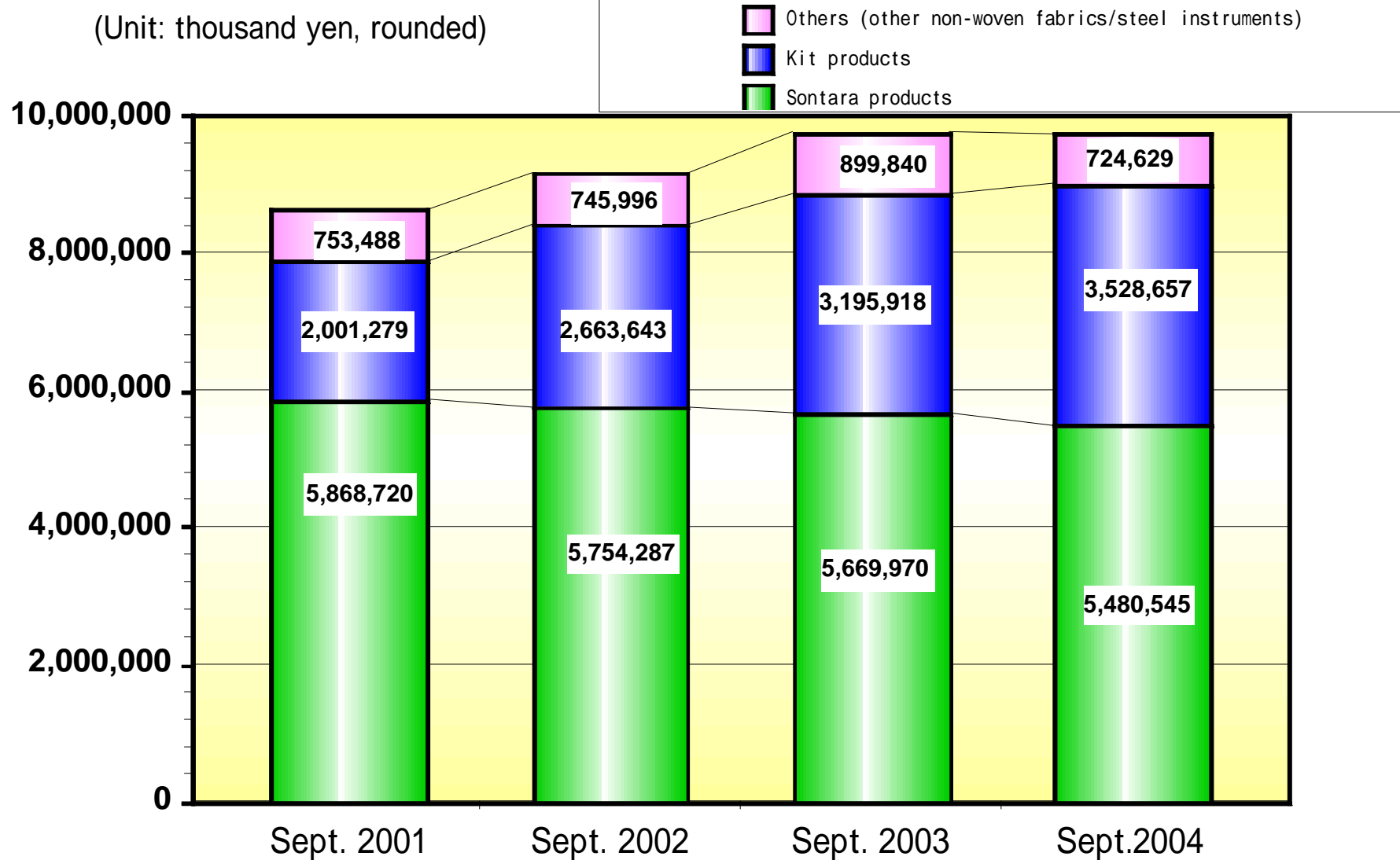
# History of Net Sales of Sterilization Products (Half-Year Periods)

(Unit: thousand yen, rounded)



# History of Net Sales of Surgical Products (Half-Year, Consolidated)

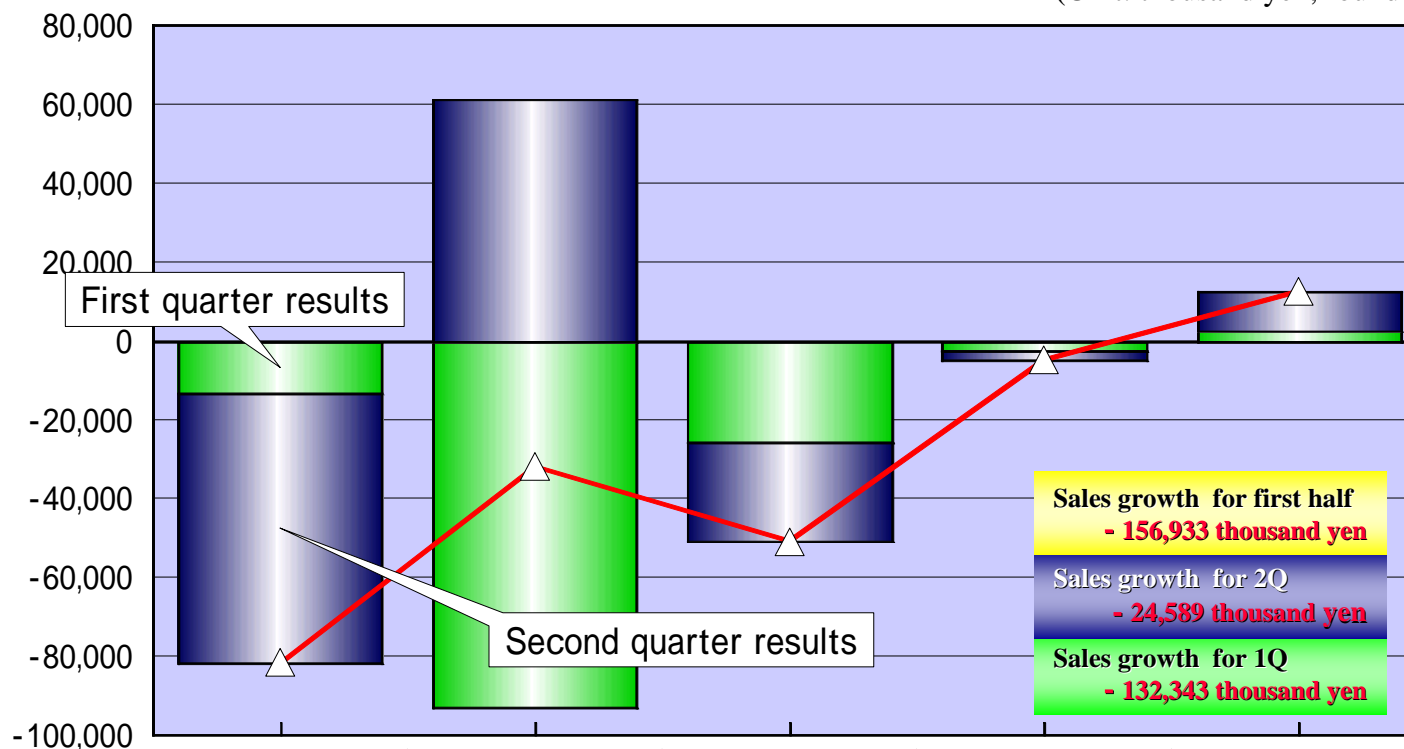
(Unit: thousand yen, rounded)



# Growth in Sales by Product Line for First Half of Fiscal 2004 (Consolidated)

Sales growth (by quarter)

(Unit: thousand yen, rounded)



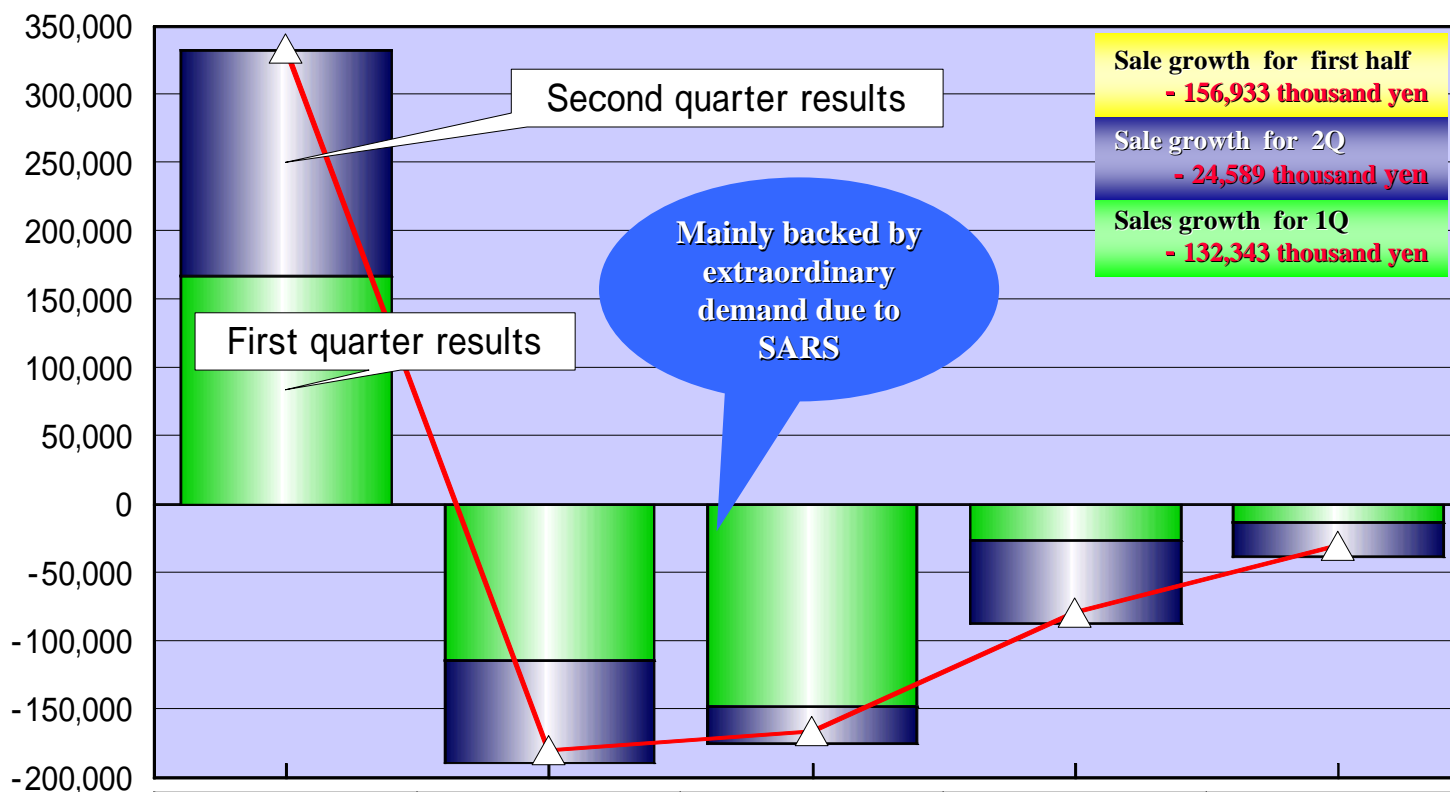
	Sterilization products	Surgical products	Treatment products	Nursing care and welfare products	Others
Second quarter results	-68,038	61,094	-25,330	-2,592	10,276
First quarter results	-13,532	-92,991	-25,722	-2,352	2,254
Total	-81,570	-31,897	-51,051	-4,944	12,530
First half results	-81,570	-31,897	-51,051	-4,944	12,530



# Growth in Sales by Major Products for First Half of Fiscal 2004 (Consolidated)

Sales growth (by quarter)

(Unit: thousand yen, rounded)



	Kit products	Sontara products	Other non-woven fabrics	Mekkin Bags	Other products
Second quarter results	165,679	-75,830	-28,090	-61,292	-25,057
First quarter results	167,060	-113,595	-147,313	-25,952	-12,544
Total	332,739	-189,425	-175,403	-87,243	-37,601
First half results	332,739	-189,425	-175,403	-87,243	-37,601

# Performance Analysis for First Half of Fiscal 2004 (Consolidated)

- **Cost of sales: According to plan**
- **Selling, general and administrative expenses: Sample costs, losses on doubtful accounts, personal costs, testing and research expenditures**
- **Non-operating income: Exchange gain from foreign currency deposits**
- **Extraordinary income: Capital gain from selling investment securities**

# Full-Year Outlook

# Statement of Income for the Second Half of Fiscal 2004 (Consolidated)

(Unit: million yen, rounded down)	Fiscal 2003 Second Half Results		Fiscal 2004 Second Half Initial Plan		Fiscal 2004 Second Half Revised Plan		Year-On-Year Comparison		Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	%	Amount	%
Net sales	12,343		13,503		13,000		657	105.3%	-502	96.3%
Cost of sales	6,178	50.1%	6,667	49.4%	6,491	49.9%	313	105.1%	-176	97.4%
Gross profit	6,165	49.9%	6,835	50.6%	6,509	50.1%	343	105.6%	-326	95.2%
Selling, general, and administrative expenses	3,360	27.2%	3,758	27.8%	3,537	27.2%	176	105.3%	-220	94.1%
Operating income	2,804	22.7%	3,077	22.8%	2,971	22.9%	166	105.9%	-105	96.6%
Non-operating income	-104		1		3		108		1	
Ordinary income	2,699	21.9%	3,079	22.8%	2,974	22.9%	274	110.2%	-104	96.6%
Extraordinary income	-128		-75		-279		-151		-204	
Income before income taxes and minority interests	2,571	20.8%	3,004	22.2%	2,694	20.7%	123	104.8%	-309	89.7%
Net income	1,499	12.1%	1,843	13.7%	1,624	12.5%	125	108.4%	-218	88.1%

# Statement of Income for Fiscal 2004 (Consolidated)

(Unit: million yen, Rounded down)	Fiscal 2003 Results		Fiscal 2004 Initial Plan		Fiscal 2004 Revised Plan		Year-On-Year Comparison		Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	%	Amount	%
Net Sales	24,844		26,600		25,344		500	102.0%	-1,255	95.3%
Cost of sales	12,160	49.0%	13,083	49.2%	12,534	49.5%	373	103.1%	-548	95.8%
Gross profit	12,683	51.0%	13,516	50.8%	12,809	50.5%	126	101.0%	-706	94.8%
Selling, general, and administrative expenses	6,840	27.5%	7,460	28.0%	7,020	27.7%	179	102.6%	-440	94.1%
Operating income	5,842	23.5%	6,056	22.8%	5,789	22.8%	-52	99.1%	-266	95.6%
Non-operating income	-238		3		169		408		166	
Ordinary income	5,604	22.6%	6,059	22.8%	5,959	23.5%	355	106.3%	-99	98.4%
Extraordinary income	-126		-150		-77		49		72	
Income before income taxes and minority interests	5,477	22.1%	5,909	22.2%	5,882	23.2%	404	107.4%	-27	99.5%
Net income	3,225	13.0%	3,597	13.5%	3,544	14.0%	319	109.9%	-52	98.5%
EPS(total shares)	193.26 yen		216.04 yen		212.83 yen					
Number of shares outstanding	16,341,155		16,341,155		16,341,155					
E P S (minus treasury shares)	202.05 yen		226.81 yen		223.45 yen					
Number of shares after deducting treasury shares	15,630,611		15,565,292		15,564,484					

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

**HOGY MEDICAL Co., Ltd.**

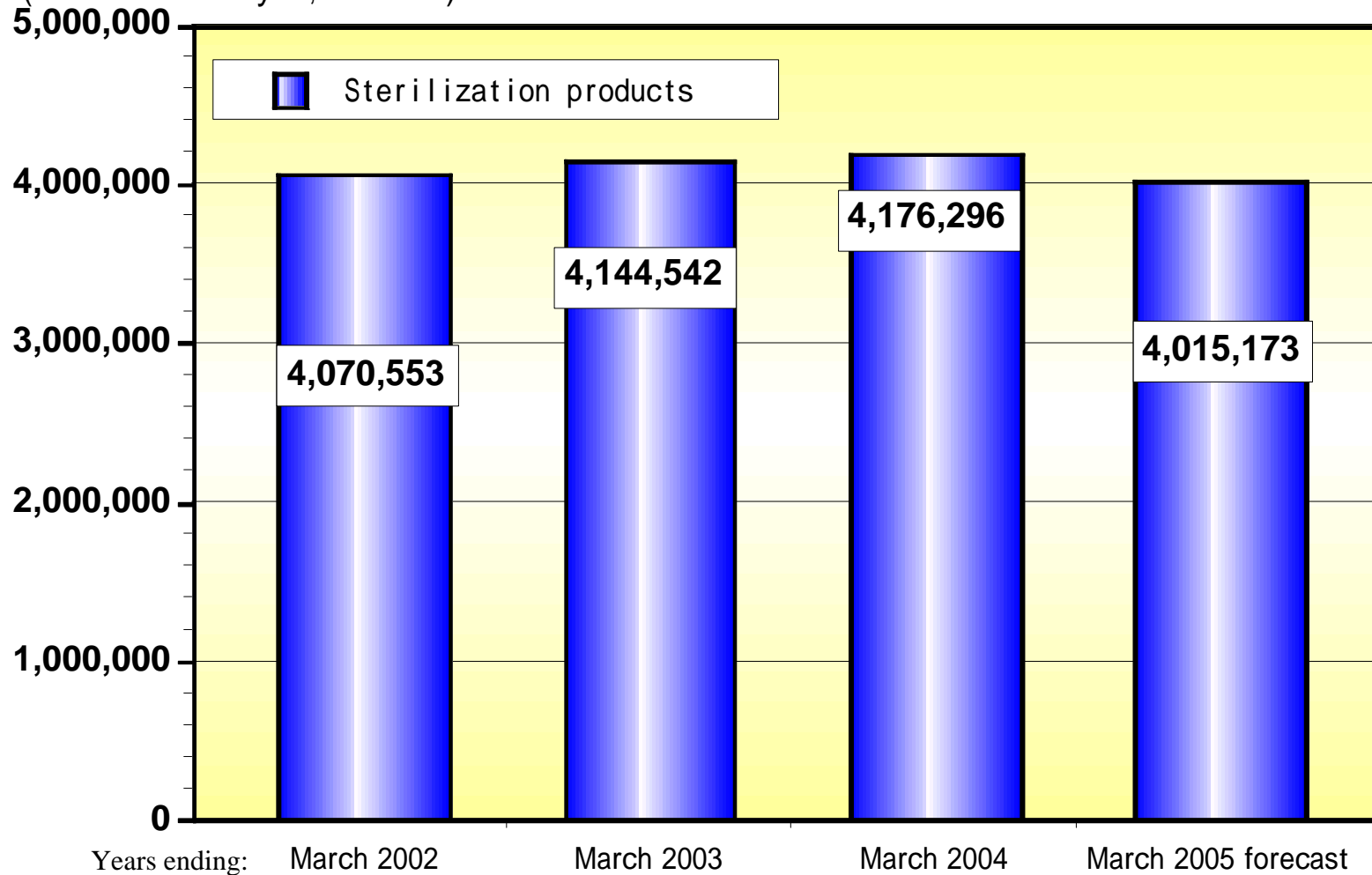
# Focus in Net Sales Planning

## Focus in revising net sales

- Planned on the assumption that factors seen in the first half will continue in the second half
- Sales strategy for the second half
  1. Ensure achievement of “Opera Master” targets
  2. Prepare for updating of Sontara products

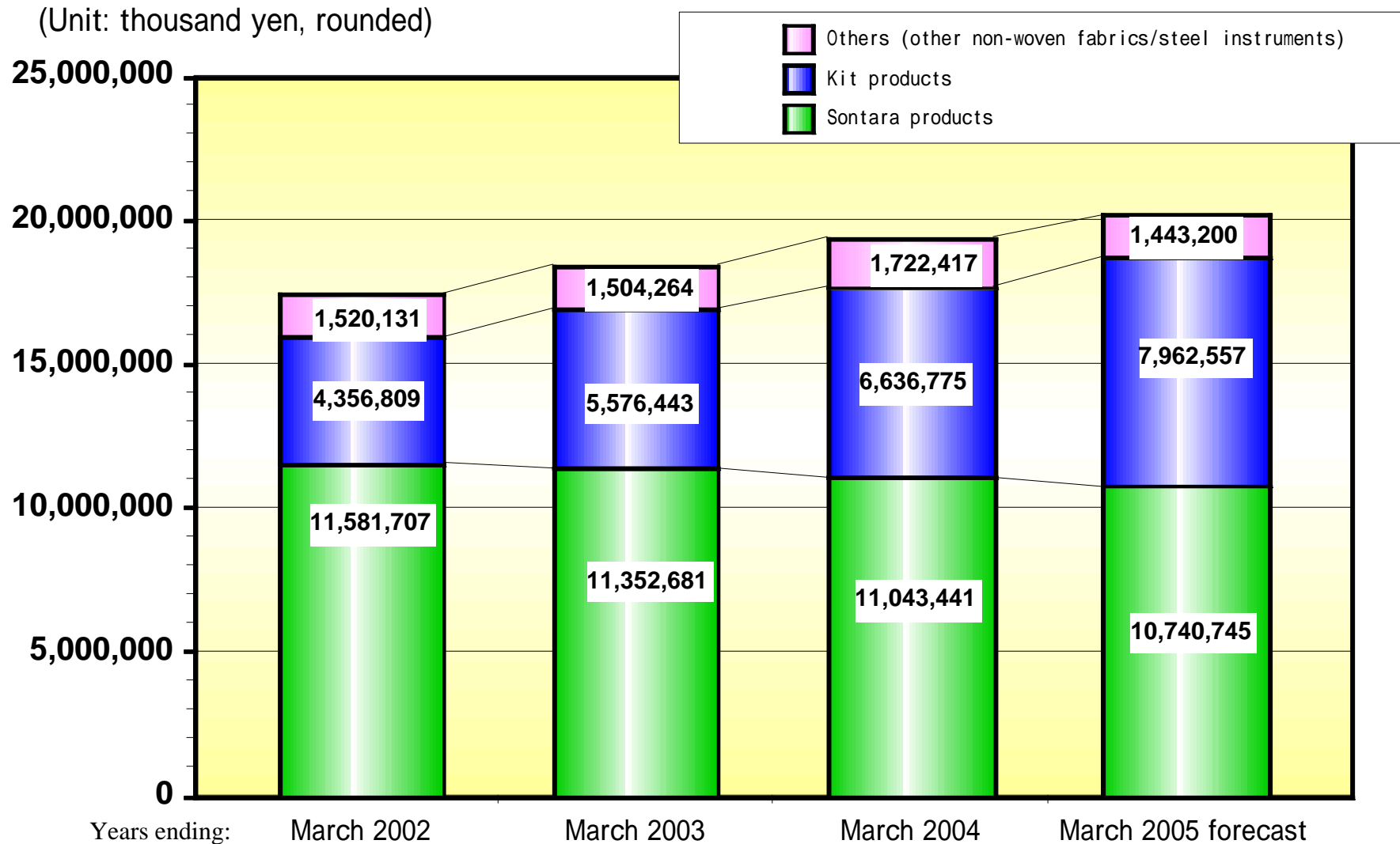
# History of Net Sales of Sterilization Products (Full-Year)

(Unit: thousand yen, rounded)



# History of Net Sales for Surgical Products (Full-Year, Consolidated)

(Unit: thousand yen, rounded)

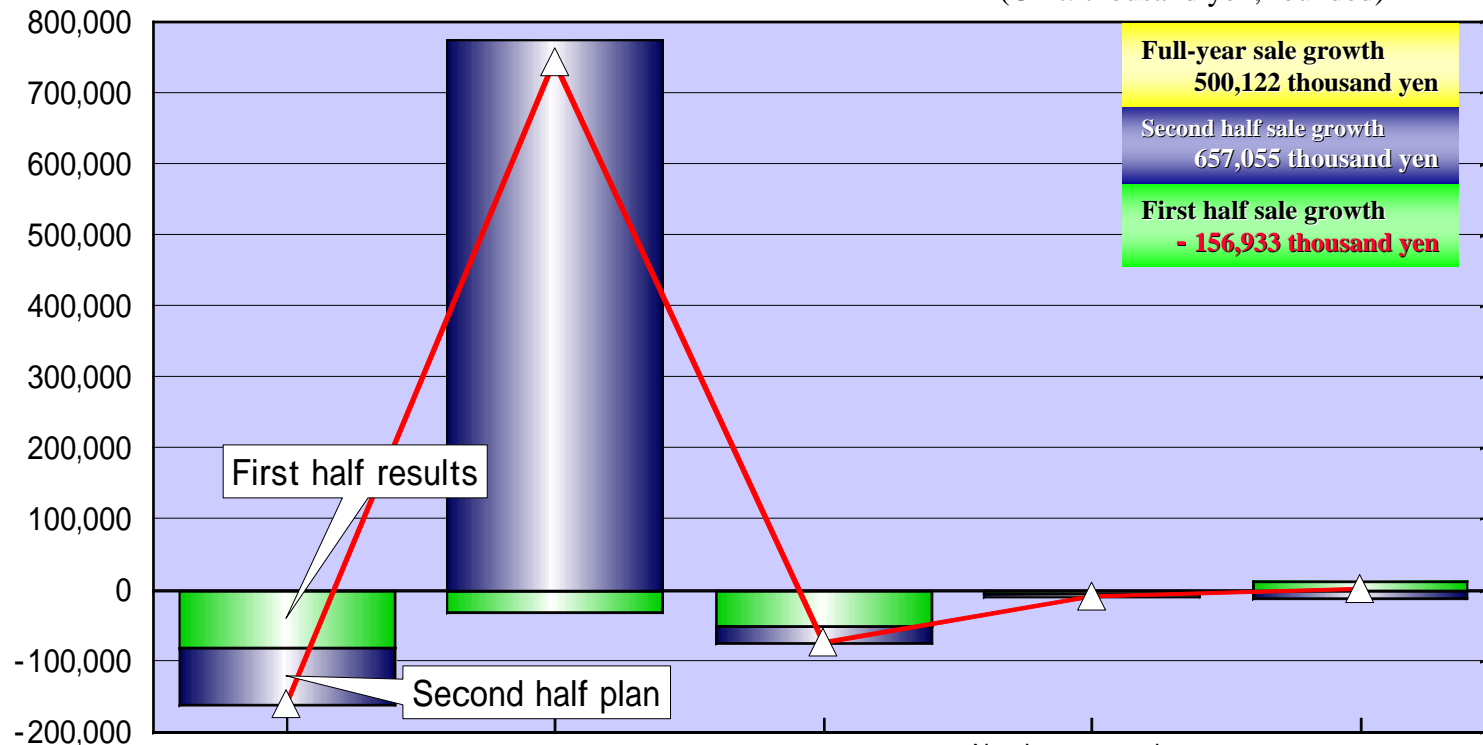




# Fiscal 2004 Sales Growth by Product Line (Consolidated)

Sales growth (first half and second half)

(Unit: thousand yen, rounded)

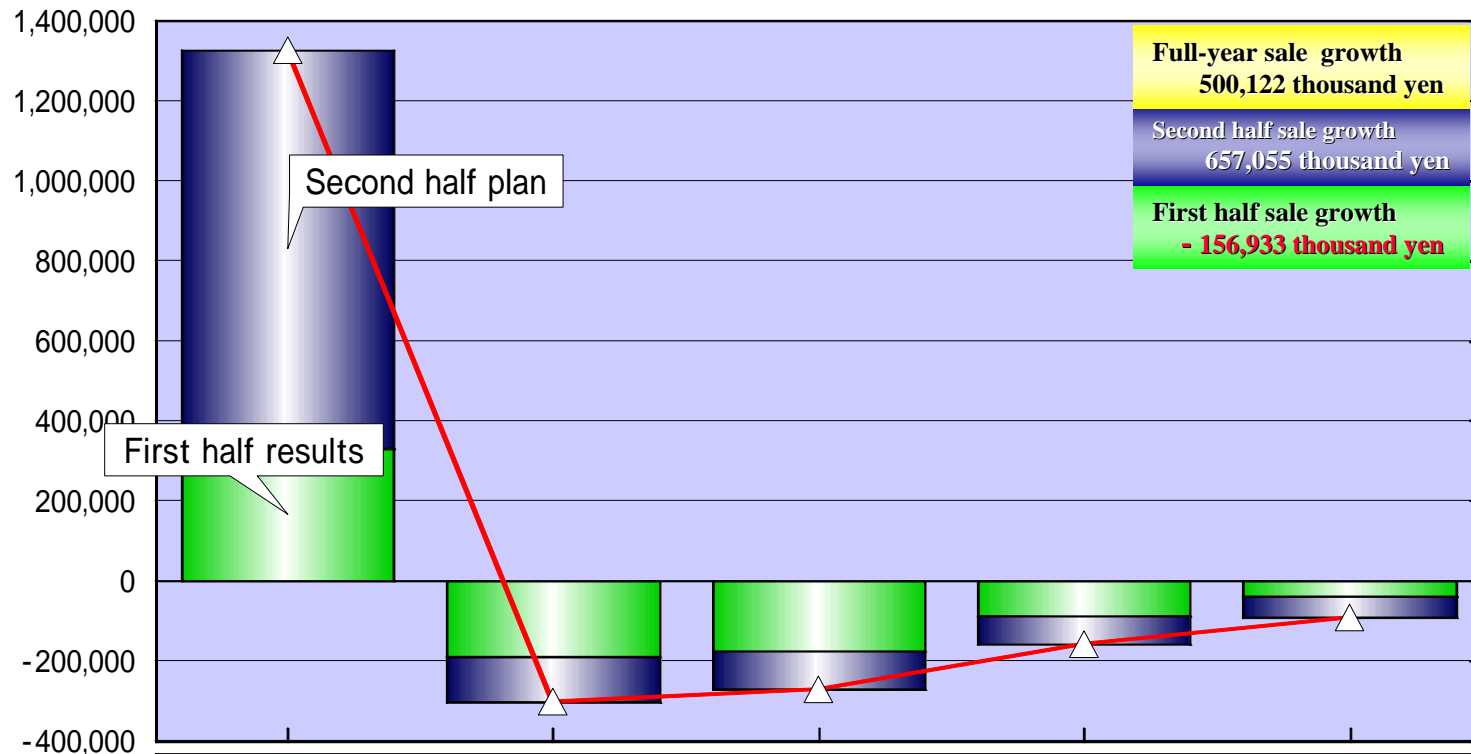


	Sterilization products	Surgical products	Treatment products	Nursing care and welfare products	Others
Second half plan	-79,553	775,765	-22,939	-4,821	-11,396
First half results	-81,570	-31,897	-51,051	-4,944	12,530
Total	-161,123	743,868	-73,990	-9,765	1,134
Full-year plan	-161,123	743,868	-73,991	-9,765	1,134

# Fiscal 2004 Sales Growth by Major Product (Consolidated)

Sales growth (first half and second half)

(Unit: thousand yen, rounded)



	Kit products	Sontara products	Other non-woven fabrics	Mekkin Bags	Other products
Second half plan	993,043	-113,271	-96,972	-71,292	-54,452
First half results	332,739	-189,425	-175,403	-87,243	-37,601
Total	1,325,782	-302,696	-272,375	-158,535	-92,052
Full-year plan	1,325,782	-302,696	-272,375	-158,535	-92,052

# **Breakdown of Fiscal 2004 Plans (Consolidated)**

- **Cost of sales: Review cost of sales rate through changes in product configuration**
- **Selling, general and administrative expenses: Review second half figures based on the actual performance of the first half**
- **Non-operating income: Does not reflect foreign exchange factor for the second half**  
Exchange rate at end of interim period: 111.05 yen per dollar (as of the end of September 2004)
- **Extraordinary income: Plan to exclude machinery and equipment in the second half**