



OPERATION

Overview of Medium-Term Business Plan

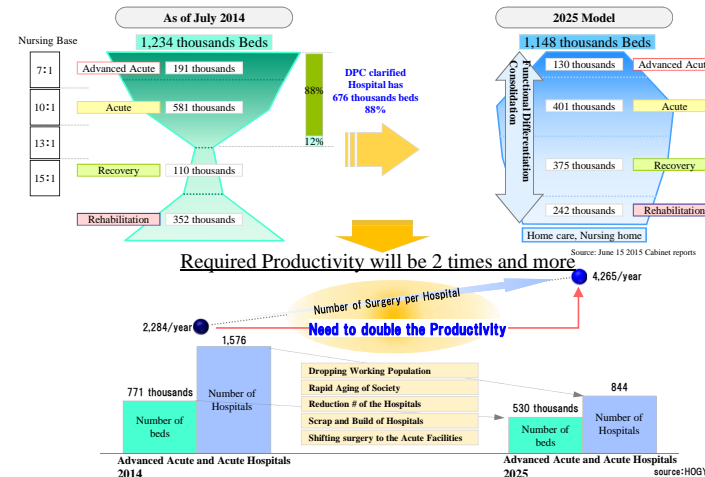
Medium-Term Operating Environment

Market conditions and our responses

	FY2016 (current FY)	FY2017	FY2018	FY2019	FY2020
External environment	<ul style="list-style-type: none"> Revision of medical fee remuneration Foreign exchange 		<ul style="list-style-type: none"> Revision of medical fee remuneration Revision of nursing care system Seventh Medical Care Plan 	<ul style="list-style-type: none"> Increase in consumption tax 8% → 10% 	<ul style="list-style-type: none"> Revision of medical fee remuneration Tokyo Olympics
Market conditions	<ul style="list-style-type: none"> Concentration of surgical procedures (functional differentiation of beds) Growing shift from surgical to minimally invasive procedures Stepped-up regional medical cooperation 				2025 issues
Our response	<ul style="list-style-type: none"> Launch sales of Premium Kits and Blister Kits Expand hospital management improvement business (promote Surgery Management System, ME Equipment Management System, and Surgery Procedure Manual System) Full-scale launch of minimally invasive business (EMARO, ESD) Prepare to launch home nursing care business Promote development of new products (joint development with hospitals) 				
Production		<ul style="list-style-type: none"> Get new plant running 	<ul style="list-style-type: none"> Promote production automation at P.T. Hogy Indonesia 	<ul style="list-style-type: none"> Promote production automation at P.T. Hogy Indonesia 	<ul style="list-style-type: none"> Promote production automation at P.T. Hogy Indonesia

Medical System Reform Plan – Reduce The Number of Beds

Year 2025 Model for Number of Beds by The Types of Hospital by Government



Financial Targets

	FY2016		FY2020 (Medium-term plan)		Long-term plan
Net sales	¥38.4 billion	→	¥47.5 billion	→	¥100.0 billion
Operating margin	18.7%		22.5%		30%
ROE	5.6%		7.3%		10%
Market capitalization	¥104.0 billion		¥158.0 billion		¥200.0 billion

Medium-Term Priorities (Continued Stable Growth)



Revenue growth strategies

- Promote overall business improvement at Operamaster hospitals
- Use Premium Kits to foster labor savings at medical front lines
- Expand sales of new products (upgrade Surgery Management System, minimally invasive products, etc.)
- Develop new products (promote ongoing development with medical

Profit improvement strategies

- Improve Groupwide productivity
- Raise Operamaster sales ratio to 50% (sell Premium Kits)
- Improve productivity by commissioning new plants
- Promote production automation at P.T. Hogy Indonesia

Personnel development strategies

- Rejuvenate executives
- Upgrade education (introduce title- and job-specific education programs)
- Foster and improve coordinators

Compliance reinforcement strategies

- Take inventory of overall business; make improvements
- Establish information-related system (acquire ISO27001 certification)



Sales/Income Targets

(Y millions, rounded down; %)	FY2016 (current FY)	FY2017	FY2018	FY2019	FY2020
Net sales	38,400	39,990	42,140	44,690	47,580
Operating income	7,180	5,660	7,180	8,800	10,690
Ordinary income	7,280	5,760	7,280	9,160	11,010
Net income	5,000	4,810	5,270	6,300	7,570
Operating margin	18.7%	14.2%	17.0%	19.7%	22.5%
EPS (excluding treasury stock)	319.6	307.5	336.9	402.7	483.9
ROE	5.6%	5.2%	5.5%	6.3%	7.3%
Depreciation	4,727	6,537	5,818	5,222	4,518

Basic Stance

Invest in developing new growth-generating products and associated equipment

- Commission new plants
- Develop new products; install production equipment
- P.T. Hogy Indonesia: Enhance efficiency and promote automation

Shareholder return

- Important for dividends to reflect performance, not depreciation, etc.!
- Profit appropriation: Case by case while considering operating status of new plants and new product-related expenses

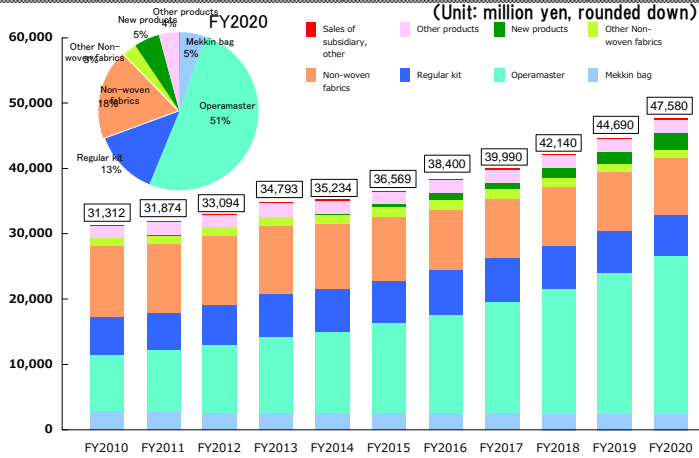
Return to employees

- Link salaries to profits
- Upgrade employee education

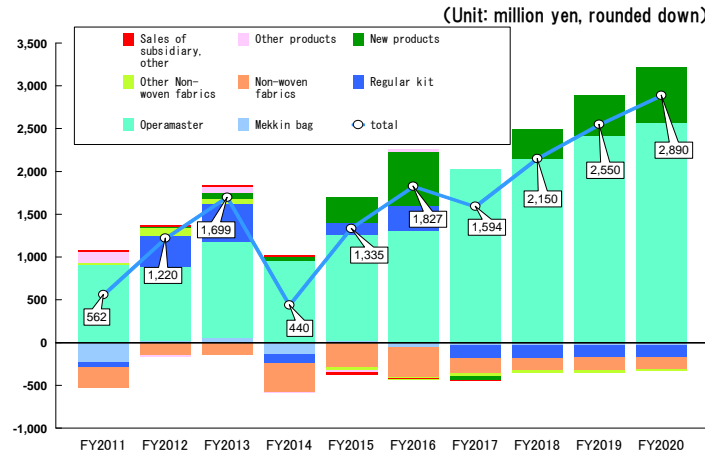


Medium-Term Business Plan

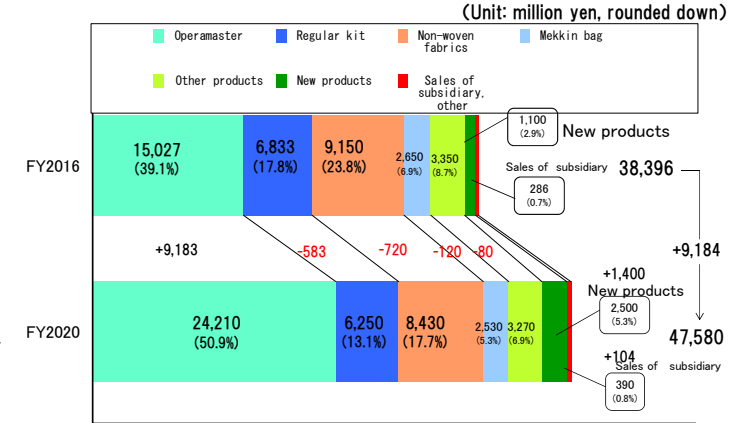
Sales by Major Products



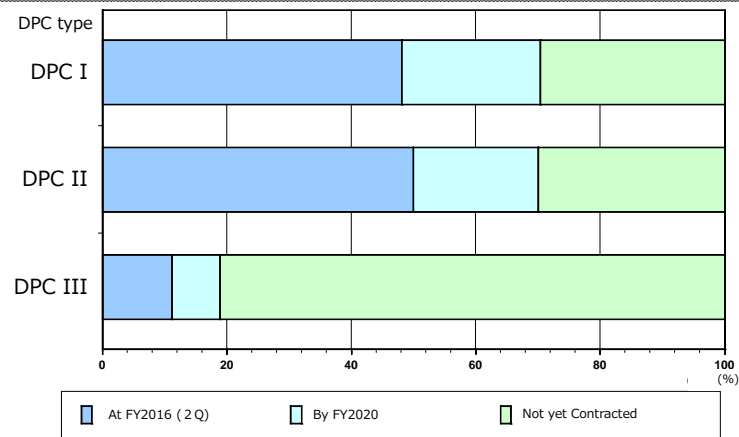
Sales Growth by Major Products



Sales by Major Products

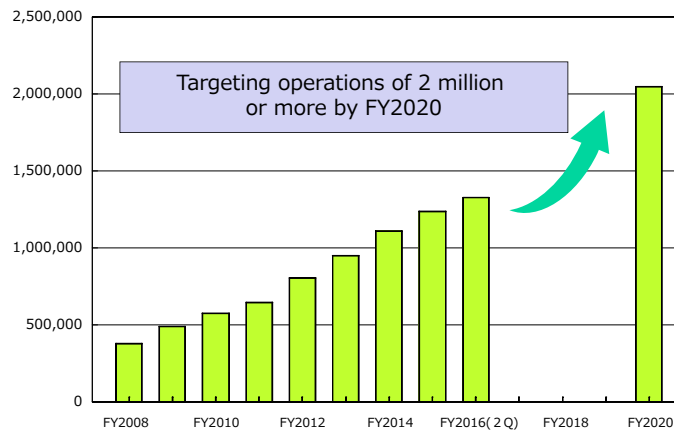


Operamaster Contract Plan



* DPC breakdown as of FY2016

Operamaster Contract Plan (No. of Surgical Operations)



Various Kit Definitions

	Premium Kits	Blister Kits	Tyvek Kits (existing)
Production plant	New plant (Murti)		Tsukuba, Miho
Safety	Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)		As before
Supply system	When plant completed: 5-day delivery period (48 hours after receipt of order)		As before
Target	By surgery type From surgery preparation to wound closure	Up to 1 box, 3 sets product target Priority on Operamaster hospitals	As before
Criteria	Kit template materials: 80% or more	Kit template materials: 30% to 80%	Cases where small amounts of materials used Kit template materials: 30% or less



New Plant Concepts

1. Stable supply

- Production equipment protected by seismic isolation structure
- Automation ensures stable production and allows short delivery times

2. Easy-to-use products

- Shift to product specs that customers find easy use (increase added value of kits)
- Allows materials to be arranged in order of use
- Reduced surgery preparation time

3. Improved productivity and safety through automation and unmanned operation

- Automation reduces human error and allows future cost reductions
- Maximum reduction in bacteria attachment due to no human contact with materials

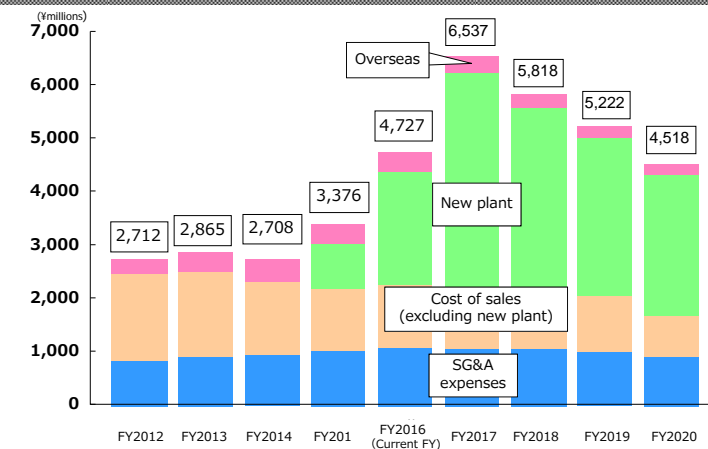
New Plant Plan

Major investment changes: Increased investments in machinery and systems that improve productivity

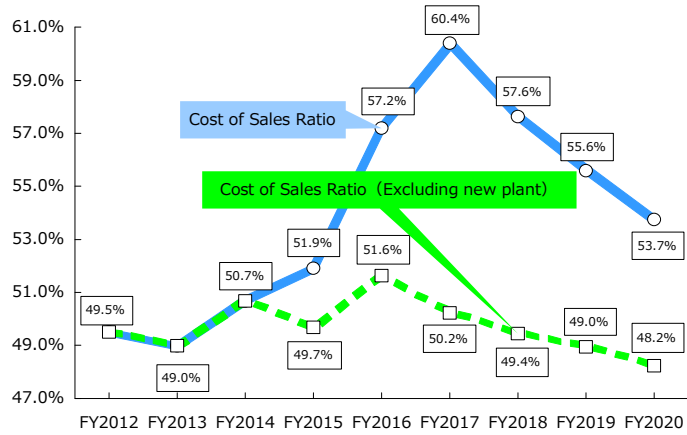
(¥ millions, rounded down)	FY2013	FY2014	FY2015	FY2016 (current FY)	FY2017	FY2018	FY2019	FY2020
Buildings								
Production system								
Machinery and equipment								
■ Investment amount ¥33,400	5,100	12,681	7,300	6,719	800	400	400	
■ Depreciation			815	2,084	4,069	3,448	2,963	2,627
* Announced FY2016 (1Q) ■ Investment amount ¥30,751	5,100	12,681	7,300	4,200	1,470			
■ Depreciation			815	2,170	3,550	3,390	2,850	2,440

Start of operation

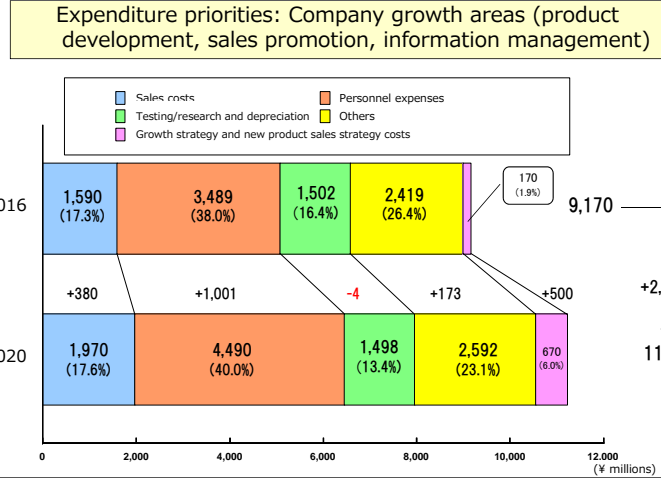
Depreciation



Cost of Sales Ratio



SG&A Expenses



Net Sales; Operating Income

