

January 16, 2014



# Financial Report

## First 3 Quarters of Fiscal 2013

(April 1 – December 30, 2013)

Susumu Ohashi, Executive officer Administration Dept.

Hiroshi Yamashita,

**HOGY MEDICAL Co., Ltd.**

## 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.**

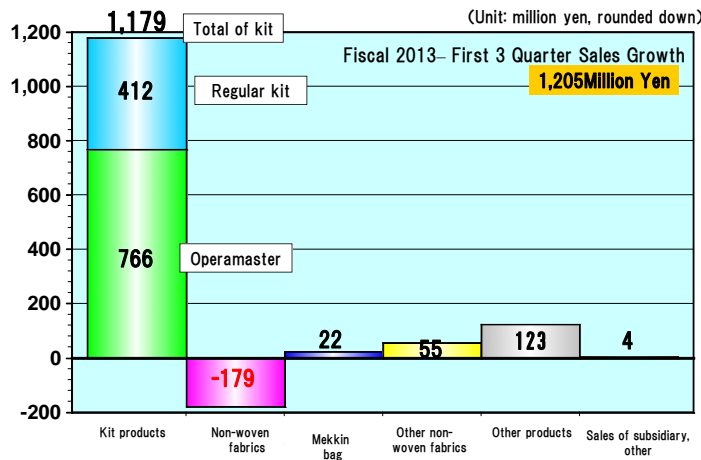
**Financial results reported herein have not been audited.**

# Overview

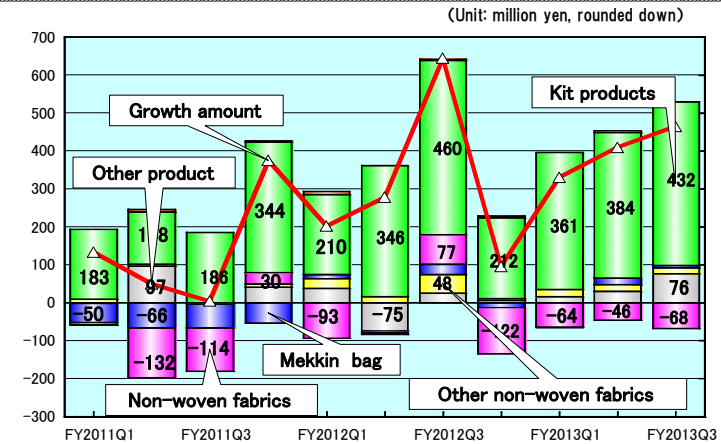
### Fiscal 2013 – First 3 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2012 First 3 Quarter Results		Fiscal 2013 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	25,203		26,408		1,205	104.8%
Operating income	6,505	25.8%	6,890	26.1%	384	105.9%
Ordinary income	6,629	26.3%	7,214	27.3%	584	108.8%
Net income	4,132	16.4%	4,582	17.4%	449	110.9%
EPS	262.71yen		291.32yen			

### Fiscal 2013 – First 3 Quarter Sales Growth by Major Products



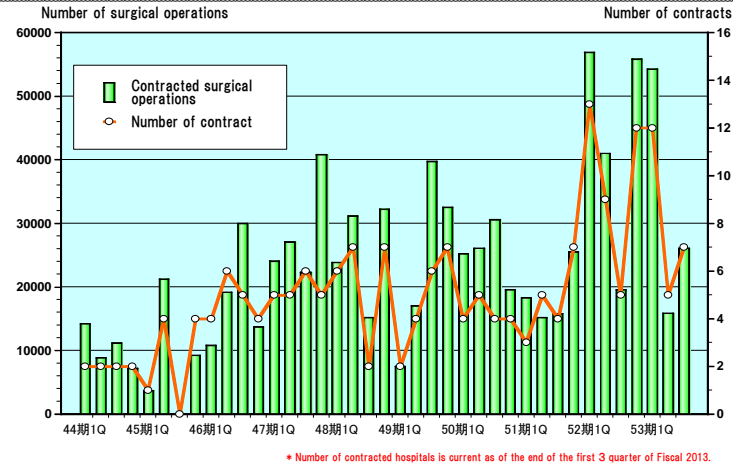
### Fiscal 2013 – First 3 Quarter Sales Growth by Quarter



## Fiscal 2013 – First 3 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2012 First 3 Quarter Results		Fiscal 2013 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	25,203		26,408		1,205	104.8%
Operating income	6,505	25.8%	6,890	26.1%	384	105.9%
Ordinary income	6,629	26.3%	7,214	27.3%	584	108.8%
Net income	4,132	16.4%	4,582	17.4%	449	110.9%
EPS	262.71yen		291.32yen			

## Number of Operamaster Contracts; Number of Surgical Operations



## Fiscal 2013 – First 3 Quarter Main Point

- Operamaster-contracted hospitals: 24 new contracts (12 in 1Q; 5 in 2Q; 7 in 3Q); 4 cancellations
- Increase production volume and enhance production system to improve cost of sales ratio
- Increase number of forward-looking medical institutions willing to introduce our surgery management system

# Fiscal 2013 Outlook

## Fiscal 2013 Income Forecasts

## Future Initiatives

(Unit: million yen, rounded down)	Fiscal 2012 Results		Fiscal 2013 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	33,094		34,760		1,665	105.0%
Operating income	8,113	24.5%	8,970	25.8%	856	110.6%
Ordinary income	8,353	25.2%	9,160	26.4%	806	109.7%
Net income	5,247	15.9%	5,730	16.5%	482	109.2%
EPS	333.61yen		364.29yen			

### Get Operamaster up and running at contracted hospitals and raise customer satisfaction levels

- Get FY2012-contracted hospitals up and running, continue raising efficiency, and target labor savings (qualitative and quantitative improvements)

### Announce the successes at luncheon seminars

### Step up proposals to hospitals not yet using kit products (implement Operamaster strategy going forward)

### Strengthened sales of new products

- Strengthened sales of Tigalyer products (Level 4 high-performance non-wovens)
- Strengthened sales of Surgery Management System and IC Tracer

### New product launch preparation

- 「ME machine management system」&「Surgery procedure system
- 「Absorbable suture sets」(kit-based products)
- 「New Mekkin bags」

### Step up development of new products

- Prepare for product launches in next fiscal year
- Step up new-product development by theme

### Strengthen production management system

- Target higher productivity

### Start building new plant (end of January 2014)

Scheduled to start operation in April 2016

### Transform pension system (defined benefit plan to defined contribution plan)

## New plant Rendering



## Overview of New Plant

### 1. Ensure stability

- Earthquake-resistant structure to protect production equipment
- Deploy automation to ensure reliable production, allowing shipments with short lead-times

### 2. Make easy-to-use products

- Shift to product formats that customers find easy to use (raise added value of kit products)
- Enable materials to be deployed in order of use
- Shorten preparation times for surgery

### 3. Emphasize productivity and safety through automation and unmanned operation

- Use automation to prevent human error
- Protect future earnings (raise productivity through automation)



# Business Performance

## Progress of Operamaster Marketing

**Sales** : 8,482 million (UP 766 million or 9.9%)

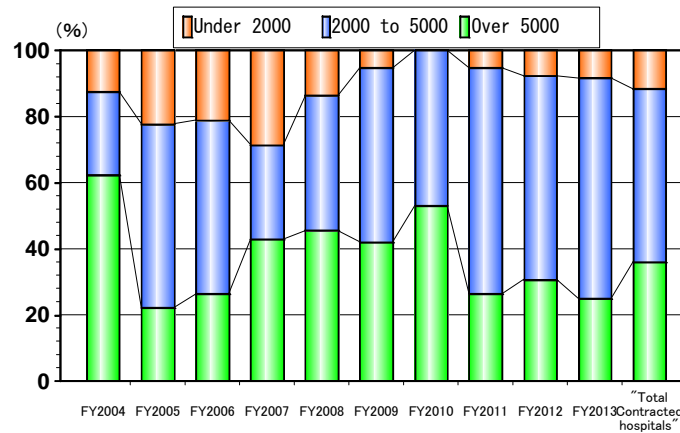
### Number of contracts:

- 24 new contracts (an increase of 96,200 operations)
- Large hospitals: 6
- Small and medium-sized hospitals: 18

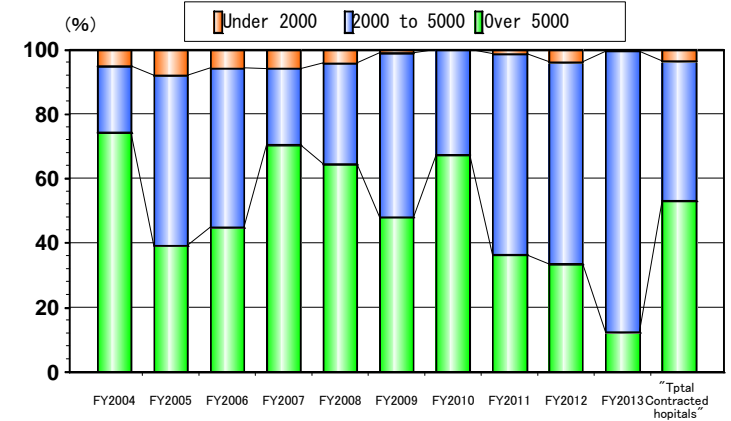
4 cancelled contracts (10,500 operations)

Cumulative total number of contracts: 197

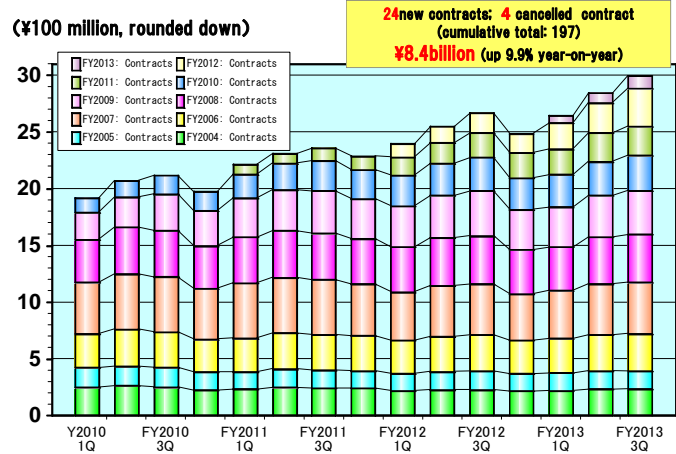
### Operamaster-Contracted Hospitals: Breakdown by Size



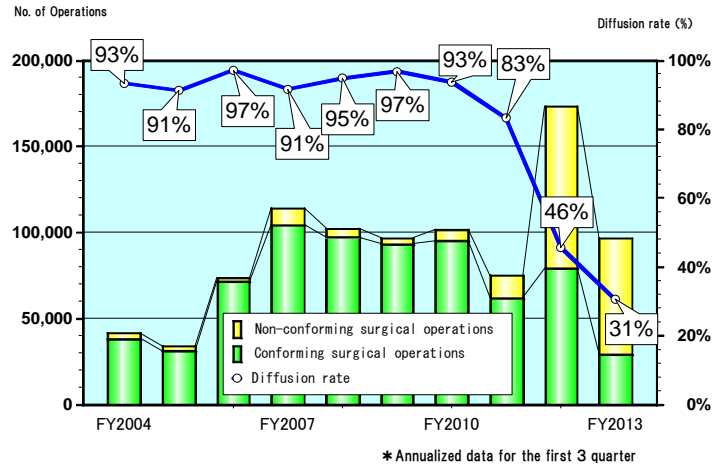
### Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



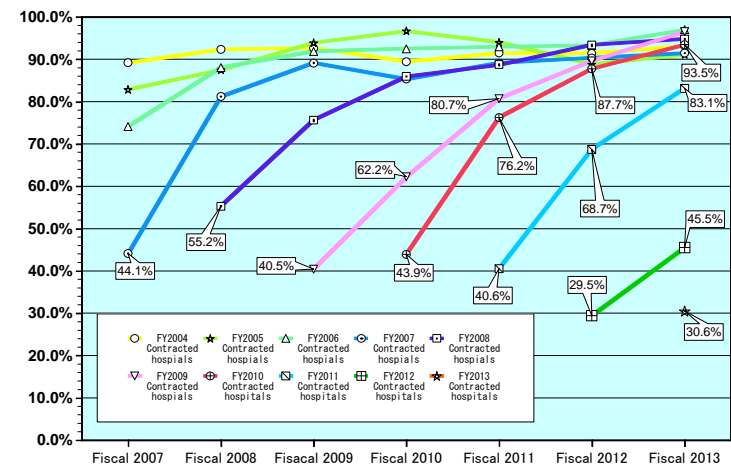
### Sales of Operamaster



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



### Operamaster Proliferation Ratio



### Fiscal 2013 – First 3 Quarter Income Statements

### Fiscal 2013 – First 3 Quarter Analysis of Cost and SG&A Expenses

### Fiscal 2013 – First 3 Quarter Analysis of Non-Operating items, Capex, Depreciation



(Unit: million yen, rounded down)	Fiscal 2012 First 3 Quarter Results		Fiscal 2013 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	25,203		26,408		1,205	104.8%
Cost of sales	12,317	48.9%	12,855	48.7%	537	104.4%
Gross profit	12,885	51.1%	13,553	51.3%	667	105.2%
SG & A expenses	6,379	25.3%	6,662	25.2%	282	104.4%
Operating income	6,505	25.8%	6,890	26.1%	384	105.9%
Non-operating income/loss	124		323		199	
Ordinary income	6,629	26.3%	7,214	27.3%	584	108.8%
Extraordinary income/loss	0		86		85	
Net income	4,132	16.4%	4,582	17.4%	449	110.9%
EPS	262.71yen		291.32yen			

Cost of sales ratio: UP 0.2 points year-on-year

- Increase in production volume
- Improve production system
- Effect of weak yen on overseas transactions
- Decline in depreciation expense

SG&A expenses: UP ¥282 million year-on-year

- Personnel expenses UP ¥154 million
- Depreciation expenses UP ¥77 million
- Advertising expenses UP ¥28 million

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

¥323 million (up ¥199 million year to year)

- Foreign exchange gain: ¥134 million

Capex:

¥1,263 million (down ¥73 million from previous corresponding period)

Depreciation:

¥2,110 million (down ¥40 million from previous corresponding period)

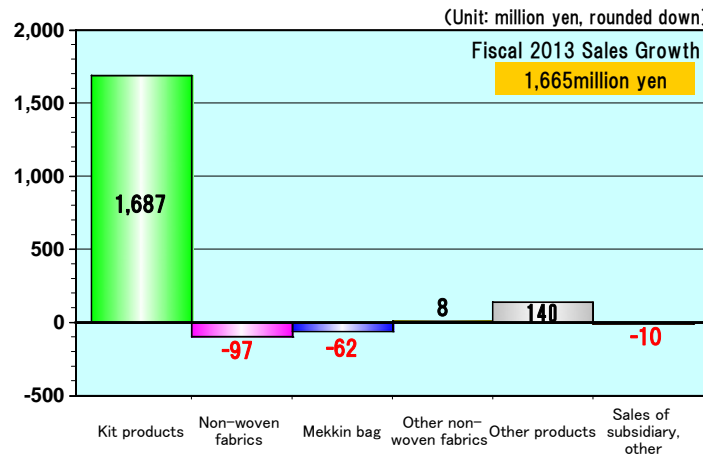
- Cost of sales : ¥1,429 million (down ¥117 million)
- SG&A expenses: ¥681 million (up ¥77 million)

# Fiscal 2013 Full-Year Projections

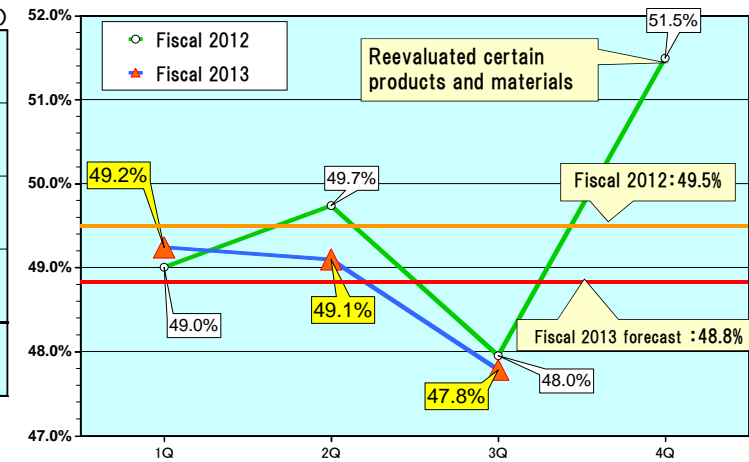
### Fiscal 2013 Income Statements

(Unit: million yen, rounded down)	Fiscal 2012 Results		Fiscal 2013 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	33,094		34,760		1,665	105.0%
Cost of sales	16,380	49.5%	16,970	48.8%	589	103.6%
Gross profit	16,713	50.5%	17,790	51.2%	1,076	106.4%
SG & A expenses	8,599	26.0%	8,820	25.4%	220	102.6%
Operating income	8,113	24.5%	8,970	25.8%	856	110.6%
Non-operating income/loss	240		190		△ 50	
Ordinary income	8,353	25.2%	9,160	26.4%	806	109.7%
Extraordinary income/loss	△ 0		△ 4		△ 4	
Net income	5,247	15.9%	5,730	16.5%	482	109.2%
EPS	333.61yen		364.29yen			

### Fiscal 2013 Sales Growth by Major Products



### Cost of Sales Ratio



15

# **Financial Report**

## **First 3 Quarters of Fiscal 2013**

(April 1 – December 30, 2013)

Susumu Ohashi, Executive officer Administration Dept.

Hiroshi Yamashita,

**HOGY MEDICAL Co., Ltd.**