

April 17, 2017

Financial Report Fiscal 2016

(April 1 – March 31, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

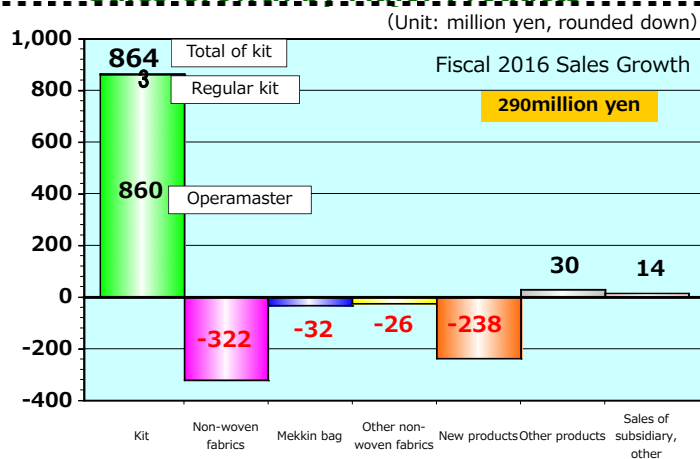
HOGY MEDICAL Co., Ltd.

Overview

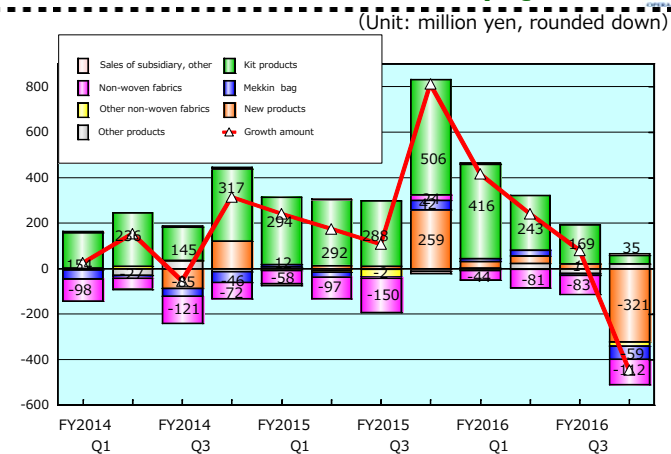
Fiscal 2016 Income Statements

(Unit: million yen, rounded down)	Fiscal 2015 Results		Fiscal 2016 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,568		36,859		290	100.8%
Operating income	8,784	24.0%	7,443	20.2%	△1,341	84.7%
Ordinary income	8,924	24.4%	7,403	20.1%	△1,520	83.0%
Net income	5,910	16.2%	5,786	15.7%	△124	97.9%
EPS	375.81yen		369.06yen			

Fiscal 2016 Sales Growth by Major Products



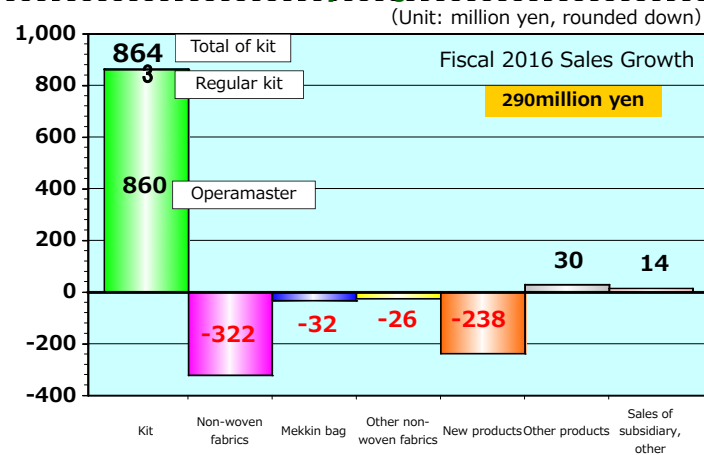
Fiscal 2016 Sales Growth by Quarter



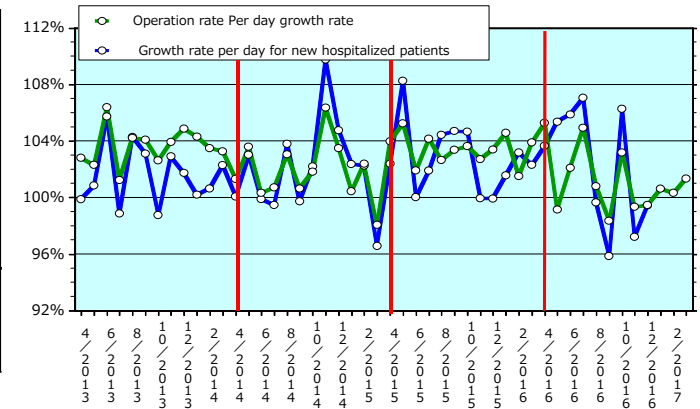
Fiscal 2016 Income Statements

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Fiscal 2016 Sales Growth by Major Products



Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



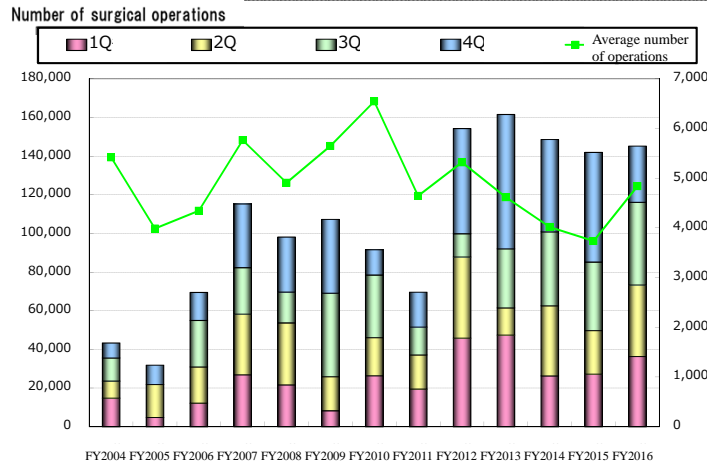


Fiscal 2016 Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Fiscal 2016 Highlights

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- Operamaster: 30 newly contracted institutions; 13 cancellations
- Half of contracted institutions: DPC I and II hospitals
- **Premium Kits: Clinical trials started at end of June; currently held at 318 hospitals**
- Leakage of personal information at Operamaster-contracted hospital
- Delays in getting Operamaster up and running, selling Premium Kits, and selling new products due to dispersed marketing capability
- Cost of sales up due to depreciation on new plant and foreign exchange factors
- Extraordinary income generated from partial sale of equity holdings

Fiscal 2017 Outlook

Fiscal 2017 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	36,859		38,540		1,680	104.6%
Operating income	7,443	20.2%	5,300	13.8%	△2,143	71.2%
Ordinary income	7,403	20.1%	5,410	14.0%	△1,993	73.1%
Net income	5,786	15.7%	5,160	13.4%	△626	89.2%
EPS	369.06yen		329.69yen			

Future Measures

Forecast for higher sales and lower income

■ Concentrate on improving sales power

- Reorganize sales departments
- Expand sales of Premium Kits (including at Operamaster-contracted hospitals)
- Strengthen consulting capability
- Attract new Operamaster contracts (continue targeting DPC I, II, and upper-level DPC III hospitals)
- New products: Sales Administration Department to handle everything from advice to sales

■ Promote advancement of Premium Kits

- Start "collaborative research courses" with customers

New plant to start operation at end of May 2017

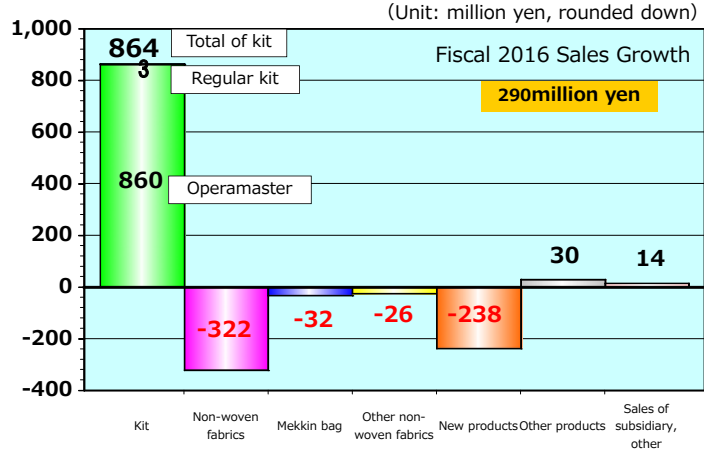
- Staged rollout; incremental production shift away from Tsukuba Plant
- Cost of sales to increase due to depreciation and foreign exchange factors
- Increases in expenses necessary to boost revenue and employees education costs
 - Prototype costs, personnel expenses, education/training costs, advertising and promotional expenses, etc.
 - Strengthen information management system
- Improve productivity at P.T. Hogy Indonesia
 - ✓ Promote labor savings and automation (personnel expenses to trend upwards)
 - ✓ Step up sales within Indonesia
 - ✓ Manufacture materials in-house



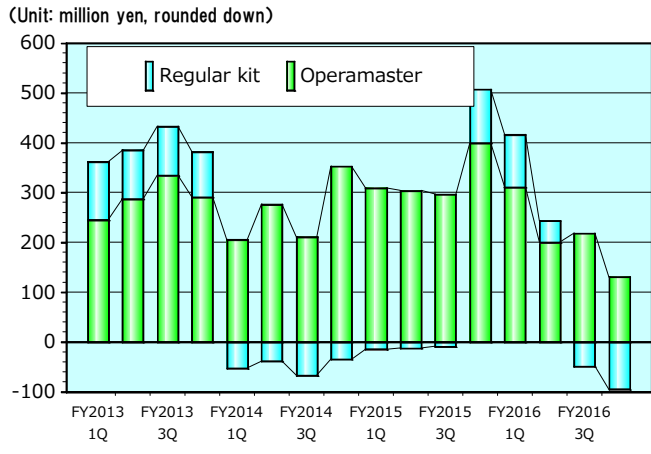
OPERATION

Sales details

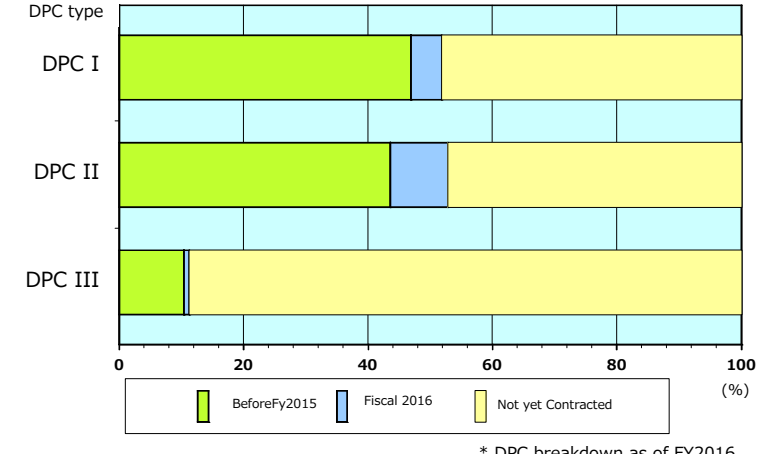
Fiscal 2016 Sales Growth by Major Products



Sales of Kit



Operamaster Contract Percentage



Progress of Operamaster Marketing

Sales: 14,561 million (UP 860 million or 106.3%)

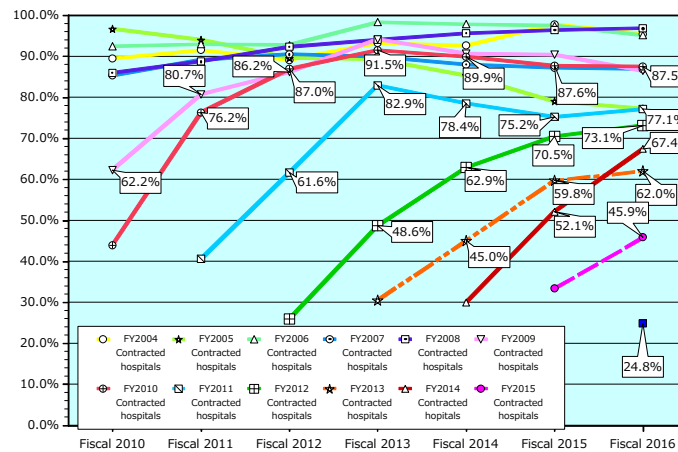
Number of contracts: 30 new contracts

- DPC I hospitals : 4
- DPC II hospitals : 13
- DPC III hospitals : 13

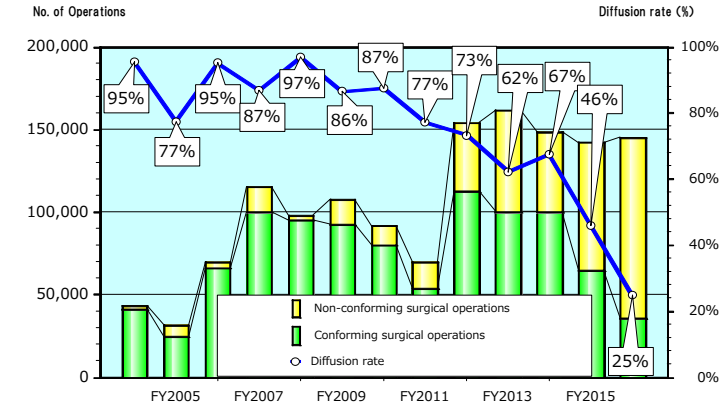
13 cancelled contracts

Cumulative total number of contracts: 289

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 Fiscal 2016.

Sales Strategy Status

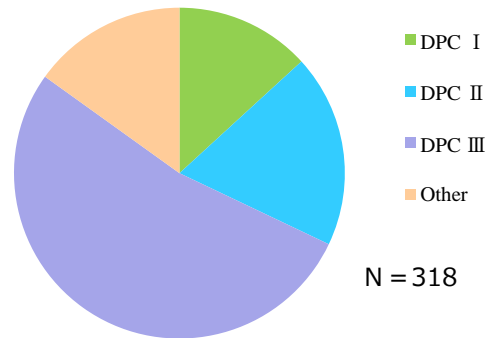
Implementation status of premium kit sample

Fiscal 2016 Sales Highlights



FY2016 strategy	Current status	Evaluation
Form Operamaster contracts with large hospitals	Increasing contracts with DPC I and II hospitals; year-on-year increase in surgical operations at contracted hospitals	○
Get Operamaster-contracted hospitals up and running	Delays in getting up and running at contracted hospitals	△
Increase awareness and strengthen sales of Premium Blister Kits	Steady increase in clinical trial hospitals and number of sales consumers	△
Expand sales of EMARO Endoscope Holder	3 units sold	×
Sell Surgery Management System	Postponement by hospitals scheduled for contract	×

Sample is carried out to 50% of DPC I and DPC II



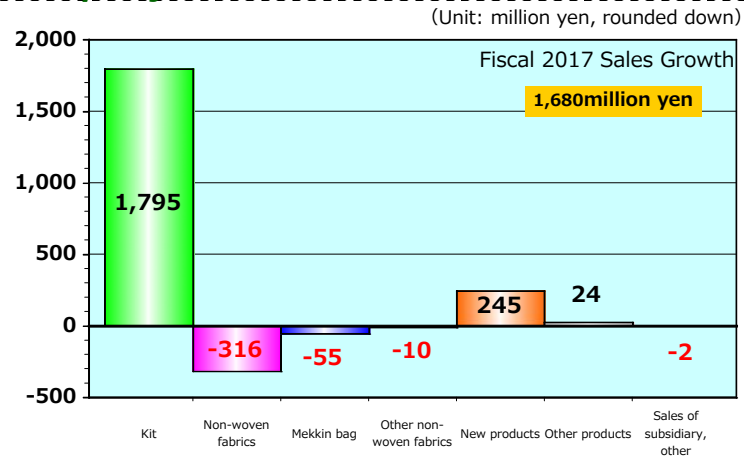
- Steady contractual progress with large hospitals (DPC I: 4; DPC II: 13; DPC III: 13)
- Year-on-year growth in number of surgical operations down to 1% range since September (3.5% growth in previous year)
- Leakage of personal information at Operamaster-contracted hospital
- Delays in getting Operamaster up and running due to dispersed marketing capability
- EMARO Endoscope Holder: 3 units sold; clinical trials held at 87 institutions in fiscal 2016 (cumulative total of 125)
- Premium Kits: Clinical trials started at end of June; trials held at 318 hospitals (master design completed at 356 institutions)
- Postponement by hospitals scheduled for Surgery Management System contract



Fiscal 2017 Full-Year Projections Sales Figures

Fiscal 2017 plan Sales Growth by Major Products

million yen, rounded down	Fiscal 2016 Results	Fiscal 2017 Plan	Amount	% of Total
Kit	21,124	22,920	1,795	108.5%
Non-wovenfabrics	9,406	9,090	△316	96.6%
Mekkin bag	2,665	2,610	△55	97.9%
Other non-woven fabrics	1,390	1,380	△10	99.3%
New products	224	470	245	209.4%
Other products	1,965	1,990	24	101.2%
Sales ofsubsidiary,other	82	80	△2	96.5%
Total	36,859	38,540	1,680	104.6%



Fiscal 2017 Sales Plan

■ Concentrate on increasing Premium Kit sales and strengthening marketing power

- Conduct effectiveness verification sessions with medical institutions
- Actively promote academic initiatives and factory tours
- Incorporate incentives to promote Premium Kit sales
- Conduct employee education to improve their skills

■ Step up proposals to DPC I, II, and upper-level DPC III hospitals

- Sales of EMARO Endoscope Holder and Surgery Management System to be handled exclusively by Sales Administration Department



Profit Details

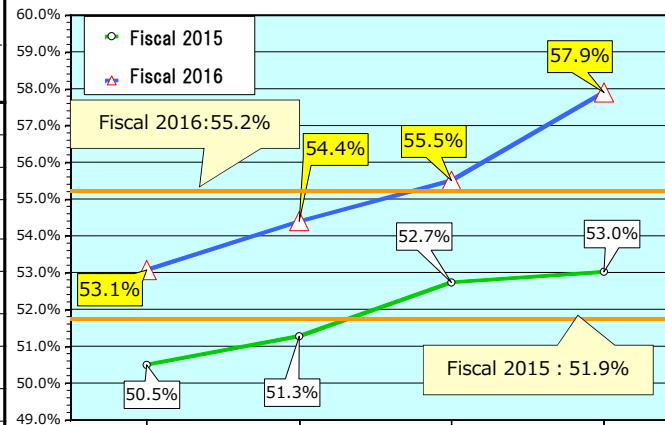
Fiscal 2016 Income Statements

Cost of Sales Ratio

Fiscal 2016 Analysis



(Unit: million yen, rounded down)	Fiscal 2015 Results		Fiscal 2016 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,568		36,859		290	100.8%
Cost of sales	18,984	51.9%	20,355	55.2%	1,371	107.2%
Gross profit	17,583	48.1%	16,503	44.8%	△1,080	93.9%
SG & A expenses	8,799	24.1%	9,060	24.6%	261	103.0%
Operating income	8,784	24.0%	7,443	20.2%	△1,341	84.7%
Non-operating income/loss	139		△39		△179	
Ordinary income	8,924	24.4%	7,403	20.1%	△1,520	83.0%
Extraordinary income/loss	△180		1,018		1,199	
Net income	5,910	16.2%	5,786	15.7%	△124	97.9%
EPS	375.81yen		369.06yen			

**Cost of sales ratio:** UP 3.3 points year-on-year

- Increase in depreciation due to acquisition of new plant building
- Effect of exchange on overseas transactions

SG&A expenses: Up ¥261 million year-on-year**Capex:** ¥6,649 million (Down ¥ 2,431 million)**Depreciation:** ¥ 4,409 million (UP ¥ 1,033 million)

- Cost of sales : ¥ 3,402 million (UP ¥1,071 million)
- SG&A expenses: ¥ 1,007 million(Down ¥37 million)



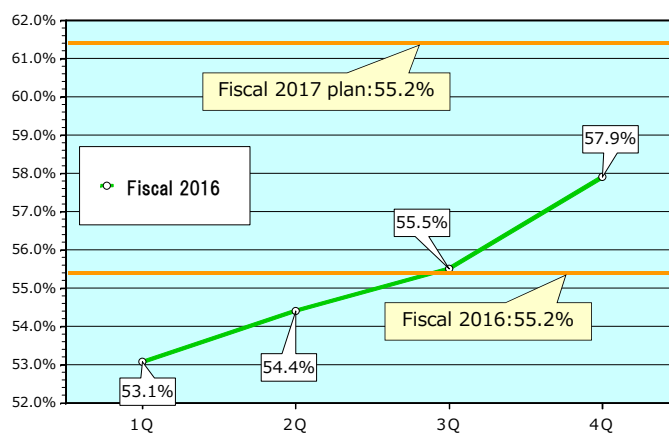
Fiscal 2017 Full-Year Projections



Fiscal 2017 Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 Results		Fiscal 2017 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,859		38,540		1,680	104.6%
Cost of sales	20,355	55.2%	23,720	61.5%	3,364	116.5%
Gross profit	16,503	44.8%	14,820	38.5%	△1,683	89.8%
SG & A expenses	9,060	24.6%	9,520	24.7%	459	105.1%
Operating income	7,443	20.2%	5,300	13.8%	△2,143	71.2%
Non-operating income/loss	△39		110		149	
Ordinary income	7,403	20.1%	5,410	14.0%	△1,993	73.1%
Extraordinary income/loss	1,018		2,000		981	
Net income	5,786	15.7%	5,160	13.4%	△626	89.2%
EPS	369.06yen		329.69yen			

Fiscal 2017 Revenue Projections



Cost of sales ratio : UP 6.3 points year-on-year

- Increase in depreciation due to acquisition of new plant

SG&A expenses : Up ¥459 million year-on-year

Samples , Personnel , Education and training expenses

Capex : ¥2,590 million (Down ¥ 4,059 million)

Depreciation : ¥ 6,395 million (UP ¥ 1,986 million)

- Cost of sales : ¥ 5,440 million (UP ¥2,038 million)
- SG&A expenses: ¥ 955 million (Down ¥52 million)

Cash dividends : ¥124.00 per share/full-year

Financial Report Fiscal 2016

(April 1 – March 31, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

HOGY MEDICAL Co., Ltd.