



MEMBERSHIP  
July 15, 2016

# Financial Report First Quarter of Fiscal 2016

(April 1 – June 30, 2016)

**Jun-ichi Hoki, President and CEO**

**Yukio Yamamoto, Executive Director**

**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.**

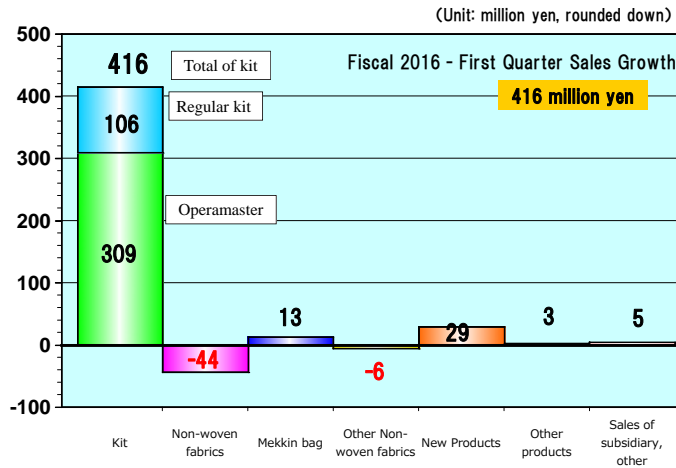
**Financial results reported herein have not been audited.**

# Overview

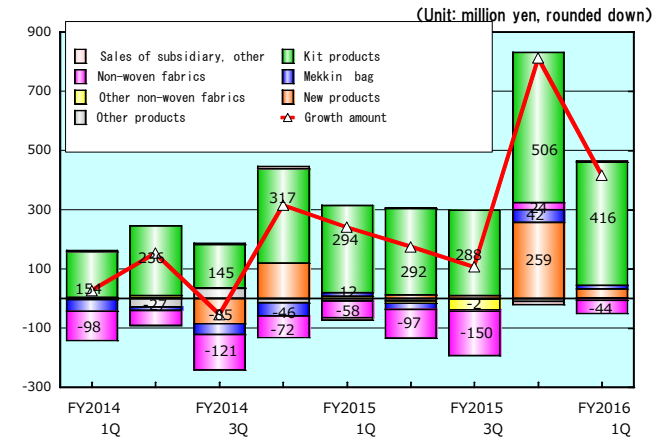
## Fiscal 2016 – First Quarter Income Statements

| (Unit: million yen, rounded down)       | Fiscal 2015 First Quarter Results |            | Fiscal 2016 First Quarter Results |            | Year-on-Year Comparison |        |
|---|-----------------------------------|------------|-----------------------------------|------------|-------------------------|--------|
|   | Amount                            | % of Total | Amount                            | % of Total | Amount                  | %      |
| Net sales                               | 8,639                             |            | 9,055                             |            | 416                     | 104.8% |
| Operating income                        | 2,147                             | 24.9%      | 2,083                             | 23.0%      | △63                     | 97.0%  |
| Ordinary income                         | 2,195                             | 25.4%      | 2,065                             | 22.8%      | △129                    | 94.1%  |
| Profit attributable to owners of parent | 1,491                             | 17.3%      | 1,428                             | 15.8%      | △62                     | 95.8%  |
| EPS                                     | 94.83yen                          |            | 90.84yen                          |            |                         |        |

## Fiscal 2016 – First Quarter Sales Growth by Major Products



## Fiscal 2016 – First Quarter Sales Growth by Quarter



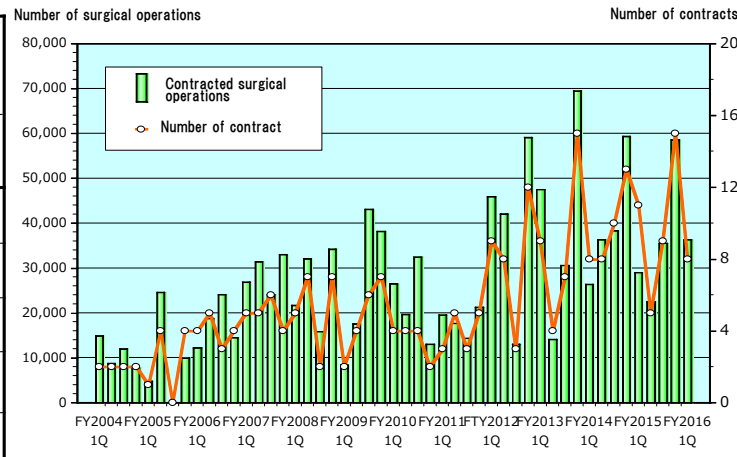
## Fiscal 2016 – First Quarter Income Statements

## Number of Operamaster Contracts; Number of Surgical Operations

## Fiscal 2016 (1Q) Highlights



| (Unit: million yen, rounded down)       | Fiscal 2015 First Quarter Results |            | Fiscal 2016 First Quarter Results |            | Year-on-Year Comparison |        |
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- Operamaster: 8 new contracts; 3 cancellations
- Premium Kits: Clinical trials started at end of June
- EMARO Endoscope Holder: 1 unit sold
- Cost of sales up due to depreciation on new plant and foreign exchange factors (impact less than predicted thanks to yen's appreciation)

# Fiscal 2016 Outlook

## Fiscal 2016 Income Forecasts

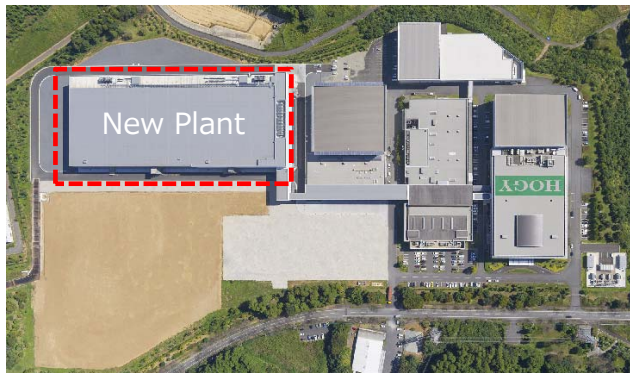
## Fiscal 2016 Initiatives

| (Unit: million yen, rounded down)       | Fiscal 2015 Results |            | Fiscal 2016 Plan |            | Year-on-Year Comparison |        |
|---|---------------------|------------|------------------|------------|-------------------------|--------|
|   | Amount              | % of Total | Amount           | % of Total | Amount                  | %      |
| Net sales                               | 36,568              |            | 38,400           |            | 1,831                   | 105.0% |
| Operating income                        | 8,784               | 24.0%      | 7,180            | 18.7%      | △1,604                  | 81.7%  |
| Ordinary income                         | 8,924               | 24.4%      | 7,280            | 19.0%      | △1,644                  | 81.6%  |
| Profit attributable to owners of parent | 5,910               | 16.2%      | 5,000            | 13.0%      | △910                    | 84.6%  |
| EPS                                     | 375.81yen           |            | 317.90yen        |            |                         |        |

- Bolster sales through Operamaster strategy and new products under revenue/income boosting plan
- Premium Kits: Launch clinical trials and sales
- Step up sales of new products (Surgery Management System, EMARO Endoscope Holder, etc.); increase EMARO clinical trial numbers
- Propose Operamaster to upper-level medical institutions (DPC I, II, and III hospitals)

- Cost of sales to rise due to depreciation on new plant and foreign exchange factors
- Bolster expenditures necessary for boosting revenue  
- Prototype costs, advertising and promotions, R&D expenses, etc.
- Install/arrange production equipment in new plant
- Step up in-house manufacture and development of new products earmarked as next-generation business pillars
- Improve productivity of P.T. Hogy Indonesia
  - ✓ Improve productivity, from materials to management
  - ✓ Promote labor-saving and automation (personnel expenses to trend upward)
  - ✓ Reinforce sales within Indonesia

## 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  | [Blue arrow pointing right from March 2014 to March 2017] |   |   |                  |            |            |            |            |
| Production system  |   |   | [Blue arrow pointing right from March 2016 to March 2017] |                  |            |            |            |            |
| Machinery and equipment                                  |   | [Blue arrow pointing right from March 2015 to March 2017] |   |                  |            |            |            |            |
| New plant capital expenditure                            | 5,100   | 12,681  | 7,300   | 4,200            | 1,470      |            |            |            |
| Depreciation (new plant only)<br>* Previous announcement |   |   | 815<br>* 700  | 2,170<br>* 2,420 | 3,550      | 3,390      | 2,850      | 2,440      |







OPERATION

# Sales details



### Progress of Operamaster Marketing

Sales : 3,483 million (UP 309 million or 109.8%)

Number of contracts:

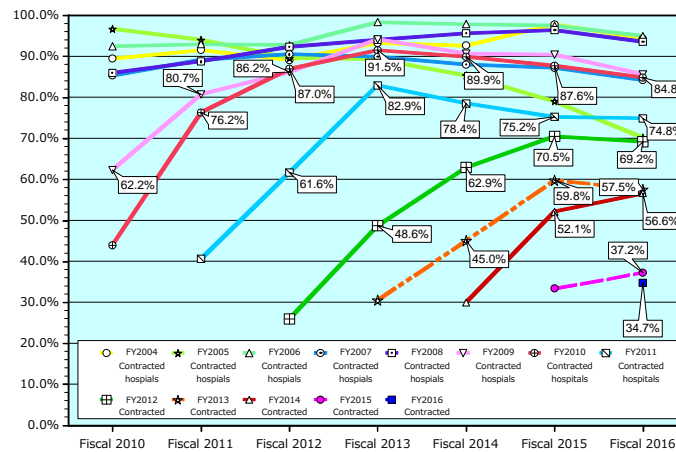
8 new contracts

- DPC I hospitals : 1
- DPC II hospitals : 2
- DPC III hospitals : 5

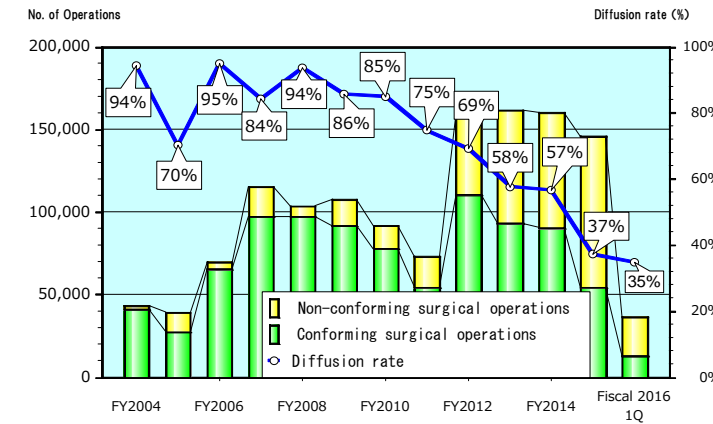
3 cancelled contracts

Cumulative total number of contracts: 277

### 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 2016.



## EMARO Sales Status

| Evaluation Cases |                      | Comments  |
|------------------|----------------------|---|
| ◎                | 33 <sub>cases</sub>  | <ul style="list-style-type: none"> <li>➤ No camera shake, so no stress</li> <li>➤ Surgery can be performed with one less doctor (3 - 2; 2 - 1)</li> </ul> |
| ○                | 109 <sub>cases</sub> | <ul style="list-style-type: none"> <li>➤ Stable and excellent field of view</li> </ul>  |
| △                | 53 <sub>cases</sub>  | <ul style="list-style-type: none"> <li>➤ Need to get used to both head and foot movements</li> </ul>  |
| ×                | 23 <sub>cases</sub>  | <ul style="list-style-type: none"> <li>➤ Zooming out comes 3cm short</li> </ul>   |

- Increase in clinical trial targets thanks to academic society exhibitions
- Increasing personnel (since end of fiscal 2015 ) of to cope with clinical trial waiting list

## Premium Kits: Progress Status

Clinics using Premium Kits (end of June 2016): 2 institutions

Target operations: Pediatric surgery, spinal surgery, craniotomy, video-assisted

thoracoscopic surgery (VATS), surgery kits(laparoscopy)

### ■ Customer feedback

- ✓ Reduced preparation/deployment time
- ✓ Consistent preparation time (regardless of newcomer or veteran)
- ✓ No shift in kit contents
- ✓ Need to become familiar with change in operations from before

## Fiscal 2016 (1Q): Sales Highlights

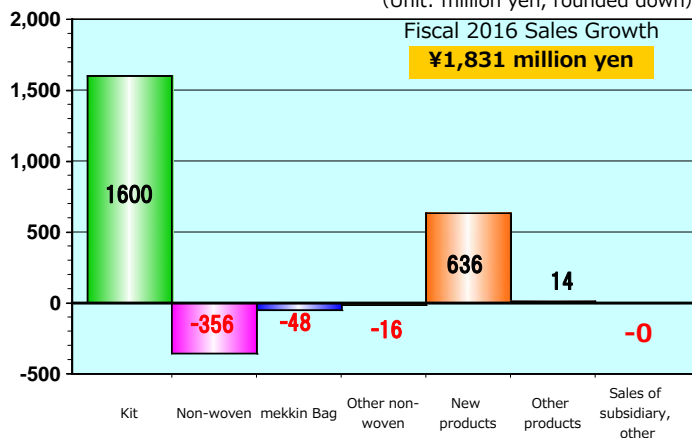
- Operamaster sales: Up 9.8% year on year
- New Operamaster-contracted hospitals: 8 (DPC I: 1; DPC II: 2; DPC III: 5)
- Steady increase in surgical procedures at Operamaster-contracted hospitals
- EMARO Endoscope Holder: Sold to 1 institution; clinical trials at 20 institutions
- Premium Kits: Clinical trials started at end of June



# Fiscal 2016 Full-Year Projections Sales Figures

### Fiscal 2016 Sales Growth by Major Products

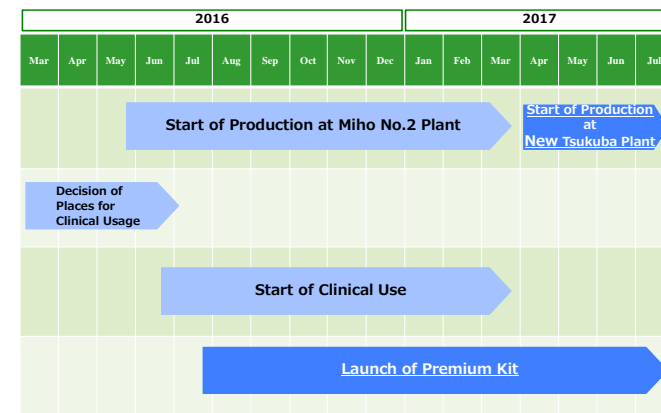
(Unit: million yen, rounded down)



### Fiscal 2016 Initiatives

- **Premium Kits: Launch clinical trials and sales**
- Continue focusing on getting Operamaster up and running
- Step up sales of new products (Surgery Management System, EMARO Endoscope Holder, etc.); increase EMARO clinical trial numbers
- Reinforce Operamaster proposals to upper-level medical institutions (DPC I, II, and III hospitals)
- Publicly announce success stories from Surgery Management System users

### Premium Kits Test marketing plan



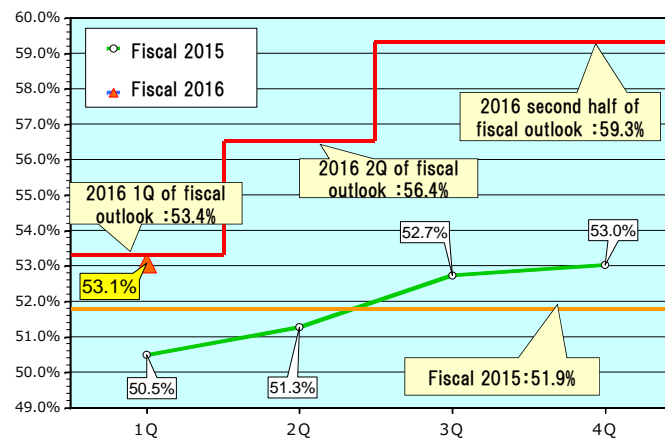


# Profit Details

## Fiscal 2016 – First Quarter Income Statements

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|-----------------------------------|-----------------------------------|------------|-----------------------------------|------------|-------------------------|--------|
|                                   | Amount                            | % of Total | Amount                            | % of Total | Amount                  | %      |
| Net sales                         | 8,639                             |            | 9,055                             |            | 416                     | 104.8% |
| Cost of sales                     | 4,361                             | 50.5%      | 4,805                             | 53.1%      | 444                     | 110.2% |
| Gross profit                      | 4,277                             | 49.5%      | 4,249                             | 46.9%      | △27                     | 99.3%  |
| SG & A expenses                   | 2,130                             | 24.7%      | 2,166                             | 23.9%      | 35                      | 101.7% |
| Operating income                  | 2,147                             | 24.9%      | 2,083                             | 23.0%      | △63                     | 97.0%  |
| Non-operating income/loss         | 47                                |            | △17                               |            | △65                     |        |
| Ordinary income                   | 2,195                             | 25.4%      | 2,065                             | 22.8%      | △129                    | 94.1%  |
| Extraordinary income/loss         | 2                                 |            | △0                                |            | △3                      |        |
| Net income                        | 1,491                             | 17.3%      | 1,428                             | 15.8%      | △62                     | 95.8%  |
| EPS                               | 94.83yen                          |            | 90.84yen                          |            |                         |        |

## Cost of Sales Ratio



## Fiscal 2016 – First Quarter Analysis

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

- Increase in depreciation due to acquisition of new plant building
- Effect of exchange on overseas transactions

**SG&A expenses:** Down ¥35 million year-on-year

**Capex:** ¥3,540 million (UP ¥ 1,122 million from previous corresponding period)

**Depreciation:** ¥ 986 million (UP ¥ 305 million from previous corresponding period)

- Cost of sales : ¥ 730 million (UP ¥300 million)
- SG&A expenses: ¥ 256 million(UP ¥4 million)



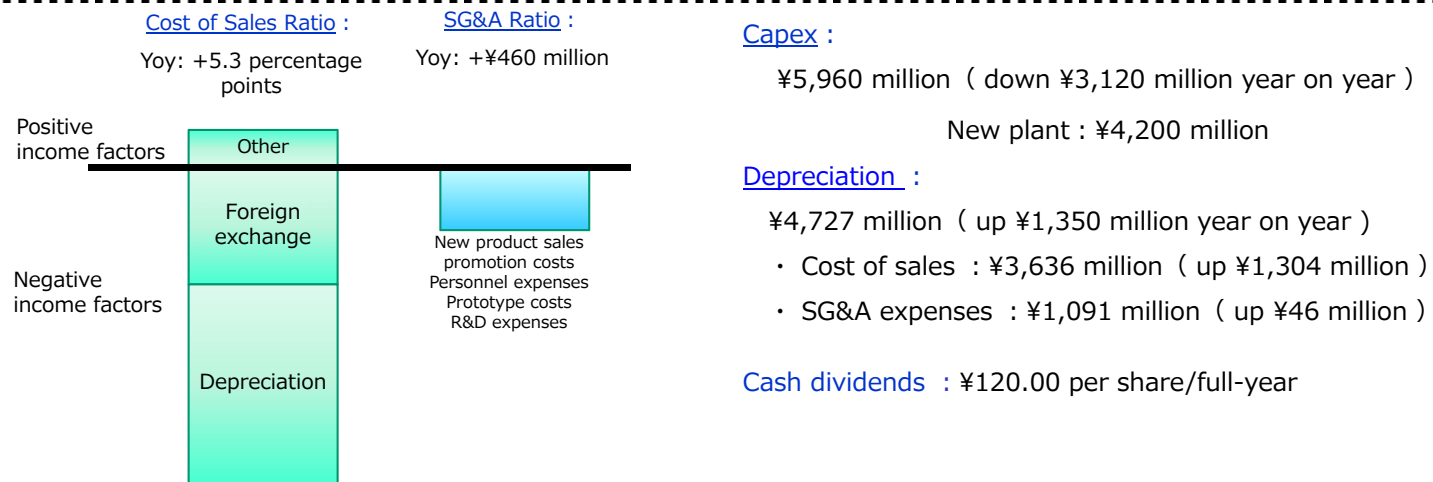


# Fiscal 2016 Full-Year Projections

## Fiscal 2016 Income Statements

| (Unit: million yen, rounded down) | Fiscal 2015 Results |            | Fiscal 2016 Plan |            | Year-on-Year Comparison |        |
|-----------------------------------|---------------------|------------|------------------|------------|-------------------------|--------|
|                                   | Amount              | % of Total | Amount           | % of Total | Amount                  | %      |
| Net sales                         | 36,568              |            | 38,400           |            | 1,831                   | 105.0% |
| Cost of sales                     | 18,984              | 51.9%      | 21,960           | 57.2%      | 2,975                   | 115.7% |
| Gross profit                      | 17,583              | 48.1%      | 16,440           | 42.8%      | △1,143                  | 93.5%  |
| SG & A expenses                   | 8,799               | 24.1%      | 9,260            | 24.1%      | 460                     | 105.2% |
| Operating income                  | 8,784               | 24.0%      | 7,180            | 18.7%      | △1,604                  | 81.7%  |
| Non-operating income/loss         | 139                 |            | 100              |            | △39                     |        |
| Ordinary income                   | 8,924               | 24.4%      | 7,280            | 19.0%      | △1,644                  | 81.6%  |
| Extraordinary income/loss         | △180                |            | 0                |            | 180                     |        |
| Net income                        | 5,910               | 16.2%      | 5,000            | 13.0%      | △910                    | 84.6%  |
| EPS                               | 375.81yen           |            | 317.90yen        |            |                         |        |

## Fiscal 2016 Revenue Projections



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July 15, 2016

# Financial Report First Quarter of Fiscal 2016

(April 1 – June 30, 2016)

**Jun-ichi Hoki, President and CEO**

**Yukio Yamamoto, Executive Director**

**Hiroshi Yamashita, Deputy manager public relations**

**HOGY MEDICAL Co., Ltd.**