



MEMBERSHIP
October 17, 2017

Financial Report

First 2 Quarters of Fiscal 2017

(April 1 – September 30, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager of 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.



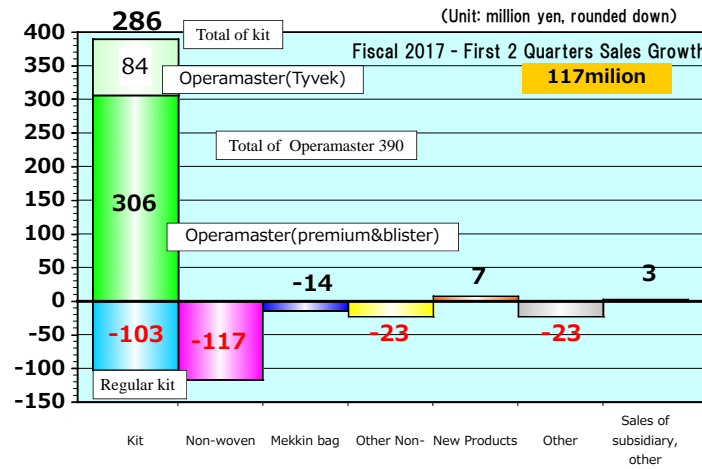
OPERATION

Overview

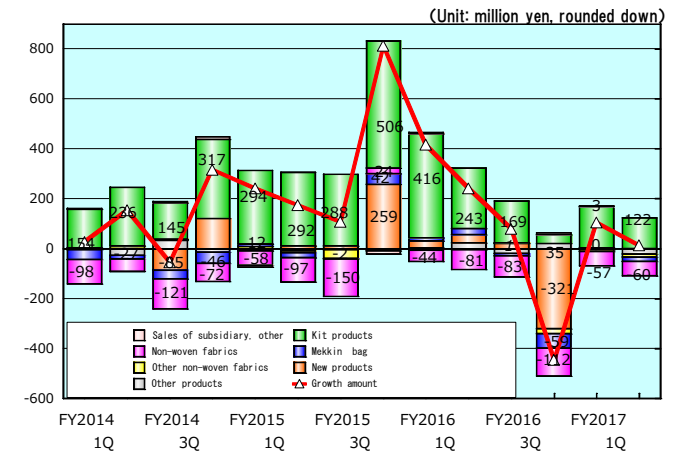
Fiscal 2017 First 2 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 First 2 Quarters Results		Fiscal 2017 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	18,310		18,427		117	100.6%
Operating income	4,089	22.3%	2,829	15.4%	△1,259	69.2%
Ordinary income	4,006	21.9%	2,875	15.6%	△1,131	71.8%
Profit attributable to owners of parent	2,685	14.7%	3,586	19.5%	900	133.5%
EPS	170.99yen		229.09yen			

Fiscal 2017 – First 2 Quarters Sales Growth by Major Products



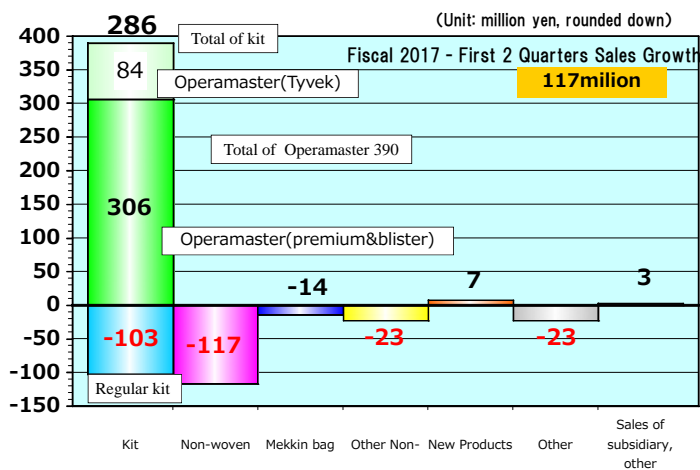
Fiscal 2017 - Sales Growth by Quarter



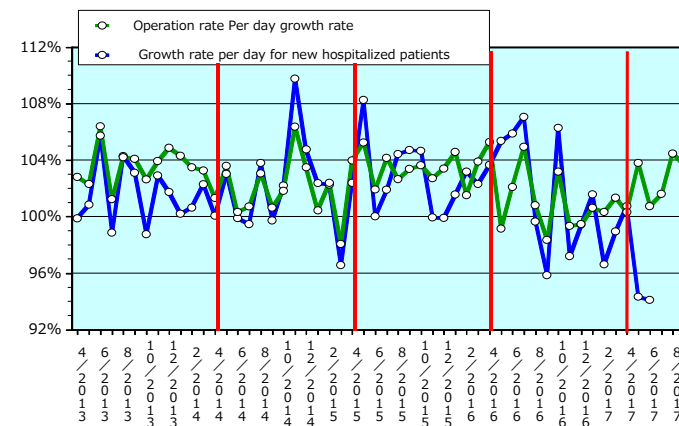
Fiscal 2017 First 2 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 First 2 Quarters Results		Fiscal 2017 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	18,310		18,427		117	100.6%
Operating income	4,089	22.3%	2,829	15.4%	△1,259	69.2%
Ordinary income	4,006	21.9%	2,875	15.6%	△1,131	71.8%
Profit attributable to owners of parent	2,685	14.7%	3,586	19.5%	900	133.5%
EPS	170.99yen		229.09yen			

Fiscal 2017 – First 2 Quarters Sales Growth by Major Products



Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



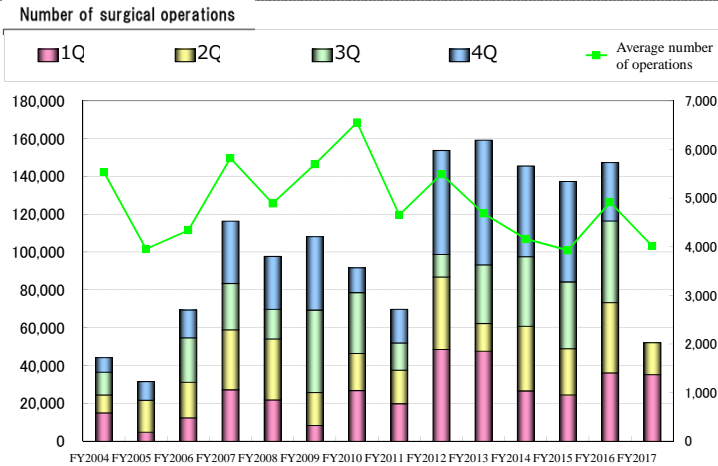


Fiscal 2017 First 2 Quarters Income Statements

Number of Operamaster Contracts; Number of Surgical Operations

Fiscal 2017 Highlights

(Unit: million yen, rounded down)	Fiscal 2016 First 2 Quarters Results		Fiscal 2017 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	18,310		18,427		117	100.6%
Operating income	4,089	22.3%	2,829	15.4%	△1,259	69.2%
Ordinary income	4,006	21.9%	2,875	15.6%	△1,131	71.8%
Profit attributable to owners of parent	2,685	14.7%	3,586	19.5%	900	133.5%
EPS	170.99yen		229.09yen			



- **New plant started operations in June 2017**
- **Premium Blister Kit sales: ¥531 million**
- Delays in getting Operamaster up and running at contracted hospitals making sure the contents of premium & blister kits takes time
- Operamaster: 13 newly contracted institutions; 7 cancellations
- Cost of sales up due to depreciation on new plant
- Extraordinary income generated from partial sale of equity holdings

Fiscal 2017 Outlook

Fiscal 2017 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2016 Results		Fiscal 2017 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	36,859		38,540		1,680	104.6%
Operating income	7,443	20.2%	5,300	13.8%	△2,143	71.2%
Ordinary income	7,403	20.1%	5,410	14.0%	△1,993	73.1%
Net income	5,786	15.7%	5,160	13.4%	△626	89.2%
EPS	369.06yen		329.55yen			

Future Measures

Higher sales, lower income forecast

- **Reorganize sales capabilities (sales productivity)**
 - [Concentrate on Premium Kits \(including at newly contracted Operamaster hospitals\)](#)
 - [Continue fostering and strengthening Premium Kit consulting capabilities](#)
 - [Reassess contracted Operamaster hospitals](#)
- **Prepare for single-use device (SUD) reprocessing business**
 - [Prepare to start business in fiscal 2019](#)

■ [Fast-track shift to new factory](#)

- Raise capacity utilization of new factory
- Ensure product safety and supply reliability

■ [Reassess overseas strategy](#)

- [Shift sales development focus from "Indonesia-centered sales strategy" to markets outside of Japan](#)

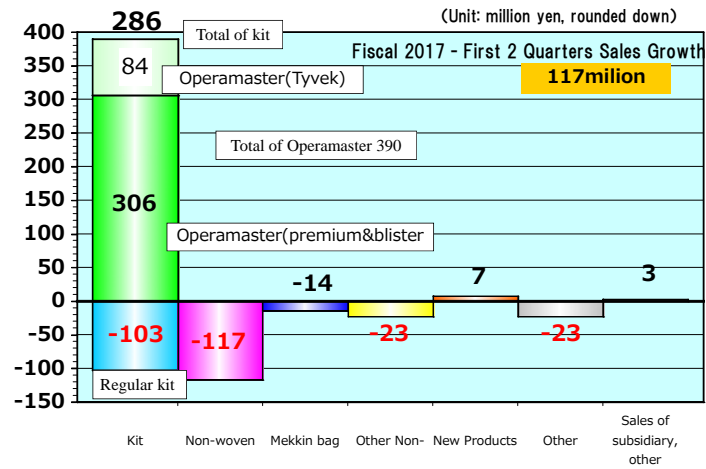
■ [Improve productivity of P.T. Hogy Indonesia](#)

- Promote labor savings and automation (personnel expenses will continue trending higher)
- Reinforce sales within Indonesia
- [Emphasize in-house manufacture of materials](#)

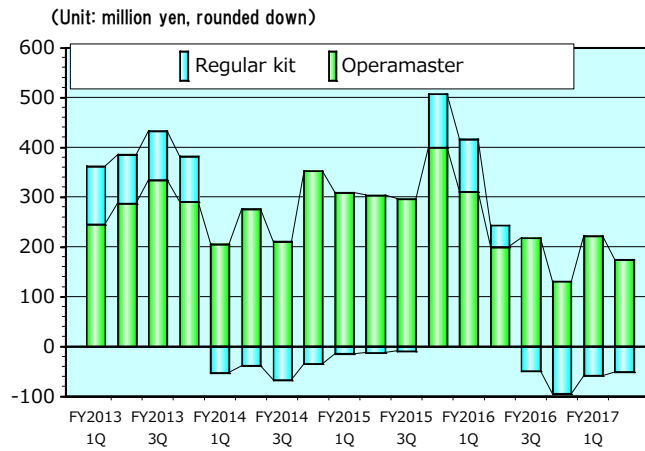


**Fiscal 2017 First 2 Quarters Sales details
and
Full-Year Projection**

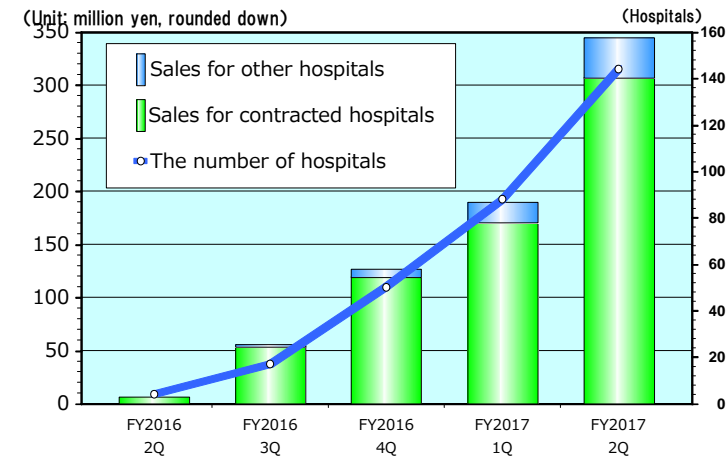
Fiscal 2017-First 2 Quarters Sales Growth by Major Products



Sales of Kit



Sales of Premium · Blister Kit



Progress of Operamaster Marketing

Sales :

7,477 million (+390 million : 105.5%)

FY2017 First 2 Quarters New Contracted

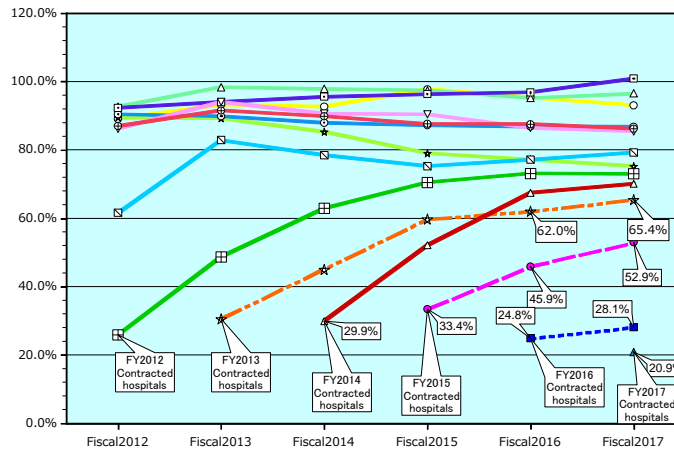
New :

- DPC I hospitals : 1 hospital
- DPC III hospitals : 12 hospitals

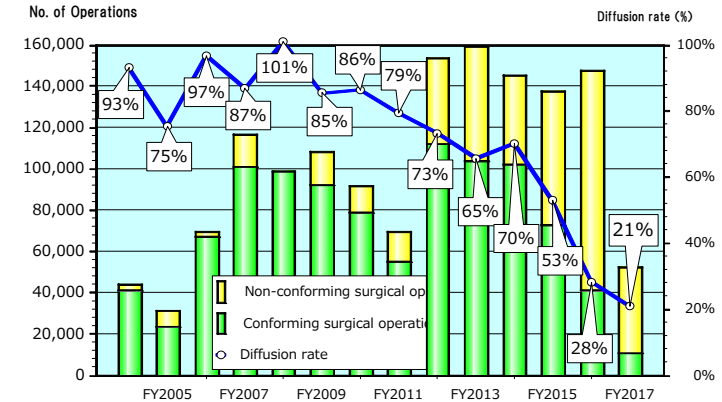
Cancellation : 7 hospitals

total number of contracts : 295 hospitals

Operamaster Penetration Ratio



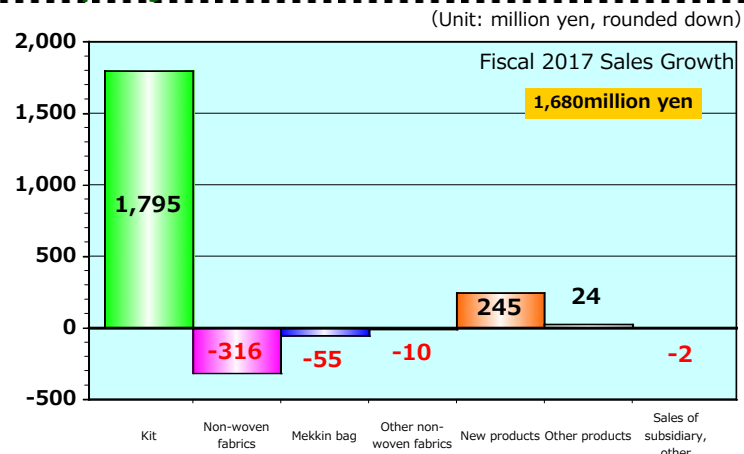
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



* Number of contracted hospitals is current as to the end of September in the Fiscal 2017.

Fiscal 2017 plan Sales Growth by Major Products

million yen, rounded down	Fiscal 2016 Results	Fiscal 2017 Plan	Year-on-Year comparison	
			Decrease or Increase amount	Rate Of Change
Kit	21,124	22,920	1,795	108.5%
Non-wovenfabrics	9,406	9,090	△316	96.6%
Mekkin bag	2,665	2,610	△55	97.9%
Other non-woven fabrics	1,390	1,380	△10	99.3%
New products	224	470	245	209.4%
Other products	1,965	1,990	24	101.2%
Sales ofsubsidiary,other	82	80	△2	96.5%
Total	36,859	38,540	1,680	104.6%



Fiscal 2017: Sales Forecast

■ [Concentrate on expanding sales of Premium Kits and prowess of salespeople](#)

- [Prioritize deployment of Operamaster](#)
 - [Reassess sales system](#)
 - Increase employee skills through education
 - [Promotion switchover to PB Kits](#)
 - [Step up offensive against other companies](#)
- Step up Operamaster approaches to DPC I, II, and III hospitals
- Sales of EMARO and Surgery Management System to be handled by dedicated sales management department
- Prepare to start reprocessing business

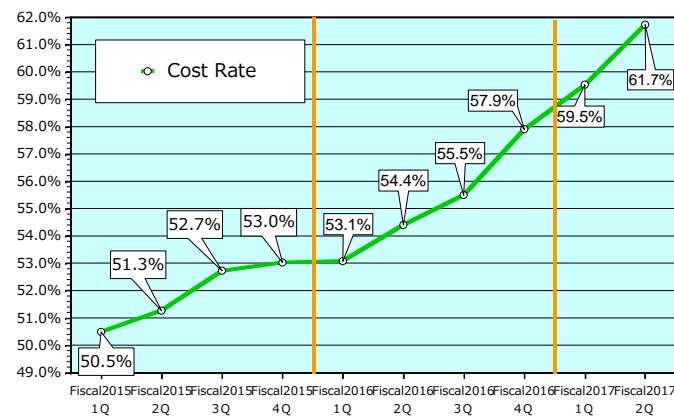


Profit Details

Fiscal 2017 First 2 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 First 2 Quarters Results		Fiscal 2017 First 2 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	18,310		18,427		117	100.6%
Cost of sales	9,836	53.7%	11,173	60.6%	1,337	113.6%
Gross profit	8,474	46.3%	7,254	39.4%	△1,219	85.6%
SG & A expenses	4,384	23.9%	4,425	24.0%	40	100.9%
Operating income	4,089	22.3%	2,829	15.4%	△1,259	69.2%
Non-operating income/loss	△82		45		128	
Ordinary income	4,006	21.9%	2,875	15.6%	△1,131	71.8%
Extraordinary income/loss	△1		2,203		2,204	
Net income	2,685	14.7%	3,586	19.5%	900	133.5%
EPS	170.99yen		229.09yen			

Cost of Sales Ratio



Fiscal 2017-First 2 Quarters Analysis

Cost of sales ratio : 6.9% increase Year-on-Year

- Increase in depreciation due to acquisition of new plant building

SG&A expenses :

¥ 40 million increase year-on-year

Capex : ¥ 1,022 million (¥ 3,405 million decrease)

Depreciation: ¥ 3,094 million (¥ 1,142 million increase)

- Cost of Sales: ¥ 2,634 million (¥ 1,184 million increase)
- SG&A expenses: ¥ 460 million (¥ 41 million decrease)

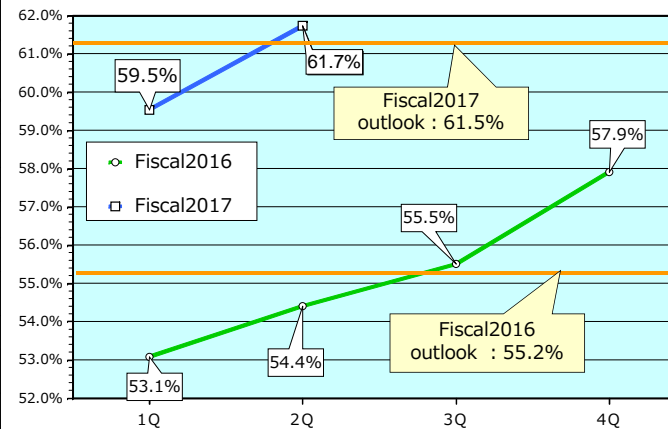


Fiscal 2017 Full-Year Projections

Fiscal 2017 Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 Results		Fiscal 2017 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	36,859		38,540		1,680	104.6%
Cost of sales	20,355	55.2%	23,720	61.5%	3,364	116.5%
Gross profit	16,503	44.8%	14,820	38.5%	△1,683	89.8%
SG & A expenses	9,060	24.6%	9,520	24.7%	459	105.1%
Operating income	7,443	20.2%	5,300	13.8%	△2,143	71.2%
Non-operating income/loss	△39		110		149	
Ordinary income	7,403	20.1%	5,410	14.0%	△1,993	73.1%
Extraordinary income/loss	1,018		2,000		981	
Net income	5,786	15.7%	5,160	13.4%	△626	89.2%
EPS	369.06yen		329.55yen			

Fiscal 2017 Revenue Projections



Cost of sales : 6.3% increase Year-on-Year

increase of depreciation of new plant building

SG&A expenses : ¥459million increase year-on-year

Samples , Personnel , Education and training expenses
perspective of expenses for reprocessing project

Capex : ¥2,590million (¥4,059 million decrease)

Depreciation : ¥6,395million (¥1,986 million increase)

- Cost of Sales: ¥5,440 million (¥2,038 million increase)
- SG&A expenses: ¥955million (¥52million decrease)

Cash dividends : ¥124 (+¥4 Year-on-Year)



MEMBERSHIP
October 17, 2017

Financial Report First 2 Quarters of Fiscal 2017

(April 1 – September 30, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hiroshi Yamashita, Deputy manager public relations

HOGY MEDICAL Co., Ltd.