



April 15, 2014

# Financial Report Fiscal 2014

(April 1 – March 31, 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.

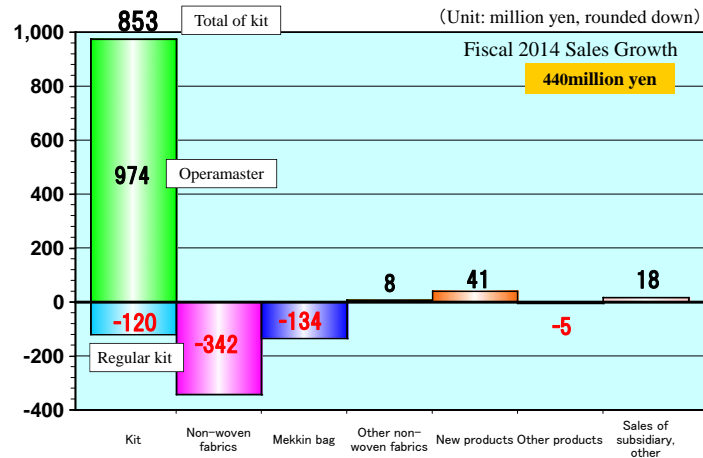
Financial results reported herein have not been audited.

# Overview

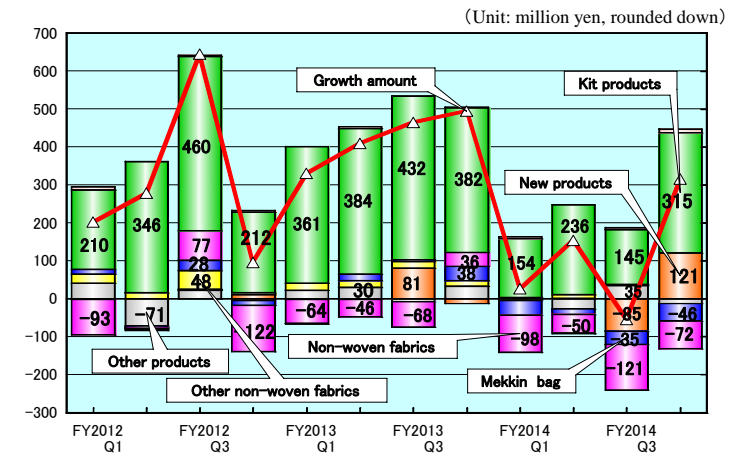
## Fiscal 2014 Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		35,233		440	101.3%
Operating income	8,747	25.1%	8,505	24.1%	△241	97.2%
Ordinary income	9,055	26.0%	8,768	24.9%	△287	96.8%
Net income	5,632	16.2%	5,659	16.1%	26	100.5%
EPS	358.10yen		359.81yen			

## Fiscal 2014 Sales Growth by Major Products



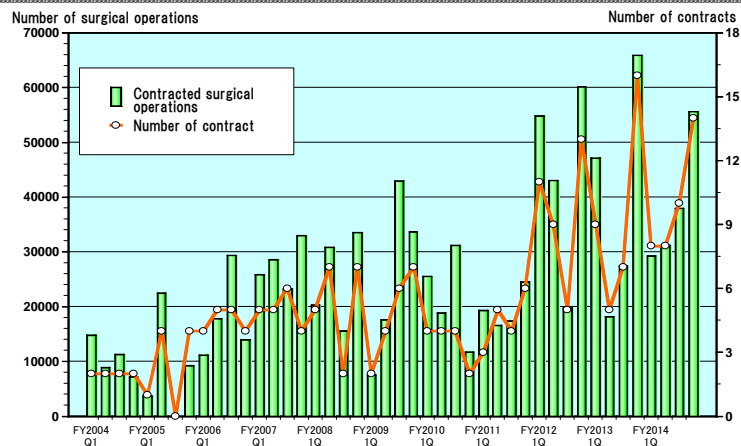
## Fiscal 2014 Sales Growth by Quarter



## Fiscal 2014 Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Results		Year-on-Year Comparison	
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Net sales	34,793		35,233		440	101.3%
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## Number of Operamaster Contracts; Number of Surgical Operations



\* Number of contracted hospitals is current as of the end of Fiscal 2014.

## FY2014 Highlights

- Late in responding to changing market environment
- No change in number of surgical procedures at hospitals (change due to number of working days)
- 42 new Operamaster contracts during period (10 in 1Q; 8 in 2Q; 10 in 3Q; 14 in 4Q); 8 cancellations
- Increase in number of directly contracted Operamaster hospitals
- Increase in costs due to yen's depreciation (impact lessened by forward exchange contracts)
- Impairment treatment for inventory assets

# Strategies and Measures

## Fiscal 2015 Income Forecasts

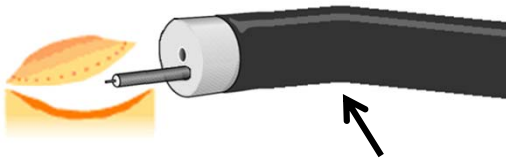
(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		37,100		1,866	105.3%
Operating income	8,505	24.1%	8,290	22.4%	△215	97.5%
Ordinary income	8,768	24.9%	8,420	22.7%	△348	96.0%
Net income	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.68yen			

## FY2015 Initiatives

- First half: Higher sales and income; Second half: Higher sales, lower income
- Higher sales of both existing and new products
- Step up Operamaster proposals to top-end DPC hospitals (Groups I, II, III)
- Expand sales of new products
- Introduce product system
  - ✓ System of selection from development and sales
  - ✓ Promote development, production, and sales of new products
  - ✓ Identify market needs
  - ✓ Pursue high customer satisfaction levels for our products
- Surging costs due to foreign exchange factors and new factory depreciation
- Change in sales composition over medium term
- Completion of new plant building
- Start trial operations of renewal surgical kits
- Step up development and in-house manufacturing of new products to become next-generation pillars
- Improve productivity at P.T. Hogy Indonesia
  - ✓ Improve materials processes, from management to productivity
  - ✓ Strengthen sales within Indonesia

## Overview of ESD Support System

### Products currently on market (image)



«Problems with existing ESD treatment»

- When the surgical device is moved, the camera moves simultaneously, preventing proper viewing perspective.
- Difficult to make accurate and appropriate resection due to difficulty in pinpointing site to be treated.

### New product (image)



Viewing and surgical functions are separated

Accurate viewing guaranteed

Flexion device allows affected part to be pinpointed and peeled away, thus facilitating intuitive operation

Enables reductions in difficulty of procedures and time taken



## New plant Progress situation



## New plant depreciation Plan

(Unit: million yen, rounded down)	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Buildings	[Progress bar from March 2014 to March 2017]				Start of operation [Arrow pointing to March 2019]			
Production system			[Progress bar from March 2016 to March 2017]					
Machinery and equipment		[Progress bar from March 2015 to March 2017]						
New plant capital expenditure	5,100	12,681	7,200	4,340	1,470			
New depreciation (new plant only)			700	2,420	3,550	3,390	2,850	2,440
Old depreciation (new plant only)			1,476	2,624	2,864	2,789	2,518	2,403



# Business Performance Opera Master

## Progress of Operamaster Marketing

**Sales** : 12,359million (UP 974million or 108.6%)

### Number of contracts:

42 new contracts (an increase of 154,800 operations)

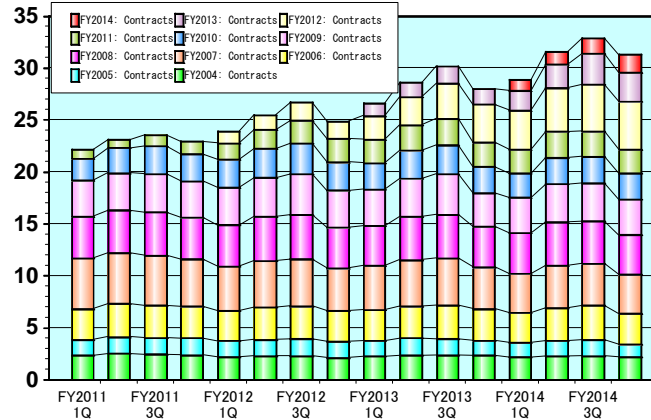
- Large hospitals: 13
- Small and medium-sized hospitals: 29

8 cancelled contracts

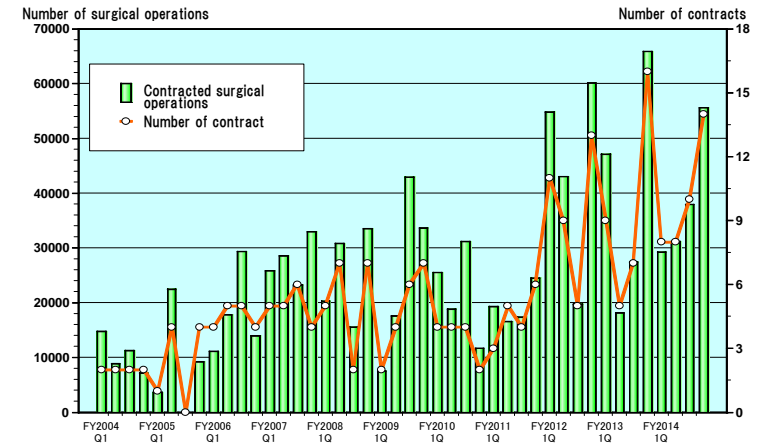
Cumulative total number of contracts: 242

## Sales of Operamaster

(¥100 million, rounded down)

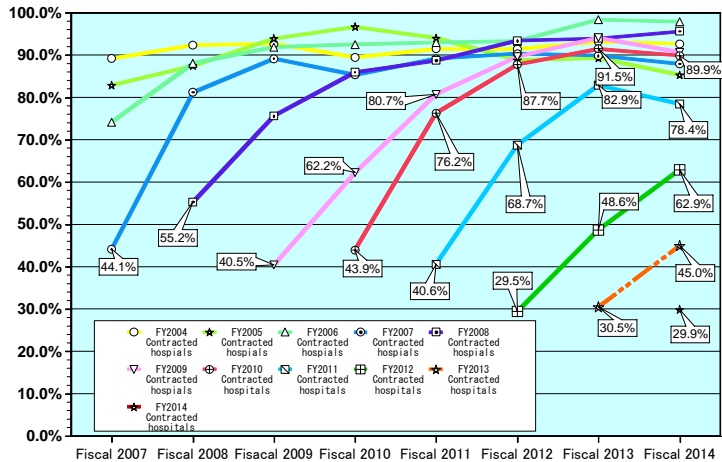


## Number of Operamaster Contracts; Number of Surgical Operations

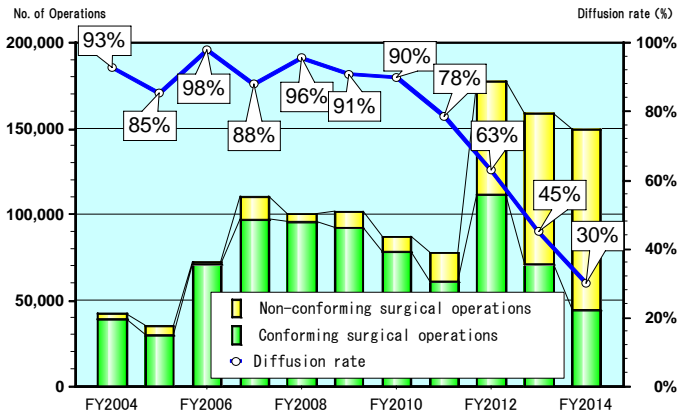


\* Number of contracted hospitals is current as of the end of Fiscal 2014.

### Operamaster Proliferation Ratio



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



\* As of March 31, 2014

### Operamaster: Progress Status

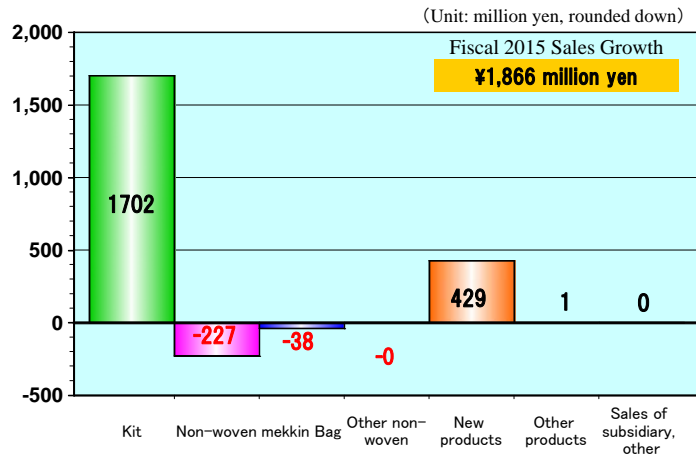
- **Benefits of start-up support team**
  - Success in getting system up and running quickly at priority hospitals
  - Plan to start supporting other institutions incrementally
- **Stability in securing contracts**
  - Rising awareness of need to improve operations at medical institutions
  - Recognition of Operamaster increasing thanks to seminars and the like
- **Ongoing polarization of medical institutions**
  - Further polarization expected due to 2014 revision of medical remuneration



OPERA MASTER

# Fiscal 2015 Full-Year Projections Sales Figures

### Fiscal 2015 Sales Growth by Major Products



### FY2015 Projections

- Increase in overall surgical kit sales, including Operamaster
- Introduction of product system revolving around the 5 key fields
  - Minimally invasive treatment => EMARO, new product sales promotion, and customer feedback reflected in products
  - Medical safety => Get kits up and running at Operamaster contracted hospitals; pursue renewal strategy and value-added kit materials
  - Operamaster => Emphasize customer satisfaction levels for Operamaster
  - Hospital management systems => Promote sales of Surgery Management System; add ME Machine Management System and Operation Procedure Book System; improve systems according to needs
  - Home nursing care and preventive medicine => Currently under consideration
- New product sales projections - Surgery Management System: ¥240 million; Operation Procedure Book System: ¥140 million; EMARO: ¥100 million (10 units); IC Tracer: ¥70 million (20 units)





# Business Performance



## Fiscal 2014 Income Statements

## Fiscal 2014 Analysis of Cost and SG&A Expenses

## Fiscal 2014 Analysis of Non-Operating items, Capex, Depreciation

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		35,233		440	101.3%
Cost of sales	17,046	49.0%	17,855	50.7%	809	104.7%
Gross profit	17,747	51.0%	17,378	49.3%	△368	97.9%
SG & A expenses	8,999	25.9%	8,872	25.2%	△127	98.6%
Operating income	8,747	25.1%	8,505	24.1%	△241	97.2%
Non-operating income/loss	308		262		△45	
Ordinary income	9,055	26.0%	8,768	24.9%	△287	96.8%
Extraordinary income/loss	△170		△89		80	
Net income	5,632	16.2%	5,659	16.1%	26	100.5%
EPS	358.10yen		359.81yen			

### Cost of sales ratio: Up 1.7 points year-on-year

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

### SG&A expenses: Down ¥127 million year-on-year

- Experiment and research expenses Down ¥112 million
- Consumables expenses Down ¥36 million
- Personnel expenses Up ¥33 million

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

¥262 million (down ¥45 million year to year)

- Foreign exchange gain: ¥115 million ( previous year : ¥111 million )

### Capex:

¥15,082 million (up ¥7,908 million year to year)

- New plant construction cost: ¥12,681 million
- Other : ¥2,401million

### Depreciation:

¥2,708 million (down ¥156 million from previous corresponding period)

- Cost of sales : ¥1,757 million (down ¥185 million)
- SG&A expenses: ¥951 million (up ¥28 million)



# Fiscal 2015 Full-Year Projections



## Fiscal 2015 Income Statements

## Fiscal 2015 Revenue Projections

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		37,100		1,866	105.3%
Cost of sales	17,855	50.7%	19,760	53.3%	1,904	110.7%
Gross profit	17,378	49.3%	17,340	46.7%	△38	99.8%
SG & A expenses	8,872	25.2%	9,050	24.4%	177	102.0%
Operating income	8,505	24.1%	8,290	22.4%	△215	97.5%
Non-operating income/loss	262		130		△132	
Ordinary income	8,768	24.9%	8,420	22.7%	△348	96.0%
Extraordinary income/loss	△89				89	
Net income	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.68yen			

### Cost of Sales ratio: Up 2.6 points year-on-year

- Increase in depreciation due to acquisition of new factory building (from second half)
- Effect of exchange on overseas transactions
- Improve productivity by increasing production volume

### SG&A expenses: Up ¥117 million year-on-year

- Depreciation expenses Up ¥117 million
- Advertising expense Up ¥42 million
- Personnel expenses Up ¥23 million

### Capex: ¥ 8,300 million (down ¥ 6,782 million year-on-year)

- New plant capex: ¥ 7,200 million

### Depreciation: ¥ 3,429 million (up ¥ 720 million year-on-year)

- Cost of sales: ¥ 2,360 million (up ¥602 million)
- SG&A expenses: ¥ 1,069 million (up ¥ 117 million)

### Cash dividends: ¥116.00 per share/full-year

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