



# **1st Quarter of Fiscal 2017**

## Supplementary Materials

**HOGY MEDICAL Co., Ltd.**

July 18, 2017

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### (Notes Concerning Forward-Looking Statements)

Projections throughout these materials are provided as a reference for investors. They are based on estimates and forecasts, and shall not be regarded as pledges or guarantees. They shall be used on the full acknowledgment that actual results may naturally differ from projections.

## Fiscal 2017 Statements of Income (Actual and Forecast, Consolidated)

### First Quarter

¥ millions, rounded down

	June 2017 1st Quarter		June 2016 1st Quarter		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	9,159	100.0	9,055	100.0	104	101.2
Cost of Sales	5,452	59.5	4,805	53.1	646	113.5
<b>Gross profit</b>	<b>3,707</b>	<b>40.5</b>	<b>4,249</b>	<b>46.9</b>	<b>△ 542</b>	<b>87.2</b>
SG&A expenses	2,193	23.9	2,166	23.9	27	101.3
<b>Operating income</b>	<b>1,514</b>	<b>16.5</b>	<b>2,083</b>	<b>23.0</b>	<b>△ 569</b>	<b>72.7</b>
Other income	44		53		△ 8	
Other expenses	53		71		△ 18	
<b>Ordinary income</b>	<b>1,505</b>	<b>16.4</b>	<b>2,065</b>	<b>22.8</b>	<b>△ 560</b>	<b>72.9</b>
Extraordinary income	2,222		-		2,222	
Extraordinary expenses	20		0		19	
<b>Income before income taxes and minority interests</b>	<b>3,707</b>	<b>40.5</b>	<b>2,065</b>	<b>22.8</b>	<b>1,642</b>	<b>179.5</b>
Corporation tax, etc.	1,100		636		464	172.9
(Tax burden)	29.7%		30.8%			
Minority interests	0		0		△ 0	
<b>Net income</b>	<b>2,606</b>	<b>28.5</b>	<b>1,428</b>	<b>15.8</b>	<b>1,178</b>	<b>182.5</b>
EPS (total shares)	¥159.53		¥87.43			
EPS (minus treasury shares)	¥166.55		¥90.84			
Number of shares outstanding	16,341,155		16,341,155			
Average number of shares outstanding (after deducting treasury)	15,652,006		15,728,388			

### Second Quarter

¥ millions, rounded down

	Sept. 2017 Plan		Sept. 2016 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	9,800	100.0	9,254	100.0	545	105.9
Cost of Sales	6,227	63.5	5,030	54.4	1,197	123.8
<b>Gross profit</b>	<b>3,572</b>	<b>36.5</b>	<b>4,224</b>	<b>45.6</b>	<b>△ 651</b>	<b>84.6</b>
SG&A expenses	2,646	27.0	2,218	24.0	428	119.3
<b>Operating income</b>	<b>925</b>	<b>9.4</b>	<b>2,005</b>	<b>21.7</b>	<b>△ 1,079</b>	<b>46.2</b>
Other income	45		62		△ 16	
Other expenses	△ 53		126		△ 180	
<b>Ordinary income</b>	<b>1,024</b>	<b>10.5</b>	<b>1,941</b>	<b>21.0</b>	<b>△ 916</b>	<b>52.8</b>
Extraordinary income	△ 222		-		△ 222	
Extraordinary expenses	△ 20		0		△ 20	
<b>Income before income taxes and minority interests</b>	<b>822</b>	<b>8.4</b>	<b>1,940</b>	<b>21.0</b>	<b>△ 1,117</b>	<b>42.4</b>
Corporation tax, etc.	249		683		△ 433	
(Tax burden)	30.3%		35.2%			
Minority interests	△ 0		0		△ 0	
<b>Net income</b>	<b>573</b>	<b>5.8</b>	<b>1,257</b>	<b>13.6</b>	<b>△ 684</b>	<b>45.6</b>

### First Half

¥ millions, rounded down

	Sept. 2017 Interim Plan		Sept. 2016 Interim Results		Year-on-Year Comparison		Sept. 2017 Interim Initial Plan		Initial Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total	Amount	%
Net sales	18,960	100.0	18,310	100.0	649	103.5	18,960	100.0	-	100.0
Cost of Sales	11,680	61.6	9,836	53.7	1,843	118.7	11,680	61.6	-	100.0
<b>Gross profit</b>	<b>7,280</b>	<b>38.4</b>	<b>8,474</b>	<b>46.3</b>	<b>△ 1,194</b>	<b>85.9</b>	<b>7,280</b>	<b>38.4</b>	<b>-</b>	<b>100.0</b>
SG&A expenses	4,840	25.5	4,384	23.9	455	110.4	4,840	25.5	-	100.0
<b>Operating income</b>	<b>2,440</b>	<b>12.9</b>	<b>4,089</b>	<b>22.3</b>	<b>△ 1,649</b>	<b>59.7</b>	<b>2,440</b>	<b>12.9</b>	<b>-</b>	<b>100.0</b>
Other income	90		115		△ 25		90		-	
Other expenses	-		198		△ 198		-		-	
<b>Ordinary income</b>	<b>2,530</b>	<b>13.3</b>	<b>4,006</b>	<b>21.9</b>	<b>△ 1,476</b>	<b>63.1</b>	<b>2,530</b>	<b>13.3</b>	<b>-</b>	<b>100.0</b>
Extraordinary income	2,000		-		2,000		2,000		-	
Extraordinary expenses	-		1		△ 1		-		-	
<b>Income before income taxes and minority interests</b>	<b>4,530</b>	<b>23.9</b>	<b>4,005</b>	<b>21.9</b>	<b>524</b>	<b>113.1</b>	<b>4,530</b>	<b>23.9</b>	<b>-</b>	<b>100.0</b>
Corporation tax, etc.	1,350		1,319		30		1,350		-	
(Tax burden)	29.8%		32.9%				29.8%		-	
Minority interests	-		0		△ 0		-		-	
<b>Net income</b>	<b>3,180</b>	<b>16.8</b>	<b>2,685</b>	<b>14.7</b>	<b>494</b>	<b>118.4</b>	<b>3,180</b>	<b>16.8</b>	<b>-</b>	<b>100.0</b>
EPS (total shares)	¥194.60		¥164.36				¥194.60			
EPS (minus treasury shares)	¥203.15		¥170.99				¥203.15			
Number of shares outstanding	16,341,155		16,341,155				16,341,155			
Average number of shares outstanding (after deducting treasury)	15,653,361		15,708,272				15,653,361			

## Fiscal 2017 Sales Results and Plan by Product Line (Consolidated)

### First Quarter

¥ millions, rounded down

	June 2017 1st Quarter Results		June 2016 1st Quarter Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Sterilization products	888	9.7%	893	9.9%	△ 5	99.4%
Surgical products	7,998	87.3%	7,896	87.2%	102	101.3%
Treatment products	48	0.5%	51	0.6%	△ 3	93.9%
Others	224	2.5%	214	2.4%	9	104.6%
<b>Total</b>	<b>9,159</b>	<b>100.0%</b>	<b>9,055</b>	<b>100.0%</b>	<b>104</b>	<b>101.2%</b>

#### Itemized surgical products

Non-woven products	2,312	25.2%	2,369	26.2%	△ 57	97.6%
Other non-woven products:	334	3.7%	343	3.8%	△ 9	97.4%
Kit products	5,299	57.9%	5,135	56.7%	163	103.2%
Steel instruments	52	0.6%	47	0.5%	5	110.8%

#### Itemized external sales by subsidiary

Non-woven products	52		43		9	
Others	21		17		3	

### Second Quarter

¥ millions, rounded down

	Sept. 2017 Plan		Sept. 2016 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Sterilization products	903	9.2%	938	10.1%	△ 34	96.3%
Surgical products	8,601	87.8%	8,045	86.9%	555	106.9%
Treatment products	56	0.6%	51	0.6%	4	109.4%
Others	238	2.4%	218	2.4%	19	109.1%
<b>Total</b>	<b>9,800</b>	<b>100.0%</b>	<b>9,254</b>	<b>100.0%</b>	<b>545</b>	<b>105.9%</b>

#### Itemized surgical products

Non-woven products	2,197	22.4%	2,359	25.5%	△ 161	93.1%
Other non-woven products:	325	3.3%	340	3.7%	△ 15	95.5%
Kit products	5,900	60.2%	5,286	57.1%	613	111.6%
Steel instruments	177	1.8%	59	0.6%	118	300.4%

#### Itemized external sales by subsidiary

Non-woven products	77		49		27	
Others	18		17		0	

### First Half

¥ millions, rounded down

	Sept. 2017 Interim Plan		Sept. 2016 Interim Results		Year-on-Year Comparison		Sept. 2017 Interim Initial Plan		Initial Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total	Amount	%
Sterilization products	1,792	9.5%	1,832	10.0%	△ 40	97.8%	1,792	9.5%	-	100.0%
Surgical products	16,600	87.6%	15,941	87.1%	658	104.1%	16,600	87.6%	-	100.0%
Treatment products	104	0.6%	102	0.6%	1	101.7%	104	0.6%	-	100.0%
Others	463	2.4%	433	2.4%	29	106.9%	463	2.4%	-	100.0%
<b>Total</b>	<b>18,960</b>	<b>100.0%</b>	<b>18,310</b>	<b>100.0%</b>	<b>649</b>	<b>103.5%</b>	<b>18,960</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>

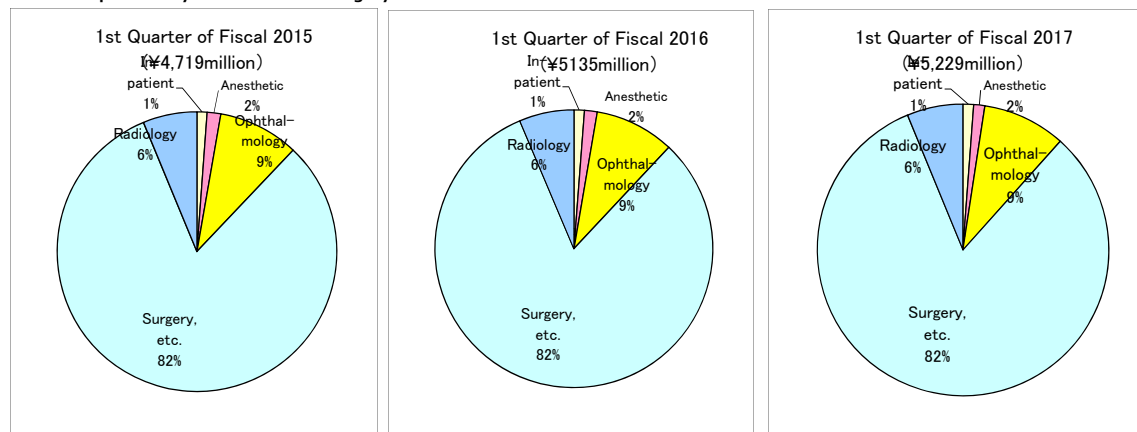
#### Itemized surgical products

Non-woven products	4,510	23.8%	4,728	25.8%	△ 218	95.4%	4,510	23.8%	-	100.0%
Other non-woven products:	660	3.5%	684	3.7%	△ 24	96.4%	660	3.5%	-	100.0%
Kit products	11,200	59.1%	10,422	56.9%	777	107.5%	11,200	59.1%	-	100.0%
Steel instruments	230	1.2%	106	0.6%	123	216.3%	230	1.2%	-	100.0%

#### Itemized external sales by subsidiary

Non-woven products	130		93		36		130		-	
Others	40		35		4		40		-	

### Sales Composition by Kit Treatment Category



## SG&A and Other Income / Expenses (Actual and Forecast, Consolidated)

### SG&A Expenses

¥ millions, rounded down

	June 2017 1st Quarter Results	June 2016 1st Quarter Results	Year-on-Year Comparison
transportation	235	242	△ 6
Losses on doubtful accounts	-	-	-
Samples	98	98	0
Advertising	26	22	4
Personnel	874	876	△ 1
Travel	135	127	7
Communication	35	37	△ 2
Consumables	26	23	2
Taxes and public charges	84	64	20
Depreciation	229	256	△ 26
Testing and research	93	95	△ 1
Land and housing rent	107	106	0
Miscellaneous	72	68	4
Others	173	147	26
<b>Total</b>	<b>2,193</b>	<b>2,166</b>	<b>27</b>

### Other Income/Expenses

¥ millions, rounded down

	June 2017 1st Quarter Results	June 2016 1st Quarter Results	Year-on-Year Comparison
Interest received	6	3	3
Dividend received	26	25	0
(Total financial earnings)	32	28	3
Foreign exchange gain	2	-	2
Miscellaneous income	9	24	△ 14
<b>Total Other income</b>	<b>44</b>	<b>53</b>	<b>△ 8</b>
Foreign exchange loss	-	71	△ 71
Miscellaneous losses	53	0	53
<b>Total non-operating expense</b>	<b>53</b>	<b>71</b>	<b>△ 18</b>

## Major Changes on Balance Sheets / Statements of Cash Flows (Consolidated)

### Major Changes on Balance Sheets

¥ millions, rounded down

	Balance at June 30, 2017	Change		Balance at June 30, 2017	Change
<b>Current assets</b>	39,764	2,655	<b>Current liabilities</b>	9,759	△ 418
Cash and bank deposits	19,304	2,646	Notes and accounts payable	4,584	△ 508
Notes and accounts receivable	11,549	259	Accrued expenses	155	△ 1,786
Short-term investments	-	-	Long-term loans due within 1 y	-	-
Inventories	8,088	△ 305	Income taxes	1,106	△ 102
Others	822	55	Allowance for employees' bonu	131	△ 259
			Payable notes for equipment	2,511	1,636
			Reserve for disaster loss	-	-
			Others	1,269	602
<b>Fixed assets</b>	63,371	△ 2,715	<b>Long-term liabilities</b>	2,886	△ 503
<b>Property, plant and equipment</b>			Others	508	-
Property, plant and equipment	50,817	△ 1,169	Others	2,377	△ 503
Buildings and structures	24,105	△ 349	<b>Total liabilities</b>	12,646	△ 921
Machinery, equipment and vehicl	15,442	△ 762	<b>Total net assets</b>	90,490	860
Land	9,614	△ 17	Common stock	7,123	-
Construction in progress	673	△ 8	Capital surplus	8,336	-
Others	981	△ 31	Retained earnings	74,487	2,135
Intangibles	3,228	127	Treasury stock	△ 3,826	14
Investments and others	9,324	△ 1,674	Others	4,370	△ 1,288
Investments securities	7,944	△ 1,560			
Others	1,380	△ 114			
<b>Total assets</b>	103,136	△ 60	<b>Total liabilities and shareholders' equity</b>	103,136	△ 60

\* Comparison with end of previous fiscal year:

Equity ratio increased from 86.8% at the end of the previous fiscal year to 87.7%.

### Statements of Cash Flows

¥ millions, rounded down

<b>I Operating activities</b>	1,602	Income before income taxes and minority interests	3,707
		Loss (gain) on sales of investment securities	△ 2,222
		Depreciation	1,527
		Income taxes paid	△ 1,110
<b>II Investing activities</b>	1,528	Proceeds from disposal of treasury stock	2,298
		Acquisition of tangible fixed assets	△ 567
<b>III Financing activities</b>	△ 456	Cash dividends paid	△ 472
<b>IV Effect of exchange rate changes</b>	△ 28		
<b>Net changes in cash and cash equivalents</b>	2,645		

## Fiscal 2017 Statements of Income (Actual and Forecast, Non-Consolidated)

### First Quarter

¥ millions, rounded down

	June 2017 1st Quarter Results		June 2016 1st Quarter Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	9,085	100.0	8,994	100.0	90	101.0
Cost of Sales	5,619	61.9	5,014	55.8	604	112.1
Gross profit	3,465	38.1	3,979	44.2	△ 513	87.1
SG&A expenses	2,172	23.9	2,150	23.9	22	101.0
Operating income	1,293	14.2	1,829	20.3	△ 536	70.7
Other income	48		53		△ 4	
Other expenses	59		54		4	
Ordinary income	1,282	14.1	1,827	20.3	△ 545	70.1
Extraordinary income	2,222		-		2,222	
Extraordinary expenses	20		0		19	
Income before income taxes and minority interests	3,484	38.4	1,827	20.3	1,656	190.7
Corporation tax, etc.	1,045		575		470	
(Tax burden)	30.0%		31.5%			
Net income	2,438	26.8	1,251	13.9	1,186	194.8

EPS (total shares)	149.23	76.61
EPS (minus treasury shares)	155.80	79.60
Number of shares outstanding	16,341,155	16,341,155
Average number of shares outstanding (after deducting treasury shares)	15,652,006	15,728,388

### Second Quarter

¥ millions, rounded down

	Sept. 2017 Plan		Sept. 2016 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	9,704	100.0	9,186	100.0	517	105.6
Cost of Sales	6,310	65.0	5,201	56.6	1,108	121.3
Gross profit	3,394	35.0	3,985	43.4	△ 591	85.2
SG&A expenses	2,617	27.0	2,202	24.0	414	118.8
Operating income	776	8.0	1,782	19.4	△ 1,005	43.6
Other income	31		63		△ 31	
Other expenses	△ 49		7		△ 56	
Ordinary income	857	8.8	1,838	20.0	△ 980	46.7
Extraordinary income	△ 222		-		△ 222	
Extraordinary expenses	△ 20		0		△ 20	
Income before income taxes and minority interests	655	6.8	1,837	20.0	△ 1,182	35.7
Corporation tax, etc.	194		578		△ 384	
(Tax burden)	29.6%		31.5%			
Net income	461	4.8	1,259	13.7	△ 797	36.6

### First Half

¥ millions, rounded down

	Sept. 2017 Interim Plan		Sept. 2016 Interim Results		Year-on-Year Comparison		Sept. 2017 Interim Initial Plan		Initial Plan Comparison	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total	Amount	%
Net sales	18,790	100.0	18,181	100.0	608	103.3	18,790	100.0	-	100.0
Cost of Sales	11,930	63.5	10,216	56.2	1,713	116.8	11,930	63.5	-	100.0
Gross profit	6,860	36.5	7,964	43.8	△ 1,104	86.1	6,860	36.5	-	100.0
SG&A expenses	4,790	25.5	4,352	23.9	437	110.0	4,790	25.5	-	100.0
Operating income	2,070	11.0	3,612	19.9	△ 1,542	57.3	2,070	11.0	-	100.0
Other income	80		116		△ 36		80		-	
Other expenses	10		62		△ 52		10		-	
Ordinary income	2,140	11.4	3,666	20.2	△ 1,526	58.4	2,140	11.4	-	100.0
Extraordinary income	2,000		-		2,000		2,000		-	
Extraordinary expenses	-		1		△ 1		-		-	
Income before income taxes and minority interests	4,140	22.0	3,665	20.2	474	113.0	4,140	22.0	-	100.0
Corporation tax, etc.	1,240		1,154		85		1,240		-	
(Tax burden)	30.0%		31.5%				30.0%		-	
Net income	2,900	15.4	2,511	13.8	388	115.5	2,900	15.4	-	100.0

EPS (total shares)	177.47	153.66	177.47
EPS (minus treasury shares)	185.26	159.86	185.26
Number of shares outstanding	16,341,155	16,341,155	16,341,155
Average number of shares outstanding (after deducting treasury shares)	15,653,361	15,708,272	15,653,361