



MEMBERSHIP
April 15, 2019

Financial Report of Fiscal 2018

(April 1, 2018 – March 31, 2019)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

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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.

HOGY MEDICAL Co., Ltd.

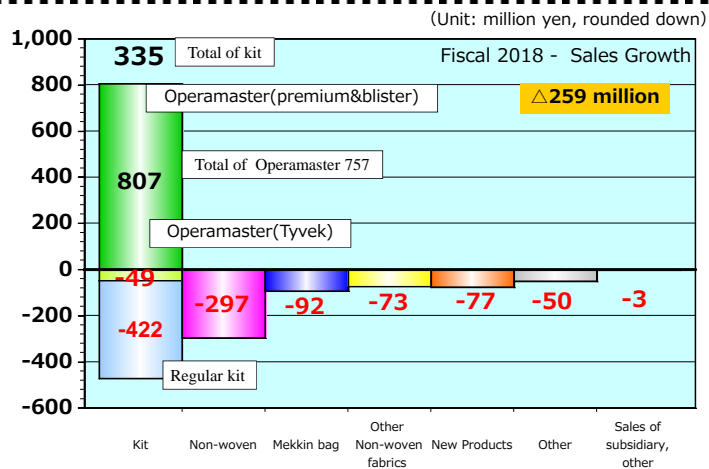
Overview

Fiscal 2018 – Income Statements

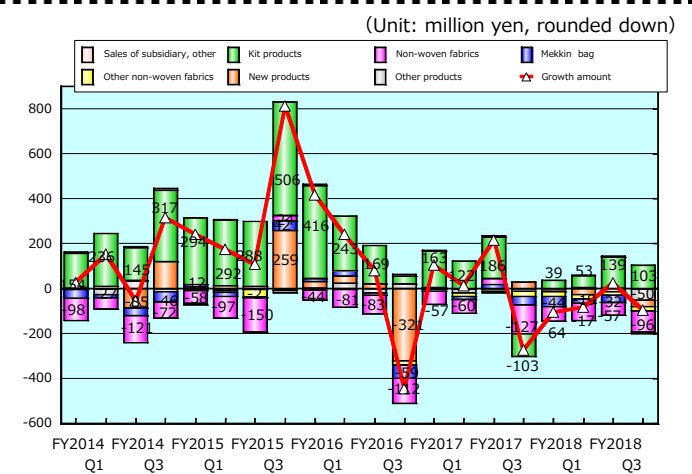
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Net sales	36,918		36,658		△259	99.3%
Operating income	5,273	14.3%	4,382	12.0%	△890	83.1%
Ordinary income	5,380	14.6%	4,503	12.3%	△876	83.7%
Profit attributable to owners of parent	5,262	14.3%	6,043	16.5%	780	114.8%
EPS	168.04yen		198.31yen			

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

Fiscal 2018 Sales Growth by Major Products



Fiscal 2018 Sales Growth by Quarter

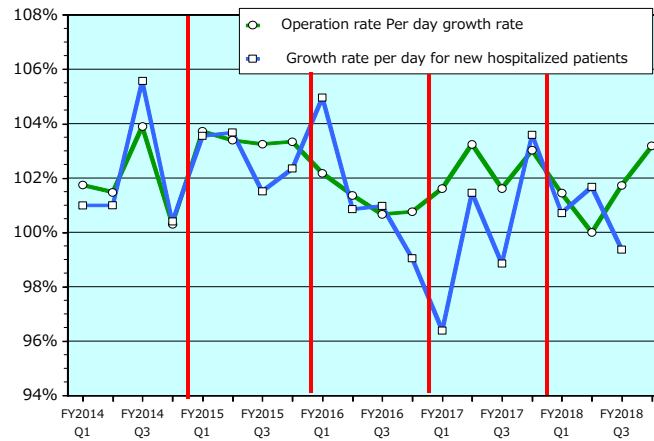


Fiscal 2018 – Income Statements

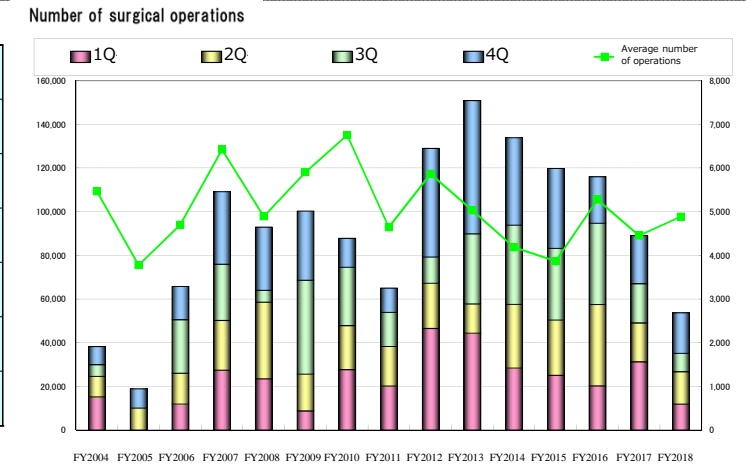
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Number of Operamaster Contracts; Number of Surgical Operations



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





Fiscal 2018 – Income Statements

Fiscal 2018 – Highlights

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Results		Year-on-Year Comparison	
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■ **Decline in revenue and Increase in income**

■ **Growing awareness towards “The Work Style Reform” among medical institutions**

- ✓ “Shortening of work time” “Reduction of labor”
- “Cutting total cost for operation of a whole hospital”

■ **Sales growth of Premium and Blister kits**

- ✓ Kit sales composition ratio
(1 Q : 27.0%, 2 Q : 33.6%, 3 Q:38.5%, 4 Q:41.9%)

■ **Competition with other companies**

■ **Operamaster: 11 newly contracted institutions; 19 cancellations**

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

■ **New plant running smoothly**

: Operating 5 days a week (2 shift per day)

■ **Decline in depreciation expense for new plant**

■ **Devaluation of long-term retained stocks**

■ **Started applying for R-SUD Licensing**

■ **Rise in application costs for R-SUD licensing and sample costs due to increased sales activities**

■ **Extraordinary income on partial sales of shares**

■ **HOGY Medical Asia Pacific Pte. Ltd. started its sales operation**

- ✓ Singapore, Philippine

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Fiscal 2019 Outlook


Fiscal 2019 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2018 Results		Fiscal 2019 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,658		37,920		1,261	103.4%
Operating income	4,382	12.0%	5,240	13.8%	857	119.6%
Ordinary income	4,503	12.3%	5,680	15.0%	1,176	126.1%
Profit attributable to owners of parent	6,043	16.5%	5,310	14.0%	△733	87.9%
EPS	198.31yen		175.89yen			

Future Measures

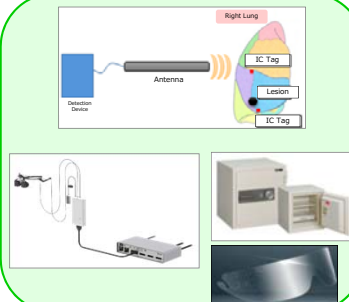
- **Sales expansion of “Premium Kit” as a solution for “The Work Style Reform” in medical institutions**
 - Expand sales of Premium Kits
 - Achieve net increase (conduct offensive against other companies and step up new sales)
 - Increase Premium Kit and Blister Kit sales ratio to 50%
- **Prepare to enter single-use device (SUD) remanufacturing business**
 - Sequentially apply for licensing from products as they get ready
 - Allocate expenditures needed for establishment of remanufacture process and application for licensing

Supply Contributable Products to



OPERA-Note

+



「Work Style Reform」 & 「Medical Safety」

Fiscal 2019 Income Forecasts

Future Measures

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■ Our way of thinking towards cost price

- Started considering second stage of construction due to increase of production in the new plant
- Depreciation costs peaking out
- Rise of cost price due to the expire of a part of exchange reservation

■ Expansion of overseas business

- Estimate to sequentially acquire approvals in each ASEAN country
- Started proposal of Premium surgical kits to major national hospitals in Singapore

■ Improve productivity at P.T. Hogy Indonesia

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

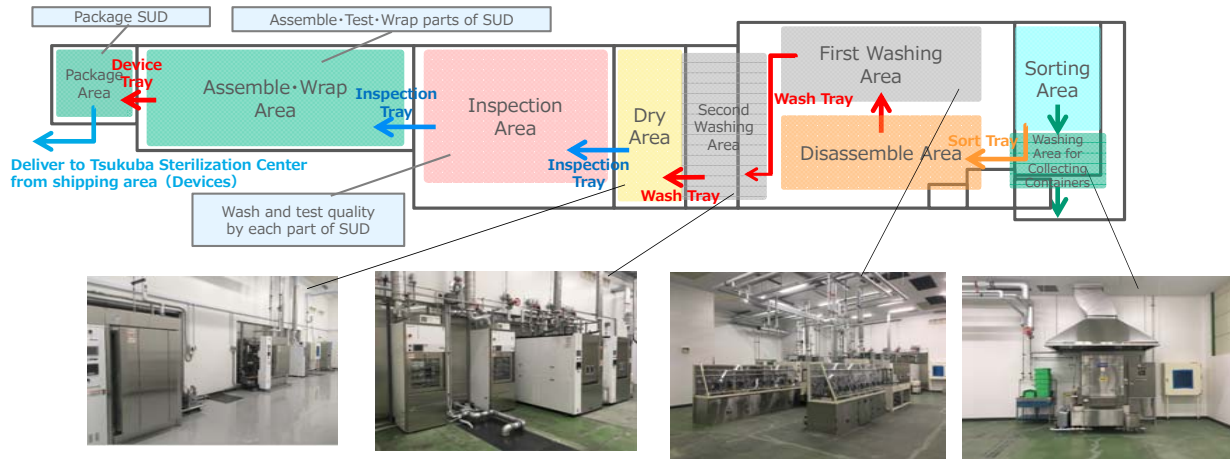
■ Tips for costs

- Include the costs of the subsidiary in Singapore
- Postponed R&D cost of R-SUD business from FY2018



The circumstances in self-manufacturing process of medical materials for surgical kits in P.T.HOGY INDONESIA

The Process of Factory for R-SUD (Remanufacturing of Single-Use Devices)



The Latest Schedule of R-SUD Business

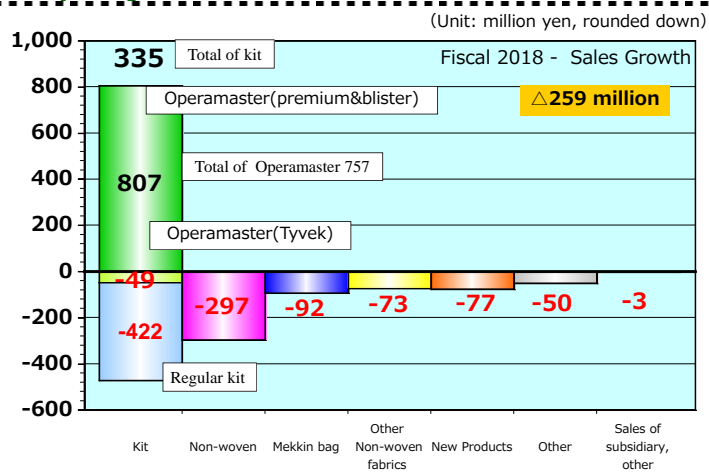
	FY2018 (3Q)	FY2018 (4Q)	FY2019 (1Q)	FY2019 (2Q)	FY2019 (3Q)	FY2019 (4Q)	FY2020 (1Q)
Collection process	Collect remanufactured products, form contracts, conduct market research						
Cleaning process	Receive, sort, confirm degree of contamination						
Disassembly process	Disassemble after washing, remanufacture						
Packaging and shipping process	Wrap, package, confirm sterilization conditions						
Safety testing process	Verify original product specifications, ensure safety of above-mentioned processes						
Authorization process	Prepare application forms for applicable items						First approval
Manufacturing environment	Establish manufacturing environment						



Fiscal 2018 Sales details and Full-Year Projection

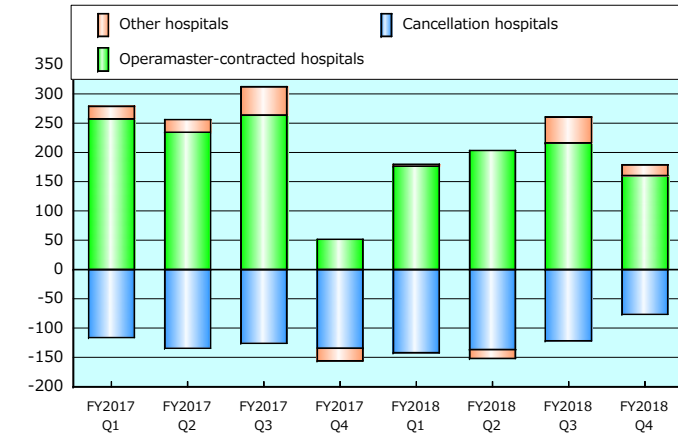
Fiscal 2018 Results Sales Growth by Major Products

(Unit: million yen, rounded down)	Fiscal 2017 Results	Fiscal 2018 Results	Year-on-Year Comparison	
			Amount	%
Kit	21,493	21,829	335	101.6%
Non-woven fabrics	9,186	8,888	△297	96.8%
Mekkin bag	2,634	2,541	△92	96.5%
Other Non-woven fabrics	1,332	1,259	△73	94.5%
New products	261	184	△77	70.3%
Other products	1,919	1,868	△50	97.4%
Sales of subsidiary, other	90	86	△3	96.3%
Total	36,918	36,658	△259	99.3%

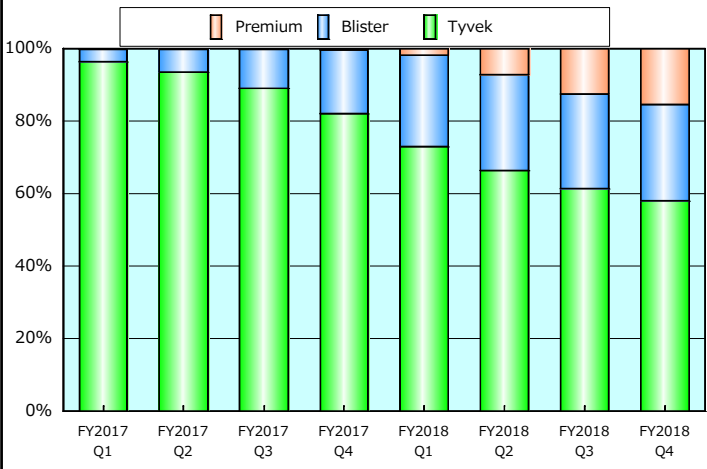


Sales Growth by Kits

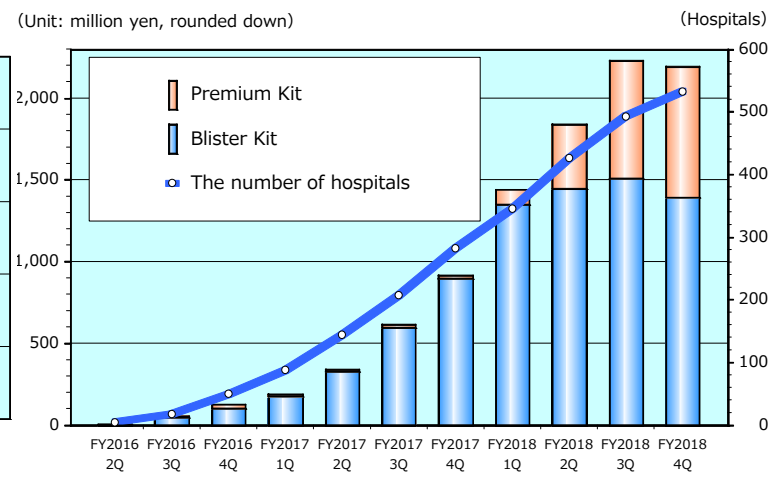
(Unit: million yen, rounded down)



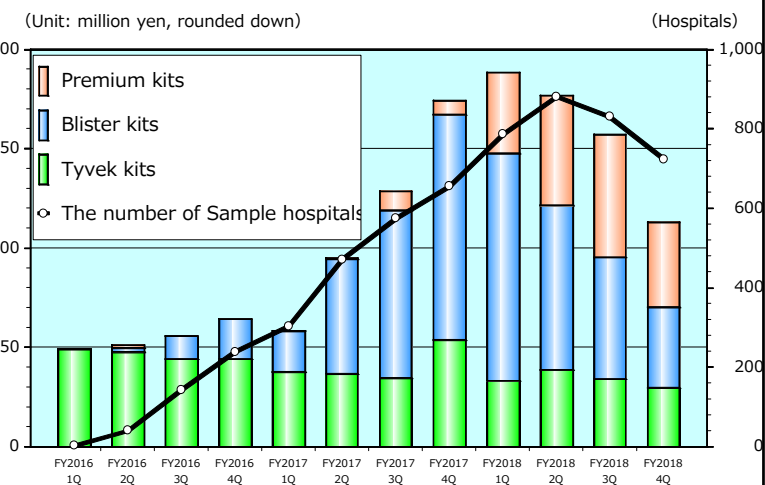
Transition of Sales Composition by types of Kits



Sales of Premium · Blister Kit



Samples of Kits



Progress of Operamaster Marketing

Sales : 14,784 million (+757 million : 105.4%)

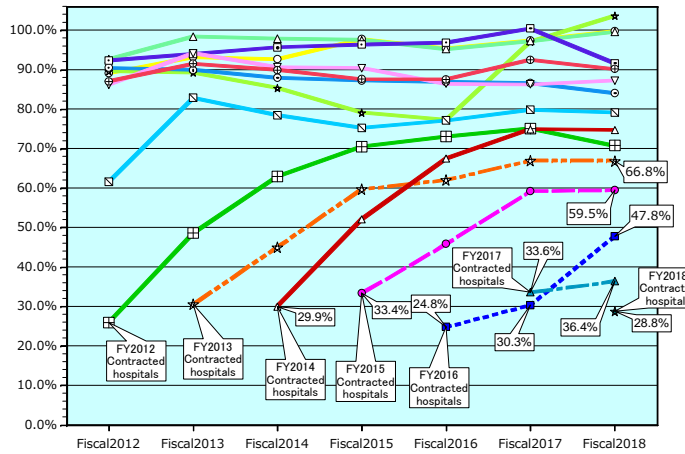
FY2018 New Contracted :

New : 11 hospitals

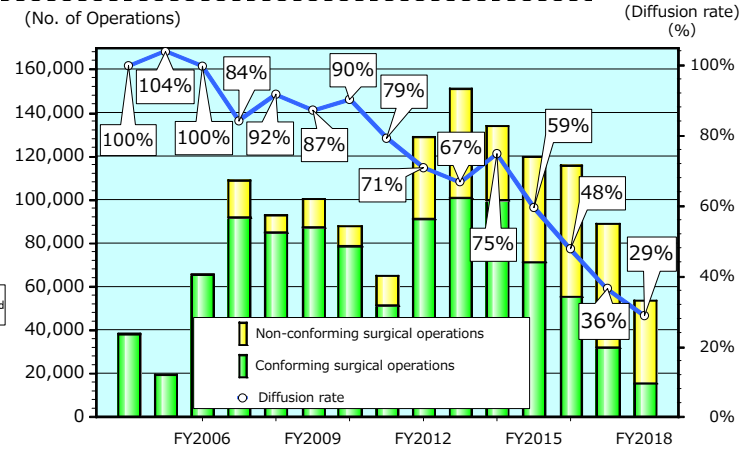
Cancellation : 19 hospitals

total number of contracts : 274 hospitals

Operamaster Penetration Ratio



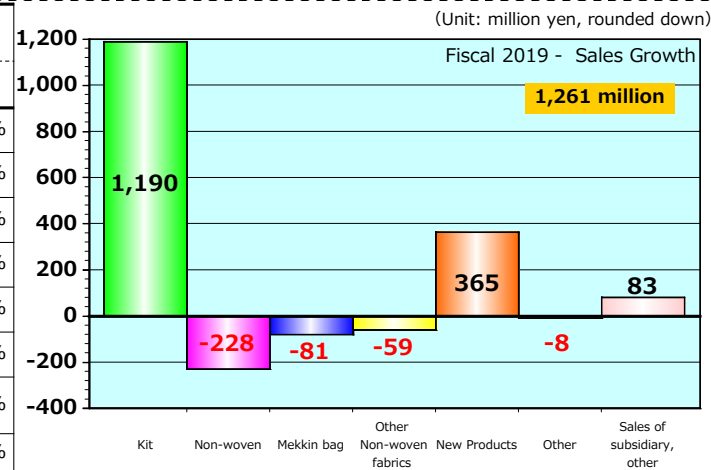
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



* Number of contracted hospitals is current as to the end of Mar. in the Fiscal 2018.

Fiscal 2019 Plan Sales Growth by Major Products

(Unit: million yen, rounded down)	Fiscal 2018 Results	Fiscal 2019 Plan	Year-on-Year Comparison	
			Amount	%
Kit	21,829	23,020	1,190	105.5%
Non-woven fabrics	8,888	8,660	△228	97.4%
Mekkin bag	2,541	2,460	△81	96.8%
Other Non-woven fabrics	1,259	1,200	△59	95.3%
New products	184	550	365	298.9%
Other products	1,868	1,860	△8	99.5%
Sales of subsidiary, other	86	170	83	195.6%
Total	36,658	37,920	1,261	103.4%



Fiscal 2019 Sales Plan

Proposal solutions for "The Work Style Reform" and "Medical Safety"

1. Expand sales of Premium Kits
2. Expand the sales and establish the products contributable to "The Work Style Reform" and "Medical Safety" on the market

- Provide the solution for "The Work Style Reform",
Improve the hospital management
- Achieve net increase
(conduct offensive against other companies and step up new sales)
- Raise composition ratio of Premium and Blister surgical kits to 50%
- Differentiation from competitors, penetrate the market and accumulate know-how

- Plan to Start proposal of R-SUD for the launch of R-SUD business
- Confirm market for strategic development towards SCM

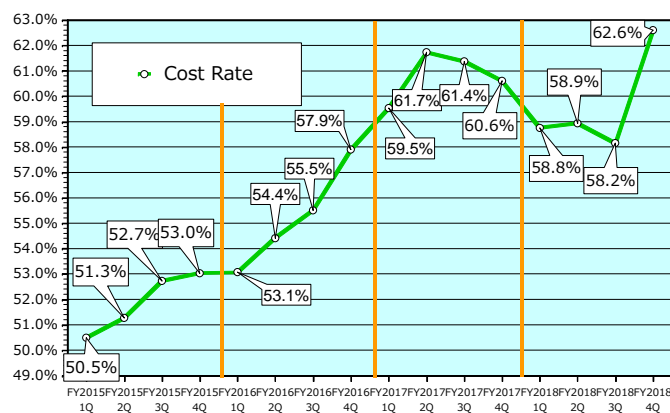


Profit Details

Fiscal 2018 Income Statements

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,918		36,658		△259	99.3%
Cost of sales	22,450	60.8%	21,831	59.6%	△619	97.2%
Gross profit	14,467	39.2%	14,827	40.4%	359	102.5%
SG & A expenses	9,194	24.9%	10,444	28.5%	1,250	113.6%
Operating income	5,273	14.3%	4,382	12.0%	△890	83.1%
Non-operating income/loss	107		121		13	
Ordinary income	5,380	14.6%	4,503	12.3%	△876	83.7%
Extraordinary income/loss	2,202		3,995		1,792	
Profit attributable to owners of parent	5,262	14.3%	6,043	16.5%	780	114.8%
EPS	168.04yen		198.31yen			

Cost of Sales Ratio



Fiscal 2018 Analysis

Cost of sales ratio : 1.3%pt improved Year-on-Year

- Decrease in depreciation expenses
- Devaluation of long-term retained stocks

SG&A expenses : ¥ 1,250 million increase Year-on-year

- Cost rising related to R-SUD application
- Increase in cost for Samples

Capex : ¥ 3,364 million (¥1,221million increase)

Depreciation : ¥ 5,631 million (¥604million decrease)

- Cost of Sales: ¥ 4,632 million (¥687million decrease)
- SG&A expenses: ¥ 998 million (¥83million increase)

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

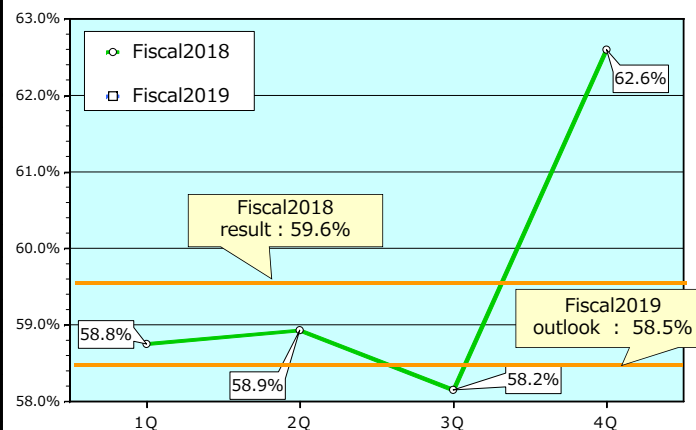


Fiscal 2019 Full-Year Projections

Fiscal 2019 Income Statements

(Unit: million yen, rounded down)	Fiscal 2018 Results		Fiscal 2019 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,658		37,920		1,261	103.4%
Cost of sales	21,831	59.6%	22,180	58.5%	348	101.6%
Gross profit	14,827	40.4%	15,740	41.5%	912	106.2%
SG & A expenses	10,444	28.5%	10,500	27.7%	55	100.5%
Operating income	4,382	12.0%	5,240	13.8%	857	119.6%
Non-operating income/loss	121		440		318	
Ordinary income	4,503	12.3%	5,680	15.0%	1,176	126.1%
Extraordinary income/loss	3,995		1,990		△2,005	
Profit attributable to owners of parent	6,043	16.5%	5,310	14.0%	△733	87.9%
EPS	198.31yen		175.89yen			

Fiscal 2019 Revenue Projections



Cost of sales : 1.1%pt improved Year-on-Year decrease of depreciation

SG&A expenses : ¥ 55 million increase Year-on-Year

Specialize in the expenses for Testing and Researching, licensing application, Personnel

Capex : ¥ 1,300 million (¥ 2,064 million decrease)

Depreciation : ¥ 5,190 million (¥ 441 million decrease)

- Cost of Sales: ¥ 4,220 million (¥412 million decrease)
- SG&A expenses: ¥970 million (¥28million decrease)

Cash dividends : ¥ 66 (+¥2 Year-on-Year)



Appendix

The Definition of Each Kit

Purpose of entering R-SUD (single-use device remanufacturing) business

The Final image of Hogy Medical's kit business

	Premium Kit	Blister Kit	Tyvek Kit (Conventional kit)
Where to produce	New plant (Multi)		Tsukuba, Miho
Product Style	Packed with small Multi packages in order to use in an operation		Wrapped with a non-woven fabric and packed with a sterilization pouch
Safety	Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)		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

- Reasons why Ministry of Health, Labour and Welfare promotes R-SUD
 - Soaring medical expenses
⇒Rising personnel costs stemming from soaring medical supply costs and labor shortage
 - Safety guarantee
⇒Prevents medical institutions from independently reusing devices

■ Purpose of entering R-SUD business
Concentration of patients in acute-phase hospitals due to declining workforce and functional differentiation of hospitals



- All surgical-use materials provided as sets with aim of optimizing medical frontlines (realization of SCM)
- Offer proposals to reduce medical expenses



■ Our thought towards a supply chain management

