

January 19, 2016



Financial Report First 3 Quarters of Fiscal 2015

(April 1 – December 31, 2015)

Jun-ichi Hoki, President and CEO

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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.

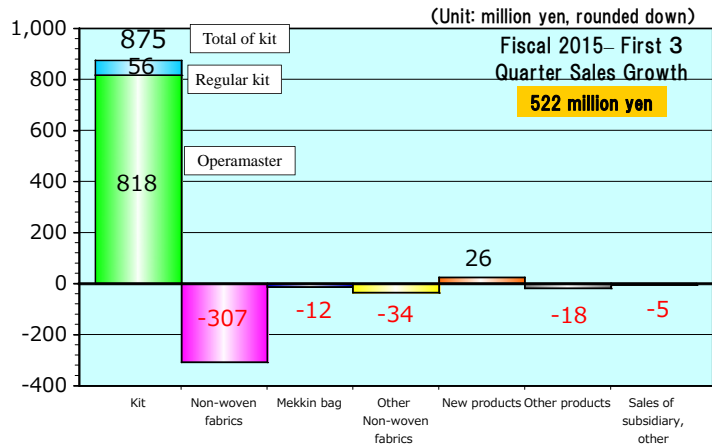
Financial results reported herein have not been audited.

Overview

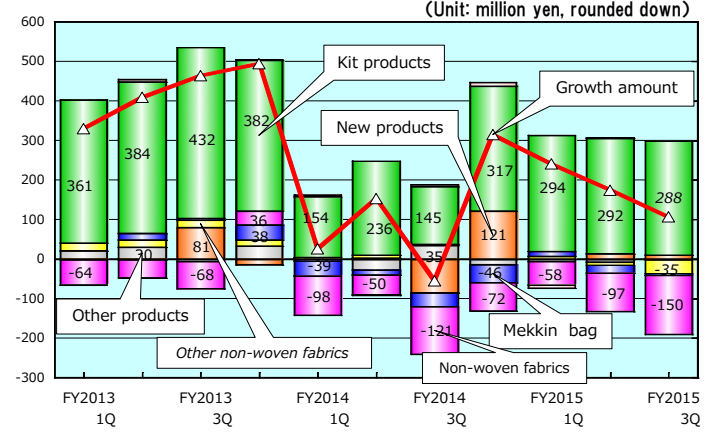
Fiscal 2015 – First 3 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 First 3 Quarter Results		Fiscal 2015 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	26,532		27,055		522	102.0%
Operating income	6,489	24.5%	6,561	24.3%	72	101.1%
Ordinary income	6,744	25.4%	6,701	24.8%	△43	99.4%
Profit attributable to owners of parent	4,445	16.8%	4,556	16.8%	110	102.5%
EPS	282.65yen		289.68yen			

Fiscal 2015 – First 3 Quarter Sales Growth by Major Products



Fiscal 2015 – First 3 Quarter Sales Growth by Quarter



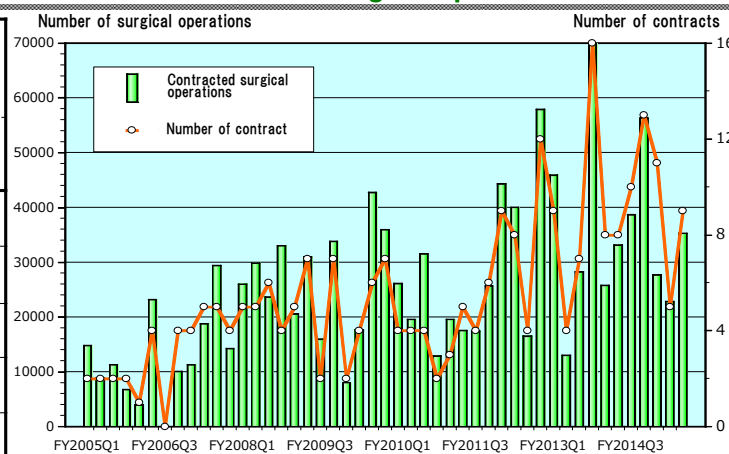


5 Fiscal 2015 – First 3 Quarter Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Highlights

(Unit: million yen, rounded down)	Fiscal 2014 First 3 Quarter Results		Fiscal 2015 First 3 Quarter Results		Year-on-Year Comparison	
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- Number of surgical operations at Operamaster-contracted hospitals trending smoothly
- 25 new Operamaster contracts signed during period (11 in 1Q; 5 in 2Q; 9 in 3Q); as well as 7 cancellations
- Surgery Management System contracts currently getting under way with 3 institutions
- Positive feedback from EMARO clinical trials
- New factory building completed in August 2015; installation of production equipment started
- Increase in costs due to depreciation of new factory and foreign exchange impact

Fiscal 2015 Outlook

Fiscal 2015 Income Forecasts

FY2015 Initiatives

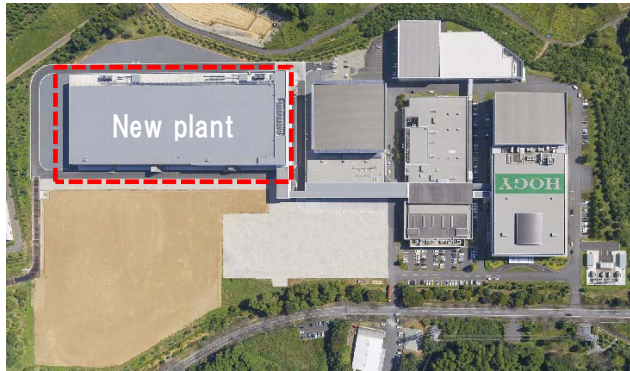
(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		37,100		1,866	105.3%
Operating income	8,505	24.1%	8,290	22.3%	△215	97.5%
Ordinary income	8,768	24.9%	8,420	22.7%	△348	96.0%
Profit attributable to owners of parent	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.69yen			

- First half: Higher sales and income; Second half: Higher sales, lower income
- [Reassess low-profit 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
- [Start clinical trials of Premium Kit in 4Q](#)
- [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: 10,189 million (UP 818 million or 108.7%)

Number of contracts: 9 new contracts

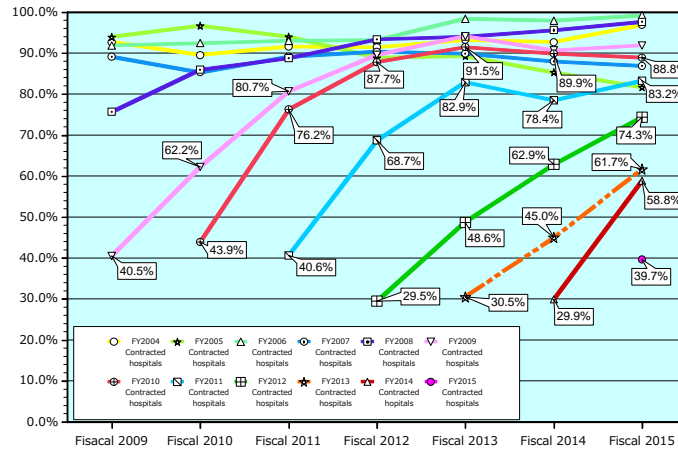
- DPC I hospitals : 1
- DPC II hospitals : 2
- DPC III hospitals : 6

4 cancelled contracts

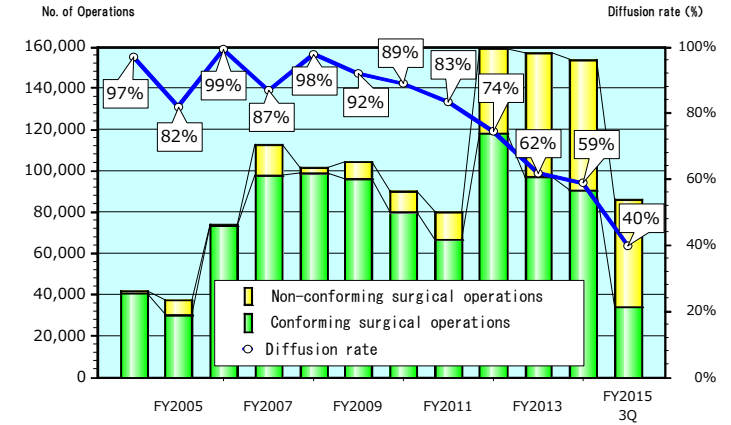
Cumulative total number of contracts: 260

➤ [Increasing Operamaster proliferation thanks to success of initialization team](#)

Operamaster Proliferation Ratio



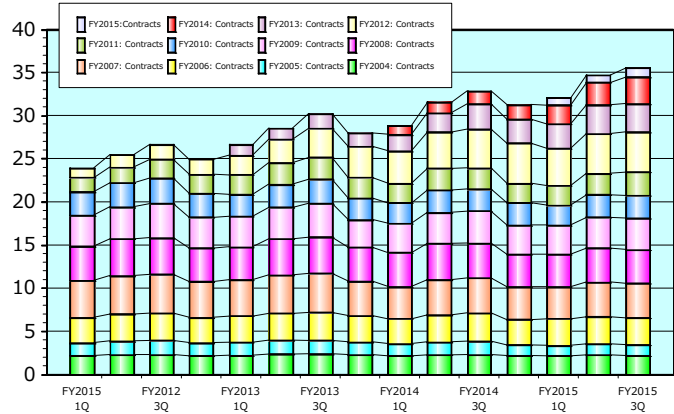
Operamaster-Proliferation Ratio and Number of Surgical Procedures, by Fiscal Year



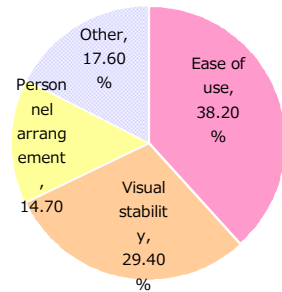
* Number of contracted hospitals is current as of the end of the first 3 quarter of Fiscal 2015.

Sales of Operamaster

(¥100 million, rounded down)



Effect of EMARO Clinical Trials



Evaluation	Count	Comments
◎	14	<ul style="list-style-type: none"> ➢ Able to secure stable field of view with very low camera shake ➢ Able to move it at will
○	35	<ul style="list-style-type: none"> ➢ Follow-up was very good ➢ Conducive to more efficient personnel arrangement
△	10	<ul style="list-style-type: none"> ➢ Multiple pedals made footwork complicated
×	4	<ul style="list-style-type: none"> ➢ Forceps hindered by machine's configuration

- Positive clinical evaluations: clinical trials to be rolled out at standby facilities
- Increase in clinical trial institutions thanks to academic society exhibitions

Fiscal 2015 (3Q) Highlights

- Operamaster sales up 108.7% year on year
- New Operamaster contracts during period : 25 (DPC I hospital:2, DPC II hospitals:6, DPC III hospitals:16, Unclassified: 1)
- EMARO launched in August; clinical evaluations continuing
- Plan to sell 3 Surgery Management Systems in 4Q
- 7 luncheon seminars held



Profit Details



14 **Fiscal 2015 – First 3 Quarter**
Income Statements

Fiscal 2015 – First 3 Quarter
Analysis of Cost and SG&A Expenses

Fiscal 2015 – First 3 Quarter
Analysis of Non-Operating items, Capex, Depreciation

(Unit: million yen, rounded down)	Fiscal 2014 First 3 Quarter Results		Fiscal 2015 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	26,532		27,055		522	102.0%
Cost of sales	13,374	50.4%	13,940	51.5%	566	104.2%
Gross profit	13,158	49.6%	13,114	48.5%	△43	99.7%
SG & A expenses	6,669	25.1%	6,553	24.2%	△115	98.3%
Operating income	6,489	24.5%	6,561	24.3%	72	101.1%
Non-operating income/loss	255		140		△115	
Ordinary income	6,744	25.4%	6,701	24.8%	△43	99.4%
Extraordinary income/loss	41		1		△39	
Profit attributable to owners of parent	4,445	16.8%	4,556	16.8%	110	102.5%
EPS	282.65yen		289.68yen			

Cost of sales ratio: UP 1.1 points year-on-year

- Impact of inventory valuations
- Improve Productivity of Subsidiary
- Effect of weak yen on overseas transactions
- The amortization expense increase due to new plant building acquisition

SG&A expenses: Down ¥115 million year on year

- Personnel expenses Down ¥101 million
- Experiment and research expenses Down ¥89 million
- Depreciation expenses UP ¥70 million

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

¥140 million (down ¥115 million year to year)

- Foreign exchange gain: down ¥124 million year to year

Capex: ¥6,813 million (down ¥3,841 million year to year)

Depreciation: ¥2,378 million (up ¥395 million year to year)

- Cost of sales: ¥1,609 million (up ¥325 million)
- SG&A expense: ¥769 million (up ¥70 million)

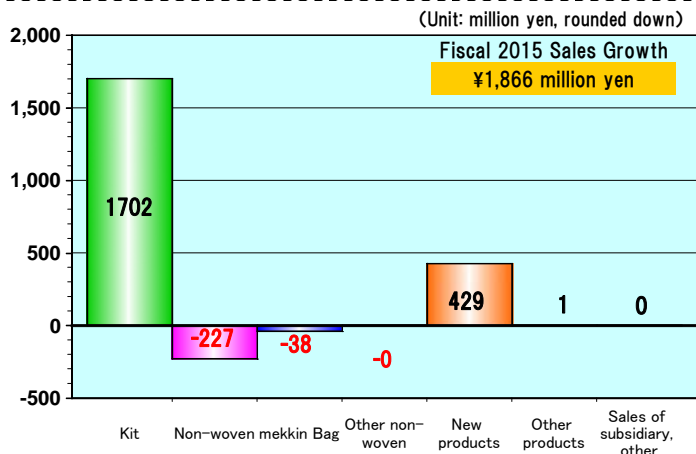


Fiscal 2015 Full-Year Projections

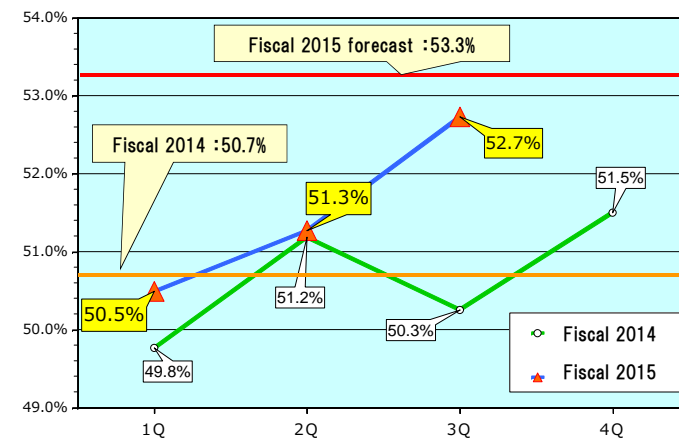
Fiscal 2015 Income Statements

(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	
Profit attributable to owners of parent	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.69yen			

Fiscal 2015 Sales Growth by Major Products



Cost of Sales Ratio





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	
Profit attributable to owners of parent	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.69yen			

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

- Impact of inventory valuations
- 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

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)

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

- Depreciation expenses Up ¥117 million



OPERATIONS

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