

April 15, 2016

# Financial Report Fiscal 2015

(April 1 – March 31, 2016)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

**HOGY MEDICAL Co., Ltd.**

## **Notice Regarding Forward-Looking Statements**

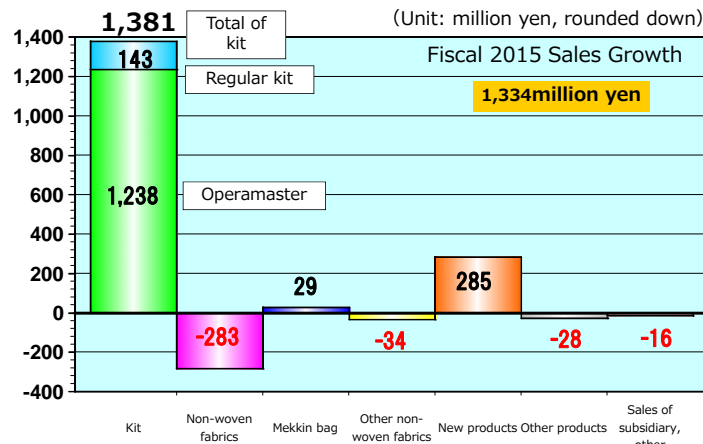
**This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. 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

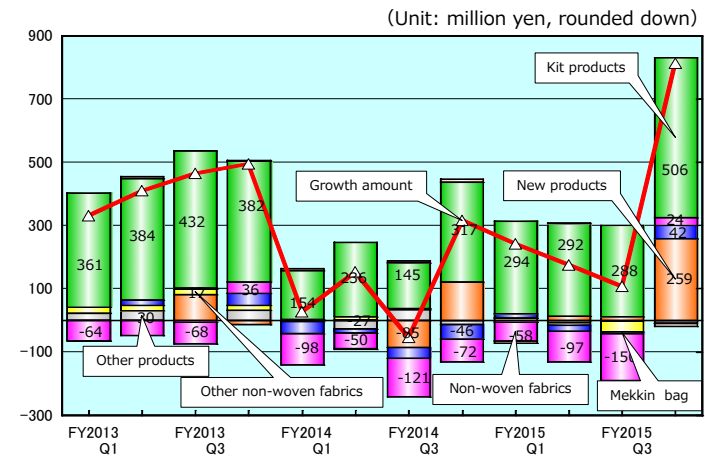
### Fiscal 2015 Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		36,568		1,334	103.8 %
Operating income	8,505	24.1%	8,784	24.0%	278	103.3 %
Ordinary income	8,768	24.9%	8,924	24.4%	155	101.8 %
Net income	5,659	16.1%	5,910	16.2%	251	104.4 %
EPS	359.81 yen		375.81 yen			

### Fiscal 2015 Sales Growth by Major Products



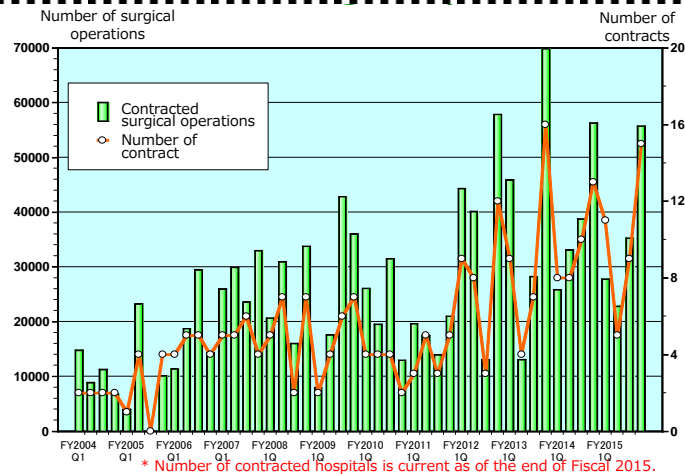
### Fiscal 2015 Sales Growth by Quarter



## Fiscal 2015 Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		36,568		1,334	103.8 %
Operating income	8,505	24.1%	8,784	24.0%	278	103.3 %
Ordinary income	8,768	24.9%	8,924	24.4%	155	101.8 %
Net income	5,659	16.1%	5,910	16.2%	251	104.4 %
EPS	359.81 yen		375.81 yen			

## Number of Operamaster Contracts; Number of Surgical Operations



## FY2014 Highlights

- Number of surgical operations at Operamaster-contracted hospitals trending smoothly
- 40 new Operamaster contracts during period (11 in 1Q; 5 in 2Q; 9 in 3Q; 15 in 4Q); 10 cancellations
- Surgery Management System sold to 3 institutions
- Concluded contracts for 2 EMARO Endoscope Holders
- 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

# Strategies and Measures

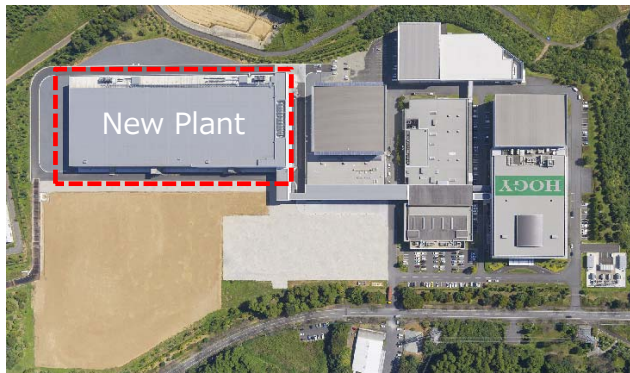
## Fiscal 2016 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2015 Results		Fiscal 2016 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,568		38,400		1,831	105.0%
Operating income	8,784	24.0%	7,180	18.7%	△1,604	81.7%
Ordinary income	8,924	24.4%	7,280	19.0%	△1,644	81.6%
Net income	5,910	16.2%	5,000	13.0%	△910	84.6%
EPS	375.81 yen		317.90 yen			

## Fiscal 2016 Actions

- Forecast for higher sales and lower income; increased revenue from Operamaster strategy and new products
- Severity ratio increased from 15% to 25% alongside medical fee revision
- Strengthen sales of new products (Surgery Management System, EMARO Endoscope Holder, etc.)
- Start clinical trials and sales of Premium Kits
- Income improvement strategy: "Change sales structure over medium term"
- Propose Operamaster to top-level hospitals (DPC I, II, II)
- Increase number of DPC hospital
  - DPC I hospitals: from 80 to 81 hospitals
  - DPC II hospitals: from 99 to 140 hospitals
  - DPC III hospitals: from 1,406 to 1,466 hospitals
  - Total DPC hospitals: from 1,585 to 1,687 hospitals (up 102)
- Impact of foreign exchange; rising costs due to new plant depreciation
- Increase in expenses necessary to boost revenue
  - Prototype costs, advertising costs, R&D expenses, etc.
- Complete new plant; install/adjust production equipment
- New products to form next-generation pillar; step up development of in-house manufacturing
- Improve productivity of P.T. Hogy Indonesia
  - ✓ Improve productivity, from materials management stage
  - ✓ Promote labor-saving and automation (personnel expenses on future upward trajectory)
  - ✓ Strengthen sales within Indonesia

## 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	7,300	4,200	1,470			
Depreciation (new plant only) * Previous announcement			815 * 700	2,170 * 2,420	3,550	3,390	2,850	2,440

**START** →



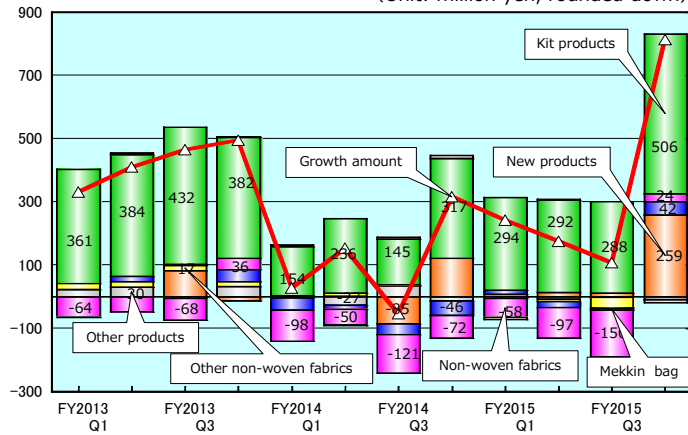


OPERATION

# Sales details

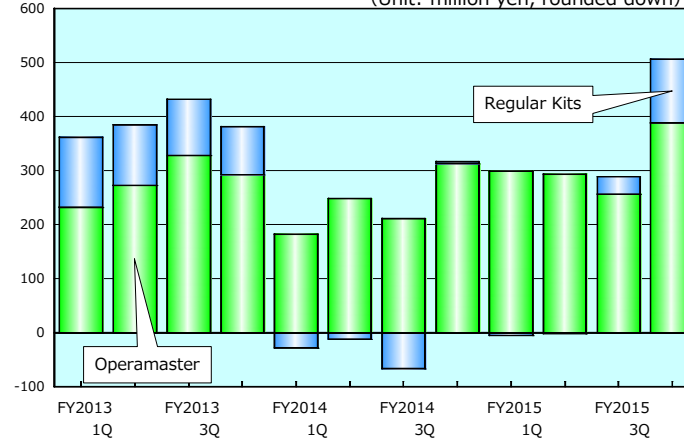
### Fiscal 2015 Sales Growth by Quarter

(Unit: million yen, rounded down)



### Growth in Surgical Kits (Operamaster , Regular Kits)

(Unit: million yen, rounded down)



### Fiscal 2015 (4Q): Sales Highlights

- [Entrenchment of sales management \(success of sales teams\)](#)
- Impact of medical fee revision
- Increase in number of surgical operations?
  - Operamaster hospitals newly contracted in fiscal 2015 (4Q): 15 (DPC I: 3; DPC II: 1; DPC III: 9; other: 2)
- Surgery Management System sold to 3 institutions
- Concluded contracts for 2 EMARO Endoscope Holders

## Progress of Operamaster Marketing

Sales : 13,721 million (UP 1,238 million or 109.9%)

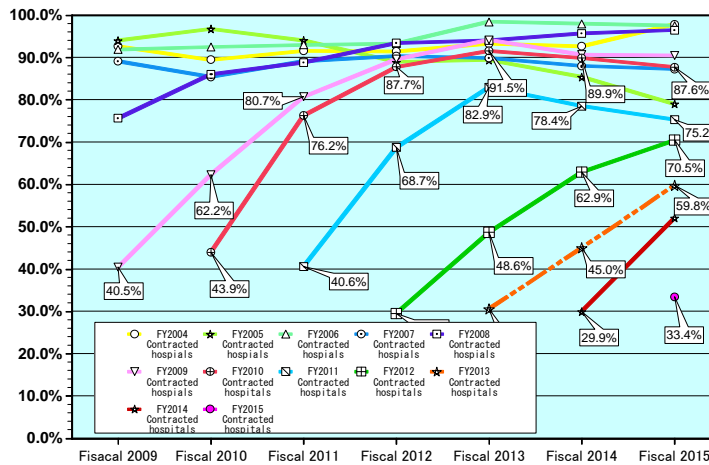
Number of contracts: 40 new contracts

- DPC I hospitals : 5
- DPC II hospitals : 7
- DPC III hospitals : 25
- Other hospitals : 3

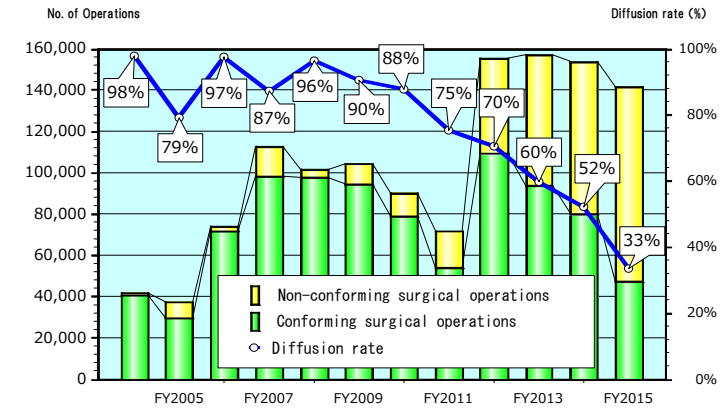
10 cancelled contracts

Cumulative total number of contracts: 272

## Operamaster Proliferation Ratio



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



\* As of March 31, 2016

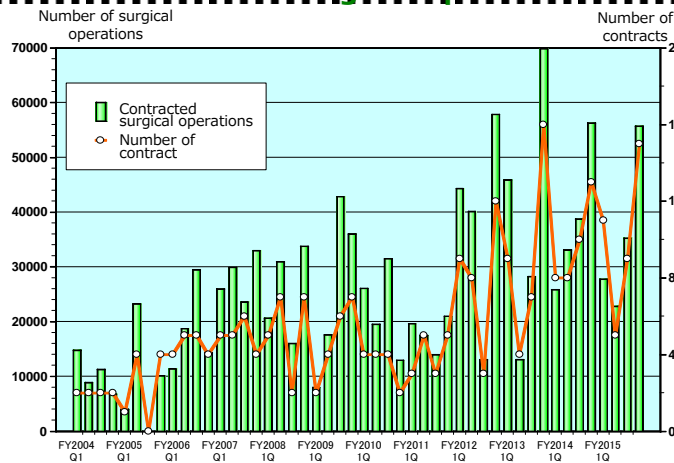
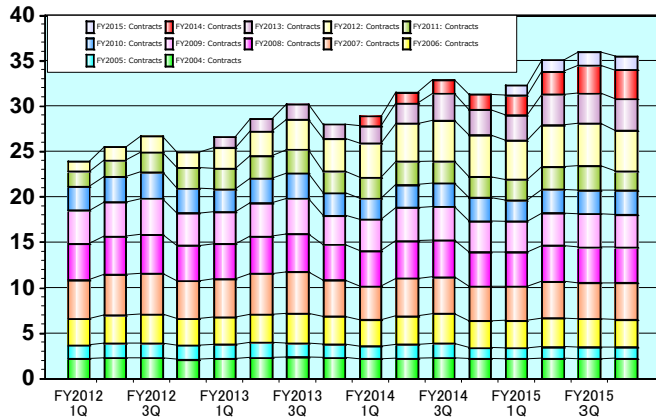
## Sales of Operamaster

## Number of Operamaster Contracts; Number of Surgical Operations

## Fiscal 2015 Highlights



(¥100 million, rounded down)



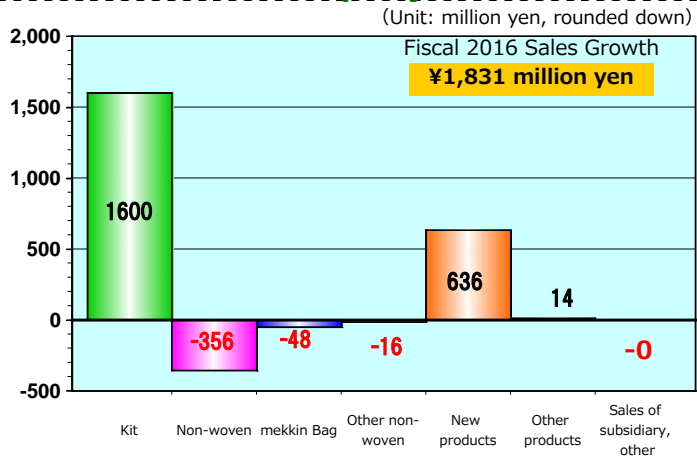
\* Number of contracted hospitals is current as of the end of Fiscal 2015.

- Operamaster sales up 109.9% year on year
- New Operamaster contracts during period : 40  
( DPC I hospitals : 5, DPC II hospitals : 7, DPC III hospitals : 25, Unclassified: 3)
- Surgery Management System sold to 3 institutions
- Concluded contracts for 2 EMARO Endoscope Holders
- Increase in Clinical Trials of EMARO Endoscope Holders



# Fiscal 2016 Full-Year Projections Sales Figures

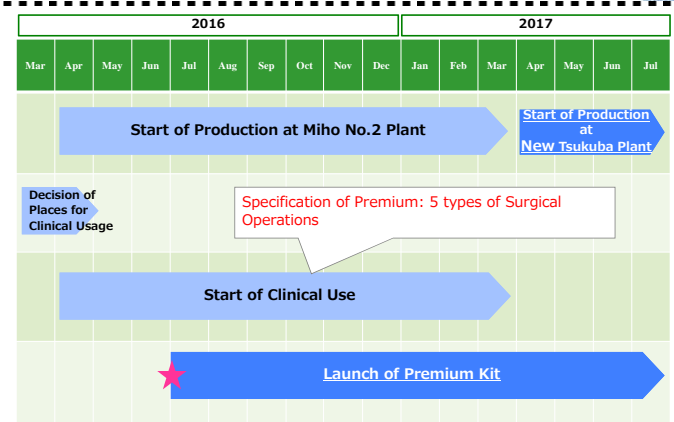
### Fiscal 2016 Sales Growth by Major Products



### Fiscal 2016 (Ending March 2017) Sales Plan

- [Start clinical trials and sales of Premium Kits](#)
- Continue focus on getting Operamaster up and running
- Step up sales of new products (Surgery Management System, EMARO Endoscope Holder, etc.)
- Step up Operamaster proposals at top-level hospitals (DPC I, II, II)
- Publicize successful case studies at hospitals targeted for Surgery Management System

### Premium Kits Test marketing plan



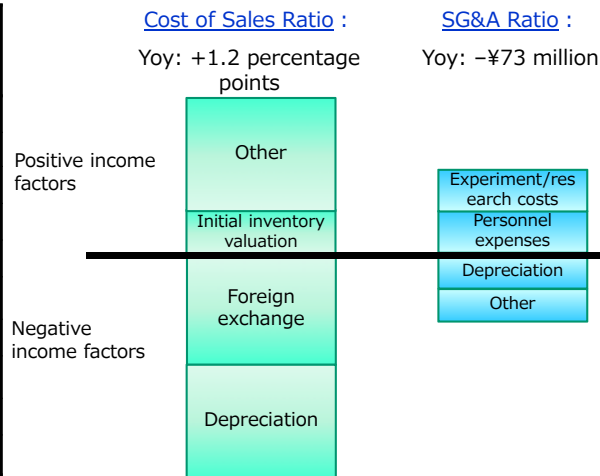


# Business Performance

## Fiscal 2015 Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		36,568		1,334	103.8%
Cost of sales	17,855	50.7%	18,984	51.9%	1,129	106.3%
Gross profit	17,378	49.3%	17,583	48.1%	205	101.2%
SG & A expenses	8,872	25.2%	8,799	24.1%	△73	99.2%
Operating income	8,505	24.1%	8,784	24.0%	278	103.3%
Non-operating income/loss	262		139		△123	
Ordinary income	8,768	24.9%	8,924	24.4%	155	101.8%
Extraordinary income/loss	△89		△180		△90	
Net income	5,659	16.1%	5,910	16.2%	251	104.4%
EPS	359.81yen		375.81yen			

## Fiscal 2015 Analysis of Cost and SG&A Expenses



## Fiscal 2015 Analysis of Non-Operating items, Capex, Depreciation

Non-operating expenses (net of non-operating income) :  
¥139 million ( down ¥123 million year on year )

- Exchange loss : ¥55 million  
( Foreign exchange gain previous year : ¥115 million )

Capex : ¥9,080 million ( down ¥6,002 million year on year )

- New plant : ¥7,300 million

Depreciation : ¥3,376 million ( up ¥667 million )

- Cost of sales : ¥2,331 million ( up ¥574 million )
- SG&A expenses : ¥1,044 million ( up ¥93 million )





---

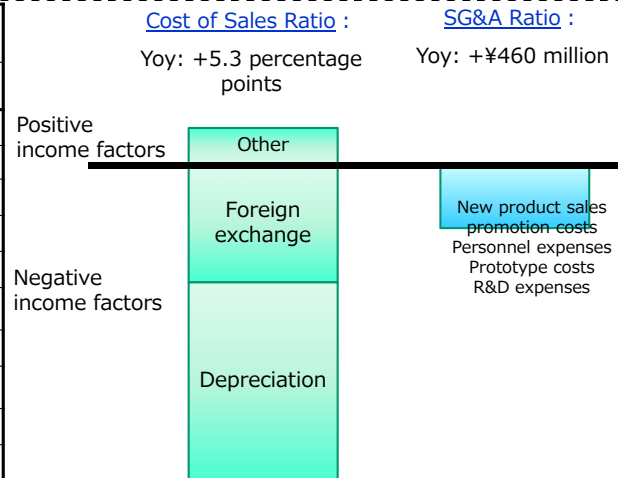
# Fiscal 2015 Full-Year Projections

---

## Fiscal 2016 Income Statements

(Unit: million yen, rounded down)	Fiscal 2015 Results		Fiscal 2016 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,568		38,400		1,831	105.0%
Cost of sales	18,984	51.9%	21,960	57.2%	2,975	115.7%
Gross profit	17,583	48.1%	16,440	42.8%	△1,143	93.5%
SG & A expenses	8,799	24.1%	9,260	24.1%	460	105.2%
Operating income	8,784	24.0%	7,180	18.7%	△1,604	81.7%
Non-operating income/loss	139		100		△39	
Ordinary income	8,924	24.4%	7,280	19.0%	△1,644	81.6%
Extraordinary income/loss	△180		0		180	
Net income	5,910	16.2%	5,000	13.0%	△910	84.6%
EPS	375.81yen		317.90yen			

## Fiscal 2016 Revenue Projections



Capex : ¥5,960 million ( down ¥3,120 million year on year )

New plant : ¥4,200 million

Depreciation : ¥4,727 million ( up ¥1,350 million year on year )

- Cost of sales : ¥3,636 million ( up ¥1,304 million )
- SG&A expenses : ¥1,091 million ( up ¥46 million )

Cash dividends : ¥120.00 per share/full-year



OPERATION

# Financial Report Fiscal 2015

(April 1 – March 31, 2016)

**Jun-ichi Hoki, President and CEO**

**Yukio Yamamoto, Executive Director**

**Hiroshi Yamashita, Deputy manager public relations**

**HOGY MEDICAL Co., Ltd.**