



January 19, 2018

Financial Report First 3 Quarters of Fiscal 2017

(April 1 – December 31, 2017)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

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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.



OPERAMASTER

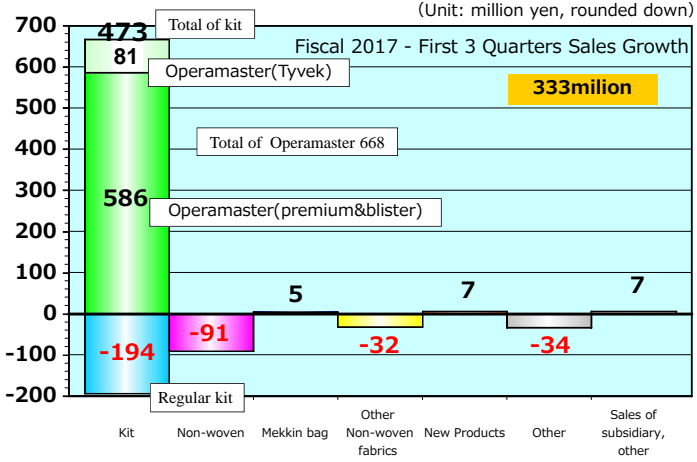
Overview

HOGY MEDICAL Co., Ltd.

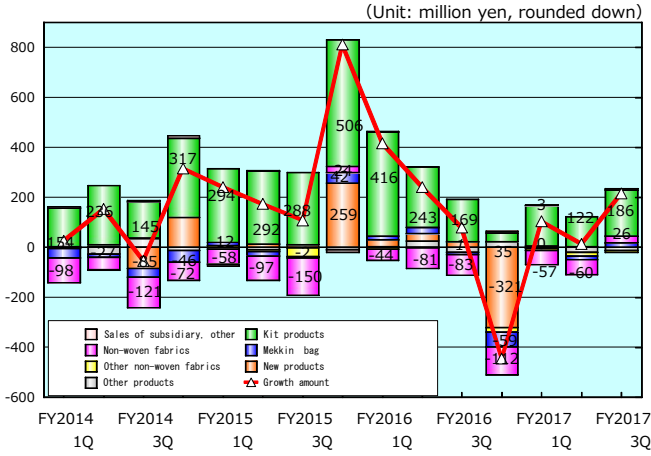
Fiscal 2017 – First 3 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2016 First 3 Quarters Results		Fiscal 2017 First 3 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	27,792		28,126		333	101.2%
Operating income	6,055	21.8%	4,243	15.1%	△1,812	70.1%
Ordinary income	5,979	21.5%	4,300	15.3%	△1,678	71.9%
Profit attributable to owners of parent	4,752	17.1%	4,594	16.3%	△157	96.7%
EPS	302.93yen		293.48yen			

Fiscal 2017 – First 3 Quarters Sales Growth by Major Products



Fiscal 2017 - Sales Growth by Quarter

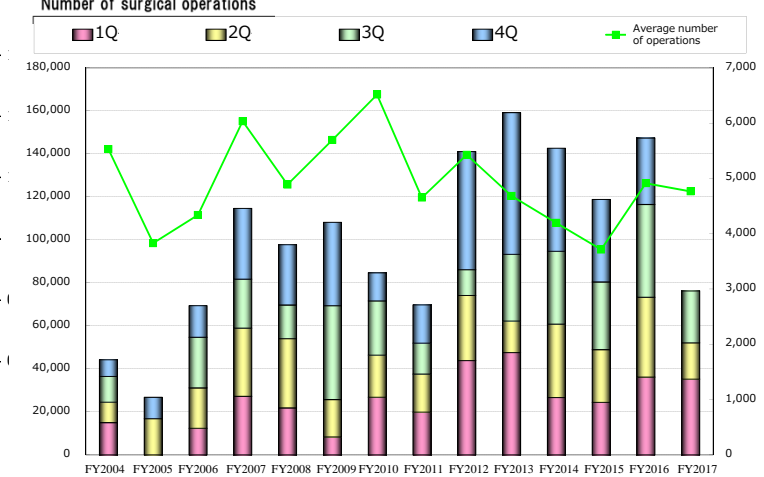
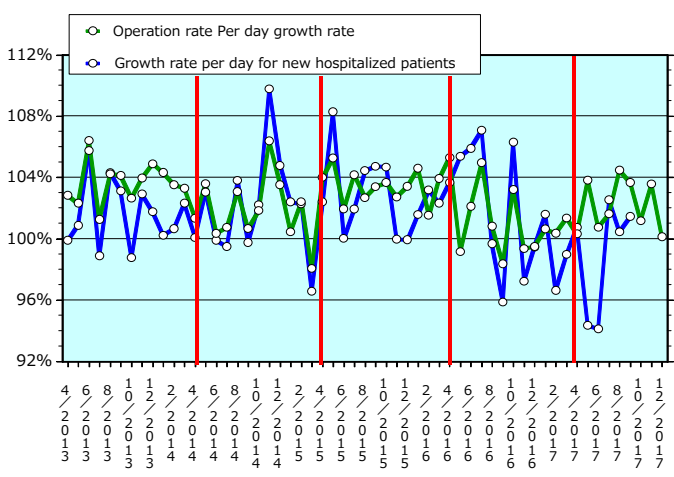


Fiscal 2017 – First 3 Quarters Income Statements

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

Number of Operamaster Contracts; Number of Surgical Operations

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Fiscal 2017 – First 3 Quarters Income Statements

Fiscal 2017 (3Q) Highlights

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■ Reassessed surgical kit product strategy

(in light of declining workforce)

⇒ Operamaster proposals focused on advanced acute-phase clinics and general acute-phase clinics

⇒ Expanded sales of basic Premium Kits to all facilities that perform surgery

- Operamaster: 16 newly contracted institutions; 16 cancellations
 - ✓ Adjustments made for hospital with no progress due to lack of consensus
 - ✓ We expect a certain level of cancellations going forward
- Delays in getting Operamaster up and running at contracted hospitals
 - ✓ Obtained/conveyed knowledge about selling points of Premium Kits

- Sales of Premium Blister Kits: ¥1,146 million
- **Sharp increase in volume of clinical assessment activities for Premium Blister Kits**
- Received order for operating room management service (Surgery Management System) in December 2017
- New plant started operations in June 2017
- Cost of sales up due to depreciation on new plan
- Extraordinary income generated from partial sale of equity holdings
- Announced 1:2 stock split (effective date: April 1, 2018)

Fiscal 2017 Outlook



Fiscal 2017 Income Statements

Priorities for Remainder of Fiscal 2017

(Unit: million yen, rounded down)	Fiscal 2016 Results		Fiscal 2017 Revised Plan		Year-on-Year Comparison		Fiscal 2017 Initial Plan		Initial Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%	Amount	% of Total	Amount	%
Net sales	36,859		37,300		440	101.2%	38,540		△1,240	96.8%
Operating income	7,443	20.2%	5,200	13.9%	△2,243	69.9%	5,300	13.8%	△100	98.1%
Ordinary income	7,403	20.1%	5,267	14.1%	△2,136	71.1%	5,410	14.0%	△143	97.4%
Profit attributable to owners of parent	5,786	15.7%	5,240	14.0%	△546	90.6%	5,160	13.4%	80	101.6%
EPS	369.06yen		334.58yen				329.47yen			

Major modifications

- Revised plan for surgical kit products
 - Delays in getting Operamaster up and running and entrenching Premium Kits
 - Premium Kit proposals to rise sharply from 3Q and thereafter, but actual results to appear in next fiscal year and thereafter
 - Revised plan for new products
 - ✓ EMARO Endoscope Holder
- Revised figures for foreign exchange impact, depreciation, and unused costs to reflect actual results

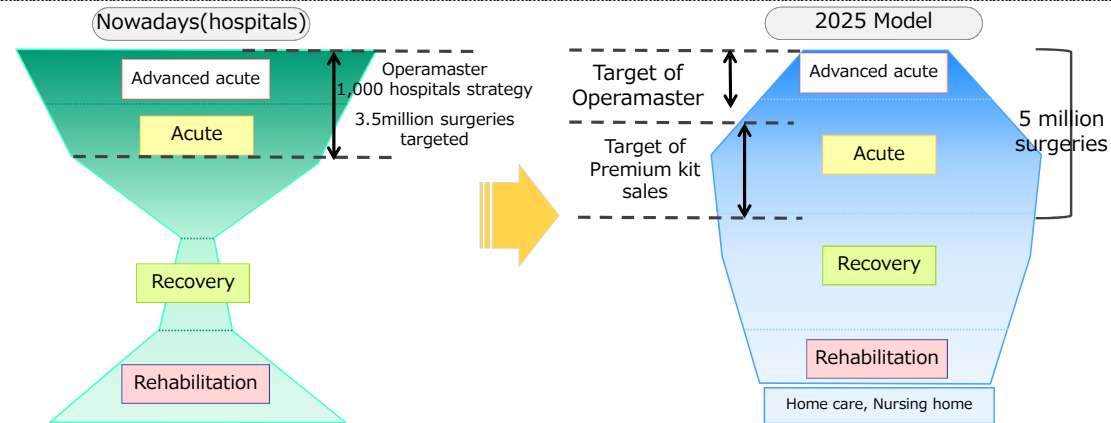
Future Strategies

- **Reassess strategy for surgical kit products**
 - [Concentrate on Premium Kits \(including at Operamaster-contracted hospitals\)](#)
 - [Reassess hospitals earmarked for Operamaster proposals](#)
 - [Strengthen Premium Kit consulting capability through ongoing education](#)
- **Prepare to enter SUD reprocessing (remanufacturing) business**
- **Expedite shift to new plant**
- **Reassess overseas sales strategy**
 - **Shift from "Indonesia-centered sales strategy" to sales rollouts in market outside Japan**

Fiscal 2017 Income Statements

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Review of Kits sales strategy



Source: June 15 2015 Cabinet reports

Source: 2025 the model of needed beds

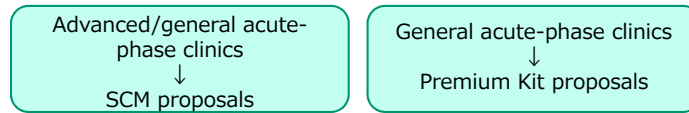
Future Strategies

■ Declining workforce and concentration of surgical operations

⇒The declining workforce affects not only medical institutions but all associated companies, so it will become necessary to enhance efficiency of hospitals performing numerous surgical operations.

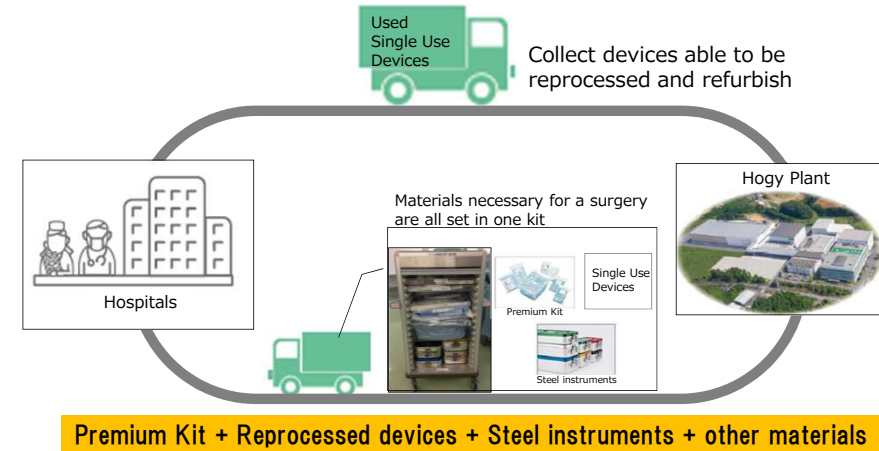


We will further narrow down our Operamaster strategy targets, and adopt the SCM concept in which all materials necessary for surgery are delivered on a just-in-time basis.



Future Plans

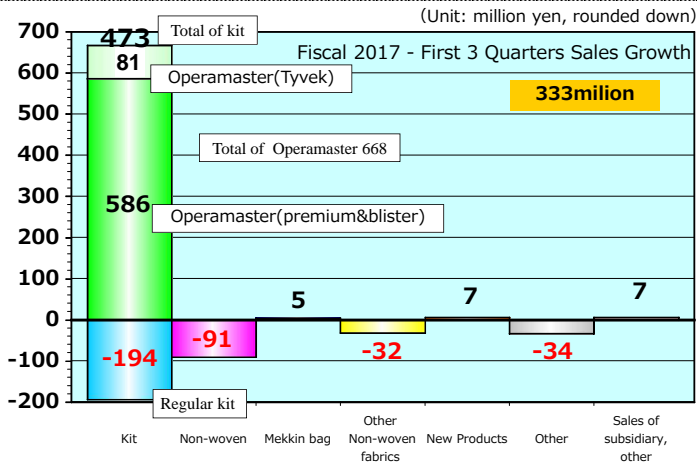
SCM (Supply Chain Management) System



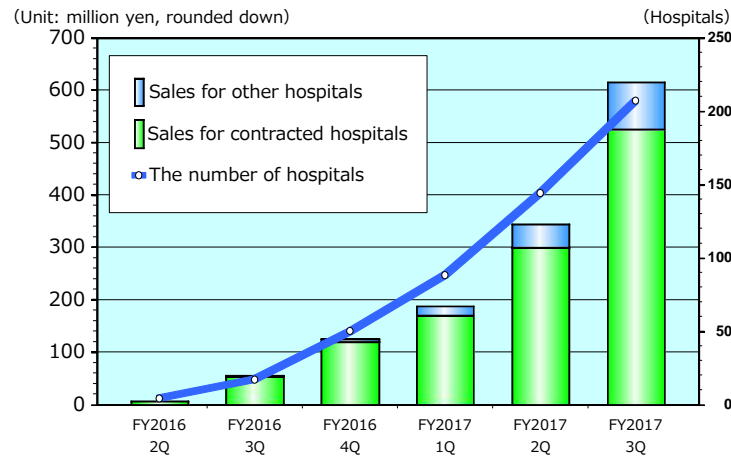


Fiscal 2017 First 3 Quarters Sales details and Full-Year Projection

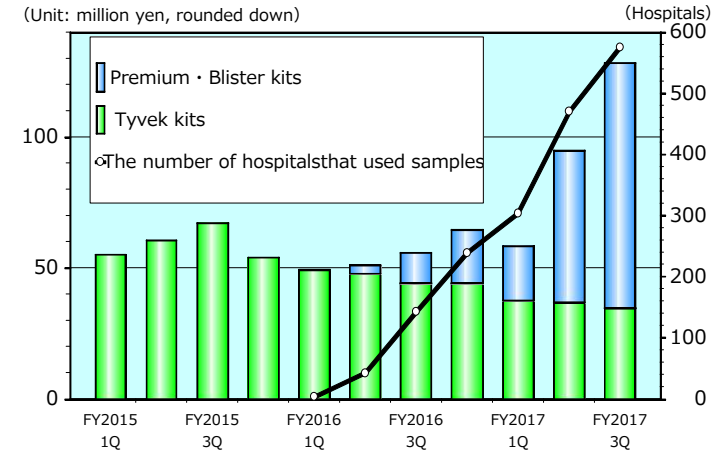
Fiscal 2017-First 3 Quarters Sales Growth by Major Products



Sales of Premium · Blister Kit

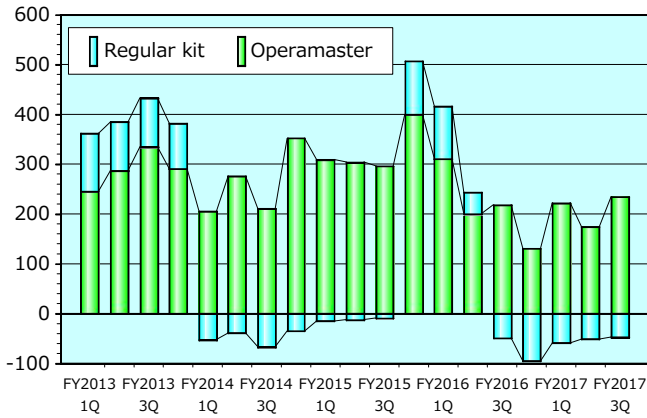


Samples of Kits

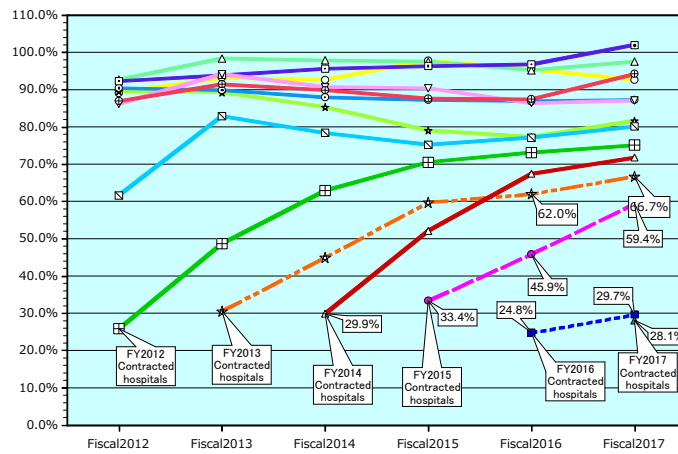


Growth of Kit Sales

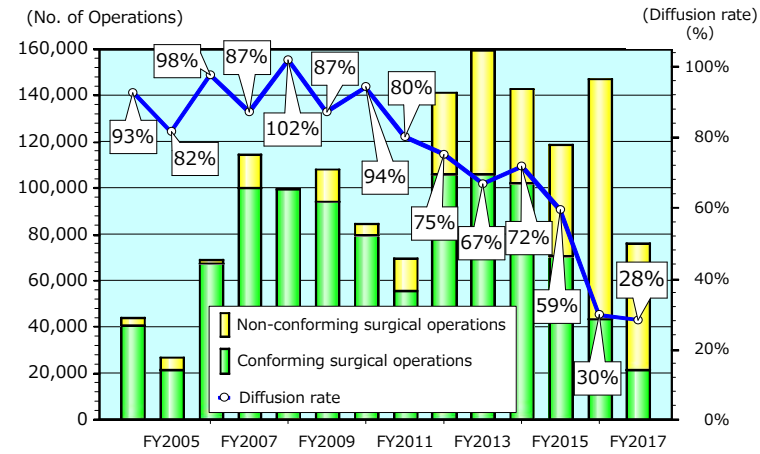
(Unit: million yen, rounded down)



Operamaster Penetration Ratio



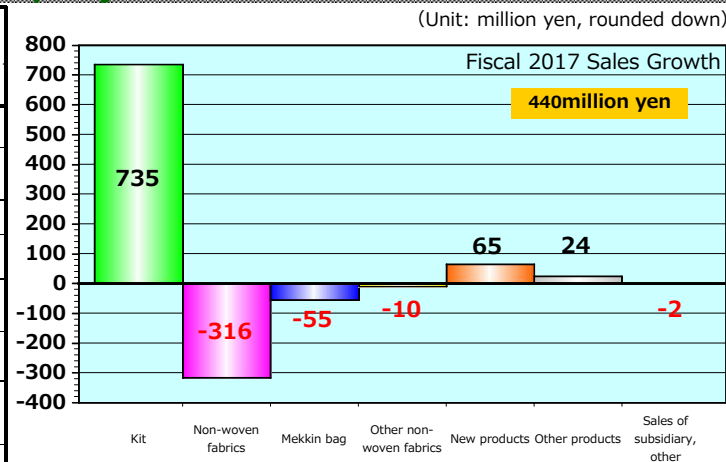
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



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

Fiscal 2017 plan Sales Growth by Major Products

(Unit: million yen, rounded down)	Fiscal 2016 Results	Fiscal 2017 Revised Plan	Fiscal 2017 Initial Plan	Year-on-Year Comparison		Initial Plan Comparison	
				Amount	%	Amount	%
Kit	21,124	21,860	22,920	735	103.5%	△1,060	95.4%
Non-woven fabrics	9,406	9,090	9,090	△316	96.6%	0	100.0%
Mekkin bag	2,665	2,610	2,610	△55	97.9%	0	100.0%
Other Non-woven fabrics	1,390	1,380	1,380	△10	99.3%	0	100.0%
New products	224	290	470	65	129.2%	△180	61.7%
Other products	1,965	1,990	1,990	24	101.2%	0	100.0%
Sales of subsidiary, other	82	80	80	△2	96.5%	0	100.0%
Total	36,859	37,300	38,540	440	101.2%	△1,240	96.8%



Fiscal 2017 Sales Plan

- [Finalize surgical kit strategy revision](#)
- [Increase recognition of Premium Kit's effectiveness both inside and outside Compa](#)
 - Conduct employee education to improve their skills
 - Raise awareness through sales promotion booklets
- [Concentrate on increasing Premium Kit sales and strengthening salespeople's power](#)
 - [Place top priority on getting Operamaster up and running](#)
 - [Reorganize sales system](#)
 - Step up offensive against other companies
- Reinforce Operamaster proposals targeting advanced acute-phase clinics and general acute-phase clinics
- Confirm markets earmarked for strategy SCM development
- Confirm markets earmarked for launch of SUD reprocessing (remanufacturing) business



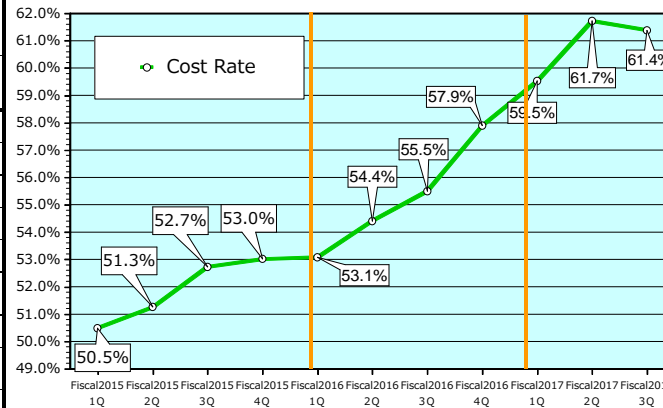
Profit Details

Fiscal 2017

First 3 Quarters Income Statements

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Net sales	27,792		28,126		333	101.2%
Cost of sales	15,101	54.3%	17,125	60.9%	2,023	113.4%
Gross profit	12,690	45.7%	11,000	39.1%	△1,690	86.7%
SG & A expenses	6,635	23.9%	6,757	24.0%	121	101.8%
Operating income	6,055	21.8%	4,243	15.1%	△1,812	70.1%
Non-operating income/loss	△76		57		133	
Ordinary income	5,979	21.5%	4,300	15.3%	△1,678	71.9%
Extraordinary income/loss	1,021		2,203		1,182	
Net income	4,752	17.1%	4,594	16.3%	△157	96.7%
EPS	302.93yen		293.48yen			

Cost of Sales Ratio



Fiscal 2017-First 3 Quarters Analysis

Cost of sales ratio : 6.6% increase Year-on-Year

- Increase in depreciation due to acquisition of new plant building

SG&A expenses :

¥ 121 million increase year-on-year

Capex : ¥ 1,605 million (¥ 3,357 million decrease)

Depreciation: ¥ 4,646 million (¥ 1,613 million increase)

- Cost of Sales: ¥ 3,970 million (¥ 1,697 million increase)
- SG&A expenses: ¥ 676 million (¥ 84 million decrease)

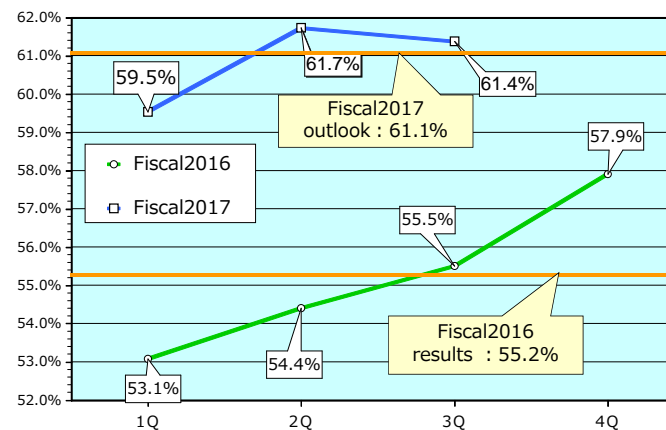


Fiscal 2017 Full-Year Projections

Fiscal 2017 Income Statements

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	Amount	% of Total	Amount	% of Total	Decrease or Increase amount	Rate Of Change
Net sales	36,859		37,300		440	101.2%
Cost of sales	20,355	55.2%	22,780	61.1%	2,424	111.9%
Gross profit	16,503	44.8%	14,520	38.9%	△1,983	88.0%
SG & A expenses	9,060	24.6%	9,320	25.0%	259	102.9%
Operating income	7,443	20.2%	5,200	13.9%	△2,243	69.9%
Non-operating income/loss	△39		67		106	
Ordinary income	7,403	20.1%	5,267	14.1%	△2,136	71.1%
Extraordinary income/loss	1,018		2,203		1,184	
Net income	5,786	15.7%	5,240	14.0%	△546	90.6%
EPS	369.06yen		334.58yen			

Fiscal 2017 Revenue Projections



Cost of sales : 5.8% increase Year-on-Year
increase of depreciation of new plant building

SG&A expenses : ¥259million increase year-on-year

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

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

Depreciation : ¥6,231million (¥1,821 million increase)

- Cost of Sales: ¥5,330 million (¥1,928 million increase)
- SG&A expenses: ¥901million (¥106million decrease)

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



MEMBERSHIP

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