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October 16, 2014



Financial Report First 2 Quarters of Fiscal 2014

(April 1 – September 30, 2014)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

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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.

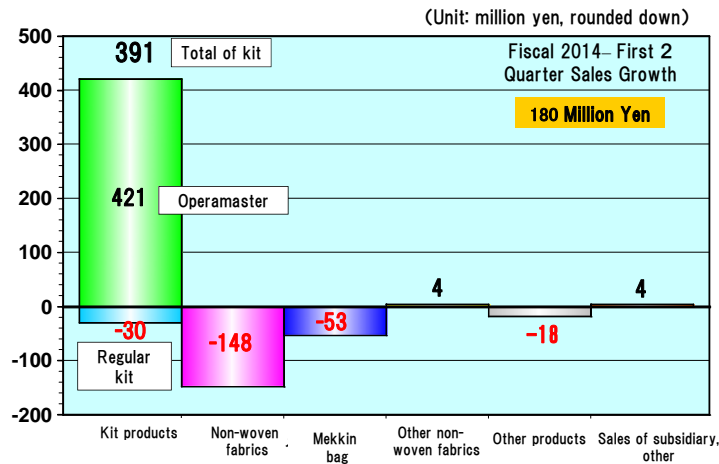
Financial results reported herein have not been audited.

Overview

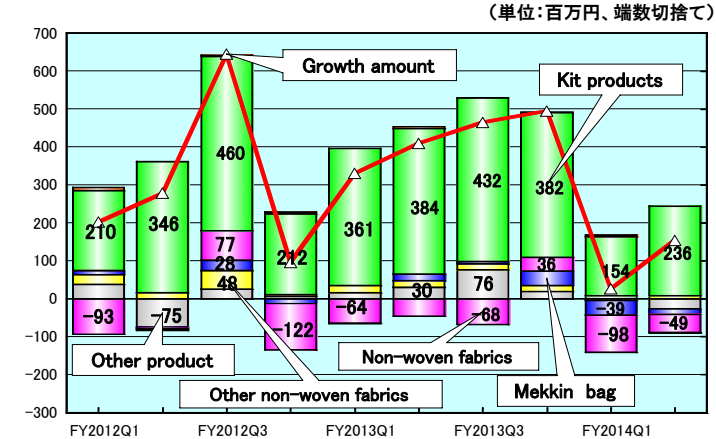
Fiscal 2014 – First 2 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 First 2 Quarter Results		Fiscal 2014 First 2 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	17,057		17,237		180	101.1%
Operating income	4,320	25.3%	4,075	23.6%	△244	94.3%
Ordinary income	4,468	26.2%	4,227	24.5%	△240	94.6%
Net income	2,802	16.4%	2,792	16.2%	△10	99.6%
EPS	178.20 yen		177.56 yen			

Fiscal 2014 – First 2 Quarter Sales Growth by Major Products



Fiscal 2014 – First 2 Quarter Sales Growth by Quarter

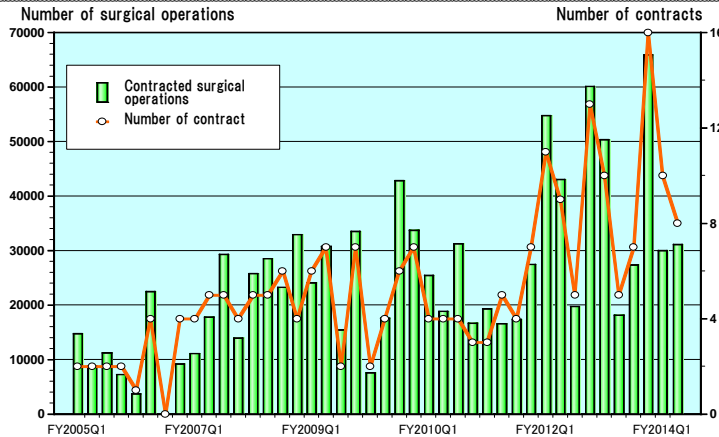


Fiscal 2014 – First 2 Quarter Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Highlights

(Unit: million yen, rounded down)	Fiscal 2013 First 2 Quarter Results		Fiscal 2014 First 2 Quarter Results		Year-on-Year Comparison	
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* Number of contracted hospitals is current as of the end of the first 2 quarter of Fiscal 2014.

- Changing market environment
 - ⇒ Slowdown in growth of surgical procedures
- 18 new Operamaster contracts during period (10 in 1Q; 8 in 2Q); 2 cancellations
- Tendency for contracts to get up and running in second half of fiscal year
- Decision reached to adopt surgery management system (generating sales in 4Q)
- Rise in costs
 - ⇒ Depreciating yen (change in corporate rate) pushed up cost of imported products

Fiscal 2014 Outlook

Fiscal 2014 Income Forecasts

Fiscal 2014 Strategies

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(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		35,870		1,076	103.1%
Operating income	8,747	25.1%	8,880	24.8%	132	101.5%
Ordinary income	9,055	26.0%	9,070	25.3%	14	100.2%
Net income	5,632	16.2%	5,940	16.6%	307	105.5%
EPS	358.10yen		377.65yen			

Get Operamaster-contracted hospitals up and running; increase customer satisfaction levels

- Take measures to expedite process of getting Operamaster-contracted hospitals up and running
- Continue recommending ways to enhance efficiency and save labor costs
- Strengthen sales of surgery management system and IC Tracer

Step up proposals to hospitals yet to adopt surgical kits (future Operamaster-contracted hospitals)

Launch new products

- 「EMARO」Launch endoscope operation system in first half of fiscal 2014
- Commence sales of masks to general public via large convenience store chains

Renewal strategy for kit products

- Target final form for kit products
- Target customers' usage impression
- Pursue safety and automation
- Emphasize in-house manufacture of materials

Strengthen production management system; ensure stable supply

Step up development of new products to underpin next generation

Improve productivity of products manufactured overseas

⇒Make productivity improvements from early stage (materials management)

⇒Step up sales within Indonesia!!

「EMARO」 Endoscope Operation System



【※試】「内視鏡用ホルダ」



EMARO
Endoscope Manipulate Robot
(製品予定名称)

空気圧だから出来た
人間親和性の高い内視鏡ホルダ

操作性が高い。手術室の中で簡単に立ち降、降下することができます。
ホルダに繋がっている内視鏡が安定して動かすことができます。
ホルダに繋がっている内視鏡の位置を正確に把握することができます。
最新の技術と高い信頼性を備えています。

HOGY

内視鏡下手術でのこれまでの課題

医師の負担軽減
長時間の手術による医師の疲労軽減
医師の負担軽減
長時間の手術による医師の疲労軽減
医師の負担軽減
長時間の手術による医師の疲労軽減

安全性
空気圧駆動による震動が少なく、手術中の安定性を確保します。
医師の負担軽減
長時間の手術による医師の疲労軽減

操作性
術者の使用場面に合わせて
操作性が高い。手術室の中で簡単に立ち降、降下することができます。
ホルダに繋がっている内視鏡が安定して動かすことができます。
ホルダに繋がっている内視鏡の位置を正確に把握することができます。
最新の技術と高い信頼性を備えています。

機能性
高い技術と汎用性
最新の技術と高い信頼性を備えています。
ホルダに繋がっている内視鏡が安定して動かすことができます。
ホルダに繋がっている内視鏡の位置を正確に把握することができます。
最新の技術と高い信頼性を備えています。

期待効果
手術中の負担軽減
長時間の手術による医師の疲労軽減
医師の負担軽減
長時間の手術による医師の疲労軽減

OPERA MASTER



EMARO
Endoscope Manipulate Robot
(製品予定名称)

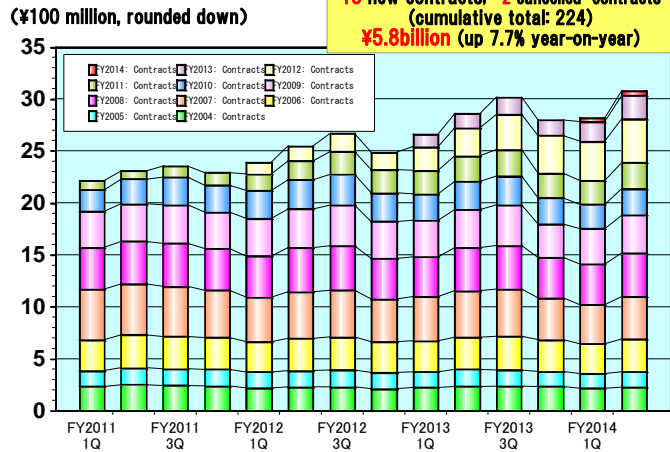
The 27th Annual Meeting of the Japan Society for Endoscopic Surgery
(October 2-4, 2014 in Morioka)



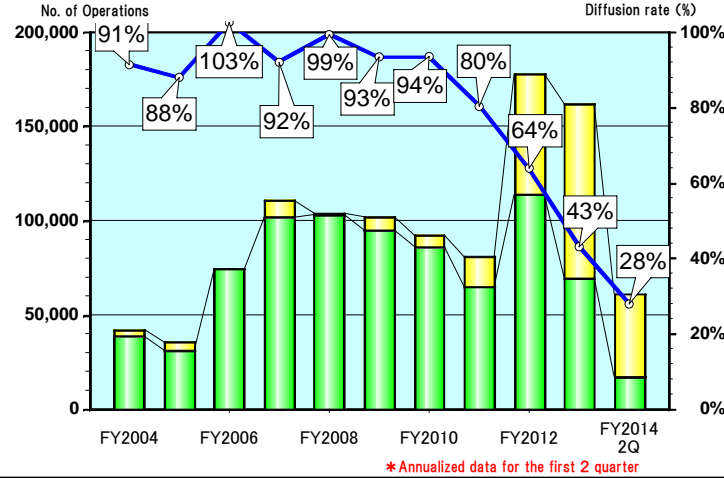
Operamaster: Operational Status and Response Measures

Sales of Operamaster

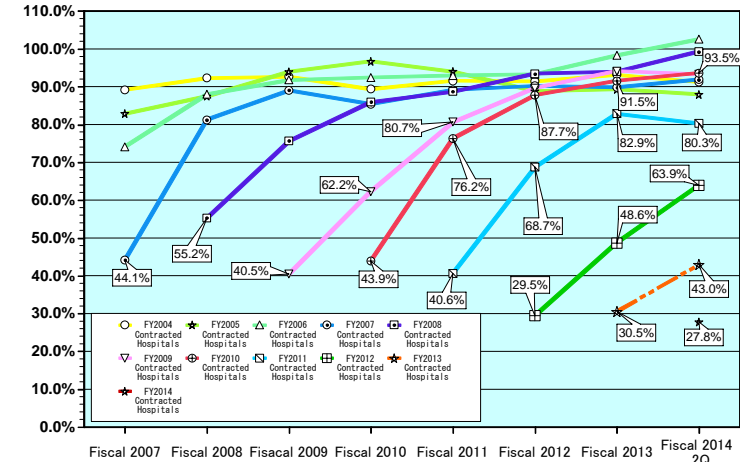
**18 new contracts; -2 cancelled contracts
(cumulative total: 224)
¥5.8billion (up 7.7% year-on-year)**



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



Operamaster Proliferation Ratio



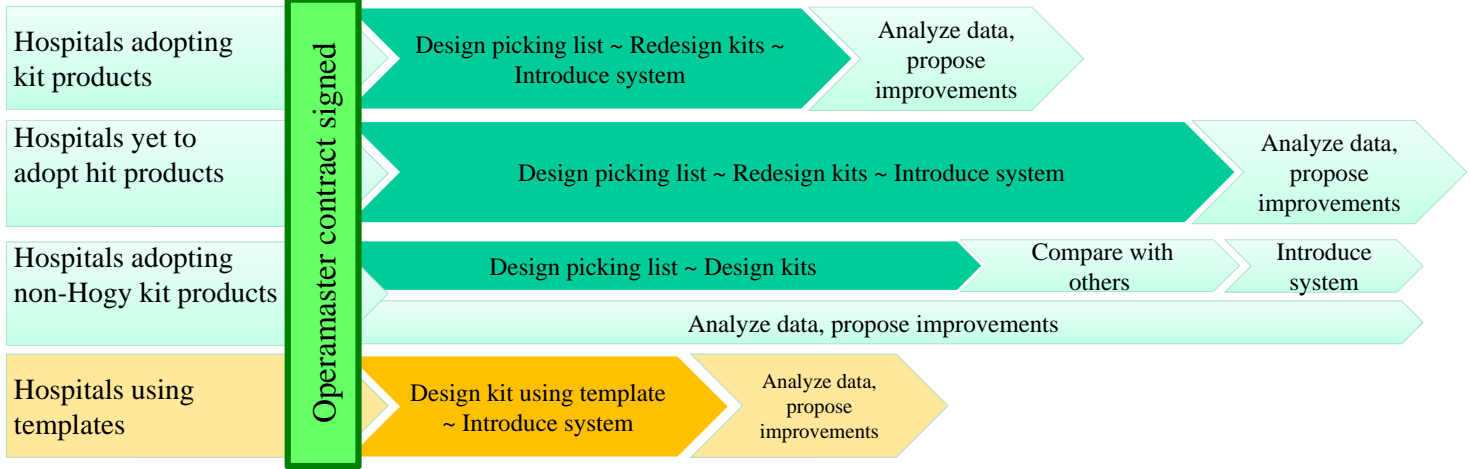


Improvement Measures

Minimize the kit-design process, which is highly labor-intensive

- ⇒ Produce template for materials according to flow of sequence (from entry into surgery room until exit); make improvements to business efficiency (bring together know-how gained from 200 Operamaster-contracted hospitals)
- ⇒ Design completed in about half the time (compared with previous method); also compensates for knowledge variation among salespeople

Operamaster: Post-Contract Process and Points to Improve





Business Performance

Fiscal 2014 – First 2 Quarter Income Statements

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	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	17,057		17,237		180	101.1%
Cost of sales	8,386	49.2%	8,703	50.5%	316	103.8%
Gross profit	8,670	50.8%	8,533	49.5%	△136	98.4%
SG & A expenses	4,350	25.5%	4,457	25.9%	107	102.5%
Operating income	4,320	25.3%	4,075	23.6%	△244	94.3%
Non-operating income/loss	147		151		3	
Ordinary income	4,468	26.2%	4,227	24.5%	△240	94.6%
Extraordinary income/loss	0		41		40	
Net income	2,802	16.4%	2,792	16.2%	△10	99.6%
EPS	178.20yen		177.56yen			

Fiscal 2014 – First 2 Quarter Analysis of Cost and SG&A Expenses

Cost of sales ratio :UP 1.3 points year-on-year

- Effect of weak yen on overseas transactions
- Production volume failed to increase as much as initially predicted
- Decline in depreciation expense

SG&A expenses :UP ¥107 million year-on-year

- Personnel expenses UP ¥60 million
- Package & Freight Out Expenses UP ¥19 million
- Sample Expenses UP ¥13 million

Fiscal 2014 – First 2 Quarter Analysis of Non-Operating items, Capex, Depreciation

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

¥151 million (UP ¥3 million year to year)

- Foreign exchange gain: ¥45 million

Capex:

¥1,096 million (UP ¥390 million from previous corresponding period)

Depreciation:

¥1,291 million (down ¥102 million from previous corresponding period)

- Cost of sales : ¥ 836 million (down ¥ 113 million)
- SG&A expenses: ¥ 455 million (up ¥ 10 million)



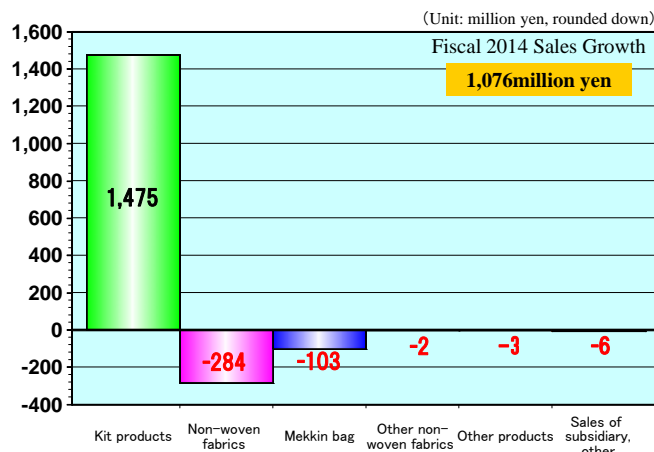


Fiscal 2014 Full-Year Projections

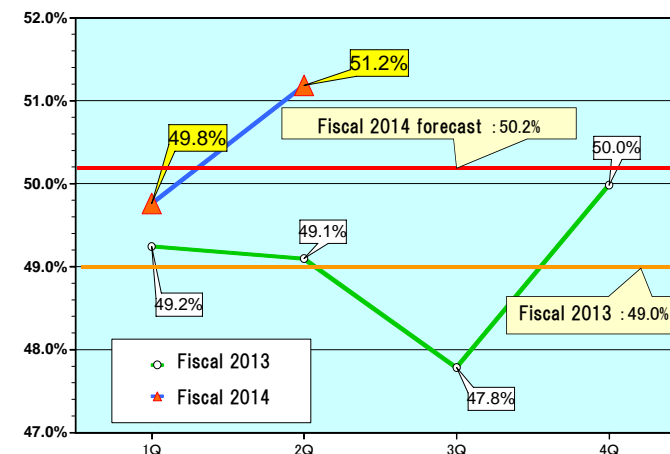
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Cost of sales	17,046	49.0%	17,990	50.2%	943	105.5%
Gross profit	17,747	51.0%	17,880	49.8%	132	100.7%
SG & A expenses	8,999	25.9%	9,000	25.1%	0	100.0%
Operating income	8,747	25.1%	8,880	24.8%	132	101.5%
Non-operating income/loss	308		190		△118	
Ordinary income	9,055	26.0%	9,070	25.3%	14	100.2%
Extraordinary income/loss	△170		40		210	
Net income	5,632	16.2%	5,940	16.6%	307	105.5%
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Fiscal 2014 Sales Growth by Major Products



Cost of Sales Ratio





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Fiscal 2014 Revenue Projections

Cost of sales ratio: UP 1.2 points year-on-year

- Effect of weak yen on overseas transactions
- Consider latest forex trends when incurring costs
- Increase sales in second half to improve productivity
- Decline in depreciation expense

SG&A expenses: UP ¥0 million year-on-year

- Personnel expenses +¥50 million
- Office supplies - ¥47 million

Capex: ¥10,000 million (up ¥2,826 million year-on-year)

- New plant building cost : ¥5,100 million
- And machinery : ¥3,800 million

Depreciation: ¥2,731 million (down ¥134 million year-on-year)

- Cost of sales : ¥1,770 million (down ¥172million)
- SG&A expenses : ¥ 961 million (up ¥38 million)

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(April 1 – September 30, 2014)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

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