

April 15, 2014



Financial Report Fiscal 2013

(April 1 – March 31, 2014)

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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.

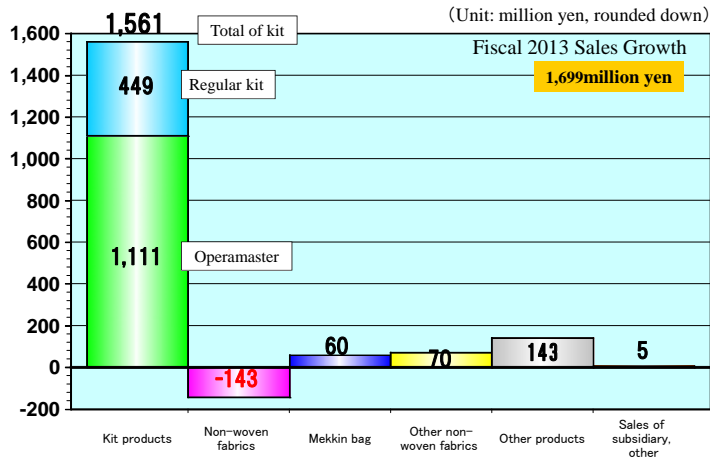
Financial results reported herein have not been audited.

Overview

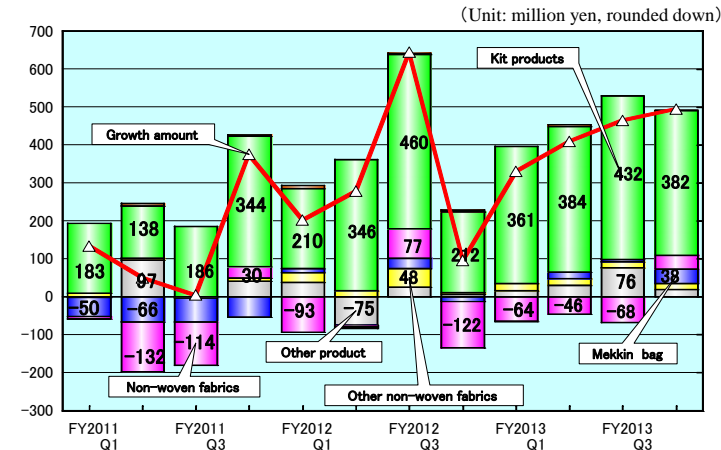
Fiscal 2013 Income Statements

(Unit: million yen, rounded down)	Fiscal 2012 Results		Fiscal 2013 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	33,094		34,793		1,699	105.1%
Operating income	8,113	24.5%	8,747	25.1%	633	107.8%
Ordinary income	8,353	25.2%	9,055	26.0%	702	108.4%
Net income	5,247	15.9%	5,632	16.2%	385	107.3%
EPS	333.61yen		358.10yen			

Fiscal 2013 Sales Growth by Major Products



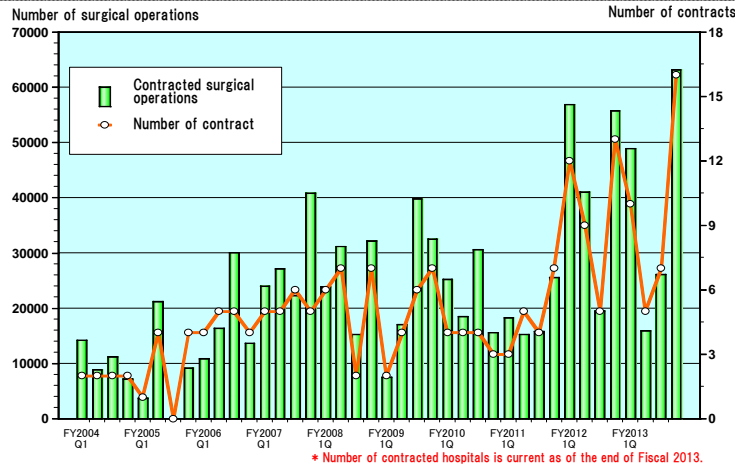
Fiscal 2013 Sales Growth by Quarter



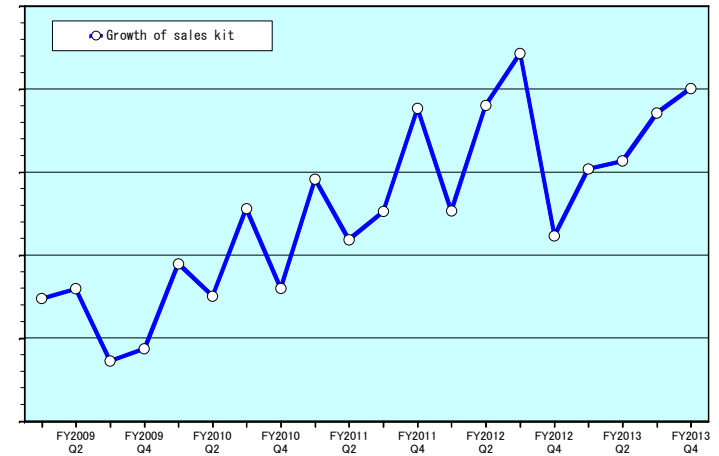
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Number of Operamaster Contracts; Number of Surgical Operations



Growth of sales kit



Fiscal 2013 Income Statements

Fiscal 2013 Main Point

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EPS	333.61yen		358.10yen			

- Operamaster – contracted hospitals : 40 new contracts (12 in 1Q; 5 in 2Q; 7 in 3Q; [16 in 4Q](#)) and 9 cancellations
- Sales volume for kit products remained healthy
- [Overall kit-product market on a growth trend](#)
- Held luncheon and manager seminars on 13 occasions
- Stepped up activities targeting institutions not yet adopting kit products
- Number of visits to our showroom increased
- Sold surgery management system to one institution

- Succeeded in increasing production volume and cutting costs through reductions in expenses
- Concentrated SG&A outlays on expenses related to sales activities and R&D
- Posted extraordinary income on partial sale of shares
- Posted extraordinary loss on shift to defined benefit corporate pension system
- Began construction of new factory
- Entered final stage of plant design

Strategies and Measures



Fiscal 2014 Income Forecasts

FY2014 Strategies

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		36,950		2,156	106.2%
Operating income	8,747	25.1%	9,290	25.1%	542	106.2%
Ordinary income	9,055	26.0%	9,410	25.5%	354	103.9%
Net income	5,632	16.2%	6,150	16.6%	517	109.2%
EPS	358.10yen		390.99yen			

Get Operamaster-contracted hospitals up and running; increase customer satisfaction levels

- Continue advancing proposals to enhance efficiency and save labor (qualitative and quantitative improvements)

Focus on new product announcements at luncheon seminars

Expand the kit-product market (step up proposals to institutions not yet adopting kit products)

Renewal strategy for kit products

- Target final form for kit products
- Target customers' usage impression
- Pursue safety and automation
- Emphasize in-house manufacture of materials

Establish Minimally Invasive Division

- Address customer needs with future perspectives
- Established new-product sales system

Launch new products onto market

- **“ME equipment management system”** and “surgery procedure system”
- Absorbable suture sets (kit components)
- New Mekkin Bag products

Strengthen production management system; ensure stable supply

Swiftly announce new factory equipment plan

Shift in exchange corporate rate from ¥95/US\$ to ¥105/US\$

Step up development of new products to underpin next generation

New Plant

New Plant State of the current



New Plant Rendering



Overview of New Plant

1. Ensure stability

- Earthquake-resistant structure to protect production equipment
- Deploy automation to ensure reliable production, allowing shipments with short lead-times

2. Make easy-to-use products

- Shift to product formats that customers find easy to use (raise added value of kit products)
- Enable materials to be deployed in order of use
- Shorten preparation times for surgery

3. Emphasize productivity and safety through automation and unmanned operation

- Use automation to prevent human error
- Protect future earnings (raise productivity through automation)



Business Performance

Progress of Operamaster Marketing

Sales : 11,335million (UP 1,111million or 110.9%)

Number of contracts:

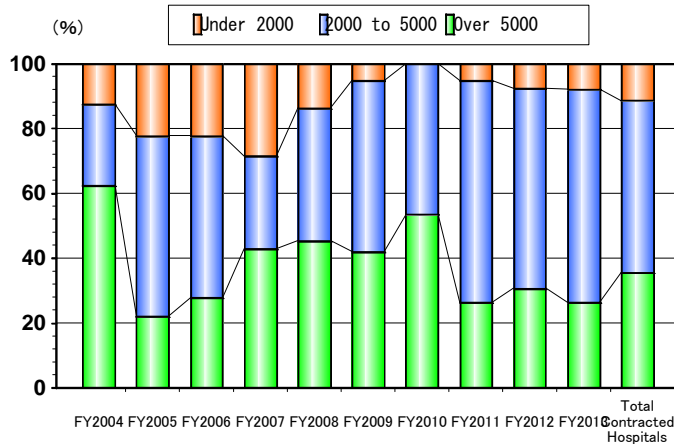
40 new contracts (an increase of 159,000 operations)

- Large hospitals: 10
- Small and medium-sized hospitals: 30

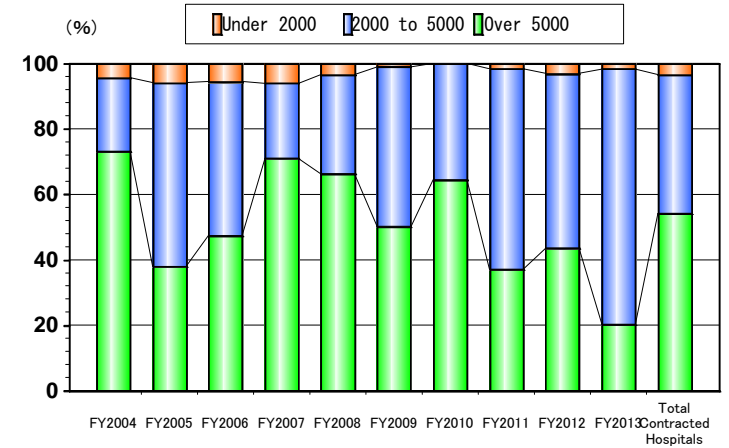
9 cancelled contracts (30,200 operations)

Cumulative total number of contracts: 208

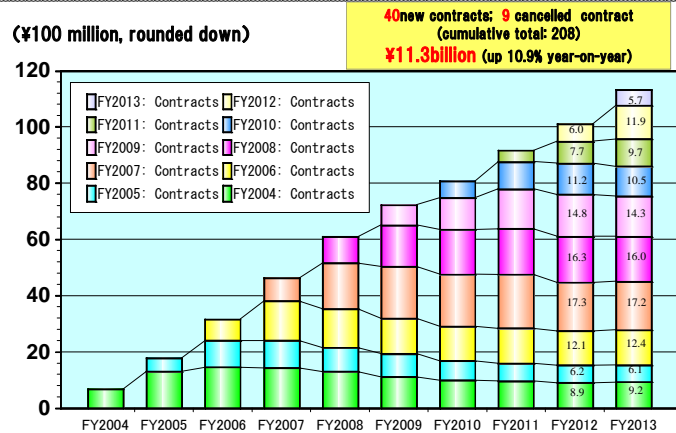
Operamaster-Contracted Hospitals: Breakdown by Size



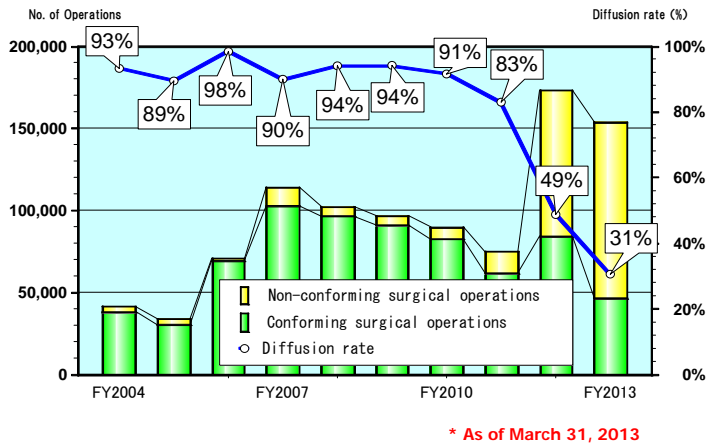
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



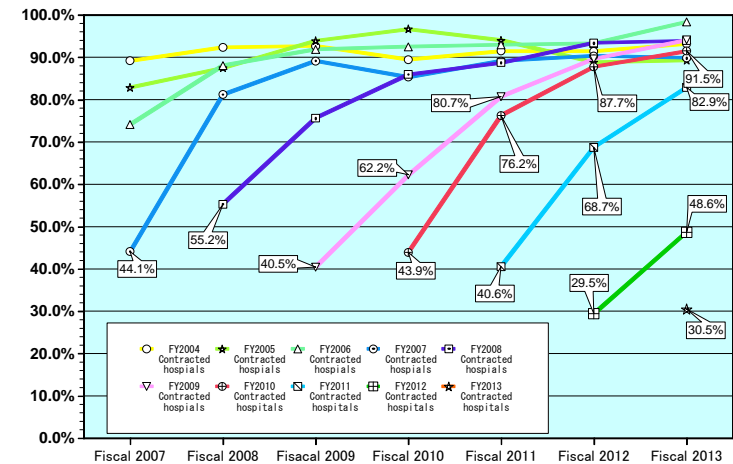
Sales of Operamaster



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



Operamaster Proliferation Ratio





Fiscal 2013 Income Statements

Fiscal 2013 Analysis of Cost and SG&A Expenses

Fiscal 2013 Analysis of Non-Operating items, Capex, Depreciation

(Unit: million yen, rounded down)	Fiscal 2012 Results		Fiscal 2013 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	33,094		34,793		1,699	105.1%
Cost of sales	16,380	49.5%	17,046	49.0%	665	104.1%
Gross profit	16,713	50.5%	17,747	51.0%	1,033	106.2%
SG & A expenses	8,599	26.0%	8,999	25.9%	400	104.7%
Operating income	8,113	24.5%	8,747	25.1%	633	107.8%
Non-operating income/loss	240		308		68	
Ordinary income	8,353	25.2%	9,055	26.0%	702	108.4%
Extraordinary income/loss	△0		△170		△170	
Net income	5,247	15.9%	5,632	16.2%	385	107.3%
EPS	333.61yen		358.10yen			

Cost of sales ratio: 0.5 points year-on-year improvement

- Increase in production volume
- Improve production system
- Effect of weak yen on overseas transactions
- Decline in depreciation expense

SG&A expenses: UP ¥400 million year-on-year

- Personnel expenses UP ¥151 million
- Experiment and research expenses UP ¥89 million
- Depreciation expenses UP ¥78 million

Non-operating expenses (net of non-operating income):
¥308 million (up ¥68 million year to year)

- Foreign exchange gain: ¥111 million

Capex:

¥7,174 million (up ¥5,259 million year to year)

- New plant construction cost: ¥5,166 million

Depreciation:

¥2,865 million (down ¥106 million from previous corresponding period)

- Cost of sales : ¥1,942 million (down ¥185 million)
- SG&A expenses: ¥922 million (up ¥78 million)

Fiscal 2014 Full-Year Projections

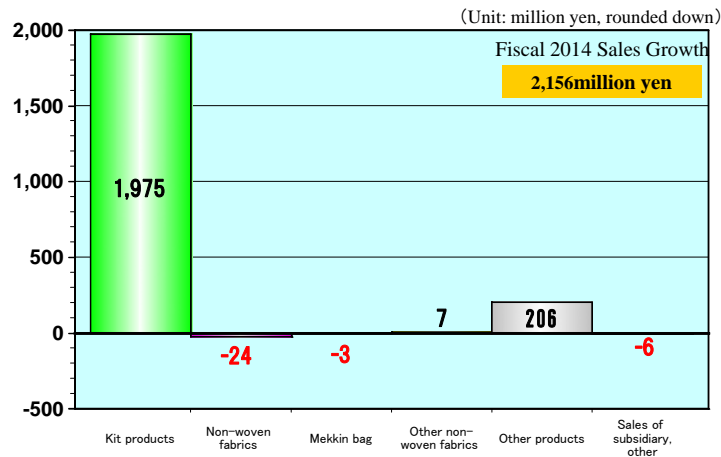


Fiscal 2014 Income Statements

Fiscal 2014 Sales Growth by Major Products

FY2014 Sales Plan

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Net sales	34,793		36,950		2,156	106.2%
Cost of sales	17,046	49.0%	18,390	49.8%	1,343	107.9%
Gross profit	17,747	51.0%	18,560	50.2%	812	104.6%
SG & A expenses	8,999	25.9%	9,270	25.1%	270	103.0%
Operating income	8,747	25.1%	9,290	25.1%	542	106.2%
Non-operating income/loss	308		120		△188	
Ordinary income	9,055	26.0%	9,410	25.5%	354	103.9%
Extraordinary income/loss	△170		-		170	
Net income	5,632	16.2%	6,150	16.6%	517	109.2%
EPS	358.10yen		390.99yen			



- Increase overall sales of kit products, including those related to Operamaster
- Bolster sales of surgery management system
- Consider impact of weakening yen
- Increase production volume to improve productivity
- Concentrate SG&A outlays on expenses required for company growth
- Generate higher extraordinary income after recoil from previous year
- Net income to be boosted by change in taxation rate



Fiscal 2014 Income Statements

Fiscal 2014 Revenue Projections

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EPS	358.10yen		390.99yen			

Cost of Sales ratio: up 0.8 points year-on-year

- Improve productivity by increasing production volume
- Effect of exchange on overseas transactions

SG&A expenses: up ¥270 million year-on-year

- Personnel expenses +172 million
- Depreciation expenses +117 million
- Experiment and research expenses +79 million

Capex : ¥ 6,200 million (down ¥ 974 million year-on-year)

Depreciation : ¥ 2,810 million (down ¥ 55 million year-on-year)

- Cost of sales : ¥ 1,770 million (down ¥172 million)
- SG&A expenses : ¥ 1,040 million (up ¥ 117 million)

Cash dividends : ¥112.00 per share/full-year

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