

HOGY



April 15, 2005

Financial Report Fiscal 2004

(April 1, 2004 – March 31, 2005)

Masao Hoki, President and CEO

Jun-ichi Hoki, Senior Managing Director

Mitsunori Suzuki, Managing Director

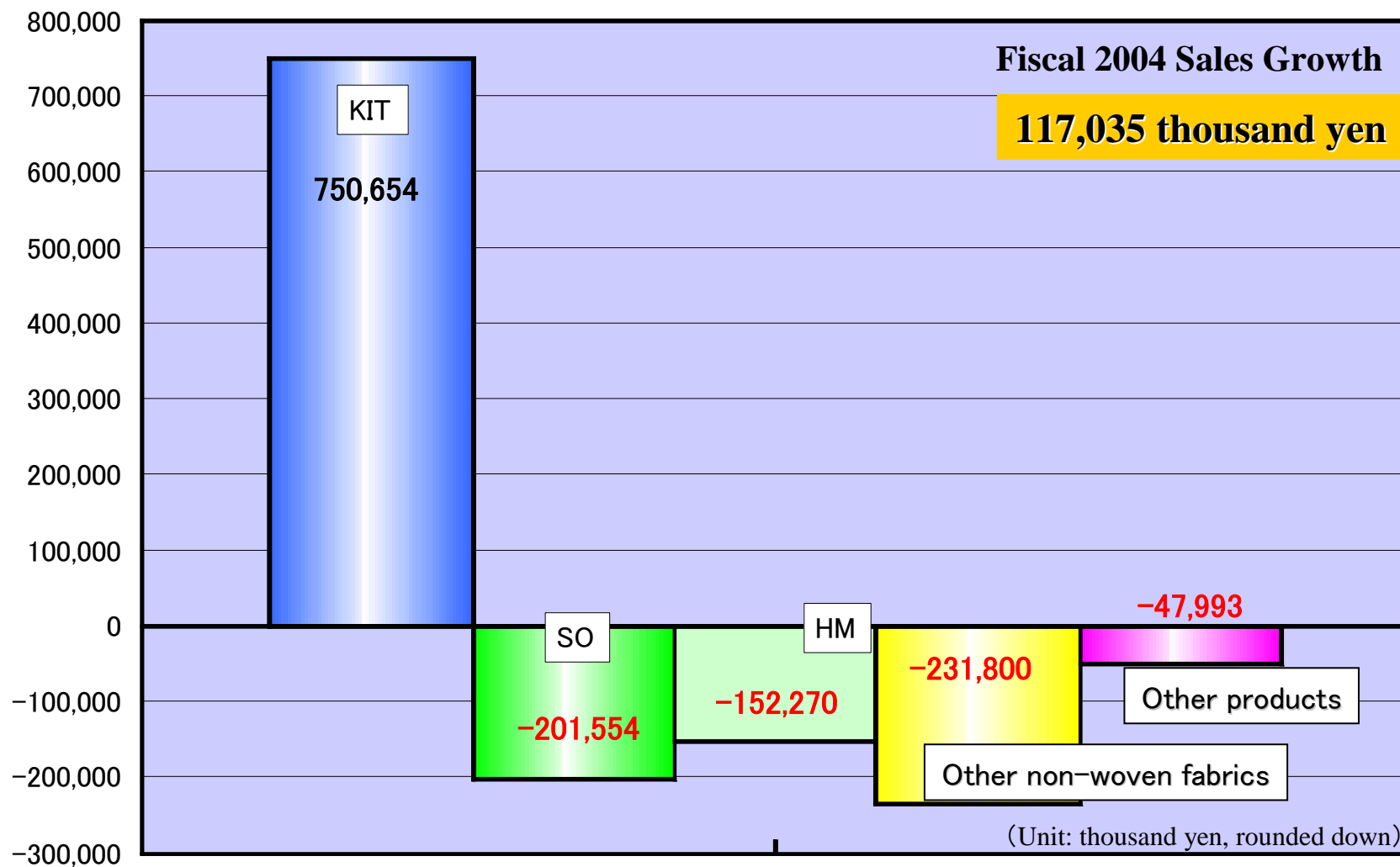
Overview and Analysis (Consolidated)

Fiscal 2004 Statements of Income (Consolidated)

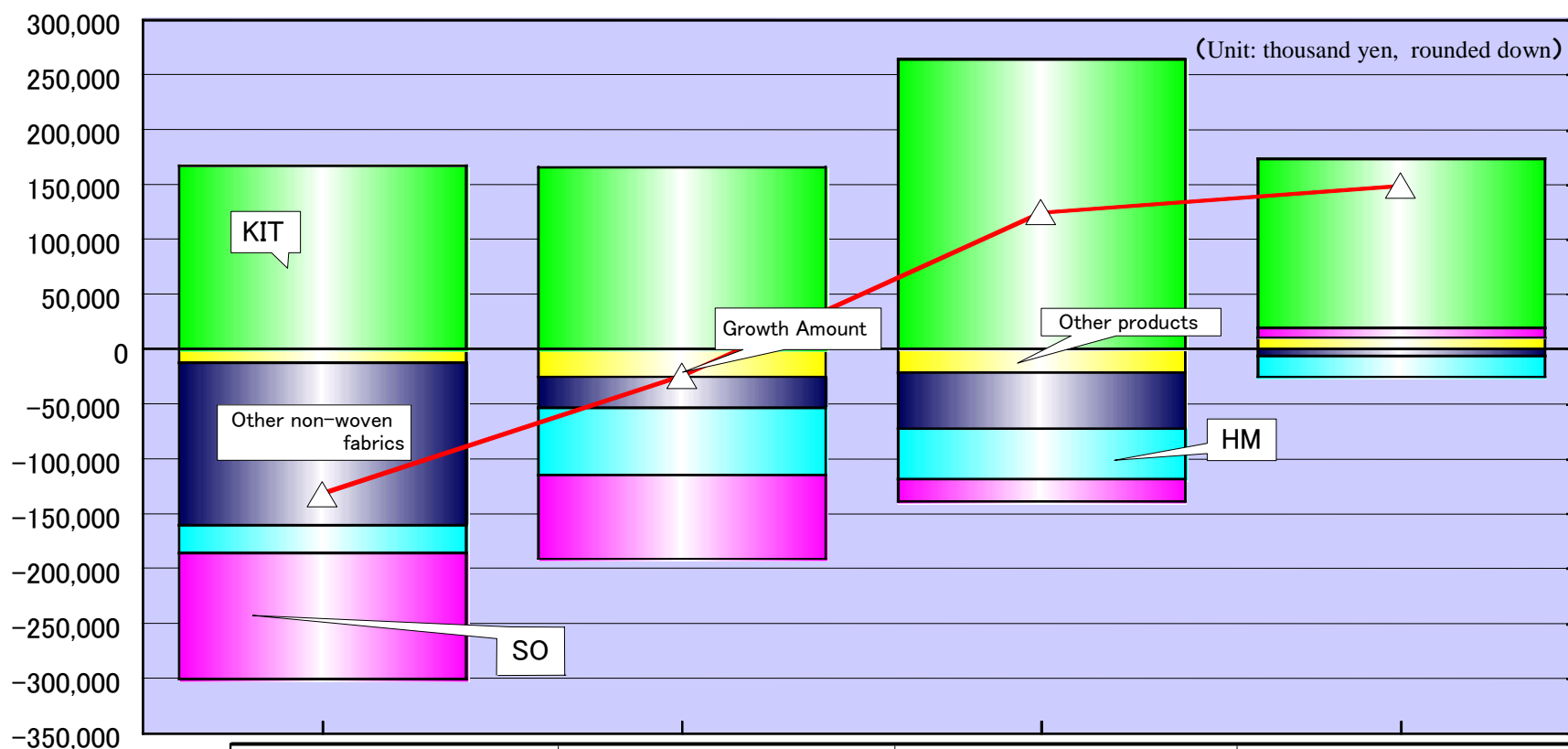
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(Unit: million yen, rounded down)	Fiscal 2003 Results		Fiscal 2004 Forecast		Fiscal 2004 Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	%	Amount	%
Net sales	24,844		25,344		24,961		117	100.5%	-383	98.5%
Cost of sales	12,160	49.0%	12,534	49.5%	12,225	49.0%	64	100.5%	-308	97.5%
Gross profit	12,683	51.0%	12,809	50.5%	12,735	51.0%	52	100.4%	-74	99.4%
Selling, general, and administrative expenses	6,840	27.5%	7,020	27.7%	7,005	28.1%	164	102.4%	-14	99.8%
Operating income	5,842	23.5%	5,789	22.8%	5,730	22.9%	- 112	98.1%	-59	99.0%
Non-operating income/loss	-238		169		167		405		-2	
Ordinary income	5,604	22.6%	5,959	23.5%	5,897	23.6%	293	105.2%	-62	99.0%
Extraordinary income/loss	-126		-77		- 83		42		-6	
Income before income taxes and minority interests	5,477	22.1%	5,882	23.2%	5,813	23.3%	335	106.1%	-68	98.8%
Net income	3,225	13.0%	3,544	14.0%	3,494	14.0%	269	108.4%	-50	98.6%
EPS (total shares)	193.26 yen		212.83 yen		209.75 yen					
Number of shares outstanding	16,341,155		16,341,155		16,341,155					
EPS (minus treasury shares)	202.05 yen		223.45 yen		220.21 yen					
Number of shares after deducting treasury shares	15,630,611		15,564,484		15,564,400					

Fiscal 2004 Sales Growth by Major Products (Consolidated)



Fiscal 2004 Sales Growth by Quarter (Consolidated)



	1Q Growth Amount	2Q Growth Amount	3Q Growth Amount	4Q Growth Amount
KIT	167,059	165,679	263,776	154,138
SO	-113,594	-75,830	-20,424	8,294
HM	-25,951	-61,291	-46,620	-18,407
Other non-woven fabrics	-147,313	-28,089	-50,329	-6,067
Other products	-12,543	-25,057	-21,494	11,102
Total	-132,343	-24,589	124,907	149,060
Growth Amount	-132,343	-24,589	124,907	149,060

Net Sales:

Opera Master Launched

- **Kit products : Up ¥ 750 million year-on-year**
 - **A delayed launch of Opera Master at some facilities cause figures to fall slightly below the revised plan**
 - **Increase in Opera Master contracts**
 - **There has been a rapid acceleration in clients outside of our plan. Delivery has been commenced and these will become successes in the new fiscal year.**

- **Sontara products : Down ¥ 201 million year-on-year**
 - **Solidification of performance recovery seen in individual quarters**
 - **4th quarter figures surpass those of year earlier**

Analysis of Fiscal 2004

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- **Cost of sales :**
 - ✓ **Roughly according to schedule**

- **Selling, general and administrative expenses :**
 - ✓ **There have been charitable donations, recruiting costs, expenses on consumables, etc., but all have been within the planned figures**

- **Non-operating income/loss :**
 - ✓ **¥ 107million foreign exchange gains**
(rate at end of March 2005 : ¥ 107.41/US\$)

- **Extraordinary income/loss :**
 - ✓ **¥ 205 million gain on sale of investment securities**
 - ✓ **—¥ 289 million loss on disposal of fixed assets**
(Loss was already accounted for in the plan)

Fiscal 2005 Plan

(Consolidated)

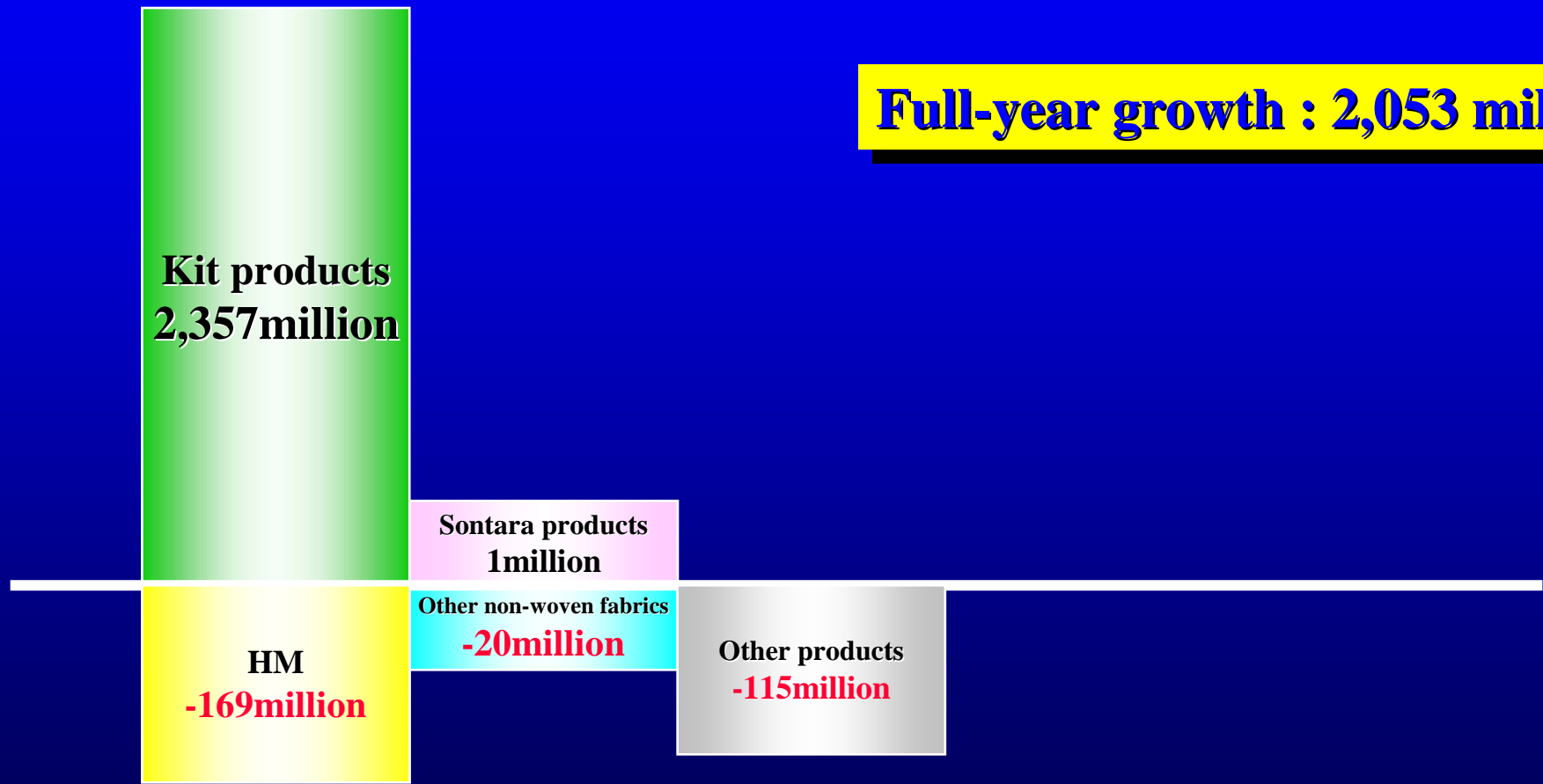
Fiscal 2005 Projected Statements of Income (Consolidated)

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(Unit: million yen, rounded down)	Fiscal 2004 Results		Fiscal 2005 Forecast		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	24,961		27,015		2,053	108.2%
Cost of sales	12,225	49.0%	13,319	49.3%	1,093	108.9%
Gross profit	12,735	51.0%	13,695	50.7%	959	107.5%
Selling, general, and administrative expenses	7,005	28.1%	7,500	27.8%	494	107.1%
Operating income	5,730	22.9%	6,195	22.9%	465	108.1%
Non-operating income/loss	167		- 23		-191	
Ordinary income	5,897	23.6%	6,171	22.8%	274	104.7%
Extraordinary income/loss	- 83		-50		33	
Income before income taxes and minority interests	5,813	23.3%	6,121	22.7%	308	105.3%
Net income	3,494	14.0%	3,773	14.0%	279	108.0%
EPS (total shares)	209.75 yen		226.85 yen			
Number of shares outstanding	16,341,155		16,341,155			
EPS (minus treasury shares)	220.21 yen		238.18 yen			
Number of shares after deducting treasury shares	15,564,400		15,563,643			

Fiscal 2005 Sales Growth by Major Products (Consolidated)

Full-year growth : 2,053 million



Breakdown of Fiscal 2005 Plan

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➤ Net sales

- Kit products : Up ¥ 2,357 million year-on-year
 - ✓ Early launch of Opera Master and expansion in covered specializations (coverage rate)
 - ✓ Utilization of successful cases among hospitals that launched Opera Master early
 - ✓ Firm establishment of operations of the Sales Promotion Department and accumulation of its know-how

- Sontara products : Up ¥ 1 million year-on year
 - ✓ Aim to increase market share with the introduction of new products
 - ✓ Forecast sales that are roughly equivalent to year-on-year levels

Breakdown of Fiscal 2005 Plan

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➤ **Cost of sales :**

- ✓ There will be an increase in the depreciation burden correlating to the new capital investment, but this will be absorbed by the improved productivity and efficiency

➤ **Selling, general and administrative expenses :**

- ✓ Forecast expenses related to expanding sales of Opera Master and lot tracing

➤ **Non-operating income/loss :**

- ✓ No particular comments

➤ **Extraordinary income/loss**

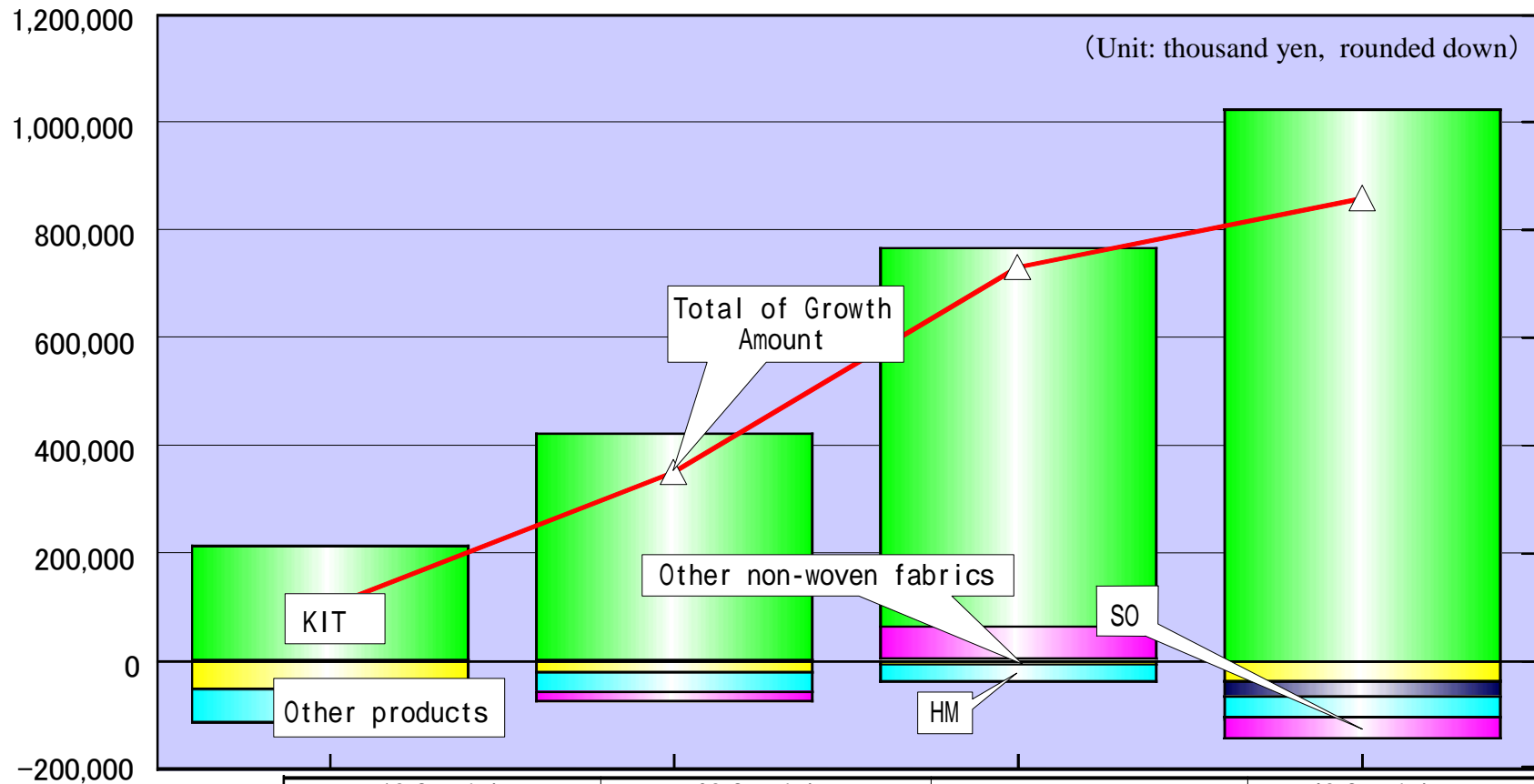
- ✓ No particular comments

Fiscal 2005 Projected Statement of Income by Quarter ¹² (Consolidated)

(Unit: million yen, rounded down)	First Quarter			Second Quarter			3rd Quarter			4th Quarter		
	Plan	Growth (Amount)	Growth (%)	Plan	Growth (Amount)	Growth (%)	Plan	Growth (Amount)	Growth (%)	Plan	Growth (Amount)	Growth (%)
Net sales	6,172	99	101.6%	6,620	349	105.6%	7,423	730	110.9%	6,798	873	114.8%
Operating income	1,326	- 17	98.7%	1,510	36	102.5%	1,823	239	115.1%	1,535	207	115.6%
Ordinary income	1,329	-140	90.4%	1,510	-4	99.7%	1,825	292	119.1%	1,506	127	109.2%
Net income	820	-209	79.7%	916	25	102.9%	1,121	183	119.5%	915	279	144.0%
EPS (total shares)	50.22 yen			56.07 yen			68.66 yen			56.00 yen		
Number of shares outstanding	16,341,155			16,341,155			16,341,155			16,341,155		
EPS (minus treasury shares)	52.73 yen			58.87 yen			72.09 yen			58.80 yen		
Number of shares after deducting treasury shares (End of March 2005)	15,563,643			15,563,643			15,563,643			15,563,643		

* Quarterly EPS has been calculated without considering directors' bonuses.

Fiscal 2005 Sales Growth by Quarter



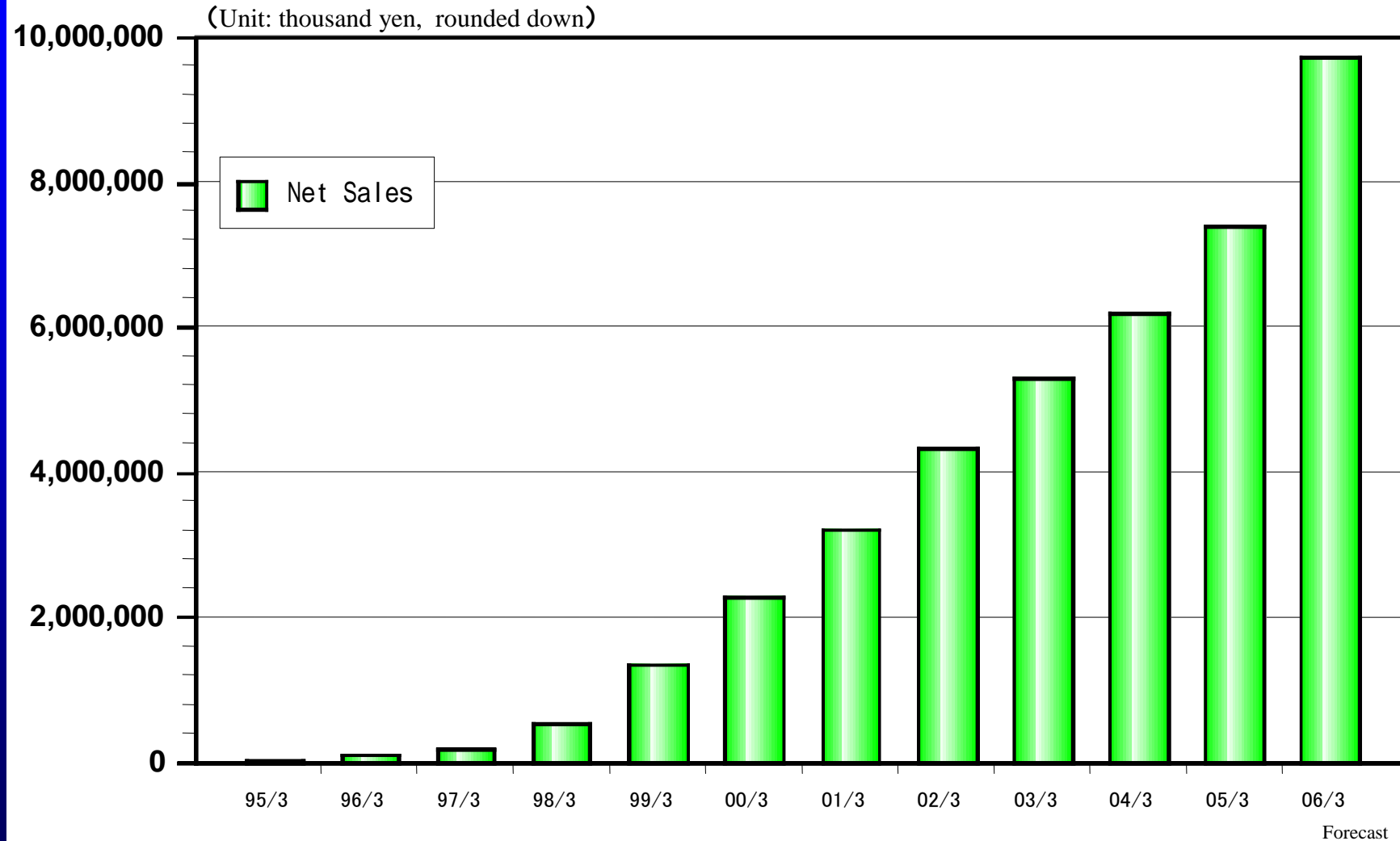
	1Q Growth Amount	2Q Growth Amount	3Q Growth Amount	4Q Growth Amount
KIT	212,671	419,419	703,313	1,022,166
SO	-1,322	-15,425	59,636	-41,774
HM	-60,969	-38,141	-28,518	-41,435
Other non-woven fabrics	1,077	2,642	3,900	-28,496
Other products	-51,620	-19,125	-7,728	-36,784
Total	99,837	349,369	730,603	873,675
Total of Growth Amount	99,837	349,369	730,603	858,675

Marketing Overview

Marketing Overview

- **Sales of kit products**
- **Progress of Opera Master Marketing**
- **Opera Master coverage rate**
- **Shortening Lead-Time for Introducing Opera Master**
- **Strategy for Expanding Market Share of Sontara Products**
- **Positioning of Mekkin Gown**

History of Sales for Kit products



Progress of Opera Master Marketing

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➤ Fiscal 2004 Progress of Opera Master

- ✓ Contracts : 17 (a number will slide into the next business year)
- ✓ Sales : 730 million (9.9% of kit sales, 7,387 million yen)

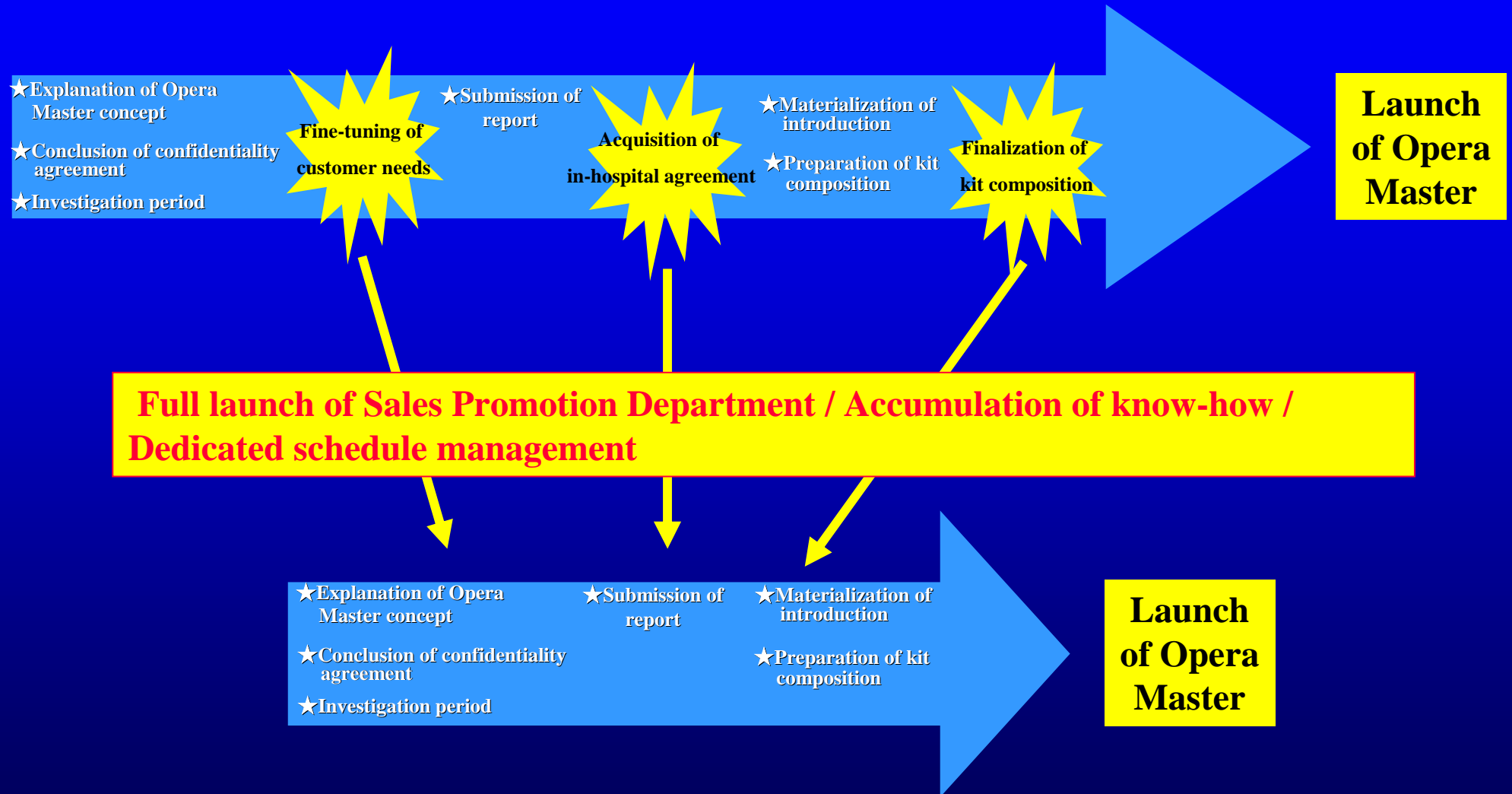
➤ Fiscal 2005 Plan of opera Master

- ✓ Cumulative contracts : 41 (new : 24)

*There are presently dozens of other candidate hospitals

- ✓ Sales : 3,700 million (38.0% of kit sales, 9,745 million yen)

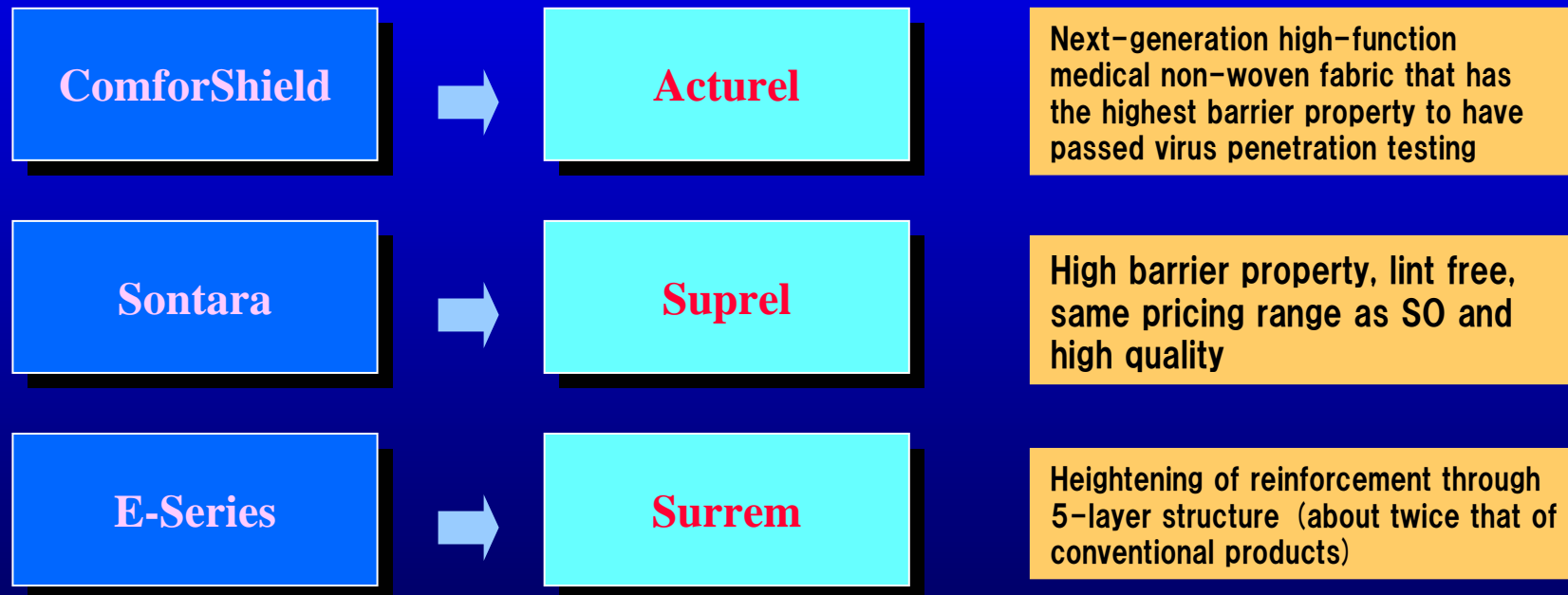
Shortening Lead-Time for Introducing Opera Master ¹⁸



Strategy for Expanding Market Share of Sontara Products

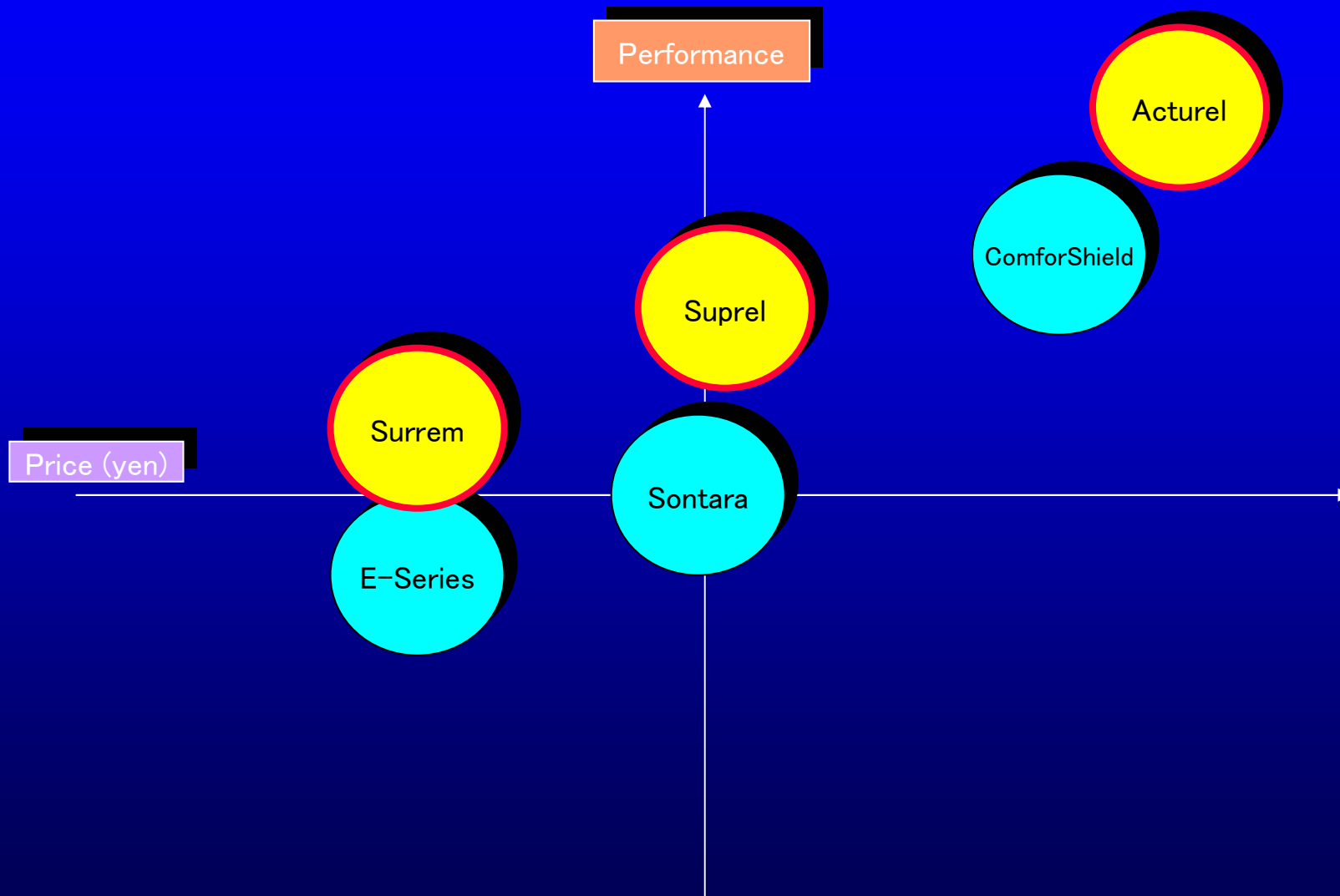
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- **Distinct differentiation from competitors**
- **Renewal of products**



- **Began supplying sample of Surrem gowns from February. Finished the supplying of samples to several hundred hospitals at the end of March. To also use the same strategy with other products in the future.**

Positioning of Mekkin Gown (Image)



Strategies for Fiscal 2005

- External and Internal Environment
- Relationship with Opera Master

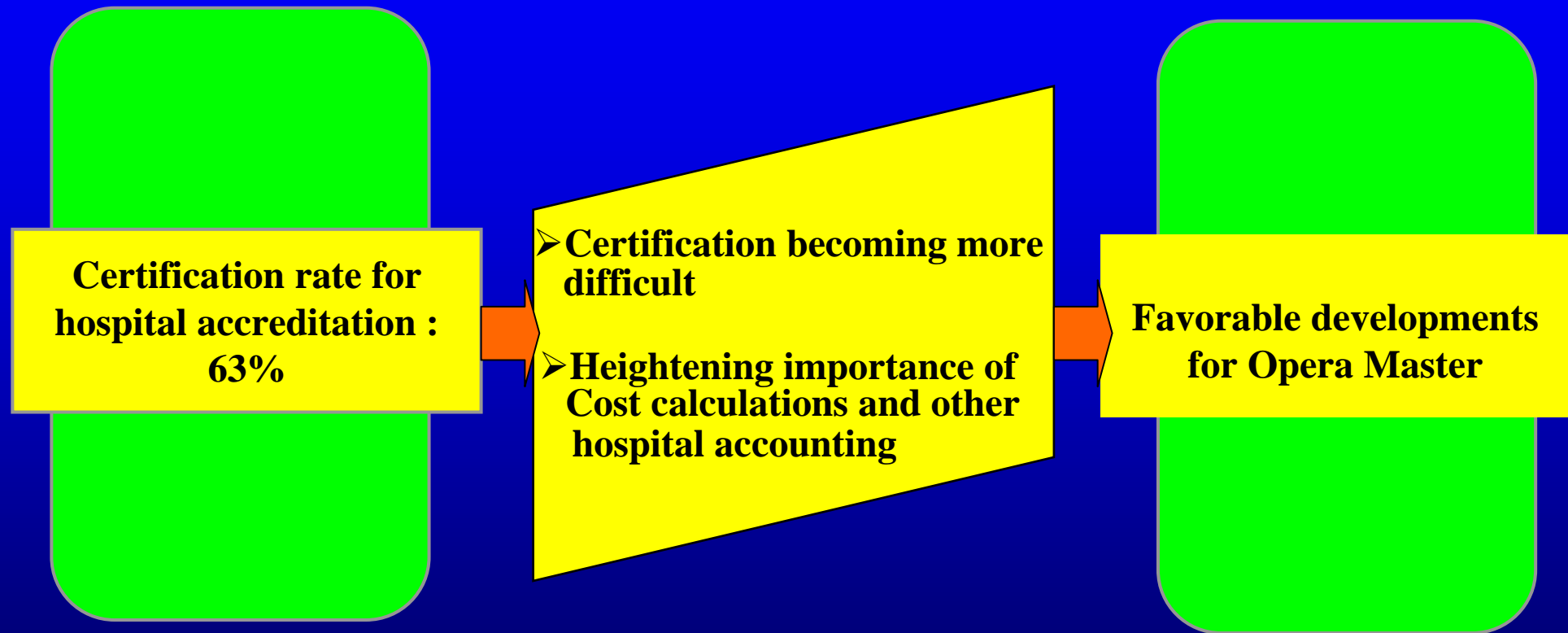
➤ Environment of Hospitals

- ✓ Hospitals being run in a deflationary environment
 - Over the past few years, hospitals have increasingly pressured manufacturers and dealers to lower prices

- ✓ Assessment by Japan Council for Quality Health Care
 - Council telling hospitals to heighten safety and reinforce the management foundation
 - Introduction of corporate accounting standards
(Cost accounting, reserve for retirement benefits and impairment accounting)
 - Reinforcement of management foundation : Need to increase sales and make dramatic improvements

Status of Hospital Accreditation

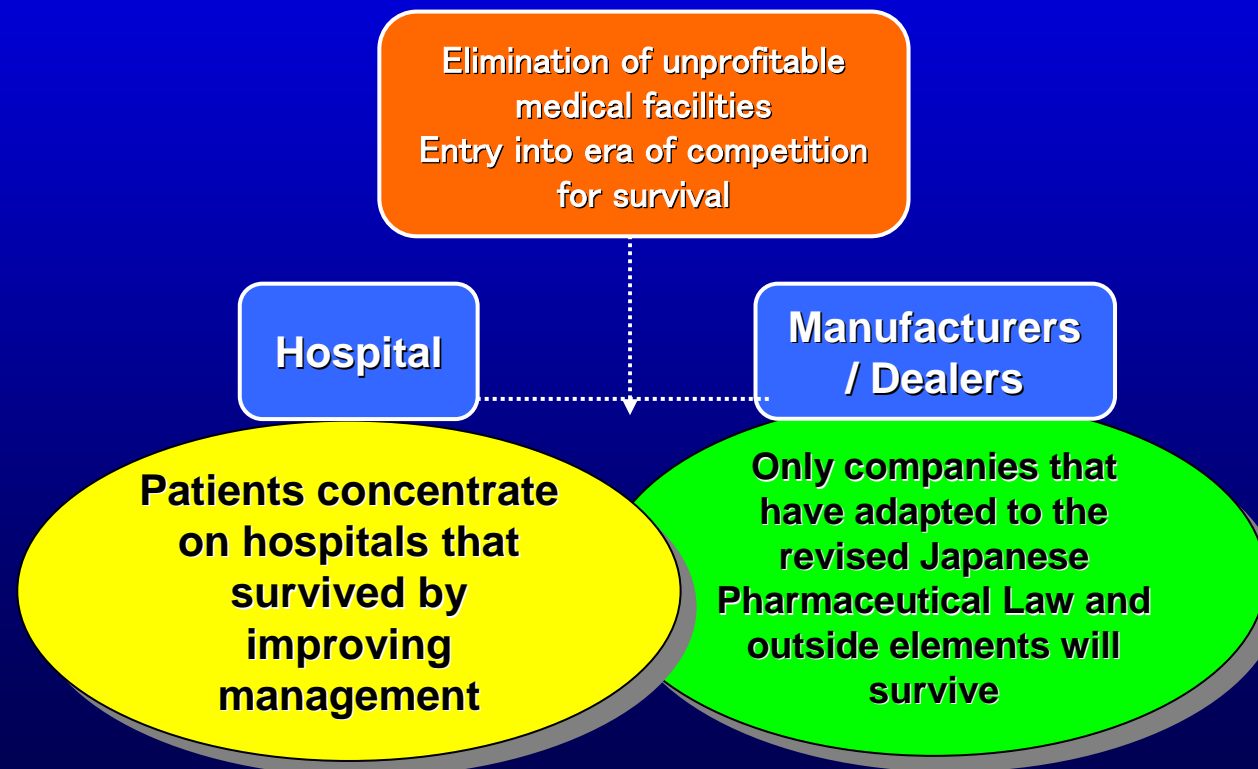
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* The figure for the certification rate is as of the end of December 2004 and does not include applications for renewals.

Industry Environment

- **Emphasis of legal compliance and safety**
(enforcement of revised Japanese Pharmaceutical Law)
- **Increase in petroleum and other raw material costs**
→ Leads to inflation



Relationship with Opera Master

➤ Requirements for a hospital to survive

- Implementation of corporate accounting standards (cost accounting, reserve for retirement benefits and impairment accounting)
 - Need to improve profits

Opera Master is a tool to heighten management efficiency



- ✓ **Simplifies receipt and discharge of inventory**
- ✓ **Increase in number of operations through schedule management of operations**
- ✓ **Prevention of mistakes during operations**
 - **Reduction in cost waste**

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