



MEMBERSHIP
Jan. 21, 2019

Financial Report Third Quarter of Fiscal 2018

(April 1 – Dec 31, 2018)

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

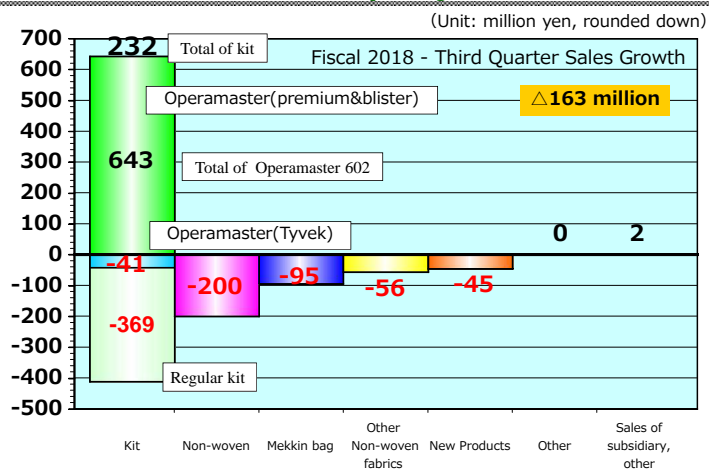
HOGY MEDICAL Co., Ltd.

Fiscal 2018 – Third Quarter Income Statements

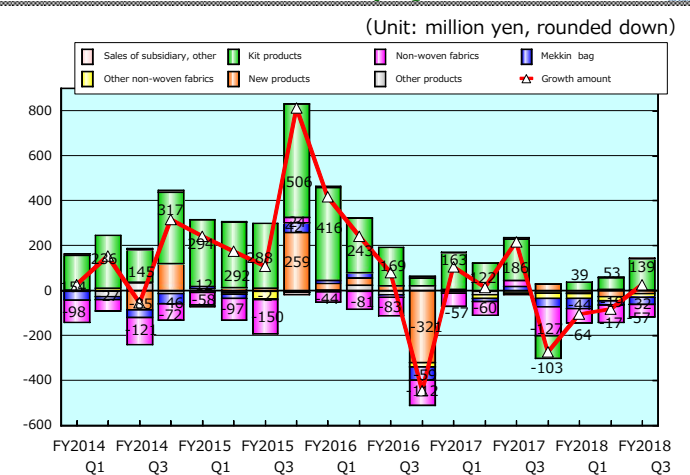
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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	28,126		27,963		△163	99.4%
Operating income	4,243	15.1%	3,924	14.0%	△318	92.5%
Ordinary income	4,300	15.3%	4,024	14.4%	△276	93.6%
Profit attributable to owners of parent	4,594	16.3%	5,628	20.1%	1,034	122.5%
EPS	146.74yen		184.15yen			

* Due to the 2-for-1 stock split on 1st of April in 2018, EPS refers the estimation after the stock split.

Fiscal 2018 – Third Quarter Sales Growth by Major Products



Fiscal 2018 Sales Growth by Quarter

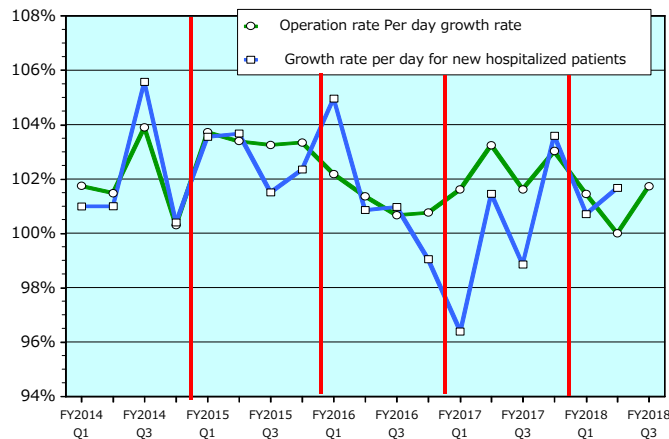


Fiscal 2018 – Third Quarter Income Statements

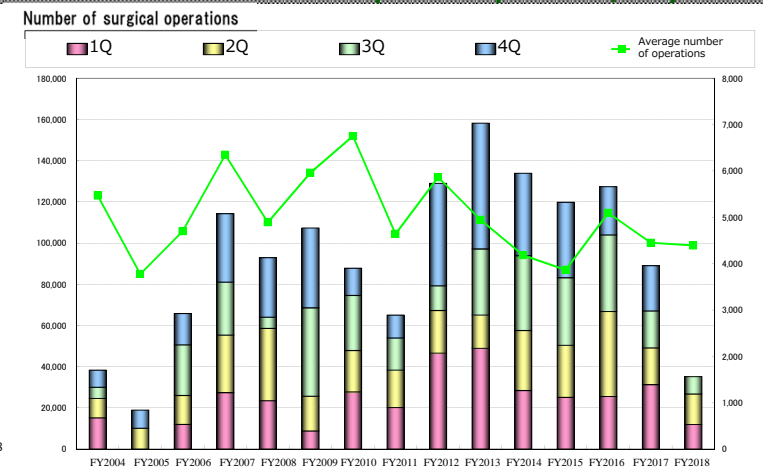
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Fiscal 2018 – Third Quarter Sales Growth by Major Products



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





Fiscal 2018 – Third Quarter Income Statements

Fiscal 2018 – Third Quarter Highlights

(Unit: million yen, rounded down)	Fiscal 2017 Third Quarter Results		Fiscal 2018 Third Quarter Results		Year-on-Year Comparison	
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- **Decline in revenue and Increase in income**
- **Growing awareness towards the work style reform among medical institutions**
 - ✓ “Shortening of work time” “Reduction of labor”
 - “Cutting total cost for operation of a whole hospital”
- **Sales growth of Premium and Blister kits**
 - Kit sales composition ratio(1 Q : 27.0%, 2 Q : 33.6%, 3 Q:38.5%)
- **Competition with other companies**
- **Operamaster: 8 newly contracted institutions; 12 cancellations**
 - ✓ Made adjustments at hospitals showing no progress due to lack of consensus
 - ✓ Certain degree of cancellations also expected in the future
- **New plant running smoothly**
 - : Operating 5 days a week (1.5 shift per day)
- **Decline in depreciation expense for new plant**
- **Rise in sample costs due to increased sales activities**
- **Extraordinary income on partial sales of shares**
- **HOGY Medical Asia Pacific Pte. Ltd. started its sales operation**
 - ✓Singapore, Philippine

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Fiscal 2018 Outlook



Fiscal 2018 Income Forecasts

Future Measures

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,918		37,020		101	100.3%
Operating income	5,273	14.3%	3,620	9.8%	△1,653	68.6%
Ordinary income	5,380	14.6%	3,710	10.0%	△1,670	68.9%
Profit attributable to owners of parent	5,262	14.3%	5,350	14.5%	87	101.7%
EPS	168.04yen		177.24yen			

■ Sales expansion of “Premium Kit” as a solution for the work style reform in medical institutions

- Expand sales of Premium Kits
- Achieve net increase
(conduct offensive against other companies and step up new sales)
- Increase Premium Kit and Blister Kit sales ratio to 50%

■ Prepare to enter single-use device (SUD) remanufacturing business

- Allocate expenditures needed for establishment of remanufacture process and application for licensing
- Scheduled to apply for licensing of several products within fiscal 2018
- Estimate most of cost will concentrate in 4Q, Fiscal 2018

■ Cost reductions

- Depreciation costs peaking out
- Accelerate relocation of production to new plant

■ Expansion of overseas business

- Change sales expansion plan from “Indonesia-centered sales strategy” to “markets outside Japan”
- Estimate to sequentially acquire approvals in each ASEAN country

■ Improve productivity at P.T. Hogy Indonesia

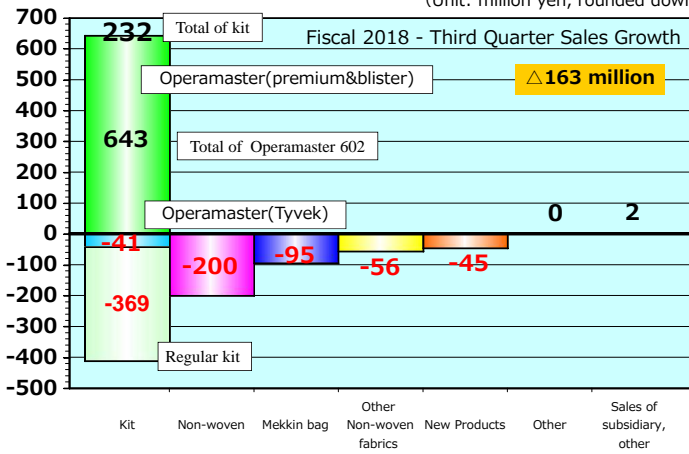
- Promote labor-saving and automation (personnel expenses will continue on uptrend)
- Strengthen sales in Indonesian domestic market and self-manufacturing of devices

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Fiscal 2018 Third Quarter Sales details and Full-Year Projection

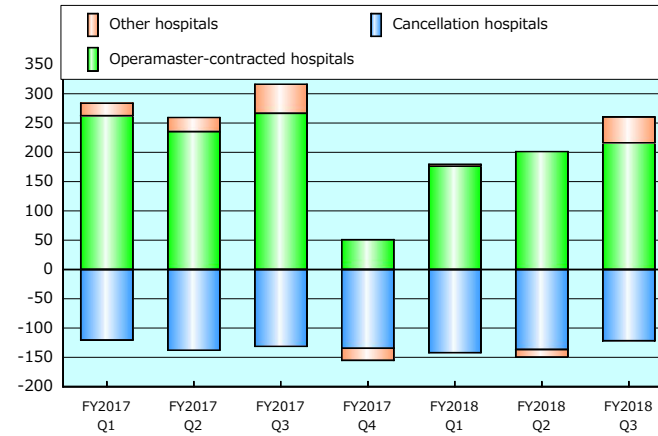
Fiscal 2018 – Third Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

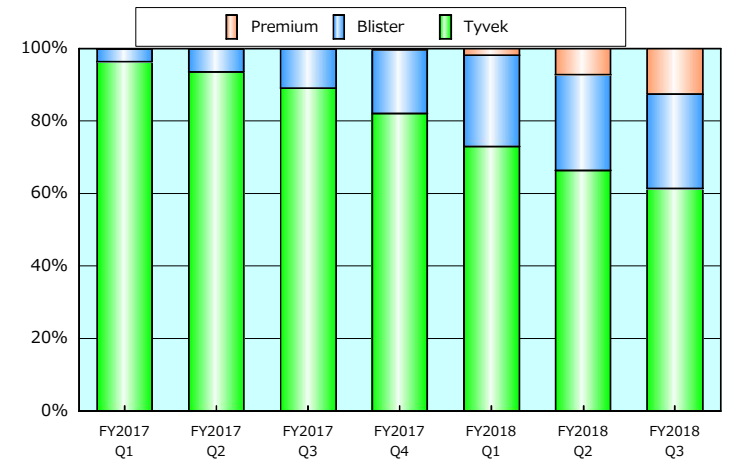


Sales Growth by Kits

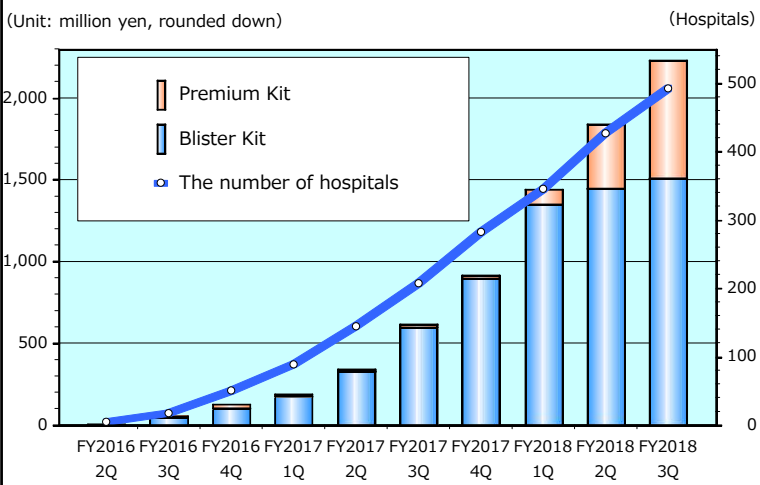
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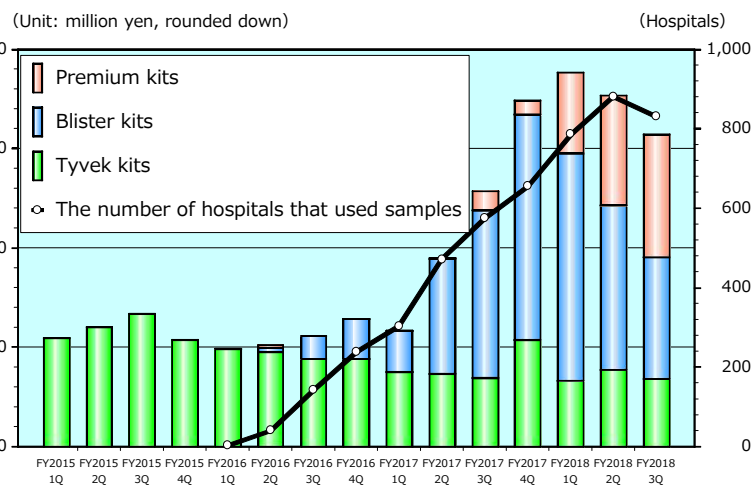
Transition of Sales Composition by types of Kits



Sales of Premium · Blister Kit



Samples of Kits



The Definition of Each Kit

	Premium Kit	Blister Kit	Tyvek Kit (Conventional kit)
Where to produce	New plant (Multi)		Tsukuba, Miho
Product Style	Packed with small Multi packages in order to use in an operation		Wrapped with a non-woven fabric and packed with a sterilization pouch
Safety	Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)		As before
Criteria	Kit template materials: 80% or more	Kit template materials: 30% to 80%	Cases where small amounts of materials used Kit template materials: 30% or less

Progress of Operamaster Marketing

Sales : 11,419 million (+602 million : 105.6%)

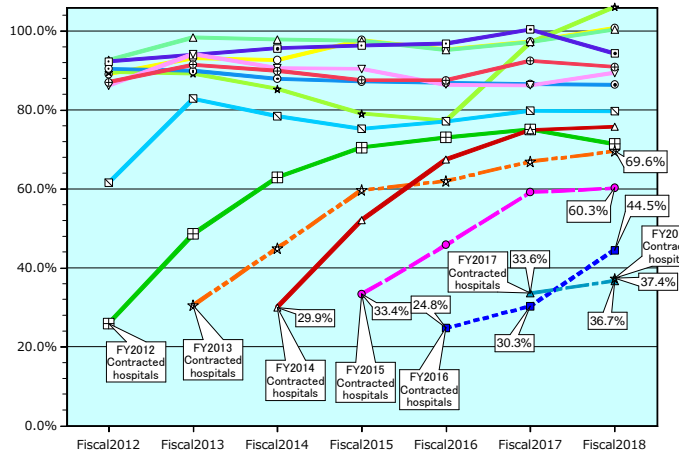
FY2018 Third Quarter New Contracted :

New : 8 hospitals

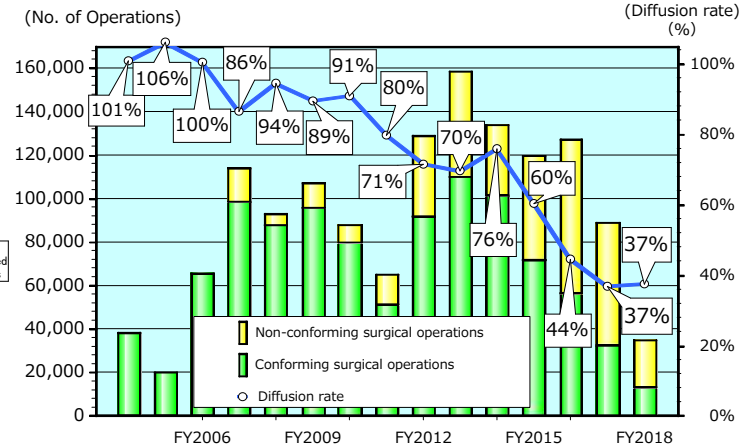
Cancellation : 12 hospitals

total number of contracts : 278 hospitals

Operamaster Penetration Ratio



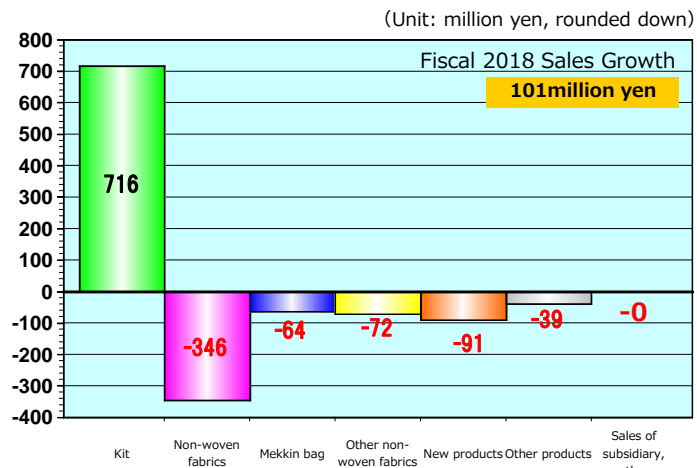
Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year



* Number of contracted hospitals is current as to the end of Dec. in the Fiscal 2018.

Fiscal 2018 plan Sales Growth by Major Products

(Unit: million yen, rounded down)	Fiscal 2017 Results	Fiscal 2018 Revised Plan	Fiscal 2018 Plan	Year-on-Year Comparison		Revised plan comparison	
				Amount	%	Amount	%
Kit	21,493	22,210	23,470	716	103.3%	△1,260	94.6%
Non-woven fabrics	9,186	8,840	9,030	△346	96.2%	△190	97.9%
Mekkin bag	2,634	2,570	2,600	△64	97.5%	△30	98.8%
Other Non-woven fabrics	1,332	1,260	1,320	△72	94.6%	△60	95.5%
New products	261	170	350	△91	64.9%	△180	48.6%
Other products	1,919	1,880	1,910	△39	98.0%	△30	98.4%
Sales of subsidiary, other	90	90	90	△0	99.7%	0	100.0%
Total	36,918	37,020	38,770	101	100.3%	△1,750	95.5%



Fiscal 2018 Sales Plan

Implement growth strategy for surgical kits

1. Expand sales of Premium Kits
2. Achieve net increase (conduct offensive against other companies and step up new sales)
3. Increase Premium Kit and Blister Kit sales ratio to 50%

- Provide the solution for the work style reform, Improve the hospital management
- Differentiate from competitors, penetrate the market, accumulate know-how

- Confirm market associated with R-SUD business launch
- Confirm market for strategic development towards SCM

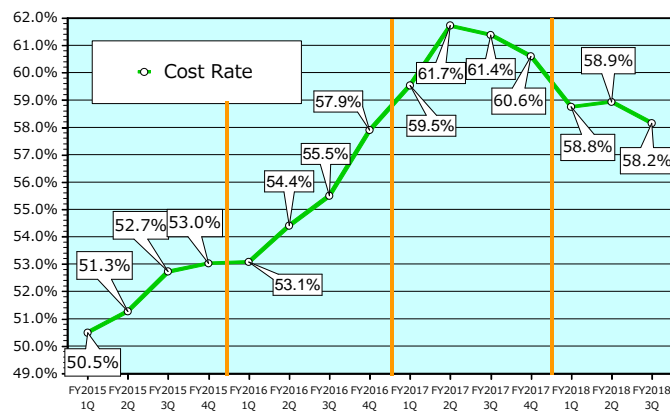


Profit Details

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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	28,126		27,963		△163	99.4%
Cost of sales	17,125	60.9%	16,388	58.6%	△737	95.7%
Gross profit	11,000	39.1%	11,574	41.4%	574	105.2%
SG & A expenses	6,757	24.0%	7,649	27.4%	892	113.2%
Operating income	4,243	15.1%	3,924	14.0%	△318	92.5%
Non-operating income/loss	57		99		41	
Ordinary income	4,300	15.3%	4,024	14.4%	△276	93.6%
Extraordinary income/loss	2,203		3,995		1,791	
Profit attributable to owners of parent	4,594	16.3%	5,628	20.1%	1,034	122.5%
EPS	146.74yen		184.15yen			

Cost of Sales Ratio



Fiscal 2018 – Third Quarter Analysis

Cost of sales ratio : 2.3%pt improved Year-on-Year

- Decrease in depreciation expenses

SG&A expenses : ¥ 892 million increase Year-on-year

Capex : ¥ 1,511 million (¥94million decrease)

Depreciation : ¥ 4,156 million (¥489million decrease)

- Cost of Sales: ¥ 3,443 million (¥527million decrease)
- SG&A expenses: ¥ 713 million (¥37million increase)

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Fiscal 2018 Full-Year Projections

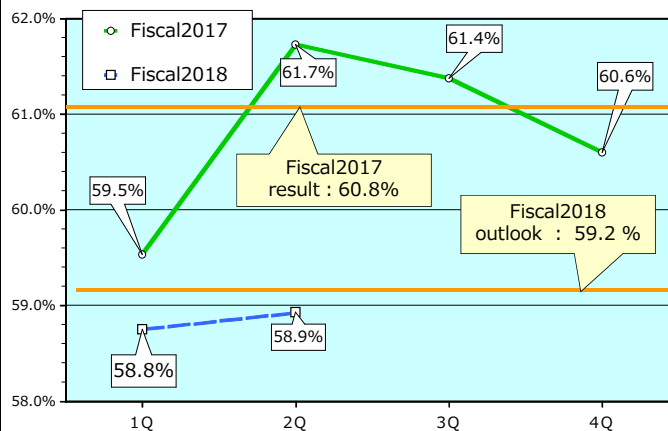


Fiscal 2018 Income Statements

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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,918		37,020		101	100.3%
Cost of sales	22,450	60.8%	21,920	59.2%	△530	97.6%
Gross profit	14,467	39.2%	15,100	40.8%	632	104.4%
SG & A expenses	9,194	24.9%	11,480	31.0%	2,285	124.9%
Operating income	5,273	14.3%	3,620	9.8%	△1,653	68.6%
Non-operating income/loss	107		90		△17	
Ordinary income	5,380	14.6%	3,710	10.0%	△1,670	68.9%
Extraordinary income/loss	2,202		4,000		1,797	
Profit attributable to owners of parent	5,262	14.3%	5,350	14.5%	87	101.7%
EPS	168.04yen		177.24yen			

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Fiscal 2018 Revenue Projections



Cost of sales : 1.6%pt improved Year-on-Year decrease of depreciation

SG&A expenses : ¥ 2,285 million increase Year-on-Year

Specialize in the expenses for Testing and Researching, licensing application, Personnel, Samples

Capex : ¥ 3,650 million (¥ 1,507 million increase)

Depreciation : ¥ 5,670 million (¥ 565 million decrease)

- Cost of Sales: ¥ 4,670 million (¥650 million decrease)
- SG&A expenses: ¥1,000 million (¥85million increase)

Cash dividends : ¥ 64 (+¥2 Year-on-Year)

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