



July 15, 2015

Financial Report First Quarter of Fiscal 2015

(April 1 – June 30, 2015)

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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.

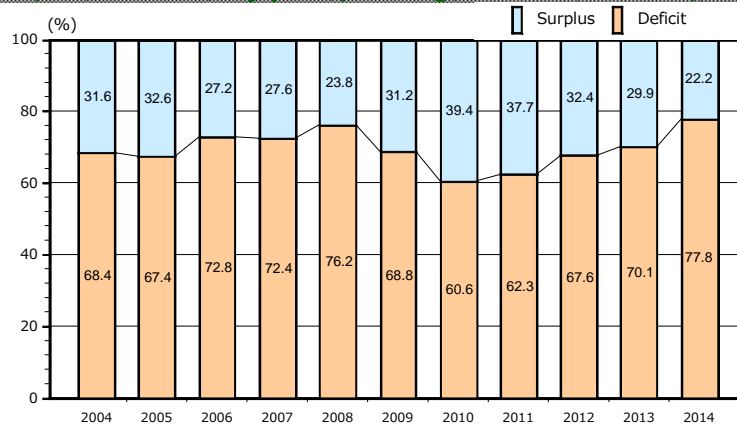
Financial results reported herein have not been audited.

Revenue Details and Full-Year Outlook

Market Environment

- Implemented measures for each medical facility impacted by revision of remuneration system
- Impact of comprehensive regional care causing beds for acute patients in small and medium-size hospitals to decline and integrate into large hospitals.
- **Number of surgical operations in Operamaster-contracted hospitals up 1.8% year on year; no change in growth rate from previous year**
- Number of loss-making hospitals increased significantly in fiscal 2014; business conditions becoming more difficult

Breakdown on Profitable/Unprofitable Hospitals (based on monthly profit/loss figures for June 2015)



Progress of Operamaster Marketing

Sales: 3,158million(UP 297 million or 110.4%)

Number of contracts:

11 new contracts

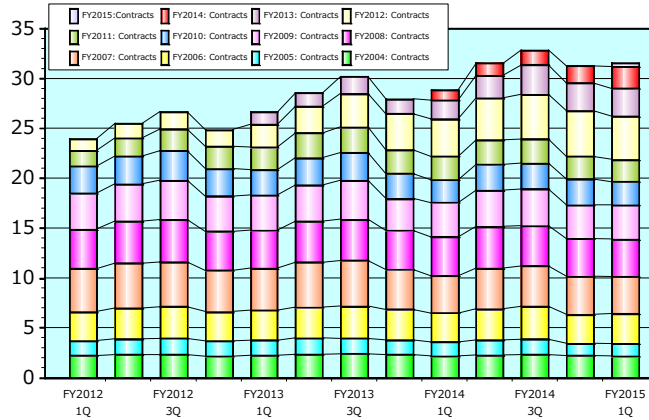
- DPC II hospitals: 3
- DPC III hospitals: 7
- Unclassified: 1

3 cancelled contracts

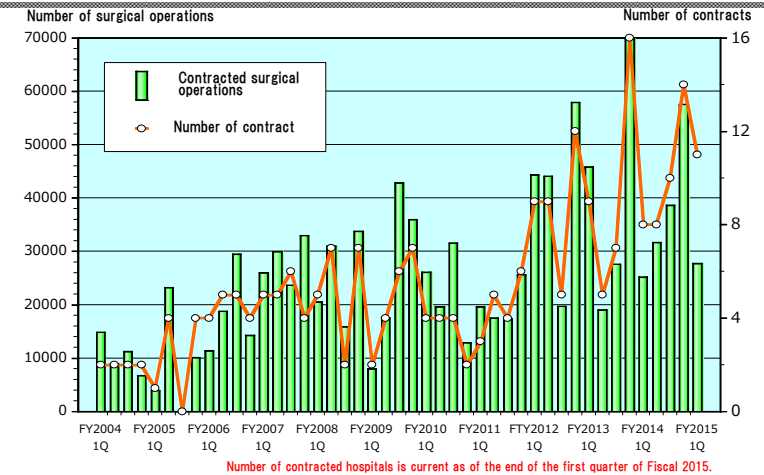
Cumulative total number of contracts: 250

Sales of Operamaster

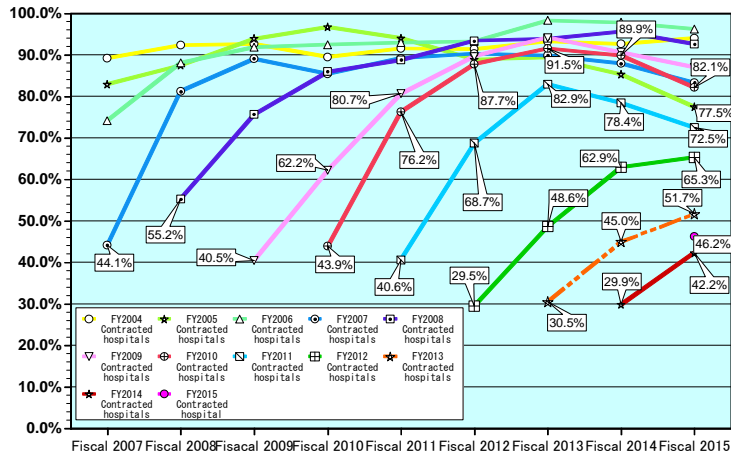
(¥100 million, rounded down)



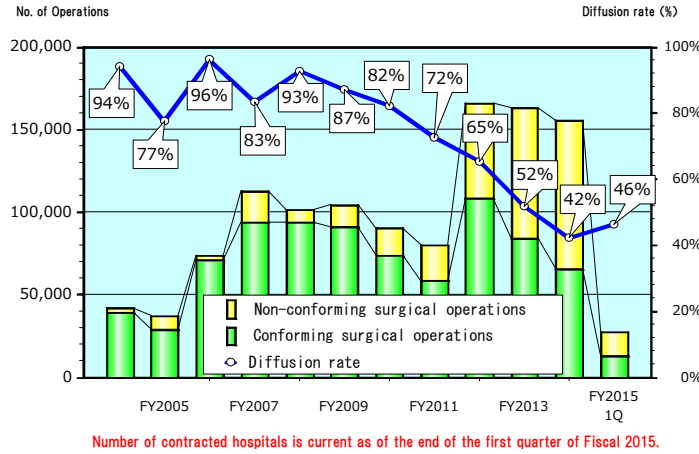
Number of Operamaster Contracts; Number of Surgical Operations



Operamaster Proliferation Ratio



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



Number of contracted hospitals is current as of the end of the first quarter of Fiscal 2015.

Fiscal 2015 (1Q) Highlights

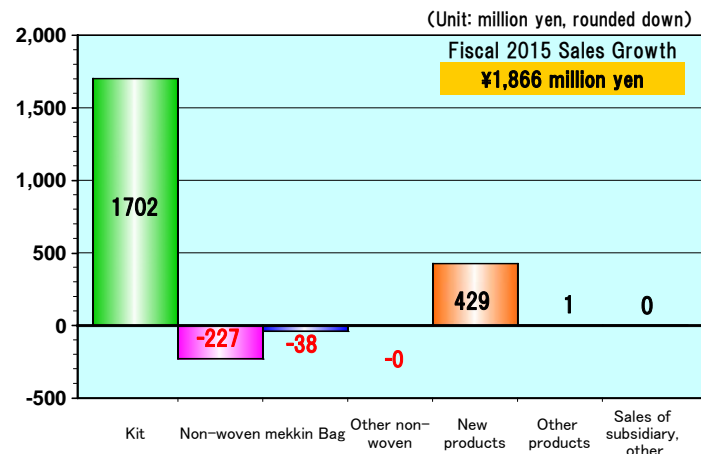


- **Operamaster sales up 10.4% year on year**
⇒ Smooth progress in getting Operamaster up and running at most recently contracted hospitals
- **New Operamaster contracts during period: 11** (DPC II hospitals: 3)
- **New products did not contribute to 1Q results due to sales timing delay**
⇒ Launch of EMARO in August 2015 and sales of two Surgery Management Systems in 3Q will compensate for this
- **Replacing nonwovens with surgical kits**

Fiscal 2015 Planning of Sales

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Kit	18,878	53.6%	20,580	55.5%	1,702	109.0%
Non-woven fabrics	10,011	28.4%	9,783	26.4%	△227	97.7%
Mekkin bag	2,669	7.6%	2,630	7.1%	△38	98.6%
Other Non-woven fabrics	1,451	4.1%	1,450	3.9%	△0	100.0%
New Products	177	0.5%	607	1.6%	429	342.0%
Other Products	1,963	5.6%	1,965	5.3%	1	100.1%
Sales of subsidiary, other	85	0.2%	86	0.2%	0	100.4%
T o t a l	35,234		37,100		1,866	105.3%

Fiscal 2015 Sales Growth by Major Products



Revenue Measures in Fiscal 2015

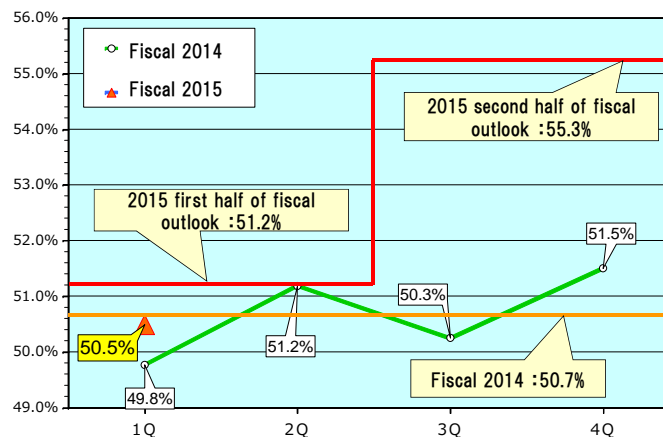
- Increase sales of both existing and new products
- Deploy product teams to get Operamaster up and running; strengthen sales of new products
- Step up proposals to DPC I hospitals, DPC II hospitals, and high-end DPC III hospitals
- Strengthen seminars and academic activities
- Expand sales of new products
 - EMARO: Launch in August 2015
 - Surgery Management System: 2 units to be sold in 3Q
- Start test operation of renewal kit products

Profit Details

Fiscal 2015 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 First Quarter Results		Fiscal 2015 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	8,398		8,639		241	102.9%
Cost of sales	4,179	49.8%	4,361	50.5%	182	104.4%
Gross profit	4,218	50.2%	4,277	49.5%	58	101.4%
SG & A expenses	2,210	26.3%	2,130	24.7%	△80	96.3%
Operating income	2,007	23.9%	2,147	24.9%	139	106.9%
Non-operating income/loss	8		47		39	
Ordinary income	2,016	24.0%	2,195	25.4%	178	108.9%
Extraordinary income/loss	△4		2		7	
Net income	1,317	15.7%	1,491	17.3%	173	113.2%
EPS	83.78円		94.83円			

Cost of Sales Ratio



Fiscal 2015 – First Quarter Analysis

Cost of sales ratio: UP 0.7 points year-on-year

- Effect of weak yen on overseas transactions
- Impact of inventory valuations

SG&A expenses: Down ¥80 million year-on-year

- Personnel expenses Down 85 million

Capex: ¥2,417 million (UP ¥1,921 million from previous corresponding period)

Depreciation: ¥680 million (UP ¥52 million from previous corresponding period)

- Cost of sales : ¥ 429 million (UP ¥20 million)
- SG&A expenses: ¥ 251 million(UP ¥32million)



OPERATIONS

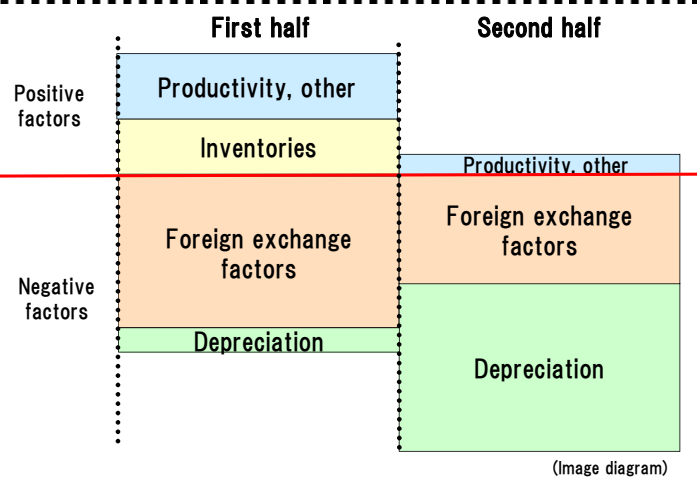
Fiscal 2015 Full-Year Projections

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Fiscal 2015 Income Statements

(Unit: million yen, rounded down)	Fiscal 2014 Results		Fiscal 2015 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	35,233		37,100		1,866	105.3%
Cost of sales	17,855	50.7%	19,760	53.3%	1,904	110.7%
Gross profit	17,378	49.3%	17,340	46.7%	△38	99.8%
SG & A expenses	8,872	25.2%	9,050	24.4%	177	102.0%
Operating income	8,505	24.1%	8,290	22.4%	△215	97.5%
Non-operating income/loss	262		130		△132	
Ordinary income	8,768	24.9%	8,420	22.7%	△348	96.0%
Extraordinary income/loss	△89				89	
Net income	5,659	16.1%	5,500	14.8%	△159	97.2%
EPS	359.81yen		349.68yen			

Factors Raising/Lowering Cost of Sales Ratio



Fiscal 2015 Analysis

Cost of sales ratio: UP 2.6 points year-on-year

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

SG&A expenses: UP ¥177 million year-on-year

- Personnel expenses UP 117 million

Capex: ¥8,300 million

(Down ¥6,782 million from previous corresponding period)

Depreciation: ¥3,429 million

(UP ¥720 million from previous corresponding period)

- Cost of sales : ¥ 2,360 million (UP ¥602 million)
- SG&A expenses: ¥ 1,069 million(UP ¥117 million)

New plant Progress situation



New plant depreciation Plan

(Unit: million yen, rounded down)	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Buildings								
Production system								
Machinery and equipment								
New plant capital expenditure	5,100	12,681	7,200	4,340	1,470			
Depreciation (new plant only)			700	2,420	3,550	3,390	2,850	2,440

Start of operation

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