



July 15, 2014

Financial Report First Quarter of Fiscal 2014

(April 1 – June 30, 2014)

Jun-ichi Hoki, President and CEO

Hiroshi Yamashita, Deputy manager 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.

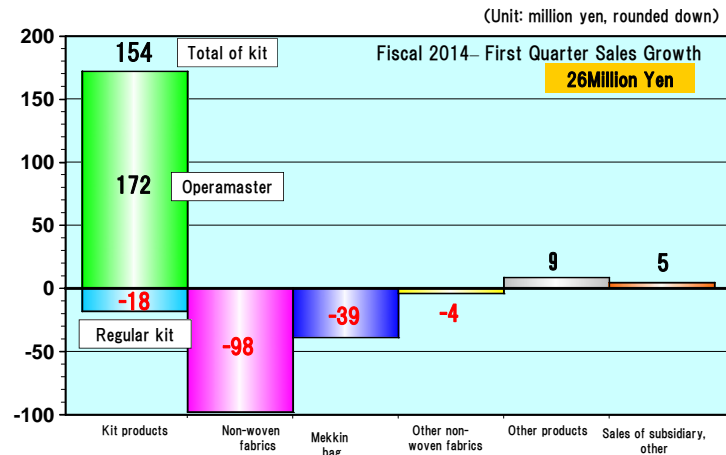
Financial results reported herein have not been audited.

Overview

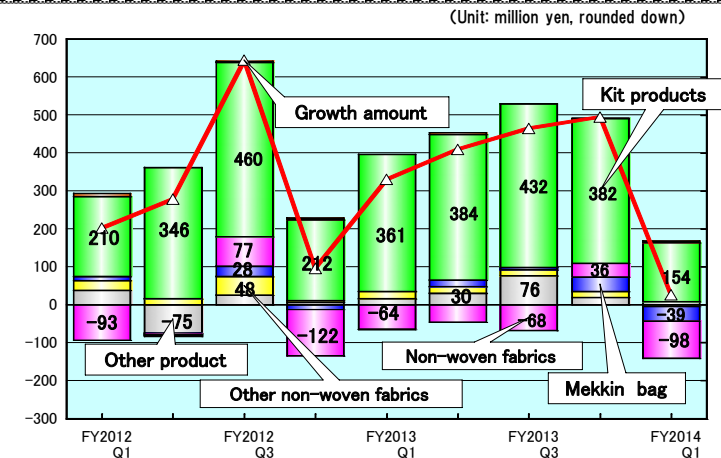
Fiscal 2014 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 First Quarter Results		Fiscal 2014 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	8,371		8,398		26	100.3%
Operating income	2,099	25.1%	2,007	23.9%	△91	95.6%
Ordinary income	2,194	26.2%	2,016	24.0%	△178	91.9%
Net income	1,375	16.4%	1,317	15.7%	△57	95.8%
EPS	87.47yen		83.78yen			

Fiscal 2014 – First Quarter Sales Growth by Major Products



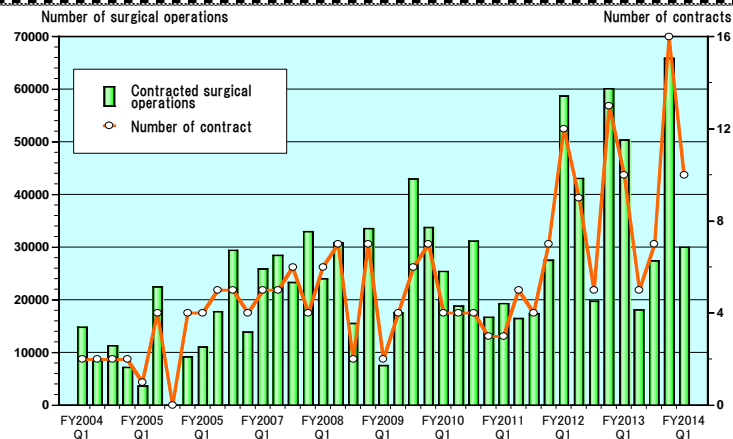
Fiscal 2014 – First Quarter Sales Growth by Quarter



Fiscal 2014 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 First Quarter Results		Fiscal 2014 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	8,371		8,398		26	100.3%
Operating income	2,099	25.1%	2,007	23.9%	△91	95.6%
Ordinary income	2,194	26.2%	2,016	24.0%	△178	91.9%
Net income	1,375	16.4%	1,317	15.7%	△57	95.8%
EPS	87.47yen		83.78yen			

Number of Operamaster Contracts; Number of Surgical Operations



Number of contracted hospitals is current as of the end of the first quarter of Fiscal 2014.

Highlights of Fiscal 2014 (1Q)

- Declining number of surgeries at DPC hospitals**
 - Lower number of minor surgeries due to medical remuneration reforms
 - Impact of reforms to medical treatment system
 - Falling consumer sentiment due to consumption tax hike
- Recoil after demand rush ahead of consumption tax hike**
- Number of Operamaster-contracted hospitals remained firm (10 new contracts and one cancellation during 1Q)**
- Slight increase in cost of sales ratio**
 - Higher cost of imported goods due to weak yen (corporate rate)

Fiscal 2014 Outlook

Fiscal 2014 Income Forecasts

(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	8,474	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			

Fiscal 2014 Strategies

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

- Expected increase in Operamaster-contracted hospitals up and running in 2Q and beyond
- Continue recommending ways to enhance efficiency and save labor costs
- Step up proposals for surgery management system

Step up proposals to hospitals yet to adopt surgical kits (future Operamaster-contracted hospitals)

Launch new products

- Launch endoscope operation system in first half of fiscal 2014
- Strengthen sales of surgery management system and IC Tracer

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

Strengthen production management system; ensure stable supply

Swiftly announce new factory equipment plan

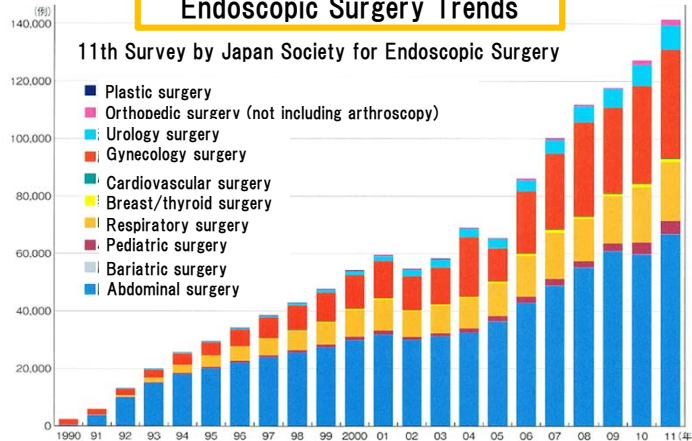
Step up development of new products to underpin next generation

Endoscope Operation System

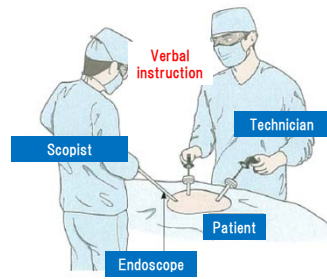
Overview of Endoscope Operation System

Endoscopic Surgery Trends

11th Survey by Japan Society for Endoscopic Surgery

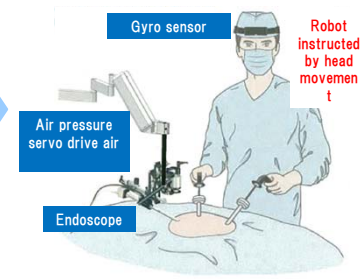


Current method



- Increase in number of endoscope surgeries due to low invasiveness
- Endoscope surgery requires close communication between technical doctor and scopist (camera assistant)
- Difficult to secure field of vision due to hand shake

Proposed method



- Allows surgery without scopist (camera assistant)
- Allows more direct procedures without using both hands
- Motion not limited to up/down or left/right; rotating and forward/back motion (expansion/contraction) also possible
- Compatible with all endoscope
- Powered by compressed air



OPERAMASTER

Business Performance

HOGY MEDICAL Co., Ltd.

Progress of Operamaster Marketing

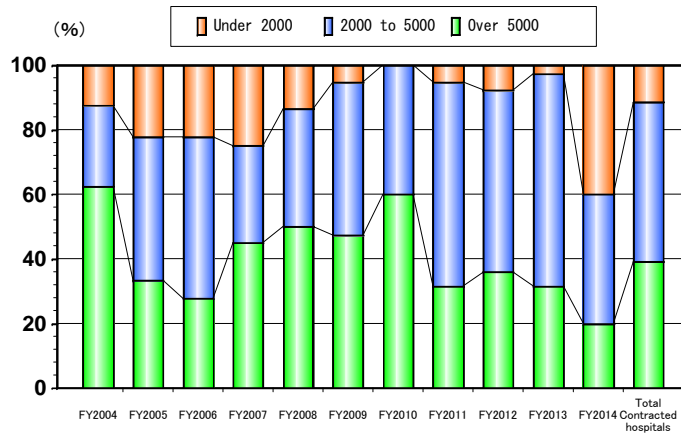
Sales : 2,786million (UP 172million or 6.6%)

10 new contacts (an increase of 30,000 operations)

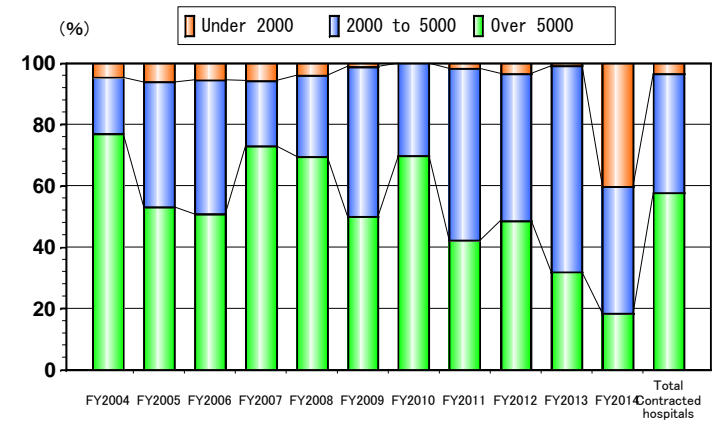
- Large hospitals: 2
- Small and medium-sized hospitals 8
- 1 cancelled contract

Cumulative total number of contracts: 217

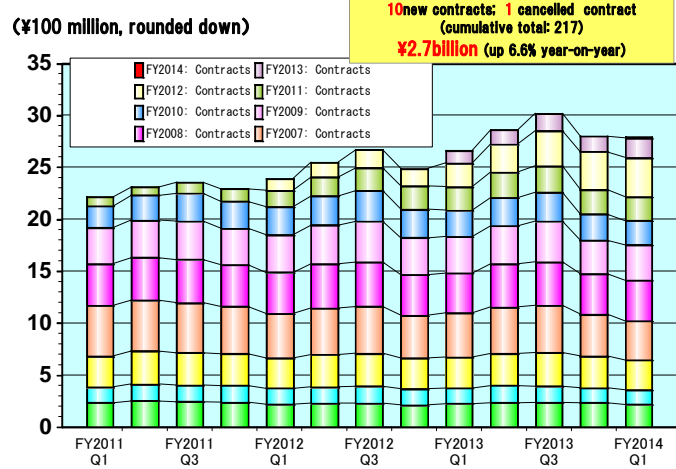
Operamaster-Contracted Hospitals: Breakdown by Size



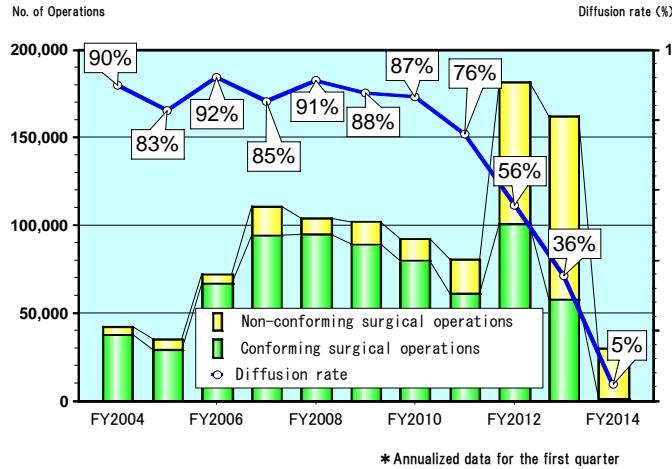
Sales Breakdown by Hospitals Size of Operamaster-Contracted Hospitals



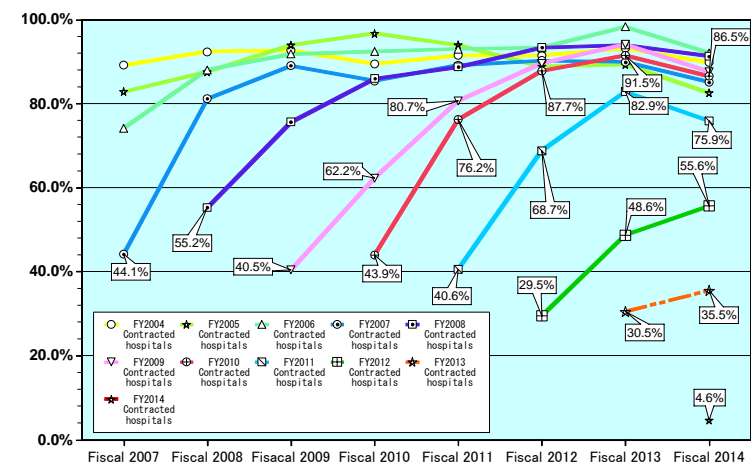
Sales of Operamaster



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



Operamaster Proliferation Ratio



Fiscal 2014 – First Quarter Income Statements

Fiscal 2014 – First Quarter Analysis of Cost and SG&A Expenses

Fiscal 2014 – First Quarter Analysis of Non-Operating items, Capex, Depreciation



(Unit: million yen, rounded down)	Fiscal 2013 First Quarter Results		Fiscal 2014 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	8,371		8,398		26	100.3%
Cost of sales	4,122	49.2%	4,179	49.8%	56	101.4%
Gross profit	4,249	50.8%	4,218	50.2%	△30	99.3%
SG & A expenses	2,149	25.7%	2,210	26.3%	61	102.8%
Operating income	2,099	25.1%	2,007	23.9%	△91	95.6%
Non-operating income/loss	95		8		△86	
Ordinary income	2,194	26.2%	2,016	24.0%	△178	91.9%
Extraordinary income/loss	0		△4		△4	
Net income	1,375	16.4%	1,317	15.7%	△57	95.8%
EPS	87.47yen		83.78yen			

Cost of sales ratio: UP 0.6 points year-on-year

- Effect of weak yen on overseas transactions

SG&A expenses: UP ¥61 million year-on-year

- Personnel expenses UP ¥42 million
- Sample Expenses UP ¥11 million
- Package & Freight Out Expenses UP ¥10 million

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

¥8 million (down ¥86 million year to year)

- Foreign exchange gain: ¥21 million (foreign exchange loss of ¥48 million in previous corresponding period)

Capex:

¥496 million (UP ¥258 million from previous corresponding period)

Depreciation:

¥627 million (down ¥59 million from previous corresponding period)

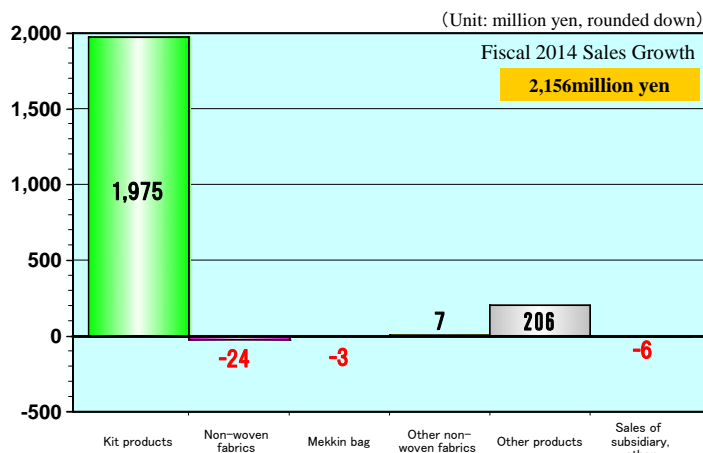
- Cost of sales : ¥409 million (down ¥59 million)
- SG&A expenses: ¥218 million (down ¥0 million)

Fiscal 2014 Full-Year Projections

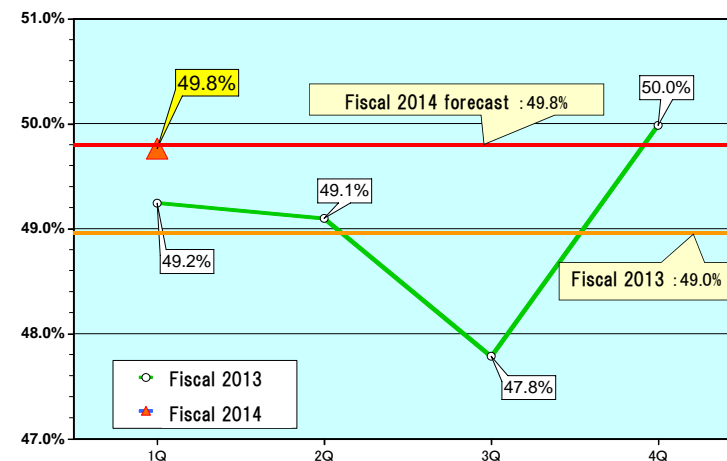
Fiscal 2014 Income Statements

(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%
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			

Fiscal 2014 Sales Growth by Major Products



Cost of Sales Ratio



16

Financial Report

First Quarter of Fiscal 2014

(April 1 – June 30, 2014)

Jun-ichi Hoki, President and CEO

Hiroshi Yamashita, Deputy manager public relations

HOGY MEDICAL Co., Ltd.