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October 16, 2015



Financial Report First 2 Quarters of Fiscal 2015

(April 1 – September 30, 2015)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

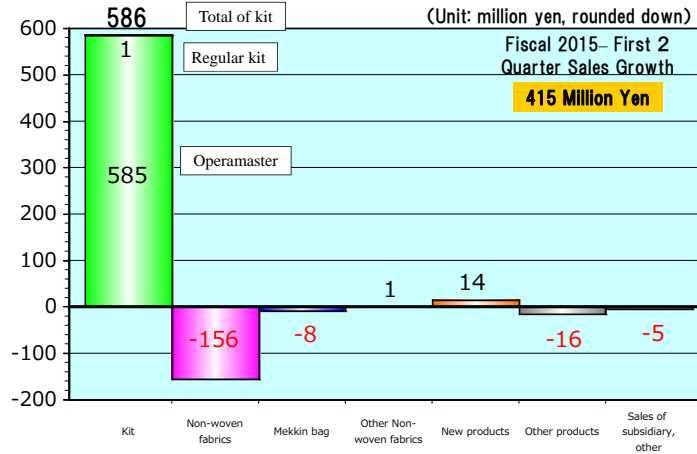
HOGY MEDICAL Co., Ltd.

Overview

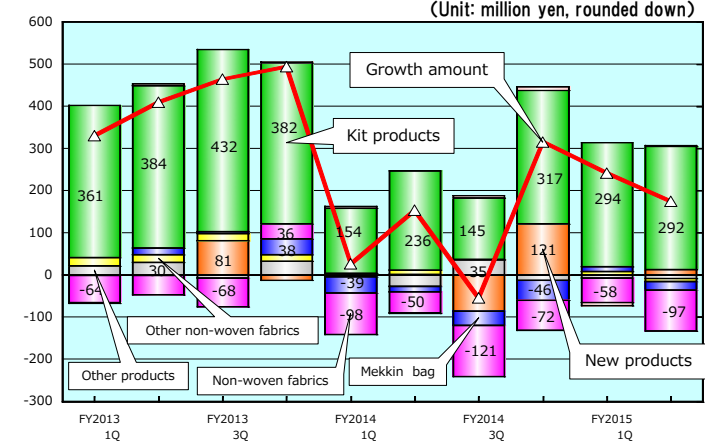
Fiscal 2015 – First 2 Quarter Income Statements

| (Unit: million yen, rounded down) | Fiscal 2014 First 2 Quarter Results | | Fiscal 2015 First 2 Quarter Results | | Year-on-Year Comparison | |
|---|-------------------------------------|------------|-------------------------------------|------------|-------------------------|--------|
| | Amount | % of Total | Amount | % of Total | Amount | % |
| Net sales | 17,237 | | 17,652 | | 415 | 102.4% |
| Operating income | 4,075 | 23.6% | 4,383 | 24.8% | 307 | 107.6% |
| Ordinary income | 4,227 | 24.5% | 4,467 | 25.3% | 240 | 105.7% |
| Profit attributable to owners of parent | 2,792 | 16.2% | 3,035 | 17.2% | 242 | 108.7% |
| EPS | 177.56yen | | 193.00yen | | | |

Fiscal 2015 – First 2 Quarter Sales Growth by Major Products



Fiscal 2015 – First 2 Quarter Sales Growth by Quarter



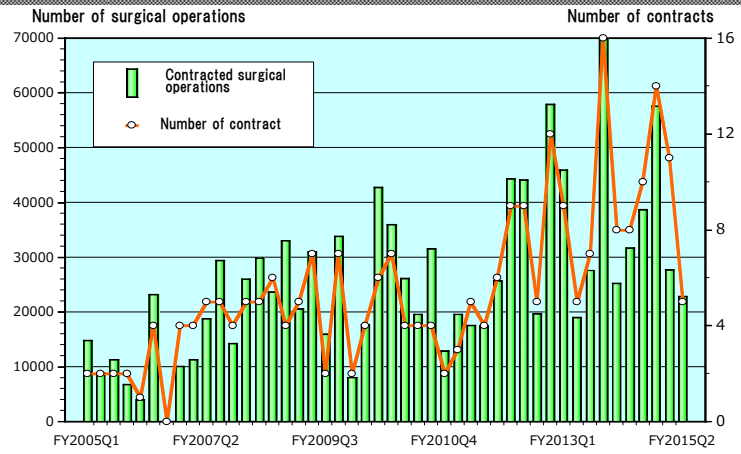


Fiscal 2015 – First 2 Quarter Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Highlights

| (Unit: million yen, rounded down) | Fiscal 2014 First 2 Quarter Results | | Fiscal 2015 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 2015.

- **Number of surgical operations on a recovery path**
- **16 new Operamaster contracts during period (11 in 1Q ; 5 in 2Q) ; 3 cancellations**
- **Surgery Management System: Currently setting up contracts with 3 institutions**
- **EMARO launched in August; undergoing clinical assessments until end of October**
- **Construction of new plant buildings completed in August**

Fiscal 2015 Outlook



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 | 22.3% | △215 | 97.5% |
| Ordinary income | 8,768 | 24.9% | 8,420 | 22.7% | △348 | 96.0% |
| Profit attributable to owners of parent | 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)
- Step up sales of EMARO Endoscope Holder
- Introduce and utilize 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
- Construction of new plant buildings completed; currently installing production equipment
- Trial operation of Premium Kits to start in second half of fiscal year
- Step up development and in-house manufacturing of new products to become next-generation pillars
- Improve productivity at P.T. Hogy Indonesia
 - ✓ Emphasis on automation, from managing materials to improving productivity
 - ✓ Strengthen sales within Indonesia

New plant Progress situation

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 | | ▶ | | | | | | |
| Production system | | | ▶ | | | | | |
| Machinery and equipment | | ▶ | | | | | | |
| New plant capital expenditure | 5,100 | 12,681 | 7,200 | 4,340 | 1,470 | | | |
| Depreciation (new plant only) | | | 700 | 2,420 | 3,550 | 3,390 | 2,850 | 2,440 |



Sales details

Progress of Operamaster Marketing

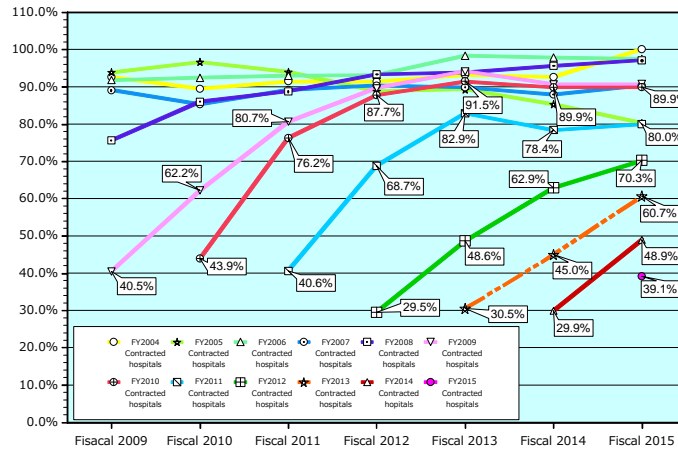
Sales: 6,620 million(UP 585 million or 109.7%)

Number of contracts: 5 new contracts

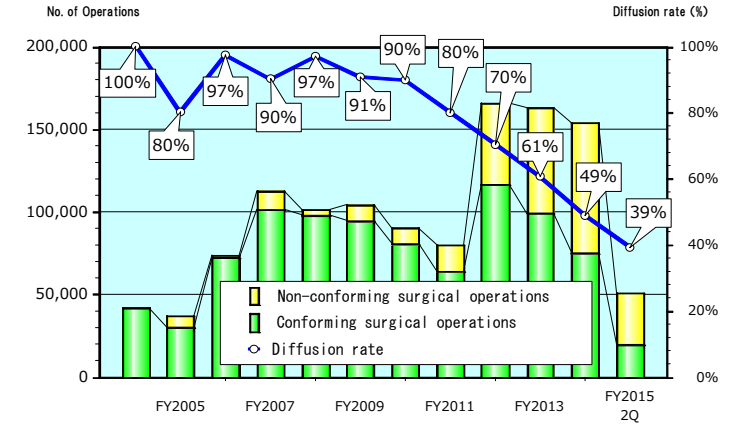
- DPC I hospitals : 1
- DPC II hospitals : 1
- DPC III hospitals : 3

Cumulative total number of contracts: 255

Operamaster Proliferation Ratio



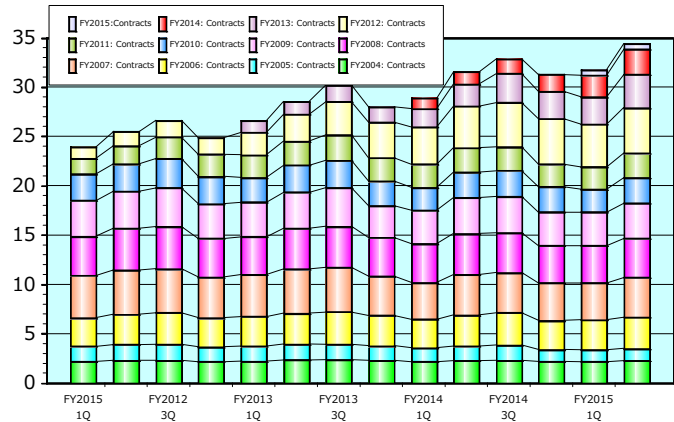
Operamaster-Proliferation Ratio and Number of Surgical Procedures, by Fiscal Year



* Number of contracted hospitals is current as of the end of the first 2 quarter of Fiscal 2015.

Sales of Operamaster

(¥100 million, rounded down)



Fiscal 2015 (2Q) Highlights

- Operamaster sales up 9.7% year on year
- New Operamaster contracts during period : 16
(DPC I hospital:1, DPC II hospitals:4)
- EMARO launched in August; undergoing clinical assessments until end of October
- Surgery Management System: Currently setting up contracts with 3 institutions
- Twice conducted in the first half of the Luncheon Seminar ,this month three times implementation

For clinical evaluation of EMARO

| Advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none"> ✓ We were able to gain a more stable perspective ✓ We were able to perform surgeries smoothly ✓ We could do camera work immediately after moving the endoscope (no time lag) | <ul style="list-style-type: none"> ✓ Use of foot pedals meant we had to take our eyes off the monitor ✓ Range of motion did not fit some surgical procedures |

Important point is to deepen understanding of EMARO by properly explaining it beforehand!



Profit Details

Fiscal 2015 – First 2 Quarter Income Statements

Fiscal 2015 – First 2 Quarter Analysis of Cost and SG&A Expenses

Fiscal 2015 – First 2 Quarter Analysis of Non-Operating items, Capex, Depreciation



| (Unit: million yen, rounded down) | Fiscal 2014 First 2 Quarter Results | | Fiscal 2015 First 2 Quarter Results | | Year-on-Year Comparison | |
|--|---|---------------|---|---------------|----------------------------|--------|
| | Amount | % of Total | Amount | % of Total | Amount | % |
| Net sales | 17,237 | | 17,652 | | 415 | 102.4% |
| Cost of sales | 8,703 | 50.5% | 8,982 | 50.9% | 279 | 103.2% |
| Gross profit | 8,533 | 49.5% | 8,669 | 49.1% | 135 | 101.6% |
| SG & A expenses | 4,457 | 25.9% | 4,286 | 24.3% | △171 | 96.1% |
| Operating income | 4,075 | 23.6% | 4,383 | 24.8% | 307 | 107.6% |
| Non-operating income/loss | 151 | | 84 | | △67 | |
| Ordinary income | 4,227 | 24.5% | 4,467 | 25.3% | 240 | 105.7% |
| Extraordinary income/loss | 41 | | 3 | | △37 | |
| Profit attributable to owners of parent | 2,792 | 16.2% | 3,035 | 17.2% | 242 | 108.7% |
| EPS | 177.56yen | | 193.00yen | | | |

Cost of sales ratio: UP 0.4 points year-on-year

- Effect of weak yen on overseas transactions
- Impact of inventory valuations
- The amortization expense increase due to new plant building acquisition
- Improve productivity by increasing production volume

SG&A expenses: Down ¥171 million year-on-year

- Personnel expenses Down ¥135 million
- Experiment and research expenses Down ¥51 million
- Depreciation expenses UP ¥51 million

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

¥84 million (down ¥67 million year to year)

- Foreign exchange gain: ¥4 million (down ¥40 million year to year)

Capex: ¥5,492 million (up ¥4,396 million year to year)

Depreciation: ¥1,450 million (up ¥158 million year to year)

- Cost of sales: ¥943 million (up ¥107 million)
- SG&A expense: ¥506 million (up ¥51 million)

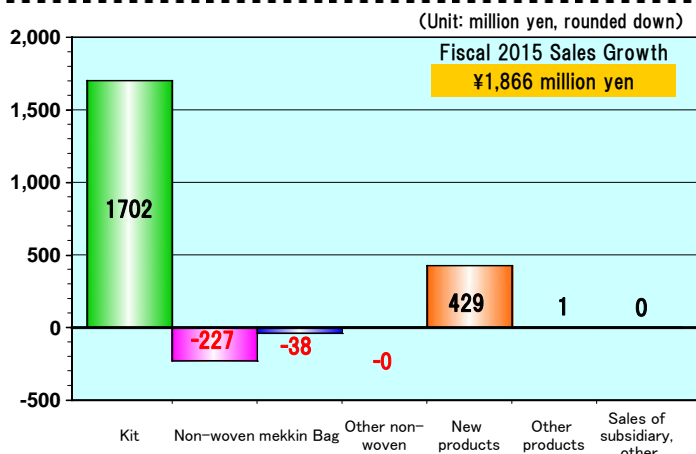


Fiscal 2015 Full-Year Projections

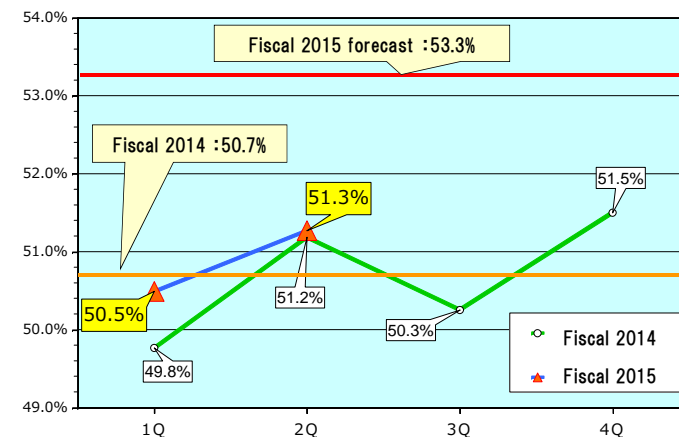
Fiscal 2015 Income Statements

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|---|---------------------|------------|------------------|------------|-------------------------|--------|
| | 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 | |
| Profit attributable to owners of parent | 5,659 | 16.1% | 5,500 | 14.8% | △159 | 97.2% |
| EPS | 359.81yen | | 349.68yen | | | |

Fiscal 2015 Sales Growth by Major Products



Cost of Sales Ratio



Fiscal 2015 Income Statements

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| | 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 | |
| Profit attributable to owners of parent | 5,659 | 16.1% | 5,500 | 14.8% | △159 | 97.2% |
| EPS | 359.81yen | | 349.68yen | | | |

Fiscal 2015 Revenue Projections

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

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

SG&A expenses: Up ¥177 million year-on-year

- Depreciation expenses Up ¥117 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)

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(April 1 – September 30, 2015)

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Hiroshi Yamashita, Deputy manager public relations

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