

April 12, 2016

Consolidated Financial Results for Fiscal 2015

[Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
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 URL: **http://www.hogy.co.jp**
 Representative: **Jun-ichi Hoki, President and CEO**
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 Annual Meeting of Shareholders: **June 24, 2016**
 Date of issue of Financial Report: **June 24, 2016**
 Preparation of supplementary materials for financial results: **Yes**
 Information meet for financial results to be held: **Yes**
 Start of cash dividend payments: **May 31, 2016**

1. Financial results for fiscal 2015 (April 1, 2015–March 31, 2016)

(1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2015	¥36,568	+3.8%	¥8,784	+3.3%	¥8,924	+1.8%	¥5,910	+4.4%
Fiscal 2014	35,233	+1.3%	8,505	-2.8%	8,768	-3.2%	5,659	+0.5%

Note: Comprehensive income

Fiscal 2015: ¥6,119 million (down 36.7%)

Fiscal 2014: ¥9,670 million (up 28.9%)

	Profit per share	Profit per share (fully diluted)	ROE	Ordinary income/ Total assets	Operating income/ Net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2015	¥375.81	—	6.9%	8.8%	24.0%
Fiscal 2014	359.81	—	7.1%	9.1%	24.1%

Note: Gain/loss on investments based on equity method

Fiscal 2015: ¥—million

Fiscal 2014: ¥—million

(2) Financial position (year-end)

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2015	¥ 99,963	¥87,610	87.6%	¥5,569.77
Fiscal 2014	102,944	83,301	80.9%	5,295.72

Note: Equity capital at year-end

Fiscal 2015: ¥87,603 million

Fiscal 2014: ¥83,295 million

(3) Cash flows

	(Millions of yen, rounded down)			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal 2015	¥6,809	¥-15,669	¥-1,811	¥11,993
Fiscal 2014	7,935	-11,973	-1,747	22,661

2. Cash dividends

(Date of record)	Cash dividends per share (Yen)					Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ Net assets (consolidated) (%)
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year			
Fiscal 2014	¥28.00	¥28.00	¥28.00	¥28.00	¥112.00	¥1,761	31.1%	2.2%
Fiscal 2015	29.00	29.00	29.00	29.00	116.00	1,824	30.9%	2.1%
Fiscal 2016 (est.)	30.00	30.00	30.00	30.00	120.00		37.7%	

3. Forecast for fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥18,490	+4.7%	¥3,570	-18.6%	¥3,650	-18.3%	¥2,520	-17.0%	¥160.22
Full year	38,400	+5.0%	7,180	-18.3%	7,280	-18.4%	5,000	-15.4%	317.90

4. Notes

(1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: Yes

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No

(4) Restatements: No

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2015: 16,341,155

Fiscal 2014: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2015: 612,767

Fiscal 2014: 612,348

3. Average number of shares over period

Fiscal 2015: 15,728,557

Fiscal 2014: 15,729,011

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2015 (April 1, 2015–March 31, 2016)

(1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2015	¥36,320	+3.8%	¥7,729	+1.0%	¥7,997	-0.4%	¥5,249	+2.1%
Fiscal 2014	34,985	+1.1%	7,651	-4.0%	8,030	-4.1%	5,142	-0.3%

	Profit per share (Yen)	Profit per share (fully diluted) (Yen)
Fiscal 2015	¥333.74	—
Fiscal 2014	326.95	—

(2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share (Yen)
Fiscal 2015	¥93,375	¥81,507	87.3%	¥5,182.19
Fiscal 2014	96,959	77,882	80.3%	4,951.57

Note: Equity capital at year-end

Fiscal 2015: ¥81,507 million

Fiscal 2014: ¥77,882 million

2. Forecast for fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥18,350	+4.6%	¥3,040	-23.1%	¥3,120	-22.9%	¥2,140	-21.3%	¥136.06
Full year	38,110	+4.9%	6,320	-18.2%	6,510	-18.6%	4,460	-15.0%	283.56

Implementation status of review procedures

This financial results report is subject to review procedures under Japan's Financial Instruments and Exchange Law. At the time of this report's release, however, such review procedures under the Financial Instruments and Exchange Law had not been completed.

Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Accordingly, the Company cannot make promises to achieve such forecasts. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company's forecasts and the usage of such forecasts, please refer "(1) Performance" on page 5.

Contents

1. Performance and Financial Position	5
(1) Performance	5
(2) Financial Position	6
(3) Basic Profit Appropriation Policy and Cash Dividends	8
(4) Business Risks	8
2. The Hogy Medical Group	9
3. Management Policies	10
(1) Basic Policy	10
(2) Key Performance Indicators	10
(3) Medium- and Long-Term Strategies	10
(4) Issues to Address	11
(5) Other Important Company Management Items	12
4. Basic Approach to Selection of Accounting Standards	12
5. Consolidated Financial Statements	13
(1) Balance Sheets	13
(2) Statements of Income and Statements of Comprehensive Income	15
(3) Statements of Changes in Shareholders' Equity	17
(4) Statements of Cash Flows	19
6. Non-Consolidated Financial Statements	21
(1) Balance Sheets	21
(2) Statements of Income	24
(3) Statements of Changes in Shareholders' Equity	25

1. Performance and Financial Position

(1) Performance

In the fiscal year under review, the outlook for the Japanese economy was uncertain amid overseas economic slowdown, low crude oil prices, unstable movements in markets since New Year, and other factors. This was despite economic measures taken by the government and additional financial measures taken by the Bank of Japan.

In the medical care sector, medical authorities are promoting reforms of the medical system by strengthening functional differentiation, reflecting an effort to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation. Business conditions in the medical equipment industry are also tough, and institutions are facing pressure to further streamline their operations in response to the changing medical care environment.

Under these circumstances, the Hogy Medical Group expanded sales of Operamaster, which helps medical institutions improve their operations. We also focused on promoting sales of surgical kits to contracted institutions and developing and selling new products.

With respect to Operamaster, during the year we focused our sales activities on advanced acute-phase clinics and general acute-phase clinics. As a result, the Group signed 40 new Operamaster contracts during the period. After accounting for 10 cancellations, this brought total contracts in force to 272 at year-end. We also promoted sales of surgical kits by reinforcing sales management at newly contracted institutions, resulting in an increase in sales, especially of surgical kits related to Operamaster. Sales of non-wovens declined, partially impacted by measures to underpin earnings in response to rising materials costs stemming from foreign exchange and other external factors.

With respect to new products, during the year we sold our Surgery Management System—which contributes to enhanced efficiency of surgery room procedures and improved operations of medical institutions—to three institutions. We also sold EMARO Endoscope Holder, which offers high levels of safety and exceptional ease of operation in the field of minimally invasive medical treatment, to two institutions. Overall sales of new products increased as a result.

Regarding our Premium Kits, designed to provide maximum benefits to customers, during the year we reassessed products specifications and studied sales methods with a view to starting trial operation. As for our new surgical kit plant—a manufacturing facility that will contribute greatly to the Group's future growth—we completed construction in the second quarter and are currently installing internal machinery and equipment.

As a result, consolidated net sales for the year amounted to ¥36,568 million, up 3.8% from the previous year. Sales of surgical kits rose 7.3%, to ¥20,259 million. Within this amount, Operamaster-related sales climbed 9.9%, to ¥13,721 million, and sales of surgical-use non-wovens declined 2.8%, to ¥9,728 million.

With respect to cost of sales, the cost of sales ratio increased year on year due to foreign exchange factors and higher depreciation expenses. However, we managed to keep selling, general, and administrative (SG&A) expenses below the previous-year level thanks to efforts to manage expenditures efficiently. Consequently, operating income rose 3.3%, to ¥8,784 million. Ordinary income was up 1.8%, to ¥8,924 million, impacted by foreign exchange fluctuations on foreign-currency loans of our subsidiary. Profit attributable to owners of parent rose 4.4%, to ¥5,910 million.

(Outlook)

Looking at the future of the medical care environment, a medical fee revision was undertaken in fiscal 2016 as part of reforms to the medical care system. In this context, measures are being adopted to promote functional differentiation and consolidation, including reassessment of “severity, treatment, and nursing requirements,” and further polarization of hospitals is expected as a consequence.

To address future changes in the medical care environment, the Hogy Medical Group has introduced a product system—covering the fields of “minimally invasive treatment,” “medical safety,” “hospital management,” and “home nursing care and preventive medicine”—and is strengthening support for its marketing and sales divisions. For surgical kits, we will boost name recognition of Premium Kits and start trial operation and sales, with the aim of further increasing customer satisfaction levels and launching sales. Meanwhile, we will continue strengthening sales management for surgical kits at contracted institutions in an ongoing effort to book sales at an early stage.

With respect to new products, we will establish “model hospitals” for Surgery Management System, EMARO Endoscope Holder, IC Tracer, and other offerings while reinforcing sales in order to improve our business performance.

Regarding the new surgical kit plant, although depreciation expenses will increase with the completion of construction, we believe the new factory—a manufacturing facility that will supply safe products reliably—will differentiate Hogy Medical from other companies and thus contribute greatly to the Group’s revenue and earnings in the future. The factory is scheduled to start operating in April 2017, after internal machinery and equipment have been installed.

Our consolidated forecasts for the fiscal year to March 2017 are shown below.

(Consolidated performance forecasts)

Net sales	¥38,400 million	(up 5.0%)
Operating income	¥ 7,180 million	(down 18.3%)
Ordinary income	¥ 7,280 million	(down 18.4%)
Net income	¥ 5,000 million	(down 15.4%)

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2016, total assets amounted to ¥99,963 million, down ¥2,981 million from a year earlier. For the year, current assets decreased ¥9,207 million, to ¥33,655 million. Factors included a ¥10,652 million decline in cash and bank deposits and a ¥688 million increase in notes and accounts receivable. Fixed assets amounted to ¥66,307 million. Within fixed assets, tangibles rose ¥4,897 million, to ¥49,742 million, reflecting a ¥14,356 million rise in buildings and structures associated with construction of a new surgical kit manufacturing plant, as well as a ¥10,567 million decrease in construction in progress. Intangibles rose ¥708 million, to ¥3,241 million, and investments and other assets climbed ¥620 million, to ¥13,323 million, after accounting for market valuations of investment securities.

At fiscal year-end, total liabilities amounted to ¥12,352 million, down ¥7,289 million from a year earlier. Current liabilities fell ¥7,476 million, to ¥9,143 million. This was due mainly to a ¥4,945 million drop in equipment-related payables resulting from construction of the new surgical kit plant, as well as a ¥2,360 million decline in accrued payables associated with construction of that plant. Long-term liabilities remained mostly unchanged, at ¥3,209 million.

Net assets at the end of the year totaled ¥87,610 million, up ¥4,308 million from a year earlier. The main factors boosting net assets were ¥5,910 million in profit attributable to owners of parent and a ¥1,037 million increase in net unrealized gain or loss on securities, while the major factor holding down net assets was ¥1,808 million in cash dividends paid. As a result, the equity ratio rose from 80.9% to 87.6%.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥11,993 million, down ¥10,667 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥6,809 million, down ¥1,126 million from the previous year. Major items included ¥8,743 million in income before income taxes and ¥3,376 million in depreciation, as well as a ¥688 million increase in notes and accounts receivable, a ¥1,192 million increase in accrued consumption tax payables associated with purchased related to the new surgical kit plant, and ¥2,999 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥15,669 million, up ¥3,696 million from the previous year. Main outflows included ¥14,690 million in purchase of tangible fixed assets related to construction of the new surgical kit manufacturing plant and related machinery and equipment.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,811 million, up ¥63 million from the previous year. This was due largely to cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥9,600 million. With respect to cash flows from investing activities, we estimate around ¥6,560 million in outlays related to construction of the new surgical kit plant and related machinery and equipment. We forecast net cash used in financing activities to be around ¥1,870 million, mainly influenced by payment of cash dividends.

(Cash Flow Indicators)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Equity ratio (%)	88.9	83.4	80.9	87.6
Equity ratio based on market price (%)	107.1	95.4	93.7	98.7
Debt coverage (years)	—	—	—	—
Interest coverage ratio (times)	—	—	—	—

Notes:

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Debt coverage: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

- Each index is calculated based on consolidated financial figures.
- Market value of total stock is calculated by multiplying the stock price (closing price at the end of the year) by the number of shares outstanding at the end of the year.
- Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows). Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

(3) Basic Profit Appropriation Policy and Cash Dividends

The Company's basic policy with respect to profit appropriation emphasizes proactive and consistent return of profits to shareholders. To this end, we always adhere to our corporate motto of "ensuring harmonious coexistence with customers, shareholders, employees, and corporations," in place since our foundation. To ensure that the fruits of our performance are swiftly returned to shareholders, we pay cash dividends on a quarterly basis. In the year under review, we paid dividends of ¥29.00 for each quarter, bringing total annual dividends to ¥116.00 per share. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 31, 2016.) In the fiscal year ending March 2017, we plan to pay dividends of ¥30.00 per quarter, for total annual dividends of ¥120.00 per share.

(4) Business Risks

The business performance, share price, and financial position of the Hogy Medical Group can be potentially affected by various risks, such as those described below. (The description below contains forward-looking statements, deemed valid by the Group as of the end of the period under review.)

1) Legal regulations

The Hogy Medical Group handles a variety of items, including surgical kits and medical-use non-woven fabric products. Most of these items are governed by regulations contained in the Pharmaceuticals, Medical Devices and Other Therapeutic Products Act of Japan. In addition, the manufacture and sale of such items is subject to approval by the Minister for Health, Labour and Welfare, as well as permission from the governors of the prefectures in which such products are made. If such approvals and permits are not granted by the relevant authority, or if previously granted approvals or permits are revoked, the Group's business performance could be affected.

2) Changing environment for medical institutions

The major portion of goods and merchandise handled by the Hogy Medical Group is sold to medical institutions. Accordingly, revisions to medical treatment remuneration and advances in surgical technologies may lead to changes in the purchasing policies of medical institutions and the products they use, and the Group's business performance could be affected as a result.

3) Disruption of supply of main materials and raw materials

If a manufacturer of materials contained in our surgical kit products is unable to ensure proper supplies, the Group will be unable to manufacture surgical kits that contain such materials, and its business performance could be affected as a result.

4) Product defects

If products handled by the Hogy Medical Group are found to be defective, this may lead to a medical accident or a product recall, and the Group's business performance could be affected as a result.

5) Inability to manufacture at overseas manufacturing base

Hogy Medical has a manufacturing subsidiary in Indonesia. In the event of temporary cessation of manufacturing or product supply due to unanticipated changes to laws or regulations, or the occurrence of an uncontrollable accident caused by political unrest, terrorism, violence, war, natural disaster, or outbreaks of new strains of influenza in Indonesia, the Group's business performance could be affected.

6) Inability to manufacture and supply at domestic manufacturing bases

The Hogy Medical Group's manufacturing and distribution bases are concentrated in Miho and Ushiku in Ibaraki Prefecture. In the event of temporary cessation of manufacturing or product supply due to major damage caused by an earthquake, fire, flood, or other natural disaster in this region, the Group's business performance could be affected, because the Group does not have manufacturing or distribution facilities in other parts of Japan.

7) Information management

In the course of providing products and services that help medical institutions enhance operating efficiency and save labor costs, the Hogy Medical Group handles information from medical institutions, including personal information. The Group pays utmost care when handling information. In the case of information leakage, however, the Group could face social trust and compensation claim issues, and its business performance could be affected as a result.

8) Foreign exchange fluctuations

Hogy Medical has a manufacturing subsidiary in Indonesia and procures its materials inside and outside of Japan. Accordingly, the Group's business performance could be potentially affected by fluctuations in prices of crude oil and raw materials, as well as foreign exchange rates.

9) Impairment accounting

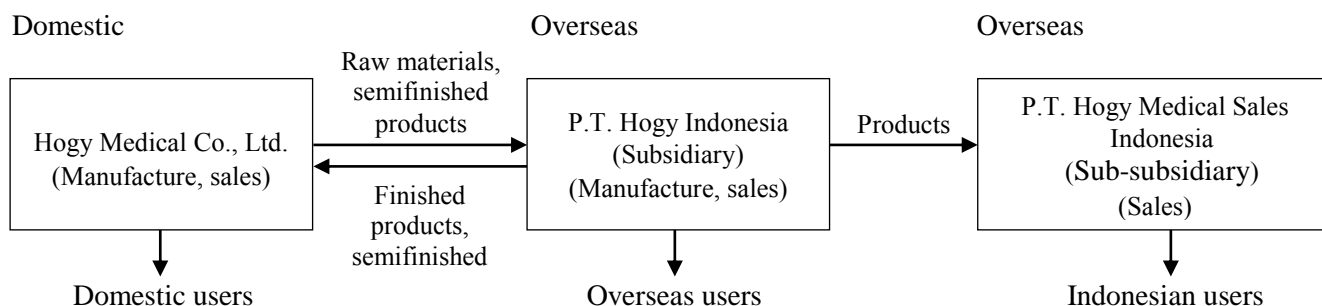
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

2. The Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical Co., Ltd. (the "Company"), P.T. Hogy Indonesia (the "Subsidiary"), and P.T. Hogy Medical Sales Indonesia (the "Sub-subsidiary"). The Group's main businesses are the manufacture and sale of medical-use consumables, medical equipment, and medical-use non-woven fabric products. The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the Subsidiary. Practically all of the products made by the Subsidiary are supplied to the Company. Therefore, the Subsidiary can be regarded as an important manufacturing base for the Company. In addition, the Sub-subsidiary sells medical-use consumables, medical equipment, medical-use non-woven fabric products, and other items in overseas markets, centering on Indonesia.

[Business System diagram]

The Group’s structure and interrelationships are shown below.



3. Management Policies

(1) Basic Policy

Hogy Medical is committed to “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity.” The Company places top priority on assuring the safety of patients and medical facility personnel. We also make and sell a line of products that enable medical institutions to enhance their streamlining and labor-saving efforts.

(2) Key Performance Indicators

Two financial indicators prioritized by management are earnings per share (EPS), return on equity (ROE), and operating income.

(3) Medium- and Long-Term Strategies

Acute-phase clinics, which represent a major client base for the Group, are under pressure to increase the number of surgical operations. This is because they face a concentration of patients due to progressive functional differentiation, reflecting efforts to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation. To address this situation, we will step up Operamaster-related proposals aimed at advanced acute-phase clinics and general acute-phase clinics, where a concentration of patients is expected in the future. We will also deploy Operamaster to collate surgery-related information, and we will utilize that information to realize efficient surgery room operations and administrative improvements, thus contributing to an enhanced operational environment.

In addition, we have responded to the opinions and demands of customers, who have been loyal for many years, by launching our Surgery Management System, which expands on the system component functions of Operamaster. Surgery Management System enables surgery room performance management data to be analyzed more meticulously and quickly than before. In addition to facilitating surgery room automation, this contributes to enhanced surgery room operational efficiency. Going forward, we will continue and step up development and thus elevate

Surgery Management System into a high-value-added product from the customer’s perspective.

The Hogy Medical Group accords high emphasis to product life cycles. We acknowledge that even the most superior products cannot sustain long-term growth. With this in mind, we are working to get next-generation growth products on stream while sales of mainstay items are expanding. Specifically, we are concentrating our management resources on new product development, and we will focus on developing and selling new products that contribute to the medical front lines.

Paying close attention to Japan’s ageing society, falling population, and rapidly advancing medical technologies, we have introduced a product-based system covering the fields of “minimally invasive treatment,” “medical safety,” “hospital management,” and “home nursing care and preventive medicine.” By stepping up development of new products in these fields, our products teams will identify new markets needs and otherwise raise their specialization levels while assisting our sales departments through education, sales strategy formulation, and sales management support. At the same time, we will reduce the time between product launch and final sale in order to boost our business performance.

One field under development is “minimally invasive treatment,” which means surgical, examination, and other medical procedures with the lowest possible impact on the patient. Procedures using endoscopes, catheters, and the like are beneficial in fostering swift post-surgery recovery because they place minimal burden on the patient. Recent years have shown a remarkable increase in the use of endoscope-based surgery as a minimally invasive alternative to traditional abdominal surgery. In this field, we launched EMARO Endoscope Holder, developed by Riverfield Inc., in August 2015. EMARO Endoscope Holder employs a gyrosensor attached to the surgeon’s head that detects head movement, enabling the surgeon to operate the endoscopic camera intuitively without using both hands. Even if a camera assistant is not present, the surgeon can move the endoscope according to the desired viewing angle, allowing free movement of both hands to perform the surgery. In addition to up-down and left-right direction, the instrument can be rotated and moved back and forth, and it is compatible with any endoscope manufacturer. We have commenced sales of EMARO Endoscope Holder following clinical trials and evaluations at medical institutions.

At our new surgical kit factory, we will produce our newly designed Premium Kits. Our aim here is to make easier-to-use, safer products that can, for example, “be sealed safely,” “verified without having to unseal the contents,” “provide distributed packaging according to the surgery procedure.” Moreover, we are striving for kit-based offerings with plentiful contents, configured to contain practically all of the disposable materials used in a particular surgical operation. Looking ahead, we will commence trial operation and sales of Premium Kits and work to further raise customer satisfaction levels. At our new surgical kit factory, meanwhile, we will deploy automated manufacturing to increase safety and productivity and thus achieve long-term corporate growth.

Going forward, Hogy Medical will renew its focus on the stable supply of safe products. At the same time, we will pursue ongoing cost-reduction activities and further upgrade internal monitoring and compliance systems in order to ensure transparency of operations.

(4) Issues to Address

Management’s key objectives are to benefit society, create safe products, ensure stable production, coexist harmoniously with customers, raise employee satisfaction levels, achieve steady growth, and improve earnings. Many of the products sold by Hogy Medical are used on the medical front lines. Accordingly, the stable manufacture of safe products is not only our *raison d’être* but also our social responsibility. With these factors in mind, we have identified the items listed below as important issues to address. By continuously implementing these measures, we will work to improve corporate value.

(1) Ensure stable supply of safe products

- Strengthen production management system to ensure stable supply
- Pursue products that customers find easy to use and safe
- Improve safety through automation of new surgical kit factory

(2) Target continuous profit growth

- Strengthen sales of Operamaster and surgical kit products
- Sell Premium Kits
- Promote in-house manufacturing of materials
- Step up sales of new products
- Raise productivity through automation of new surgical kit factory
- Improve productivity of Indonesian plant

(3) Address changing medical care environment

- Develop new products that keep abreast of medical technology advances
- Further raise added value of Operamaster (which helps increase surgery room operating efficiency and improve hospital administration)

(4) Establish internal control and compliance systems

- Reinforce in-house systems and make improvements to optimize business processes

(5) Other Important Company Management Items

No relevant items

4. Basic Approach to Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the Hogy Medical Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

With respect to application of IFRS, our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.

5. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2014 (At March 31, 2015)	Fiscal 2015 (At March 31, 2016)
ASSETS		
Current assets		
Cash and bank deposits	¥ 23,033	¥12,380
Notes and accounts receivable	10,932	11,620
Goods and merchandise	3,571	3,561
Products in progress	434	469
Materials and supplies	3,515	3,502
Deferred income taxes	57	300
Other	1,323	1,825
Allowance for doubtful accounts	-5	-5
Total current assets	42,863	33,655
Fixed assets		
Tangibles		
Buildings and structures	27,901	43,473
Accumulated depreciation	-16,574	-17,790
Buildings and structures (net)	11,326	25,682
Machinery and vehicles	26,404	28,515
Accumulated depreciation	-22,098	-23,273
Machinery and vehicles (net)	4,306	5,241
Land	9,626	9,647
Construction in progress	19,068	8,501
Others	3,402	3,708
Accumulated depreciation	-2,885	-3,039
Others (net)	517	669
Total tangibles	44,845	49,742
Intangibles		
Software	1,265	1,254
Software in progress	1,132	1,851
Telephone subscription rights	13	13
Others	121	121
Total intangibles	2,532	3,241
Investments and other assets		
Investment securities	10,035	11,160
Guaranty deposit	464	431
Deferred income taxes	98	108
Long-term deposits	1,000	1,000
Others	1,112	630
Allowance for doubtful accounts	-7	-7
Total investments and other assets	12,703	13,323
Total fixed assets	60,081	66,307
Total assets	¥102,944	¥99,963

(Millions of yen, rounded down)

	Fiscal 2014 (At March 31, 2015)	Fiscal 2015 (At March 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 4,472	¥ 4,980
Accrued income tax	1,419	1,265
Reserve for employees' bonuses	423	374
Reserve for directors' bonuses	100	100
Equipment-related notes payable	6,237	1,291
Payables	3,096	736
Other current liabilities	870	394
Total current liabilities	16,620	9,143
Long-term liabilities		
Deferred income taxes	2,325	2,467
Liability related to employees' retirement benefits	245	252
Long-term payables	79	61
Other long-term liabilities	372	427
Total long-term liabilities	3,021	3,209
Total liabilities	19,642	12,352
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	64,335	68,438
Treasury stock	-3,323	-3,325
Total shareholders' equity	76,472	80,571
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	5,229	6,267
Deferred hedging gain or loss	922	72
Translation adjustments	742	780
Cumulative adjustment related to employees' retirement benefits	-70	-87
Total valuation/translation gains or losses	6,823	7,031
Non-controlling interests	6	6
Total net assets	83,301	87,610
Total liabilities and net assets	¥102,944	¥99,963

(2) Statements of Income and Statements of Comprehensive Income
(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015 (April 1, 2015– March 31, 2016)
Net sales	¥35,233	¥36,568
Cost of sales	17,855	18,984
Gross profit	17,378	17,583
Selling, general, and administrative expenses	8,872	8,799
Operating income	8,505	8,784
Other income		
Interest income	11	12
Dividend income	62	73
Foreign exchange gain	115	—
Gain on investment partnership	—	67
Subsidy income	46	38
Others	43	36
Total other income	279	228
Other expenses		
Foreign exchange loss	—	55
Loss on investment partnership	15	—
Foreign value-added tax and other	—	31
Others	1	1
Total other expenses	16	88
Ordinary income	8,768	8,924
Extraordinary income		
Gain on sales of fixed assets	47	4
Total extraordinary income	47	4
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	6	4
Loss on valuation of investment securities	—	180
Bad debt loss	131	—
Total extraordinary expenses	137	184
Income before income taxes	8,678	8,743
Income taxes	3,086	2,805
Income tax adjustment	-67	27
Total income taxes	3,019	2,832
Profit	5,659	5,911
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	5,659	5,910

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015 (April 1, 2015– March 31, 2016)
Profit	¥5,659	¥5,911
Other comprehensive income		
Net unrealized gain or loss on securities	2,932	1,037
Deferred hedging gain or loss	392	-849
Translation adjustments	714	37
Adjustment related to employees' retirement benefits	-29	-16
Total other comprehensive income	4,010	208
Comprehensive income	9,670	6,119
(Breakdown)		
Comprehensive income attributable owners of parent	9,669	6,119
Comprehensive income attributable to non-controlling interests	0	0

(3) Statements of Changes in Shareholders' Equity

Fiscal 2014 (April 1, 2014–March 31, 2015)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the term	¥7,123	¥8,336	¥60,422	¥-3,321	¥72,560
Changes during term in review					
Distribution of retained earnings			-1,745		-1,745
Profit attributable to owners of parent			5,659		5,659
Purchase of treasury stock				-2	-2
Disposal of treasury stock			-0	0	0
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	3,913	-1	3,911
Balance at end of term	¥7,123	¥8,336	¥64,335	¥-3,323	¥76,472

	Valuation and translation adjustments						
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥2,297	¥529	¥ 27	¥-41	¥2,813	¥6	¥75,379
Changes during term in review							
Distribution of retained earnings							-1,745
Profit attributable to owners of parent							5,659
Purchase of treasury stock							-2
Disposal of treasury stock							0
Changes during term not related to shareholders' equity (net)							
Total changes during term	2,932	392	714	-29	4,010	0	4,010
Balance at end of term	¥5,229	¥922	¥742	¥-70	¥6,823	¥6	¥83,301

Fiscal 2015 (April 1, 2015–March 31, 2016)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the term	¥7,123	¥8,336	¥64,335	¥-3,323	¥76,472
Changes during term in review					
Distribution of retained earnings			-1,808		-1,808
Profit attributable to owners of parent			5,910		5,910
Purchase of treasury stock				-2	-2
Disposal of treasury stock					—
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	4,102	-2	4,099
Balance at end of term	¥7,123	¥8,336	¥68,438	¥-3,325	¥80,571

	Valuation and translation adjustments						
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥5,229	¥922	¥742	¥-70	¥6,823	¥6	¥83,301
Changes during term in review							
Distribution of retained earnings							-1,808
Profit attributable to owners of parent							5,910
Purchase of treasury stock							-2
Disposal of treasury stock							—
Changes during term not related to shareholders' equity (net)	1,037	-849	37	-16	208	0	208
Total changes during term	1,037	-849	37	-16	208	0	4,308
Balance at end of term	¥6,267	¥72	¥780	¥-87	¥7,031	¥6	¥87,610

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015 (April 1, 2015– March 31, 2016)
Operating activities		
Income before income taxes	¥8,678	¥8,743
Depreciation	2,708	3,376
Increase (decrease) in liability related to employees' retirement benefits	-19	-11
Increase (decrease) in allowance for doubtful accounts	-12	0
Interest and dividend income	-73	-85
Loss (gain) on investment partnership	15	-67
Foreign exchange gain	-135	35
Loss on sales of tangible fixed assets	-47	-4
Loss on disposal of tangible fixed assets	6	4
Loss (gain) on sales of investment securities	—	180
Changes in assets and liabilities:		
Notes and accounts receivable	-655	-688
Inventories	561	-45
Notes and accounts payable	-222	508
Accrued consumption tax payables and other	428	-533
Accrued consumption tax receivables and other	—	-1,192
Other current assets	-84	-66
Other current liabilities	331	-530
Other investments and others	-26	104
Other long-term liabilities	36	-2
Other	-19	-1
Subtotal	11,468	9,723
Interest and dividends received	73	85
Incomes taxes paid	-3,606	-2,999
Net cash provided by operating activities	7,935	6,809

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015 (April 1, 2015– March 31, 2016)
Investing activities		
Increase in time deposits	¥ -10	¥ -26
Proceeds from withdrawals from time deposits	7	11
Purchase of investment securities	-287	-60
Purchase of tangible fixed assets	-10,525	-14,690
Proceeds from sales of tangible fixed assets	92	69
Purchase of intangible fixed assets	-1,266	-1,094
Proceeds from distribution from investment partnership	7	129
Expenditures by loans receivable	-1	-0
Collection of loans receivable	13	10
Increase (decrease) in other investments	-2	-17
Net cash used in investing activities	-11,973	-15,669
Financing activities		
Proceeds from sale of treasury stock	0	—
Purchase of treasury stock	-2	-2
Cash dividends paid	-1,745	-1,809
Net cash used in financing activities	-1,747	-1,811
Effect of exchange rate changes on cash and cash equivalents	219	4
Net change in cash and cash equivalents	-5,566	-10,667
Cash and cash equivalents at beginning of year	28,227	22,661
Cash and cash equivalents at end of year	22,661	11,993

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2014 (At March 31, 2015)	Fiscal 2015 (At March 31, 2016)
ASSETS		
Current assets		
Cash and bank deposits	¥20,609	¥ 9,031
Notes receivable	5,754	6,061
Accounts receivable	4,941	5,322
Goods and merchandise	3,204	3,345
Products in progress	181	209
Materials and supplies	1,899	2,163
Advances paid	52	101
Prepaid expenses	161	161
Deferred income taxes	6	222
Accrued consumption tax receivables and other	—	1,192
Currency swaps	723	68
Currency options	192	116
Exchange contracts	25	—
Other	11	12
Allowance for doubtful accounts	-5	-5
Total current assets	37,756	28,003
Fixed assets		
Tangibles		
Buildings	23,785	38,942
Accumulated depreciation	-13,515	-14,535
Buildings (net)	10,269	24,407
Structures	1,090	1,483
Accumulated depreciation	-953	-998
Structures (net)	136	485
Machinery and equipment	23,461	25,620
Accumulated depreciation	-20,212	-21,277
Machinery and equipment (net)	3,249	4,343
Vehicles and transport equipment	185	60
Accumulated depreciation	-133	-60
Vehicles and transport equipment (net)	52	0
Tools, instruments, and fixtures	3,134	3,413
Accumulated depreciation	-2,672	-2,806
Tools, instruments, and fixtures (net)	461	607
Land	9,151	9,172
Construction in progress	19,068	8,442
Total tangibles	42,389	47,458
Intangibles		
Software	1,265	1,254
Software in progress	1,132	1,851
Telephone subscription rights	13	13
Other	121	121
Total intangibles	2,532	3,241

(Millions of yen, rounded down)

	Fiscal 2014 (At March 31, 2015)	Fiscal 2015 (At March 31, 2016)
Investments and other assets		
Investment securities	¥10,035	¥11,160
Shares of affiliated companies	749	749
Long-term loans	1	1
Long-term loans to employees	13	4
Long-term loans to affiliated companies	1,010	743
Bankruptcy rehabilitation claims	0	0
Long-term prepaid expenses	57	34
Long-term deposits	1,000	1,000
Guaranty deposit	464	431
Insurance reserve fund	438	454
Golf club memberships	99	99
Currency swaps	155	—
Currency options	213	—
Exchange contracts	46	—
Other	1	0
Allowance for doubtful accounts	-7	-7
Total investments and other assets	14,280	14,672
Total fixed assets	59,202	65,372
Total assets	96,959	93,375

LIABILITIES

Current liabilities		
Notes payable	¥ 2,370	¥ 2,469
Accounts payable	1,912	2,468
Accrued payables	3,096	736
Accrued expenses	198	207
Accrued income tax	1,397	1,191
Accrued consumption tax	533	—
Advances received	0	0
Deposits received	29	30
Reserve for employees' bonuses	423	374
Reserve for directors' bonuses	100	100
Equipment-related notes payable	6,237	1,291
Foreign value-added tax and other	—	41
Total current liabilities	16,300	8,912
Long-term liabilities		
Deferred income taxes	2,325	2,467
Long-term payables	79	61
Foreign value-added tax and other	—	39
Other long-term liabilities	372	387
Total long-term liabilities	2,776	2,956
Total liabilities	19,077	11,868

(Millions of yen, rounded down)

	Fiscal 2014 (At March 31, 2015)	Fiscal 2015 (At March 31, 2016)
NET ASSETS		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus		
Capital reserve	8,336	8,336
Total capital reserve	8,336	8,336
Retained earnings		
Retained earnings	564	564
Other retained earnings		
Other general reserve	19,300	19,300
Retained earnings carried forward	39,729	43,170
Total retained earnings	59,594	63,034
Treasury stock	-3,323	-3,325
Total shareholders' equity	71,730	75,168
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	5,229	6,267
Deferred hedging gain or loss	922	72
Total valuation/translation gains or losses	6,151	6,339
Total net assets	77,882	81,507
Total liabilities and net assets	96,959	93,375

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015 (April 1, 2015– March 31, 2016)
Net sales		
Product sales	¥32,631	¥33,779
Commodity sales	2,353	2,540
Total net sales	34,985	36,320
Cost of sales		
Product inventory at beginning of term	2,167	2,116
Commodity inventory at beginning of term	878	641
Manufacturing costs during term	17,191	18,703
Commodity purchases during term	1,603	1,838
Total	21,840	23,300
Transfer to other accounts	546	509
Product inventory at end of term	2,116	2,161
Commodity inventory at end of term	641	771
Total cost of sales	18,536	19,859
Gross profit	16,449	16,461
Selling, general, and administrative expenses	8,797	8,731
Operating income	7,651	7,729
Other income		
Interest income	27	23
Interest income from securities	0	0
Dividend income	147	152
Foreign exchange gain	137	—
Gain on investment partnership	—	67
Subsidy income	46	38
Others	36	27
Total other income	395	308
Other expenses		
Foreign exchange loss	—	41
Loss on investment partnership	15	—
Others	1	—
Total other expenses	16	41
Ordinary income	8,030	7,997
Extraordinary income		
Gain on sales of fixed assets	46	1
Total extraordinary income	46	1
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	6	4
Loss on valuation of investment securities	—	180
Bad debt loss	131	—
Total extraordinary expenses	137	184
Income before income taxes	7,939	7,814
Income taxes	2,845	2,505
Income tax adjustment	–48	59
Total income taxes	2,797	2,565
Net income	5,142	5,249

(3) Statements of Changes in Shareholders' Equity

Fiscal 2014 (April 1, 2014–March 31, 2015)

(Millions of yen, rounded down)

	Shareholders' equity								
	Capital surplus			Retained earnings					
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Treasury stock	Total shareholders' equity
					Other genera/ reserve	Retained earnings carried forward	Total retained earnings		
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	36,333	56,197	-3,321	68,335
Changes during term in review									
Distribution of earned surplus						-1,745	-1,745		-1,745
Net income						5,142	5,142		5,142
Purchase of treasury stock								-2	-2
Disposal of treasury stock						-0	-0	0	0
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,396	3,396	-1	3,394
Balance at end of term	7,123	8,336	8,336	564	19,300	39,729	59,594	-3,323	71,730

	Valuation/translation gains or losses			
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Total valuation/translation gains or losses	Total net assets
Balance at beginning of the term	2,297	529	2,826	71,162
Changes during term in review				
Distribution of earned surplus				-1,745
Net income				5,142
Purchase of treasury stock				-2
Disposal of treasury stock				0
Changes during term not related to shareholders' equity (net)				
	2,932	392	3,325	3,325
Total changes during term	2,932	392	3,325	6,720
Balance at end of term	5,229	922	6,151	77,882

Fiscal 2015 (April 1, 2015–March 31, 2016)

(Millions of yen, rounded down)

	Shareholders' equity									
	Capital surplus			Retained earnings						
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Total retained earnings	Treasury stock	Total shareholders' equity
					Other general reserve	Retained earnings carried forward				
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	39,729	59,594	-3,323	71,730	
Changes during term in review										
Distribution of earned surplus						-1,808	-1,808		-1,808	
Net income						5,249	5,249		5,249	
Purchase of treasury stock								-2	-2	
Disposal of treasury stock									—	
Changes during term not related to shareholders' equity (net)										
Total changes during term	—	—	—	—	—	3,440	3,440	-2	3,437	
Balance at end of term	7,123	8,336	8,336	564	19,300	43,170	63,034	-3,325	75,168	

	Valuation/translation gains or losses			Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Total valuation/translation gains or losses	
Balance at beginning of the term	5,229	922	6,151	77,882
Changes during term in review				
Distribution of earned surplus				-1,808
Net income				5,249
Purchase of treasury stock				-2
Disposal of treasury stock				—
Changes during term not related to shareholders' equity (net)				
	1,037	-849	187	187
Total changes during term	1,037	-849	187	3,625
Balance at end of term	6,267	72	6,339	81,507