

April 16, 2018

Financial Report Fiscal 2017

(April 1 – March 31, 2018)

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 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.



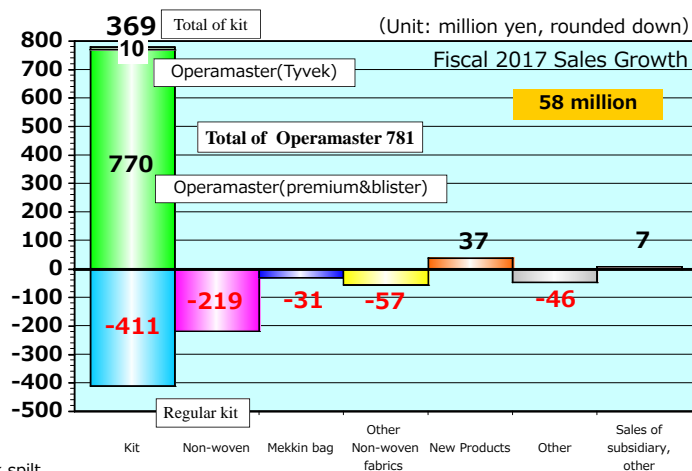
OPERATION

Overview

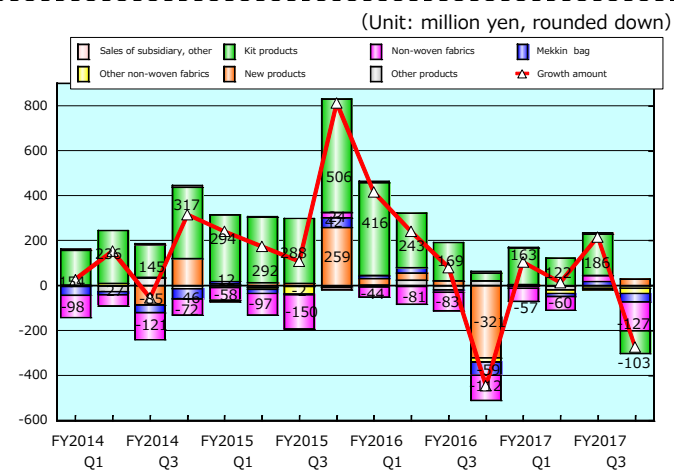
Fiscal 2017 Income Statements

(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		36,918		58	100.2%
Operating income	7,443	20.2%	5,273	14.3%	△2,169	70.8%
Ordinary income	7,403	20.1%	5,380	14.6%	△2,022	72.7%
Profit attributable to owners of parent	5,786	15.7%	5,262	14.3%	△523	90.9%
EPS	184.53yen		168.04yen			

Fiscal 2017 Sales Growth by Major Products



Fiscal 2017 Sales Growth by Quarter



*Due to the 2-for-1 stock split on 1st of April in 2016, EPS refers the estimation after the stock split.

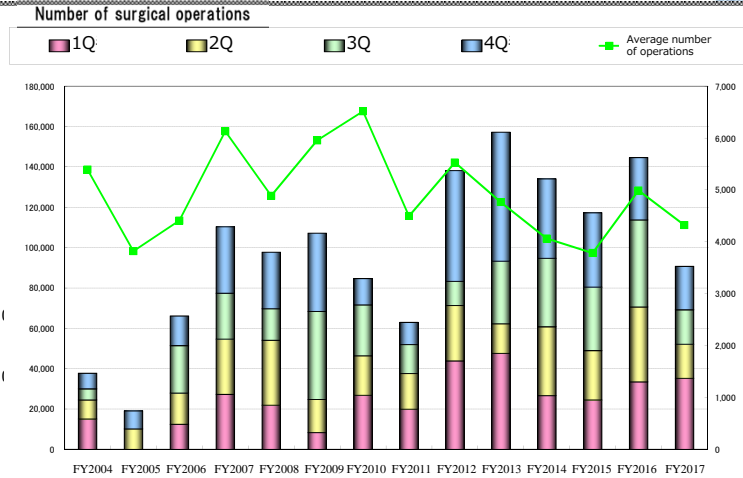
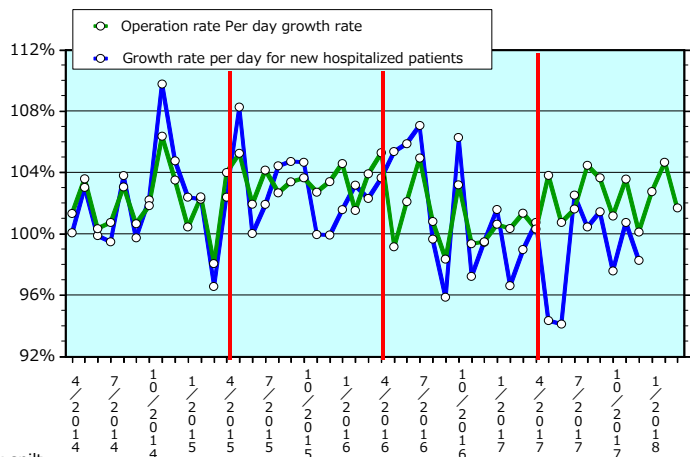
Fiscal 2017 Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Fiscal 2017 Highlights



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Fiscal 2017 Income Statements

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- **Surgical kit growth strategy (in light of declining workforce)**

⇒Narrow down Operamaster sales approach to advanced acute-phase and general acute-phase clinics

⇒Expand sales of Premium Kits to all facilities that perform surgery

- Operamaster: 22 newly contracted institutions; 29 cancellations

- ✓ Made adjustments at hospitals showing no progress due to lack of consensus
- ✓ Certain degree of cancellations also expected in the future

- Delays in getting Operamaster up and running at contracted hospitals

- ✓ Determine sales points and obtain knowledge about Premium Kits

- Decline in sales due to competition with other companies

- Sales of Premium Blister Kits: ¥2,065 million

- **Increase in volume of clinical evaluation activities for Premium Blister Kits**

- New factory started operations (June 2017)

- Increase in cost of sales due to depreciation expense on new factory

- Extraordinary income received on partial sale of securities holdings

- Announced 2-for-1 stock split (effective April 1, 2018)

Due to the 2-for-1 stock split on 1 of April in 2018, EPS refers the estimation after the stock split.

Fiscal 2018 Outlook



Fiscal 2018 Income Forecasts

Future Measures

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,918		38,770		1,851	105.0%
Operating income	5,273	14.3%	5,920	15.3%	646	112.3%
Ordinary income	5,380	14.6%	6,050	15.6%	669	112.4%
Profit attributable to owners of parent	5,262	14.3%	5,450	14.1%	187	103.6%
EPS	168.04yen		173.97yen			

Forecast for higher sales and higher income

■ Promote surgical kit growth strategy

- [Concentrate on Premium Kits \(including Operamaster-contracted facilities\)](#)
- [Reassess Operamaster facilities](#)
- [Continue education and reinforce Premium Kit consulting capabilities](#)
- [Expand number of target facilities](#)

■ Prepare to enter single-use device (SUD) reprocessing (remanufacturing) business

■ Expand overseas business

- Change from "Indonesia-centered sales strategy" to sales development in markets other than Japan

■ Comprehensive business alliance with Mitsubishi Corporation

■ Cost reductions

- [Depreciation expense to peak out](#)
- [Accelerate product shift to new factory](#)

■ Expenses necessary for growth

- [Strengthen sales force to accommodate expansion of target facilities](#)
- [Higher education and training expenses for personnel development](#)
- [Cost of applying for license to enter SUD reprocessing \(remanufacturing\) business](#)
- [Cost of license to expand overseas business rollouts](#)

■ Improve productivity at P.T. Hogy Indonesia

- Promote labor-saving and automation (personnel expenses will continue on uptrend)
- Strengthen sales in Indonesian domestic market
- Emphasis in-house manufacturing of materials

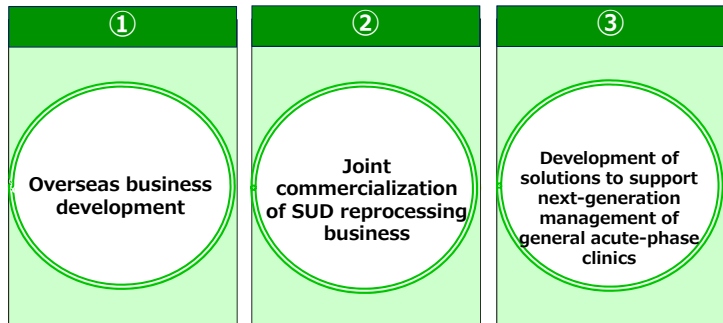
■ Promote stakeholder-oriented management (implement share buybacks)

* Due to the 2-for-1 stock split on 1st of April in 2018, EPS refers the estimation after the stock split.



Comprehensive business alliance with Mitsubishi Corporation

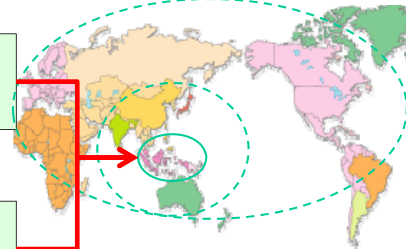
Three areas covered by alliance



① Overseas rollout of medical materials and other products

Start from joint cultivation of Southeast Asian markets, then expand business globally

- Technologies and know-how related to surgical kits and Operamaster
- High-quality, reliable production and supply system



- Deployment of global network
- Support for development of marketing and sales channels
- Support for search for suppliers of surgical kit materials

② Joint commercialization of SUD reprocessing business

- Joint commercialization related to manufacturing, distribution, collection, sales, etc. of reprocessed SUDs
- Future consideration of specific division of roles and collaboration schemes (commercialization)

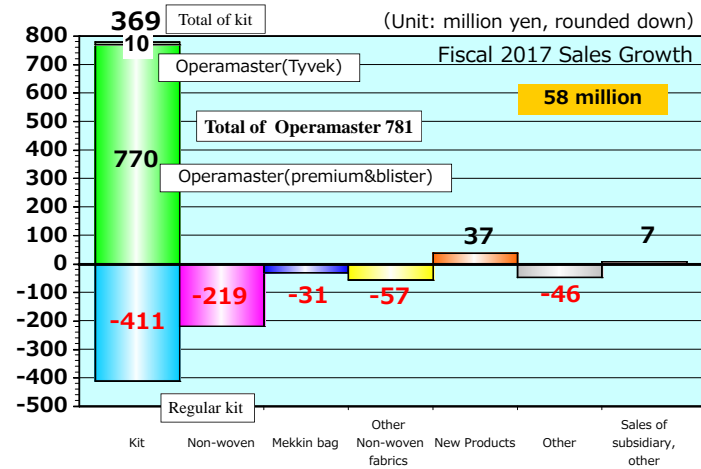
③ Develop solutions to support next-generation management of general acute-phase clinics

- Jointly develop solution packages to support overall optimization of hospital management through improved profitability and reduced costs stemming from business flow improvements, etc.

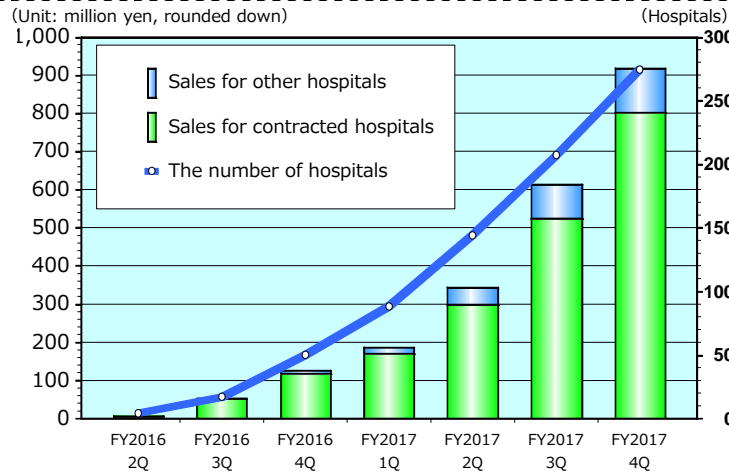


Fiscal 2017 Sales details and Full-Year Projection

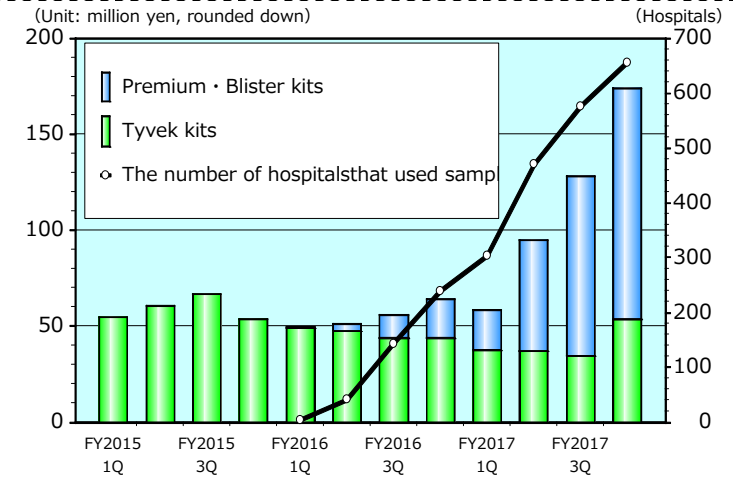
Fiscal 2017 Sales Growth by Major Products



Sales of Premium · Blister Kit

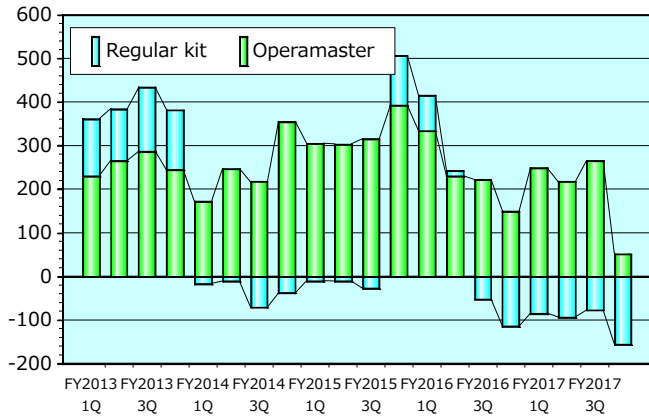


Samples of Kits

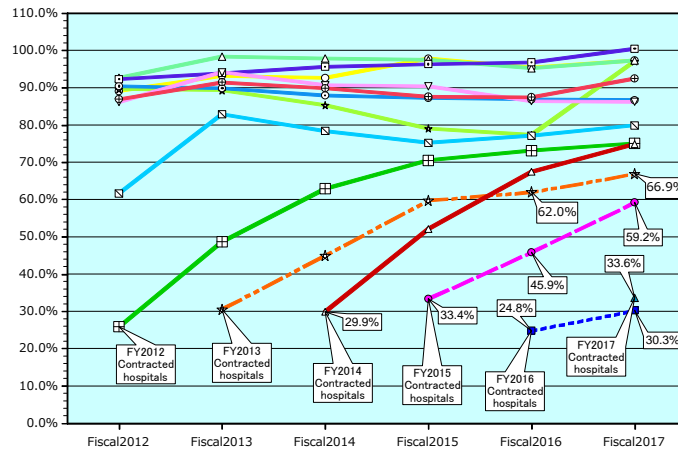


Growth of Kit Sales

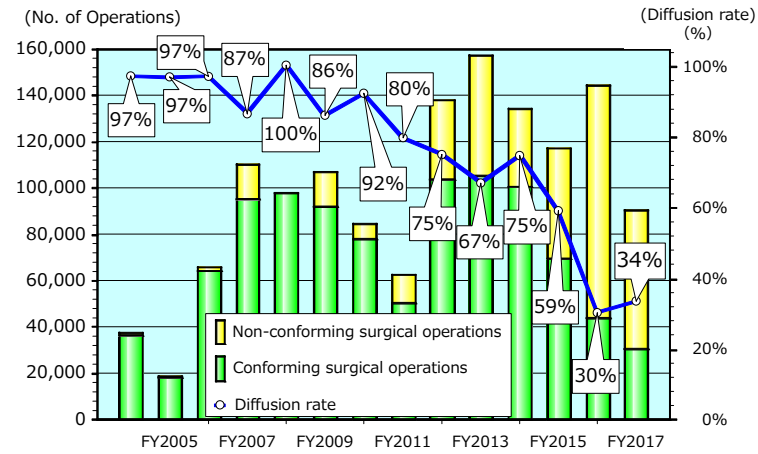
(Unit: million yen, rounded down)



Operamaster Penetration Ratio



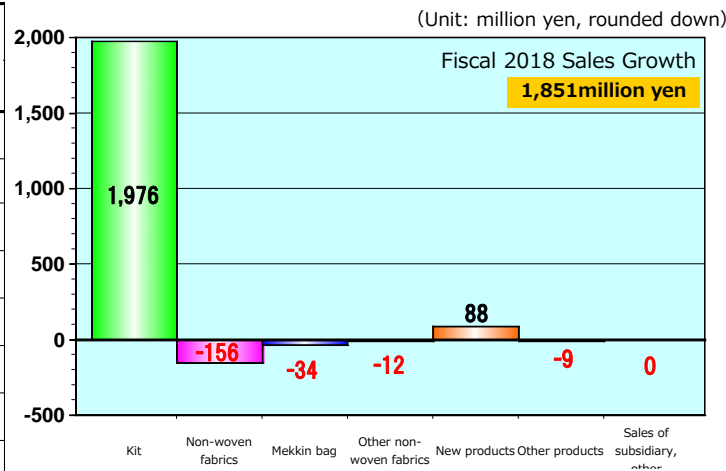
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



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

Fiscal 2018 plan Sales Growth by Major Products

(Unit: million yen, rounded down)	Fiscal 2017 Results	Fiscal 2018 Plan	Year-on-Year Comparison	
			Amount	%
Kit	21,493	23,470	1,976	109.2%
Non-woven fabrics	9,186	9,030	△156	98.3%
Mekkin bag	2,634	2,600	△34	98.7%
Other Non-woven fabrics	1,332	1,320	△12	99.1%
New products	264	350	88	133.7%
Other products	1,919	1,910	△9	99.5%
Sales of subsidiary, other	90	90	△0	99.7%
Total	36,918	38,770	1,851	105.0%



Fiscal 2018 Sales Plan

- [Entrench surgical kit growth strategy](#)
- [Concentrate efforts of sales force on expanding sales of Premium Kits](#)
 - [Place top priority on getting Operamaster up and running](#)
 - [Step up offensive against other companies](#)
- [Increase personnel to accommodate expansion of target facilities for surgical kit sales](#)
 - Step up Operamaster proposals aimed at advanced acute-phase and general acute-phase clinics
 - Sell Premium Kits to 2,000 hospitals
 - Upgrade education system to enhance skills of employees
- Confirm market associated with launch of reprocessing business
- Confirm market for strategy development targeting SCM



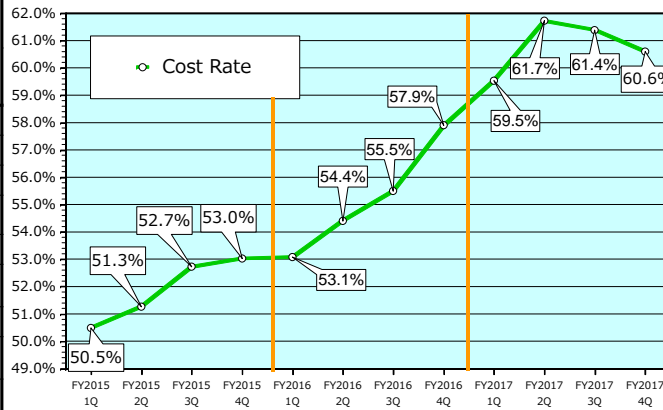
Profit Details

Fiscal 2017 Income Statements

Cost of Sales Ratio

Fiscal 2017 Analysis

(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		36,918		58	100.2%
Cost of sales	20,355	55.2%	22,450	60.8%	2,094	110.3%
Gross profit	16,503	44.8%	14,467	39.2%	△2,035	87.7%
SG & A expenses	9,060	24.6%	9,194	24.9%	133	101.5%
Operating income	7,443	20.2%	5,273	14.3%	△2,169	70.8%
Non-operating income/loss	△39		107		146	
Ordinary income	7,403	20.1%	5,380	14.6%	△2,022	72.7%
Extraordinary income/loss	1,018		2,202		1,184	
Profit attributable to owners of parent	5,786	15.7%	5,262	14.3%	△523	90.9%
EPS	184.53yen		168.04yen			



Cost of sales ratio : UP 5.6 points year-on-year

- Increase in depreciation due to acquisition of new plant building

SG&A expenses : Up ¥133 million year-on-year

Capex : ¥2,142 million (Down ¥ 4,506 million)

Depreciation : ¥ 6,235 million (UP ¥ 1,825 million)

- Cost of sales : ¥ 5,320 million (UP ¥1,918 million)
- SG&A expenses: ¥ 914 million (Down ¥93 million)

* Due to the 2-for-1 stock split on 1st of April in 2018, EPS refers the estimation after the stock split.



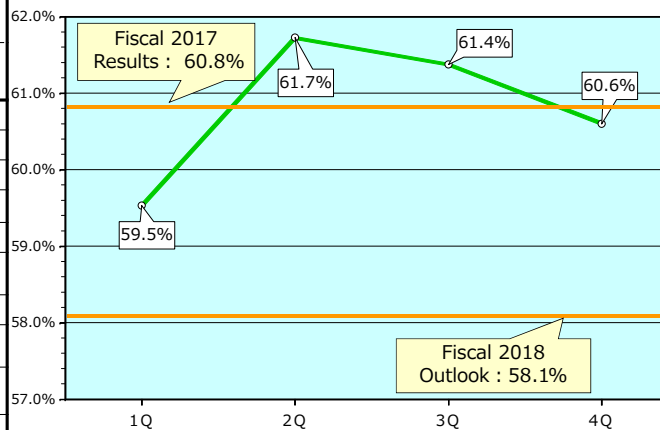
Fiscal 2018 Full-Year Projections

Fiscal 2018 Income Statements

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,918		38,770		1,851	105.0%
Cost of sales	22,450	60.8%	22,540	58.1%	89	100.4%
Gross profit	14,467	39.2%	16,230	41.9%	1,762	112.2%
SG & A expenses	9,194	24.9%	10,310	26.6%	1,115	112.1%
Operating income	5,273	14.3%	5,920	15.3%	646	112.3%
Non-operating income/loss	107		130		22	
Ordinary income	5,380	14.6%	6,050	15.6%	669	112.4%
Extraordinary income/loss	2,202		1,800		△402	
Profit attributable to owners of parent	5,262	14.3%	5,450	14.1%	187	103.6%
EPS	168.04yen		173.97yen			

* Due to the 2-for-1 stock split on 1st of April in 2018, EPS refers the estimation after the stock split.

Fiscal 2018 Revenue Projections



Cost of sales ratio : Down 2.7 points year-on-year

- Decrease in depreciation expense.

SG&A expenses : Up ¥1,115 million year-on-year

Samples , Personnel , Education and training expenses

Capex : ¥2,050 million (Down ¥ 92 million)

Depreciation : ¥ 5,550 million (Down ¥ 685 million)

- Cost of sales : ¥ 4,670 million (Down ¥650 million)
- SG&A expenses: ¥ 880 million (Down ¥34 million)

Cash dividends : ¥64 (+¥2 Year-on-Year)

* Due to the 2-for-1 stock split on 1st of April in 2018, Dividends refers the number of after the stock split.

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(April 1 – March 31, 2018)

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