



October 16, 2013

Financial Report First 2 Quarters of Fiscal 2013

(April 1 – September 30, 2013)

Jun-ichi Hoki, President and CEO

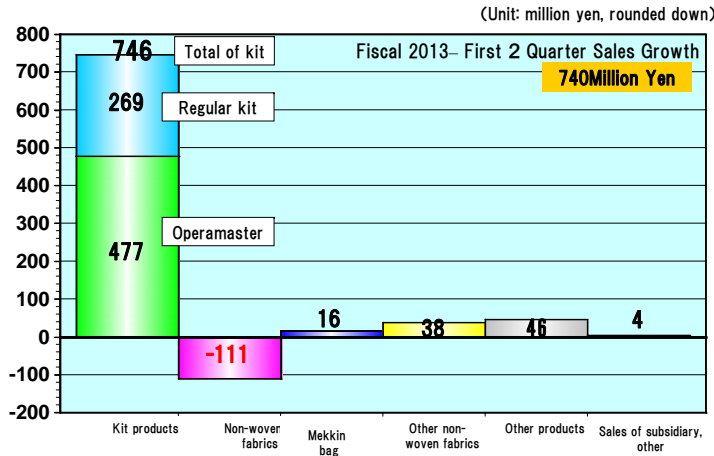
HOGY MEDICAL Co., Ltd.

Overview

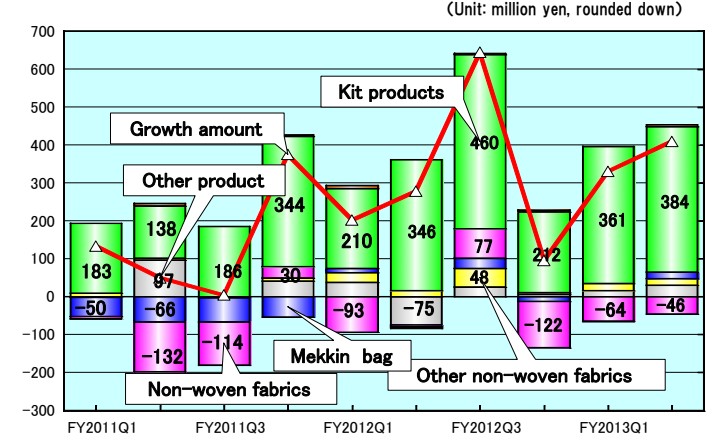
Fiscal 2013 – First 2 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2012 First 2 Quarter Results		Fiscal 2013 First 2 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	16,316		17,057		740	104.5%
Operating income	4,041	24.8%	4,320	25.3%	278	106.9%
Ordinary income	4,046	24.8%	4,468	26.2%	421	110.4%
Net income	2,519	15.4%	2,802	16.4%	283	111.3%
EPS	160.17yen		178.20yen			

Fiscal 2013 – First 2 Quarter Sales Growth by Major Products



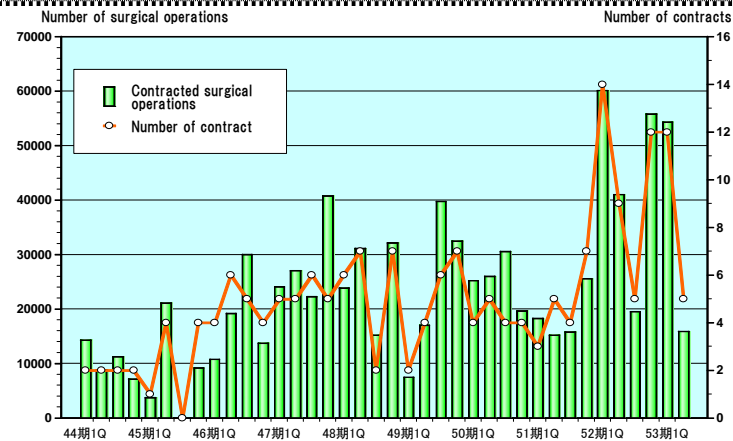
Fiscal 2013 – First 2 Quarter Sales Growth by Quarter



Fiscal 2013 – First 2 Quarter Income Statements

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Number of Operamaster Contracts; Number of Surgical Operations



* Number of contracted hospitals is current as of the end of the first 2 quarter of Fiscal 2013.

Fiscal 2013 – First 2 Quarter Main Point

- Operamaster-contracted hospitals: 17 new contracts (12 in 1Q; 5 in 2Q); 3 cancellations
- Firmer overall performance of surgical-use kit products thanks to 2000-kit strategy
- Temporary decline in efficiency due to modifications of kit product manufacturing facilities

Fiscal 2013 Outlook

Fiscal 2013 Income Forecasts

Fiscal 2013 Strategies

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(Unit: million yen, rounded down)	Fiscal 2012 Results		Fiscal 2013 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	33,094		34,760		1,665	105.0%
Operating income	8,113	24.5%	8,970	25.8%	856	110.6%
Ordinary income	8,353	25.2%	9,160	26.4%	806	109.7%
Net income	5,247	15.9%	5,730	16.5%	482	109.2%
EPS	333.61yen		364.29yen			

Get Operamaster up and running at contracted hospitals and raise customer satisfaction levels

- Pursuing ongoing efficiency improvements and make labor-saving proposals to Operamaster-contracted hospitals in FY2012 (qualitative and quantitative improvements)
- Strengthen proposal of surgery management system

Announce the successes at luncheon seminars

- Highlighted new successful case studies based on themes of “enhanced management” and “improved care processes”
- Conduct IC Tracer seminars

Step up proposals to hospitals not yet using kit products (implement Operamaster strategy going forward)

Strengthened sales of new products

- Strengthened sales of Tigalyer products (Level 4 high-performance non-wovens)
- Strengthened sales of Surgery Management System and IC Tracer

Products scheduled for launch in second half

「FME machine management system」

- 「Surgery procedure system」
- 「Absorbable suture sets」 (kit-based products)
- 「New Mekkin bags」
- 「Masks for general market」

Start construction of new kit-product plant in second half



OPERATING

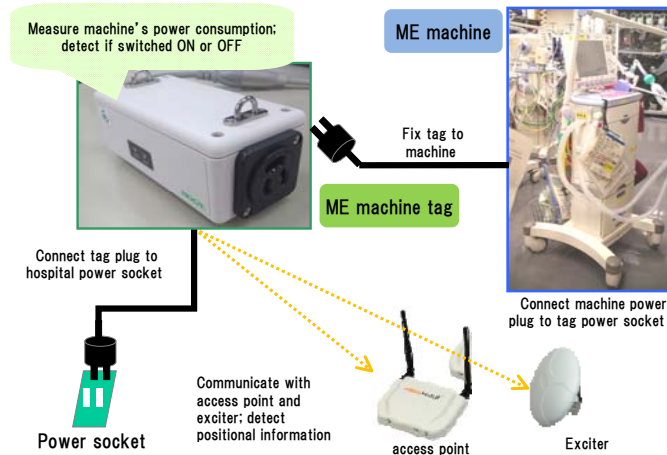
New Productions

ME machine management system

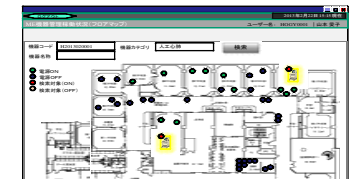
Problems with ME machine management procedures

- (1) Cannot keep track of which machines are in use and at what capacity
- (2) Cannot keep track of current status of machines (where located and whether or not in use)
- (3) Difficult to manage several hundred or more machines from the surgery room

Functions of ME Machine Management System

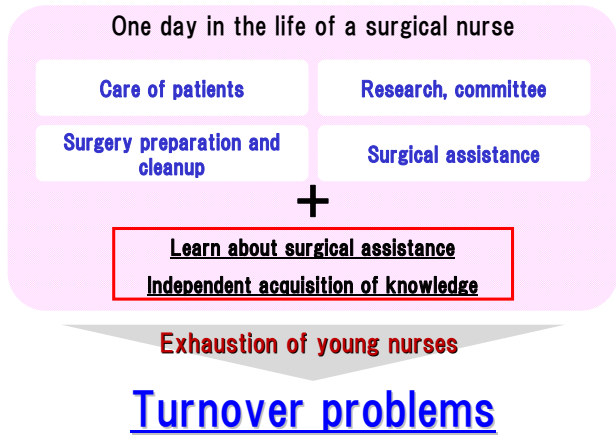


- (1) Grasp operational status of machines
- (2) Grasp current location and movement of machines
- (3) Support activities of clinical engineers





Concept of Surgery Procedure System



«Why is a surgery procedure system necessary? Should we produce one?»
 Providing surgery assistance is impossible if one cannot remember when, where, and what needs to be passed to the surgeon (and relevant timing) according to the flow of the surgery in progress.

- «Challenges for surgery procedure system»
- Produced by hand, so information kept on paper
 - Need to assemble large volumes of information
 - Difficult to share surgery procedure information
 - Difficult to incorporate supplementary and modified information



- Improve education** Common tools allowing visual confirmation are available
- Prevent turnover** Reduce burden on preceptor* ; swiftly get new people working independently; reduce procedural burden
- Enable visualization** Utilize checklist; share images of photos and illustrations
- Enhance procedural efficiency** Manual inspections and modifications simple; sharing of intellectual property possible

* Preceptor: Experienced nurse who provides guidance and training to new nurses.

Synthetic Absorbable Sutures

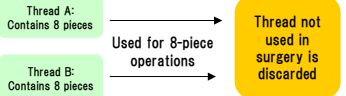
Synthetic absorbable suture sets tailored to type of operation

- Needle-thread settings required according to type of operation
- Incorporates highly functional suture needles and highly safe, strong suture thread
- Promotes shift from silk thread to absorbable thread for wound closures

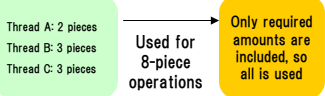


Current situation

Minimum needle-thread lots predetermined



Hogy Medical products



Mekkin Bag: New Products

Current situation

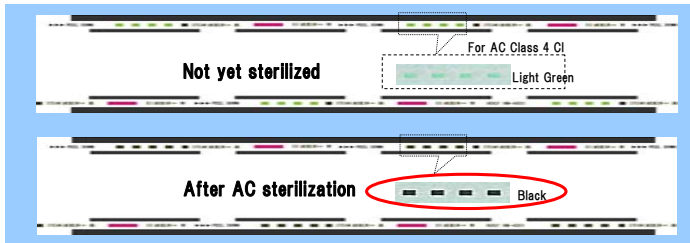


- (1) Item to be sterilized is placed in Mekkin bags
- (2) Simultaneously insert card to confirm if sterilized or not

New Products



Mekkin bag itself can determine whether or not item has been sterilized
Features Class 4* performance



* Among ISO standards, there are six levels (Class 1-6) of performance based on scientific indicators.

Masks for general market

HOGY
医療用不織布リアーミーマスク
安全性と快適性を追求した3種類のマスクが新登場!

マスクタイプ	特徴	適合サイズ
高性能マスク	高性能の不織布を使用し、高い遮断性能を実現。	大人用、小児用
高安全マスク	高強度の不織布を使用し、高い安全性を実現。	大人用、小児用
高快適マスク	高透気性の不織布を使用し、高い快適性を実現。	大人用、小児用

<<Three advantages>>

- Reduces breathing difficulty
- Causes minimal discomfort to ears
- Offers peace of mind

New plant Rendering





OPERATION

Business Performance

HOGY MEDICAL Co., Ltd.

Progress of Operamaster Marketing

Sales : 5,477million (UP 477million or 9.5%)

Number of contracts:

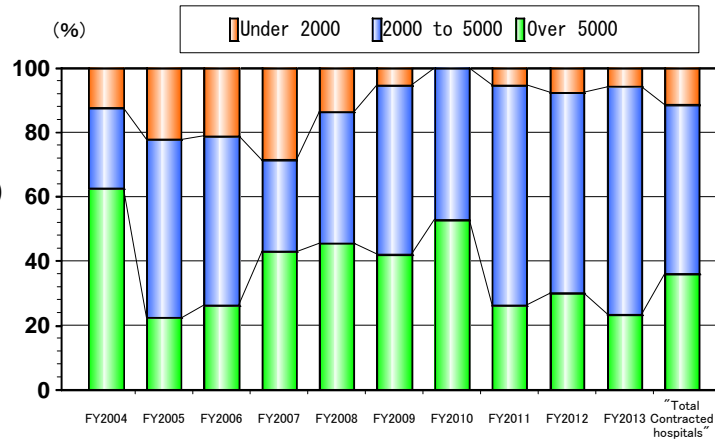
27 new contracts (an increase of 70,100 operations)

- Large hospitals: 4
- Small and medium-sized hospitals: 13

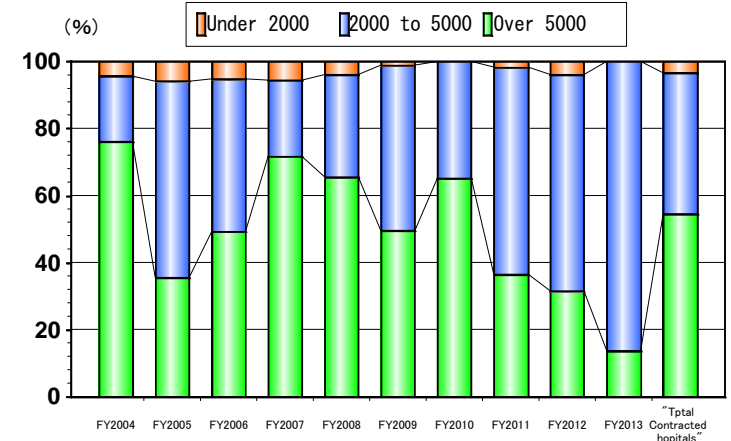
3 cancelled contracts (7,300 operations)

Cumulative total number of contracts: 191

Operamaster-Contracted Hospitals: Breakdown by Size



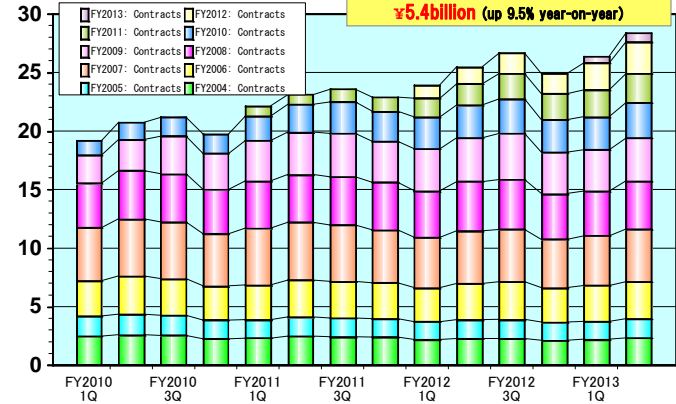
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



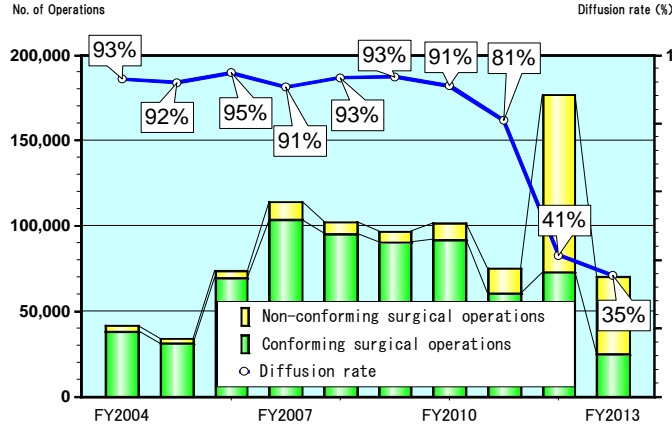
Sales of Operamaster

(¥100 million, rounded down)

17 new contracts; 3 cancelled contract (cumulative total: 191)
¥5.4billion (up 9.5% year-on-year)

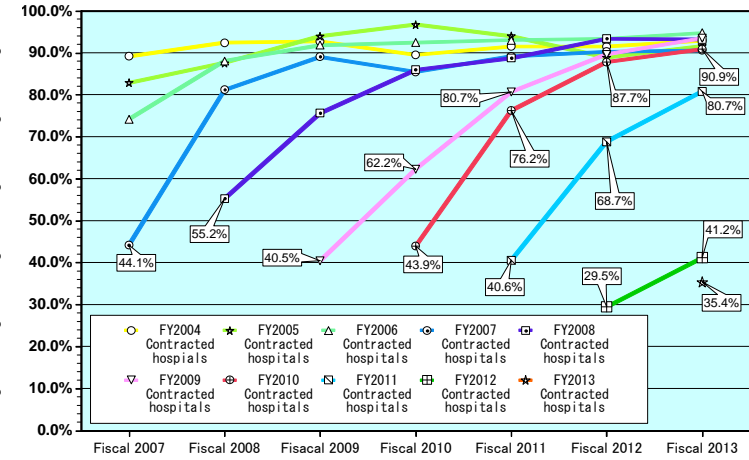


Operamaster-Proliferation Ratio and Number of Surgical Procedures, by Fiscal Year



* Annualized data for the first 2 quarter

Operamaster Proliferation Ratio





Fiscal 2013 – First 2 Quarter Income Statements

Fiscal 2013 – First 2 Quarter Analysis of Cost and SG&A Expenses

Fiscal 2013 – First 2 Quarter Analysis of Non-Operating items, Capex, Depreciation

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Net sales	16,316		17,057		740	104.5%
Cost of sales	8,056	49.4%	8,386	49.2%	330	104.1%
Gross profit	8,259	50.6%	8,670	50.8%	410	105.0%
SG & A expenses	4,218	25.9%	4,350	25.5%	131	103.1%
Operating income	4,041	24.8%	4,320	25.3%	278	106.9%
Non-operating income/loss	5		147		142	
Ordinary income	4,046	24.8%	4,468	26.2%	421	110.4%
Extraordinary income/loss	1		0		△1	
Net income	2,519	15.4%	2,802	16.4%	283	111.3%
EPS	160.17yen		178.20yen			

Cost of sales ratio: UP 0.2 points year-on-year

- Temporary decline in efficiency due to modifications of kit product manufacturing facilities
- Increase in production volume
- Effect of weak yen on overseas transactions
- Decline in depreciation expense

SG&A expenses: UP ¥131 million year-on-year

- Depreciation expenses UP ¥61 million
- Personnel expenses UP ¥40 million
- Advertising expenses UP ¥17 million

Non-operating expenses (net of non-operating income):

¥147 million (up ¥142 million year to year)

- Foreign exchange gain: ¥39 million

Capex:

¥705 million (down ¥194 million from previous corresponding period)

Depreciation:

¥1,394 million (up ¥4 million from previous corresponding period)

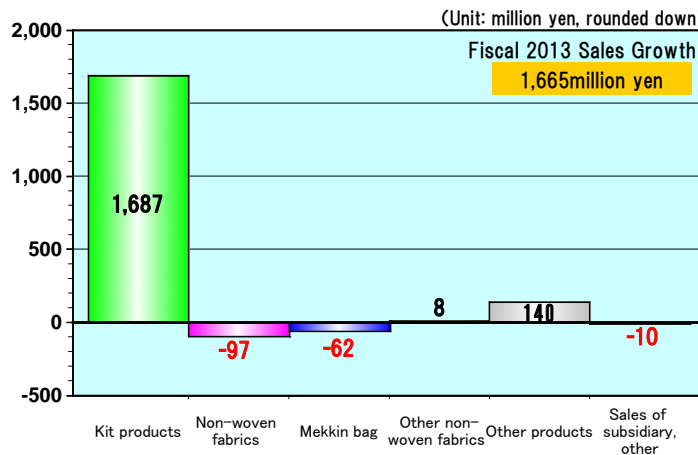
- Cost of sales : ¥949 million (down ¥57 million)
- SG&A expenses: ¥445 million (up ¥61 million)

Fiscal 2013 Full-Year Projections

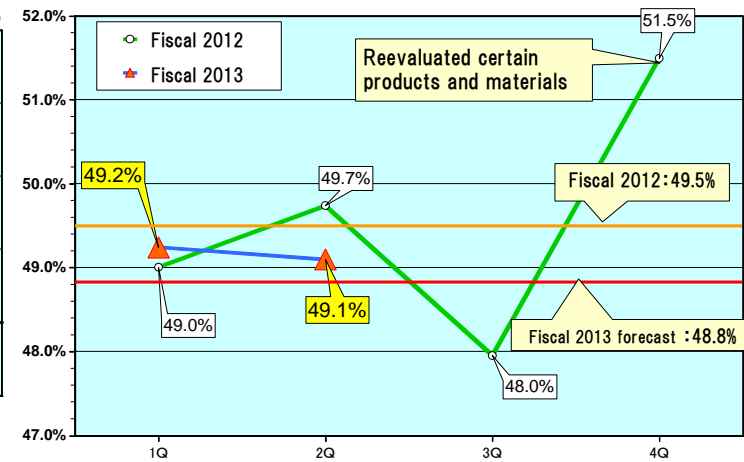
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Cost of sales	16,380	49.5%	16,970	48.8%	589	103.6%
Gross profit	16,713	50.5%	17,790	51.2%	1,076	106.4%
SG & A expenses	8,599	26.0%	8,820	25.4%	220	102.6%
Operating income	8,113	24.5%	8,970	25.8%	856	110.6%
Non-operating income/loss	240		190		△ 50	
Ordinary income	8,353	25.2%	9,160	26.4%	806	109.7%
Extraordinary income/loss	△0		△4		△4	
Net income	5,247	15.9%	5,730	16.5%	482	109.2%
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Fiscal 2013 Sales Growth by Major Products



Cost of Sales Ratio





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