

January 20, 2015



Financial Report

First 3 Quarters of Fiscal 2014

(April 1 – December 31, 2014)

Jun-ichi Hoki, President and CEO

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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.

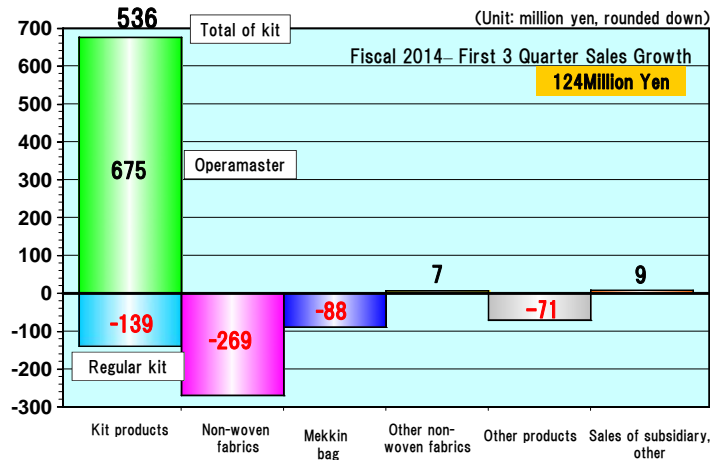
Financial results reported herein have not been audited.

Overview

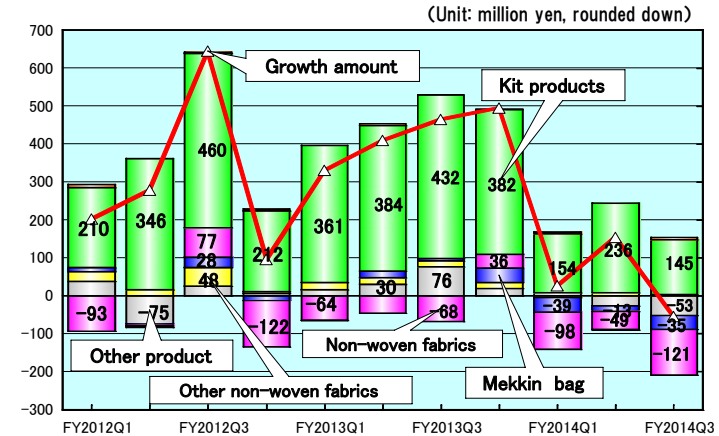
Fiscal 2014 – First 3 Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 First 3 Quarter Results		Fiscal 2014 First 3 Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	26,408		26,532		124	100.5%
Operating income	6,890	26.1%	6,489	24.5%	△401	94.2%
Ordinary income	7,214	27.3%	6,744	25.4%	△469	93.5%
Net income	4,582	17.4%	4,445	16.8%	△136	97.0%
EPS	291.32yen		282.65yen			

Fiscal 2014 – First 3 Quarter Sales Growth by Major Products



Fiscal 2014 – First 3 Quarter Sales Growth by Quarter

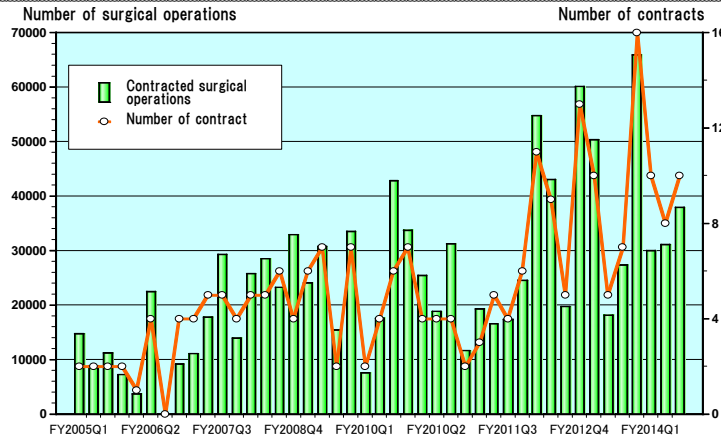


Fiscal 2014 – First 3 Quarter Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Highlights

(Unit: million yen, rounded down)	Fiscal 2013 First 3 Quarter Results		Fiscal 2014 First 3 Quarter Results		Year-on-Year Comparison	
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* Number of contracted hospitals is current as of the end of the first 3 quarter of Fiscal 2014.

- 28 new Operamaster contracts during period (10 in 1Q; 8 in 2Q; 10 in 3Q); 4 cancellations
- Increase in number recently Operamaster-contracted hospitals up and running
- Two fewer operational days in October
- No change in trend for number of hospital surgeries
- Increase in basic costs due to depreciating yen (impact alleviated by partial hedging)
- Construction expenditure for new factory: Around ¥9.0 billion incurred during 3Q period (as planned)

Fiscal 2014 Outlook

Fiscal 2014 Income Forecasts

Future Initiatives

7

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		35,870		1,076	103.1%
Operating income	8,747	25.1%	8,880	24.8%	132	101.5%
Ordinary income	9,055	26.0%	9,070	25.3%	14	100.2%
Net income	5,632	16.2%	5,940	16.6%	307	105.5%
EPS	358.10yen		377.65yen			

Boost number of Operamaster-contracted hospitals up and running; improve customer satisfaction levels

- Implement measures to get hospitals swiftly up and running and raise surgical kit prices through promotion of kit template ([formation of start-up team](#))
- Continuously improve efficiency; suggest ways to save energy (qualitative and quantitative reinforcement)
- Surgery Management System: Sales to be booked in 4Q

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

Expand sales of new products; launch new products

- Reinforce sales of operation procedure book system, as well as Surgery Management System and IC Tracer
- Commence nationwide demonstrations of operation procedure book system

- Launch container for steel surgical implements (new product)

Change in launch date for EMARO (endoscopy system)

- Feedback from demonstrations held at 42 hospitals (to December 31, 2014) to be reflected in product before launch

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

Step up development of new products to underpin next generation

Improve productivity of products manufactured overseas

- Make productivity improvements from early stage (materials management)
- Step up sales within Indonesia

New Product Launch: Container for Steel Surgical Implements



Valve type



Filter type

Product overview

No need to replace filter every time (as done in past), resulting in high levels of economy and administrative efficiency

- Valve type
Filter-less container that uses a valve system (built into container's cover) to allow influx and discharge of steam
- Filter type
Different from conventional disposable-filter containers; maintenance-free (filter can be used around 2,000 times)

Scheduled for launch in March 2015

New plant Progress situation



Spring 2014



Summer 2014



January 2015

	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020
Buildings	→				→ Start of operation		
Production system			→				
Machinery and equipment		→					



Operamaster Progress Status

Progress of Operamaster Marketing

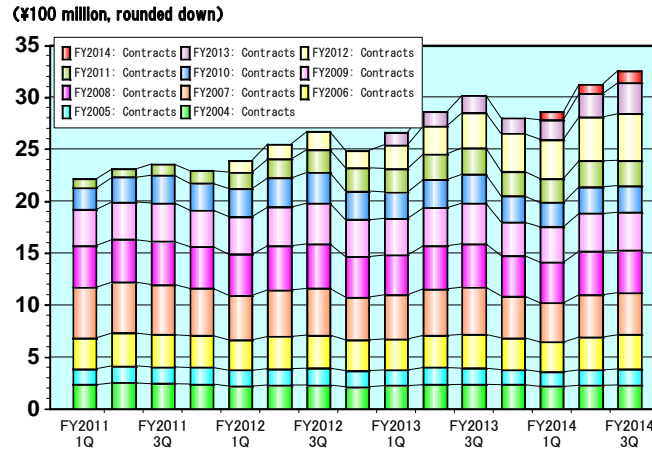
Sales : 9,207million(UP 675million or 7.9%)

28 new contacts (an increase of 99,200 operations)

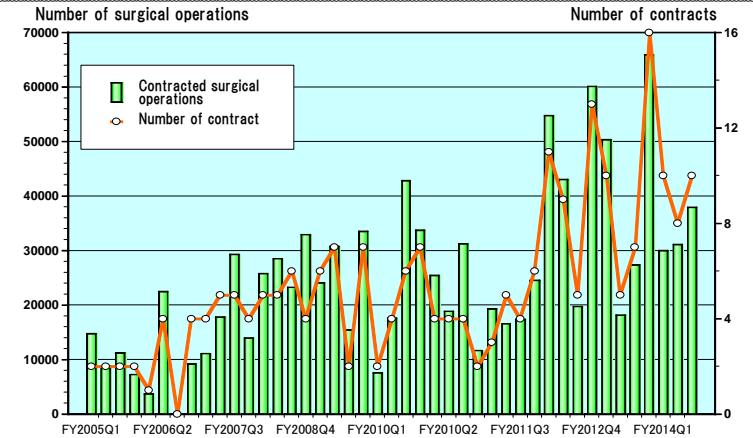
- Large hospitals: 7
 - Small and medium-sized hospitals 21
- 4 cancelled contracts**

Cumulative total number of contracts: 232

Sales of Operamaster

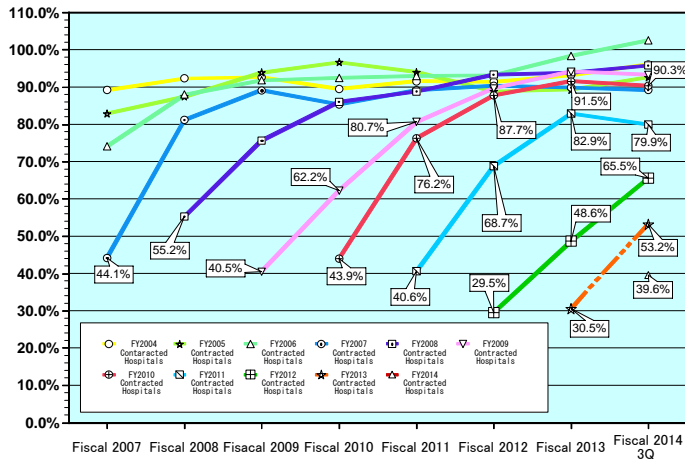


Number of Operamaster Contracts; Number of Surgical Operations

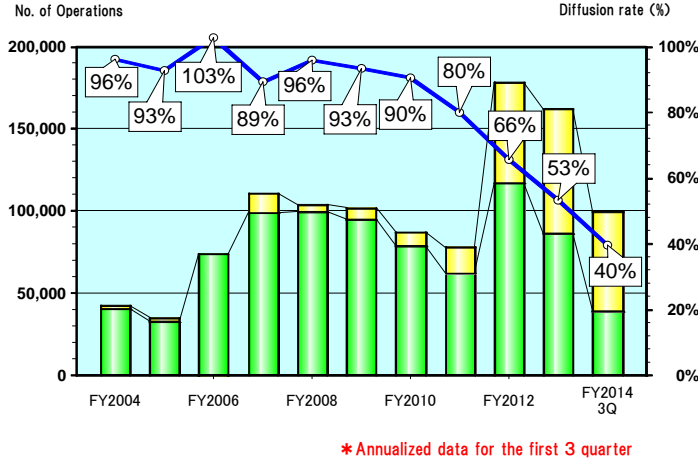


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Operamaster Proliferation Ratio



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

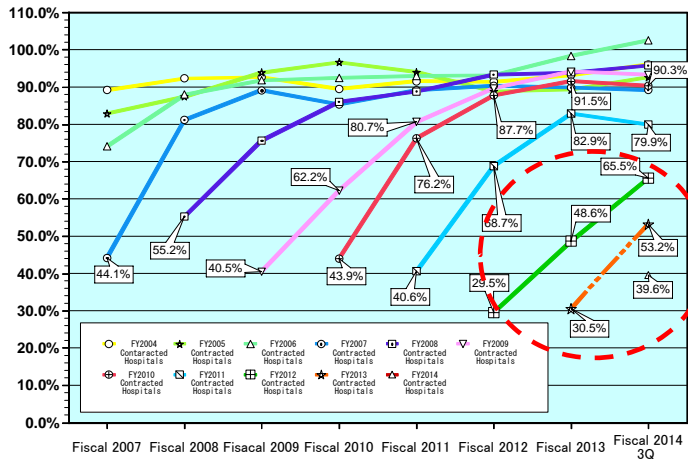


Operamaster Progress Status

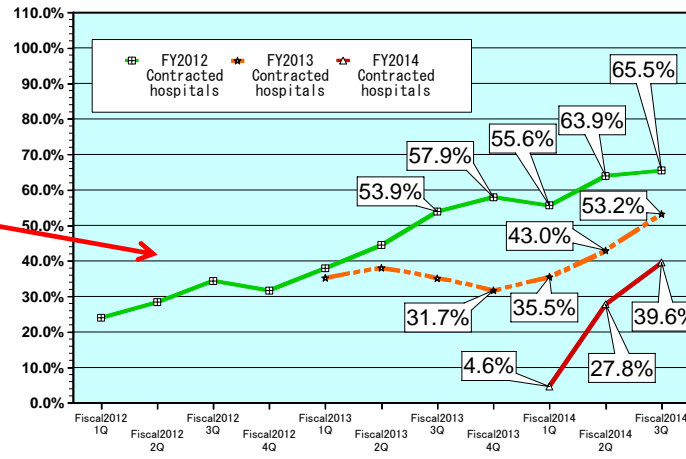


- **Number of Operamaster-contracted hospitals increasing steadily**
 - Rising awareness about need to improve hospital management
 - Increasing recognition of Operamaster thanks to seminars and the like
- **Increase in hospitals up and running**
- **Team formed to compile template and enter Operamaster-contracted hospitals in order to educate staff on running procedures and resolve issues**

Operamaster Proliferation Ratio



Operamaster-Contracted Hospitals: Proliferation Ratio by Quarter



Operamaster Progress Status



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 - Increasing recognition of Operamaster thanks to seminars and the like
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Business Performance



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	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	26,408		26,532		124	100.5%
Cost of sales	12,855	48.7%	13,374	50.4%	519	104.0%
Gross profit	13,553	51.3%	13,158	49.6%	△394	97.1%
SG & A expenses	6,662	25.2%	6,669	25.1%	6	100.1%
Operating income	6,890	26.1%	6,489	24.5%	△401	94.2%
Non-operating income/loss	323		255		△67	
Ordinary income	7,214	27.3%	6,744	25.4%	△469	93.5%
Extraordinary income/loss	86		41		△45	
Net income	4,582	17.4%	4,445	16.8%	△136	97.0%
EPS	291.32yen		282.65yen			

Fiscal 2014 – First 3 Quarter Analysis of Cost and SG&A Expenses

Cost of sales ratio : UP 1.7 points year-on-year

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

SG&A expenses : UP ¥6 million year-on-year

- Package & Freight Out Expenses UP ¥21 million
- Depreciation expenses UP ¥17 million
- Experiment and research expenses DOWN ¥11 million

Fiscal 2014 – First 3 Quarter Analysis of Non-Operating items, Capex, Depreciation

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

¥255 million (down ¥67 million year to year)

- Foreign exchange gain: ¥124 million

Capex: ¥10,654 million (up ¥ 9,391 million year to year)

- New plant cost : ¥9,054 million
- Other : ¥1,599 million

Depreciation: ¥1,983 million (down ¥127 million from previous corresponding period)

- Cost of sales: ¥1,284 million (down ¥145 million)
- SG&A expenses: ¥698 million (up ¥17 million)



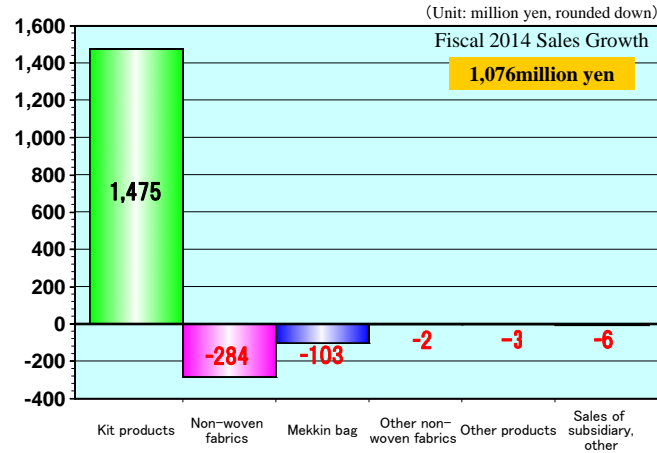
Fiscal 2014 Full-Year Projections



Fiscal 2014 Income Statements

(Unit: million yen, rounded down)	Fiscal 2013 Results		Fiscal 2014 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	34,793		35,870		1,076	103.1%
Cost of sales	17,046	49.0%	17,990	50.2%	943	105.5%
Gross profit	17,747	51.0%	17,880	49.8%	132	100.7%
SG & A expenses	8,999	25.9%	9,000	25.1%	0	100.0%
Operating income	8,747	25.1%	8,880	24.8%	132	101.5%
Non-operating income/loss	308		190		△118	
Ordinary income	9,055	26.0%	9,070	25.3%	14	100.2%
Extraordinary income/loss	△170		40		210	
Net income	5,632	16.2%	5,940	16.6%	307	105.5%
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Fiscal 2014 Sales Growth by Major Products



Cost of Sales Ratio

