



MEMBERSHIP
July 18, 2017

Financial Report First Quarter of Fiscal 2017

(April 1 – June 30, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager of public relations

HOGY MEDICAL Co., Ltd.

Notice Regarding Forward-Looking Statements⁴

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.



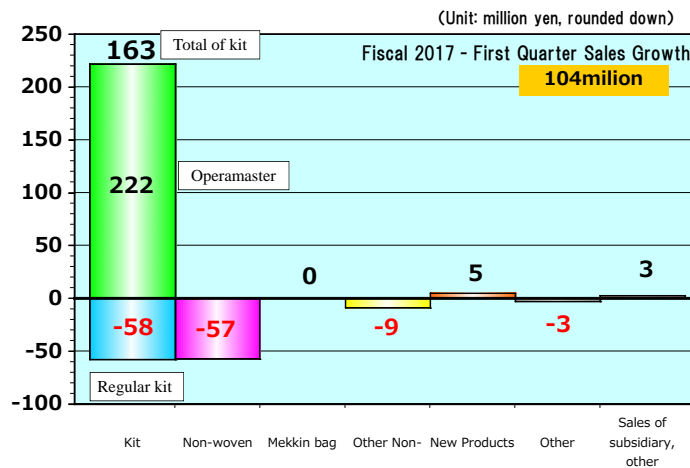
OPERATION

Overview

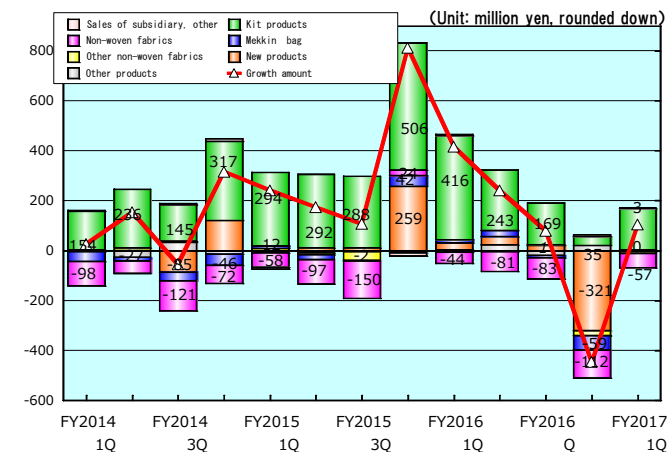
Fiscal 2017 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 First Quarter Results		Fiscal 2017 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	9,055		9,159		104	101.2%
Operating income	2,083	23.0%	1,514	16.5%	△569	72.7%
Ordinary income	2,065	22.8%	1,505	16.4%	△560	72.9%
Profit attributable to owners of parent	1,428	15.8%	2,606	28.5%	1,178	182.5%
EPS	90.84yen		166.55yen			

Fiscal 2017 – First Quarter Sales Growth by Major Products



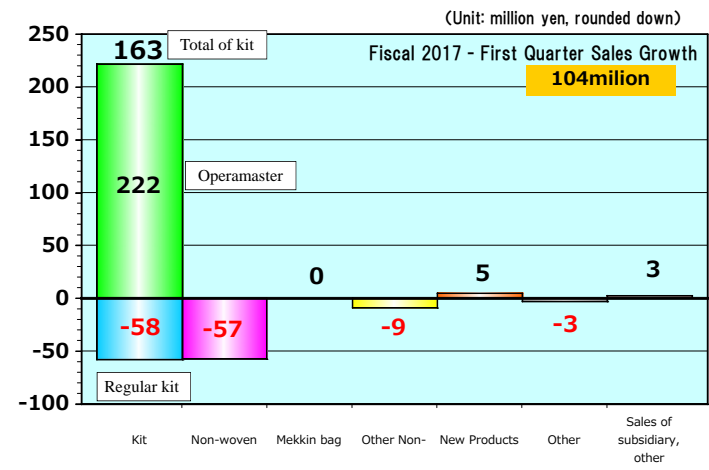
Fiscal 2017 – First Quarter Sales Growth by Quarter



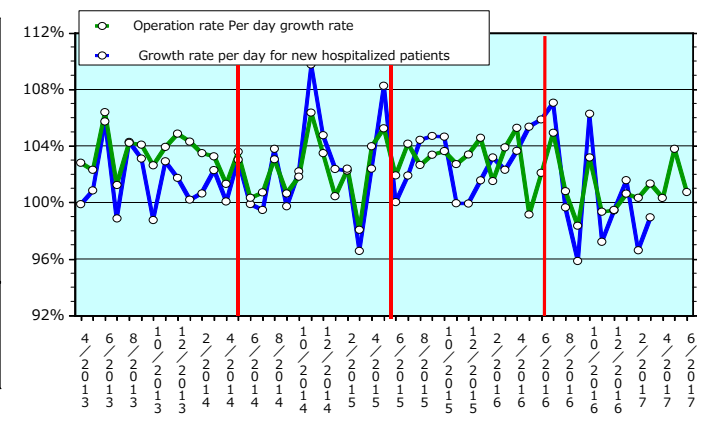
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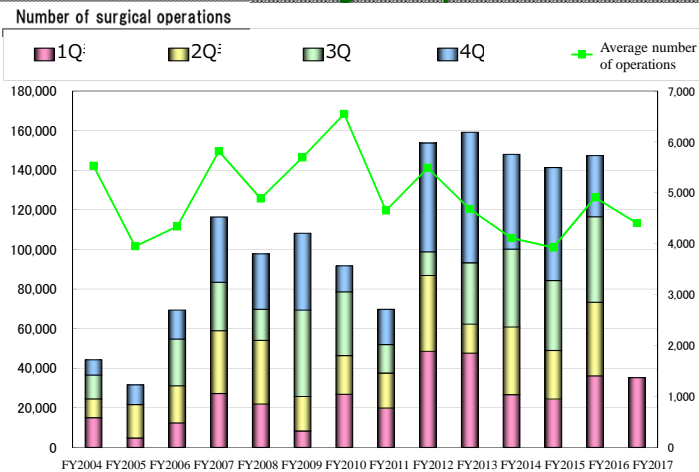
Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



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Number of Operamaster Contracts; Number of Surgical Operations



Fiscal 2017 Highlights

- **New plant started operations in June 2017**
- **Premium Blister Kit sales: ¥188 million**
- **Operamaster: 8 newly contracted institutions; 5 cancellations**
- **Delays in getting Operamaster up and running at contracted hospitals**
- **Cost of sales up due to depreciation on new plant**
- **Extraordinary income generated from partial sale of equity holdings**

Fiscal 2017 Outlook

Fiscal 2017 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2016 Results		Fiscal 2017 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
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	369.06円		329.64円			

Future Measures

Forecast for higher sales and lower income

■ Concentrate on improving sales power

- 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)
- Strengthen Operamaster up and running
- New products: Sales Administration Department to handle everything from advice to sales

■ SUD (single-use medical device)

Prepare to enter SUD reprocessing (remanufacturing) business

- Start “collaborative research courses” with customers
- Prepare to start business in fiscal 2019

■ Aim to raise automation rate of new factory

- Start operation of machinery and equipment in stages
- Cost of sales to surge, reflecting increase in depreciation
- **Rises in expenses necessary for increased sales, and in personnel development costs**
 - Prototype costs, personnel expenses, education and training expenses, advertising costs, etc.

● Reinforce 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

9 **SUD (single-use medical device) reprocessing (remanufacturing) business**

The structure of reprocessing



SUD reprocessing

- Remanufacture and reuse of SUDs (cleaning, disassembly, assembly, sterilization, packaging)
- According to law (soon to be enacted), remanufacturing must be undertaken at controlled facilities, and reprocessed products must have the same levels of safety and effectiveness as original (OEM) products.

Anticipated benefits

- Reduced medical costs (lower hospital costs)
- Effective resource utilization thanks to reduced waste

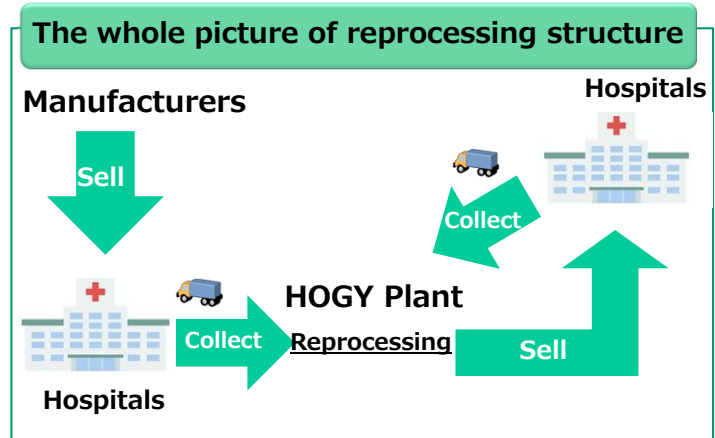
Ministry of Health, Labour and Welfare

Certain single-use devices targeted

Japan's Ministry of Health, Labour and Welfare has decided to approve the reprocess of certain single-use devices (SUDs) that previously were discarded after use in the interests of safety. Under the change, medical device manufacturers must appropriately collect the used devices for analysis, washing, parts replacement, reassembly, and the like, so that the SUDs can be reused as though they were original devices. Under Japan's Pharmaceutical and Medical Devices Act, safety measures, collection, and other obligations are to be fulfilled by the device remanufacturer. The new system is slated to come into effect in July.

Under the current proposal, devices earmarked for remanufacture are to be SUDs that have been used by Japanese medical institutions. In the United States, devices that can be remanufactured include electrode (EP) catheter and blood vessel sealing devices for laparoscopes. Accordingly, devices earmarked for remanufacture in Japan are based on those with tracks records in Europe and North America that are durable and can conceivably be used multiple times on the medical frontlines. For reasons of safety, some devices have not been approved at this stage, including those that come into contact with the brain or spinal cord, and those used to treat infectious diseases as determined under the Infectious Diseases Prevention Act.

Companies seeking to make and selling remanufactured SUDs must receive approval to do so. Moreover, the remanufactured SUD must be certified as different from the originally manufactured one. Remanufactured SUDs are to be affixed with serial numbers to ensure traceability with respect to replaced parts and their manufacture and distribution. Japan's Pharmaceuticals and Medical Devices Agency (PMDA) is scheduled to conduct regular checks to verify approval details and the like for remanufactured SUD production processes, as well as whether or not the SUDs meet specific standards.



10 Purpose for entry into reprocessing business and schedule

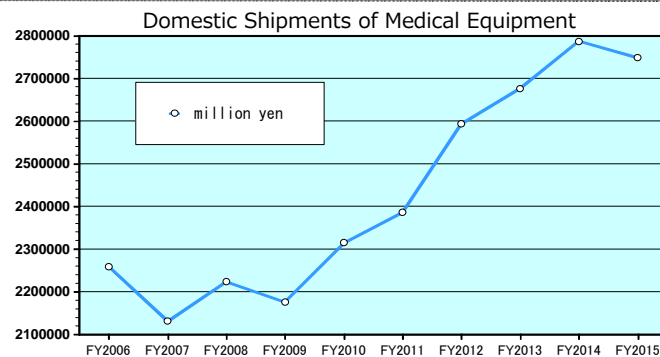
Purpose for entry

We have encouraged and improved the efficiency of hospital management through Operamaster. Under a new proposed initiative, we will enter the reprocessing business with the aims reducing medical expenses and contributing to environmental protection.

Schedule

- | | |
|----------------------|---|
| ■ July 2017 | Enactment of Pharmaceutical Affairs Law |
| ■ End of fiscal 2017 | Launch safety tests, start application for licensing approval |
| ■ End of fiscal 2018 | Acquire licensing approval |
| ■ Fiscal 2019 | Start business from licensed products |

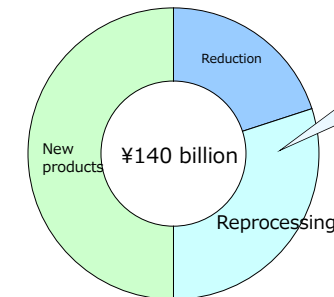
Market Scale



Source: Survey of production statistics in the pharmaceutical industry (Ministry of Health, Labor and Welfare)

Among total medical equipment shipments (¥2.7 trillion), domestic shipments of SUDs account for ¥1.5 trillion

Among domestic SUD shipments (¥1.5 trillion), products suitable for reprocessing account for around ¥140 billion



Market scale (around ¥42 billion) assumes 50% of reprocessable products are recycled

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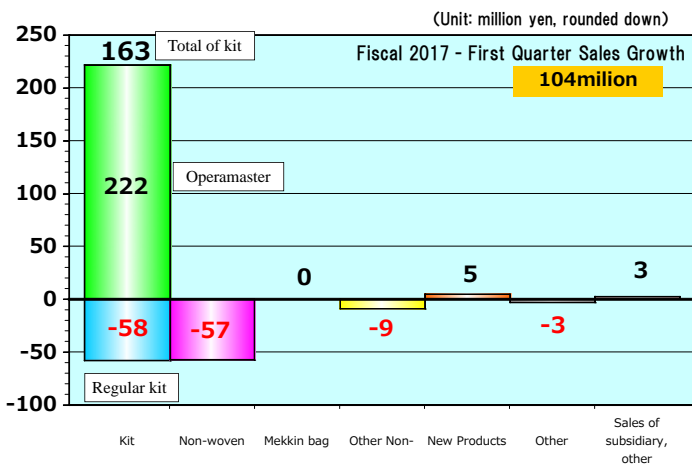
One outcome of reduction is added cost of treating medical waste

Reprocessing target market

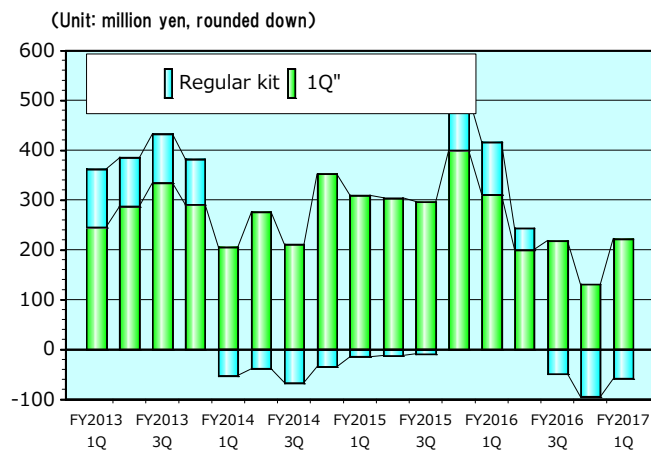


**Fiscal 2017 First Quarter Sales details
and
Full-Year Projection**

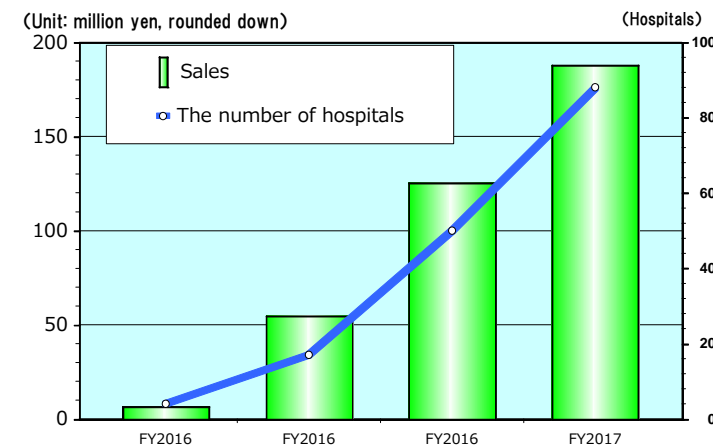
Fiscal 2017 Sales Growth by Major Products



Sales of Kit



Sales of Premium · Blister Kit



Progress of Operamaster Marketing

Sales : 3,686 million (+222 million : 106.4%)

FY2017 First Quarter New Contracted :

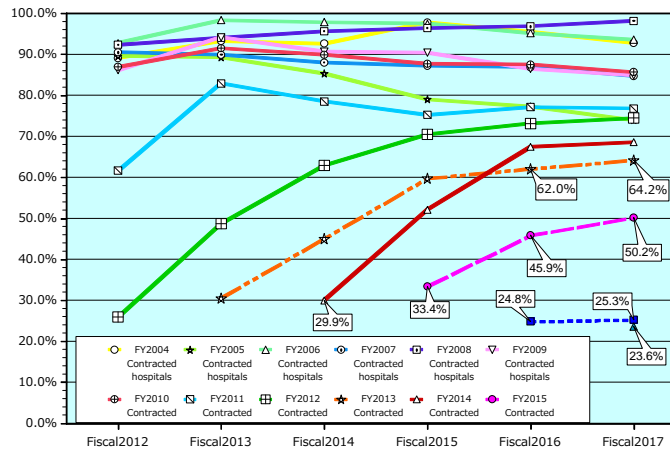
New :

- DPC I hospitals : 1 hospital
- DPC III hospitals : 7 hospitals

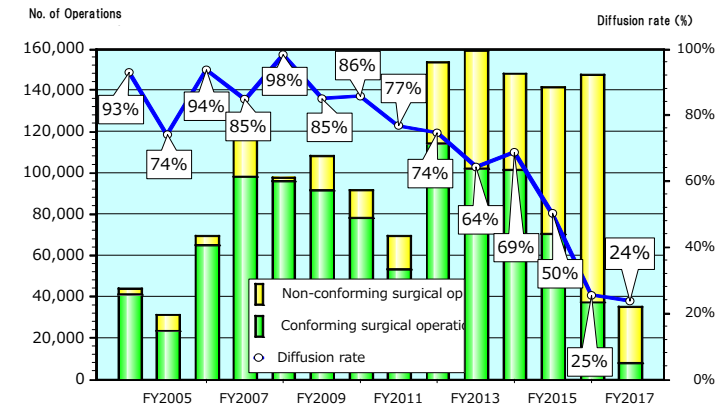
Cancellation : 5 hospitals

total number of contracts : 292 hospitals

Operamaster Penetration Ratio



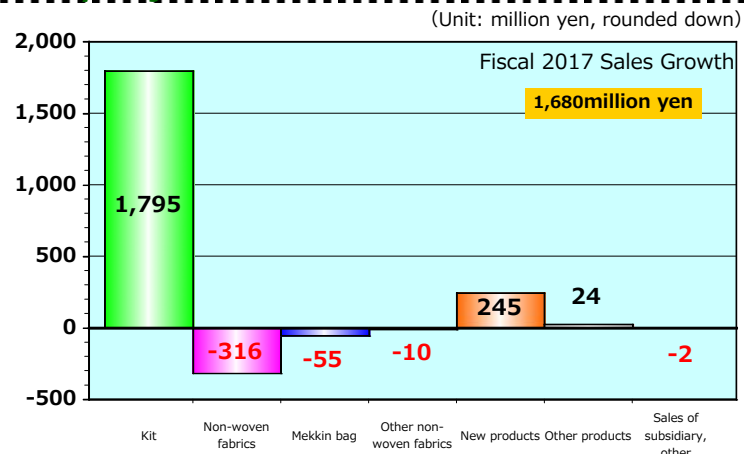
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



* Number of contracted hospitals is current as to the end of the Fiscal 2017.

Fiscal 2017 plan Sales Growth by Major Products

million yen, rounded down	Fiscal 2016 Results	Fiscal 2017 Plan	Year-on-Year comparison	
			Decrease or Increase amount	Rate Of Change
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

- Step up proposals to DPC I, II, and upper-level DPC III hospitals
- [Concentrate on increasing Premium Kit sales and strengthening marketing power](#)
 - Conduct effectiveness verification sessions with medical institutions
 - [Encourage switchover to Premium and Blister Kits](#)
 - Actively promote academic initiatives and factory tours
 - Formulate new factory utilization strategy
 - Incorporate incentives to promote Premium Kit sales
 - Conduct employee education to improve their skills
- Sales of EMARO Endoscope Holder and Surgery Management System to be handled exclusively by Sales Administration Department
- Prepare to enter the reprocessing business

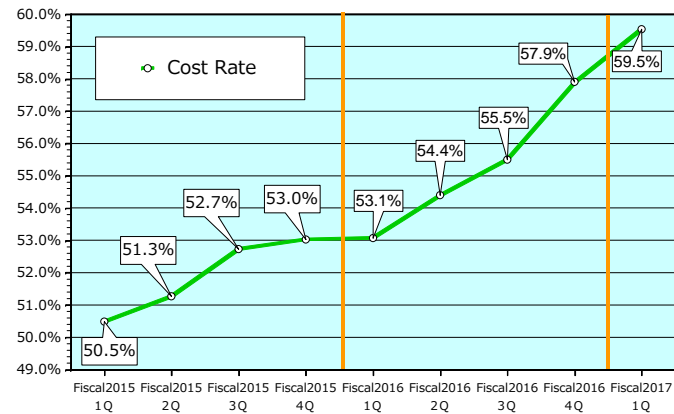


Profit Details

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Net sales	9,055		9,159		104	101.2%
Cost of sales	4,805	53.1%	5,452	59.5%	646	113.5%
Gross profit	4,249	46.9%	3,707	40.5%	△542	87.2%
SG & A expenses	2,166	23.9%	2,193	23.9%	27	101.3%
Operating income	2,083	23.0%	1,514	16.5%	△569	72.7%
Non-operating income/loss	△17		△8		9	
Ordinary income	2,065	22.8%	1,505	16.4%	△560	72.9%
Extraordinary income/loss	△0		2,202		2,202	
Net income	1,428	15.8%	2,606	28.5%	1,178	182.5%
EPS	90.84yen		166.55yen			

Cost of Sales Ratio



Fiscal 2017 Analysis

Cost of sales ratio : 6.4% increase Year-on-Year

- Increase in depreciation due to acquisition of new plant building

SG&A expenses : ¥27million increase year-on-year

Capex : ¥562million (¥2,977million decrease)

Depreciation : ¥1,527million (¥541million increase)

- Cost of Sales: ¥1,298million (¥567million increase)
- SG&A expenses: ¥229million (¥26million decrease)

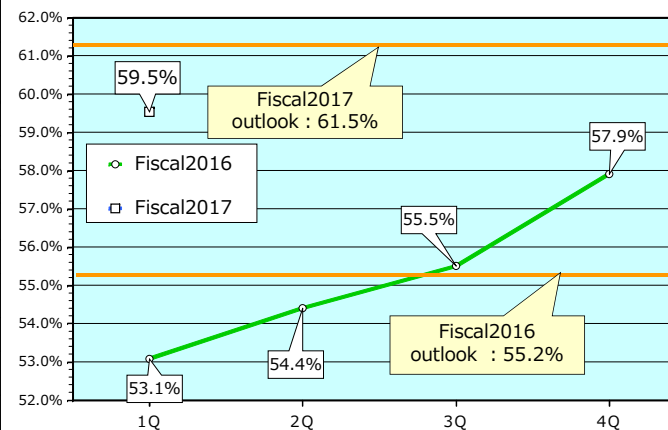


Fiscal 2017 Full-Year Projections

Fiscal 2017 Income Statements

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	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
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		329.64yen			

Fiscal 2017 Revenue Projections



Cost of sales : 6.3% increase Year-on-Year
increase of depreciation of new plant building

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

Samples , Personnel , Education and training expenses
perspective of expenses for reprocessing project

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

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

- Cost of Sales: ¥5,440 million (¥2,038 million increase)
- SG&A expenses: ¥955million (¥52million decrease)

Cash dividends : ¥124 (+¥4 Year-on-Year)



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