July 17, 2018

Financial Report
First Quarter of Fiscal 2018

(April 1 – June 30, 2018)

Jun-ichi Hoki, President and CEO

Yukio Yamamoto, Executive Director

Hideki Kawakubo, Executive Officer, Management Planning Dept.

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

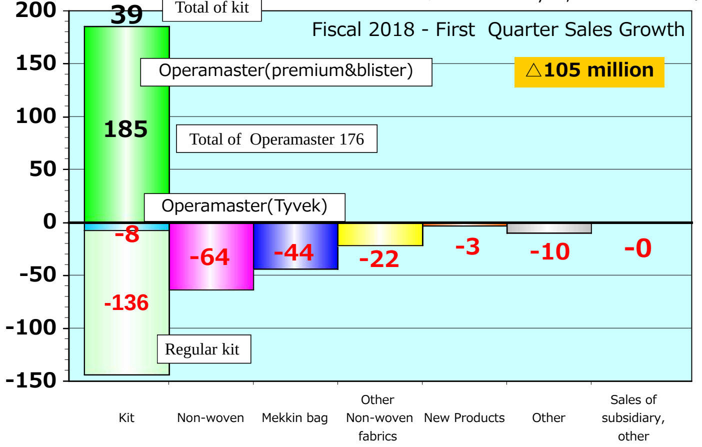
Fiscal 2018 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2017 First Quarter Results		Fiscal 2018 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	9,159		9,053		△105	98.8%
Operating income	1,514	16.5%	1,248	13.8%	△265	82.5%
Ordinary income	1,505	16.4%	1,272	14.1%	△233	84.5%
Profit attributable to owners of parent	2,606	28.5%	898	9.9%	△1,708	34.5%
EPS	83.28yen		28.89yen			

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

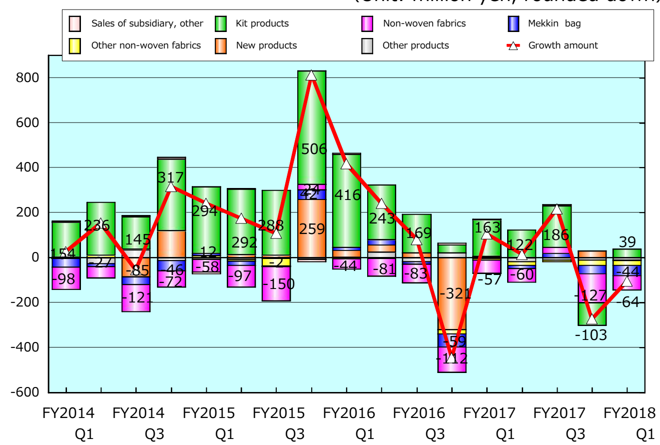
Fiscal 2018 – First Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)



Fiscal 2018 Sales Growth by Quarter

(Unit: million yen, rounded down)



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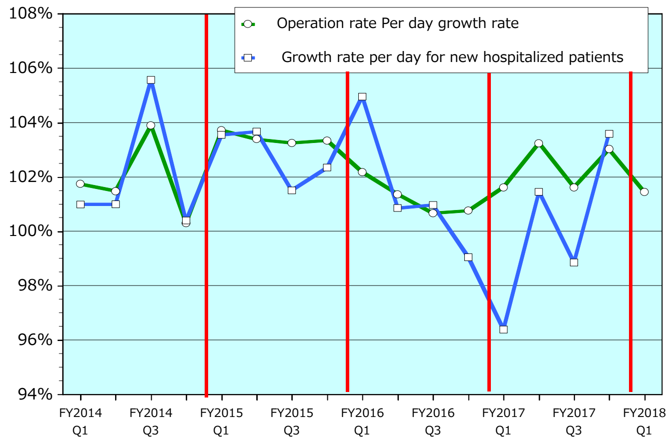
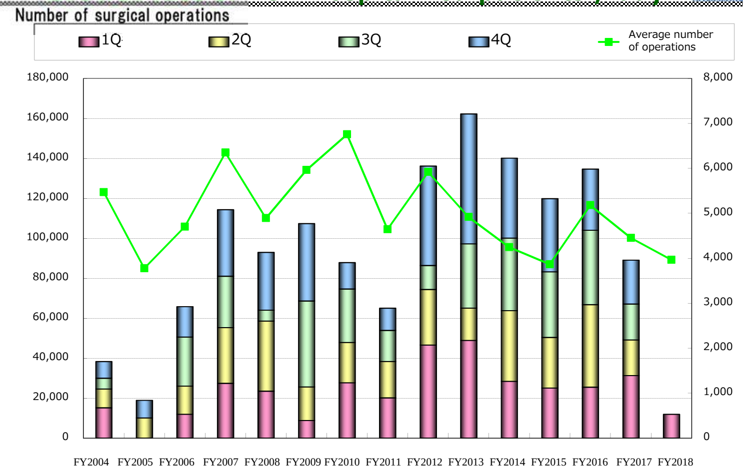


Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



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Fiscal 2018 – First Quarter Highlights

■ **Declines in revenue and income**

■ Delays in getting Operamaster-contracted hospitals up and running

✓Disparities appearing in our salespeople's consulting capabilities

■ Competition with other companies

■ Operamaster: 3 newly contracted institutions;

8 cancellations

✓Made adjustments at hospitals showing no progress due to lack of consensus

✓Certain degree of cancellations also expected in the future

■ Premium Blister Kit sales: ¥1,442 million

■ **Solid growth in Premium & Blister Kits, which now account for around 27% of total surgical kit product sales**

■ Sharp growth in Premium Kit clinical trial assessments

■ New plant running smoothly: Operating 4 days a week

■ Decline in depreciation expense for new plant

■ Rise in sample costs due to increased sales activities

■ Major year-on-year decline in income due to extraordinary income in the previous corresponding period

Fiscal 2018 Outlook

Fiscal 2018 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	36,918		38,770		1,851	105.0%
Operating income	5,273	14.3%	5,920	15.3%	646	112.3%
Ordinary income	5,380	14.6%	6,050	15.6%	669	112.4%
Profit attributable to owners of parent	5,262	14.3%	5,450	14.1%	187	103.6%
EPS	168.04yen		176.66yen			

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

Future Measures

Plan to increase revenue and income

■ **Promote surgical kit growth strategy**

- Concentrate on Premium Kits (including Operamaster-contracted facilities)
- Reassess Operamaster-contracted facilities
- Continue education and reinforce Premium Kit consulting capabilities
- Expand number of target facilities

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

- Scheduled to apply for licensing of several products within fiscal 2018

■ **Expansion of overseas business**

- Change sales expansion plan from "Indonesia-centered sales strategy" to "markets outside Japan"

■ **Cost reductions**

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

■ **Allocate expenditures necessary for growth**

- Strengthen sales force by expanding targeted medical facilities
- Allocate expenditures to SUD reprocessing (remanufacturing) business and expansion of overseas business development

■ Improve productivity at P.T. Hogy Indonesia

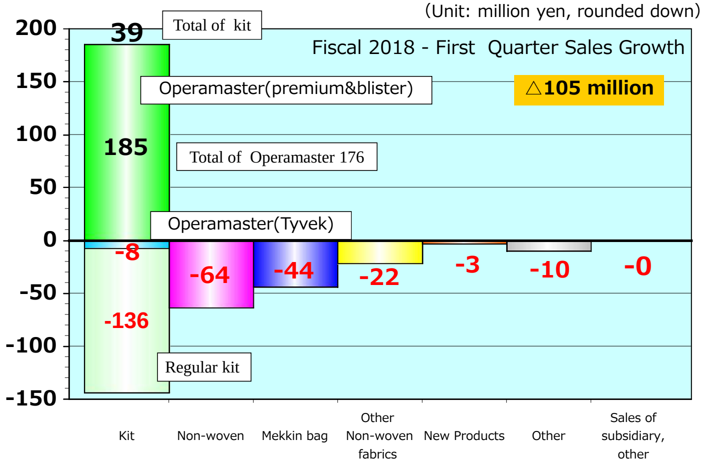
- Promote labor-saving and automation (personnel expenses will continue on uptrend)
- Strengthen sales in Indonesian domestic market

■ Promote stakeholder-oriented management (implement share buybacks)

Fiscal 2018 First Quarter Sales details and Full-Year Projection

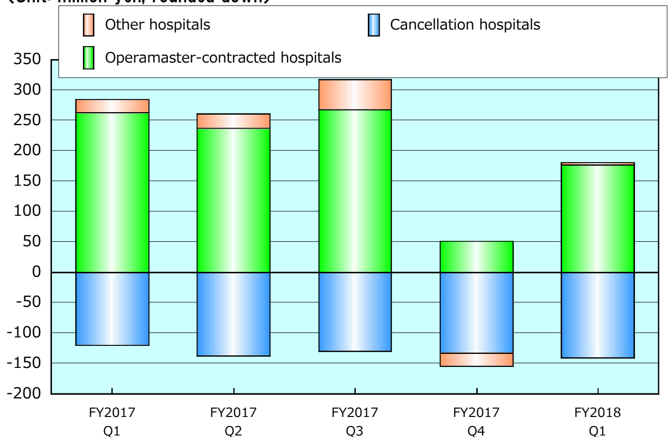
Fiscal 2018 First Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

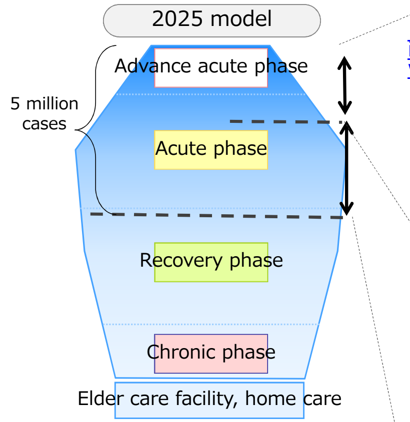


Sales Growth by Kits

(Unit: million yen, rounded down)



Surgical Kit Product Growth Strategy



Source: "5th Dedicated Study Group on Using Medical/Nursing Care Information to Promote Reforms" (Prime Minister's Official Residence, June 15, 2015)

Operamaster targets

■Hospitals that must handle increasing operations as the workforce population declines

- Concentrate Operamaster proposals on hospitals that require suggestions for advanced increases in efficiency (products + information + improvement)
- Scheduled to make SCM proposals in the future

Premium Kit sales target

■Hospitals that perform surgical operations (around 5 million operations/year in total)

- Use Premium Kits to foster enhanced efficiency of hospitals
- Increase number of targets to make premium kits the industry standard when preparing for surgical operations!

Progress of Operamaster Marketing

Sales : 3,664 million（+ 176 million :105.1% ）

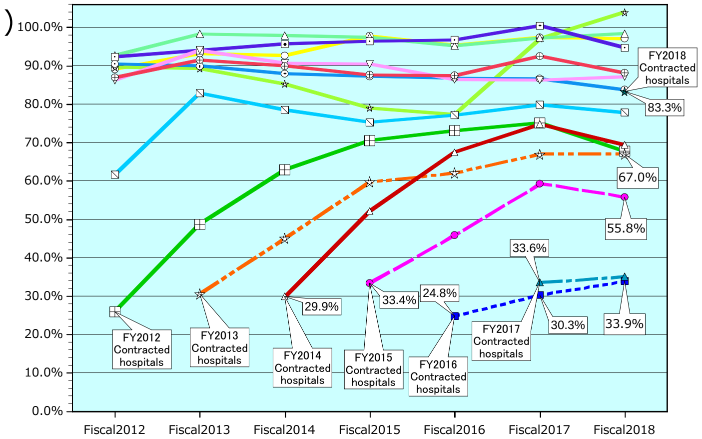
FY2018 First Quarter New Contracted :

New : 3 hospitals

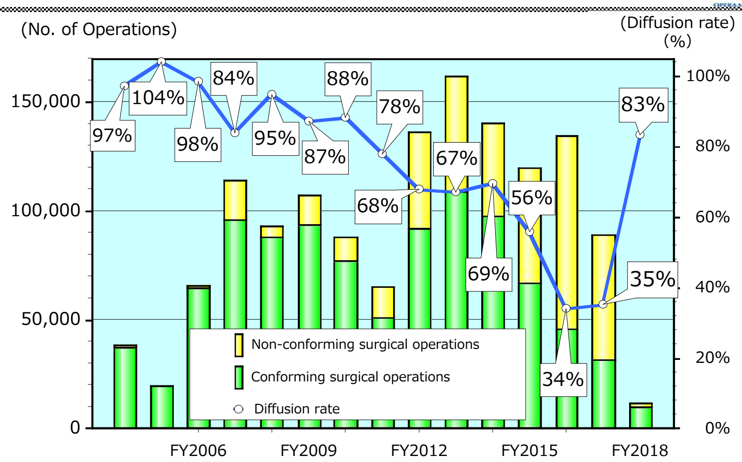
Cancellation : 8 hospitals

total number of contracts : 277 hospitals

Operamaster Penetration Ratio

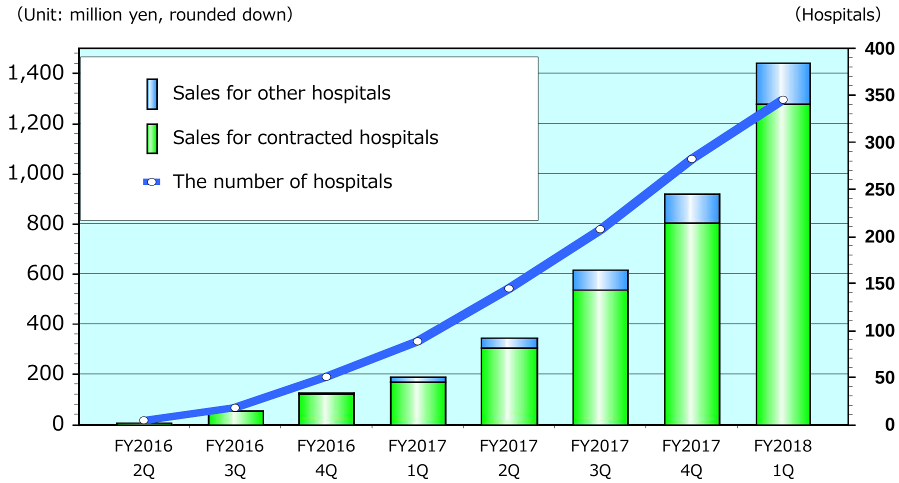


Operamaster-Penetration Ratio and The Number of Surgical Procedures, by Fiscal Year

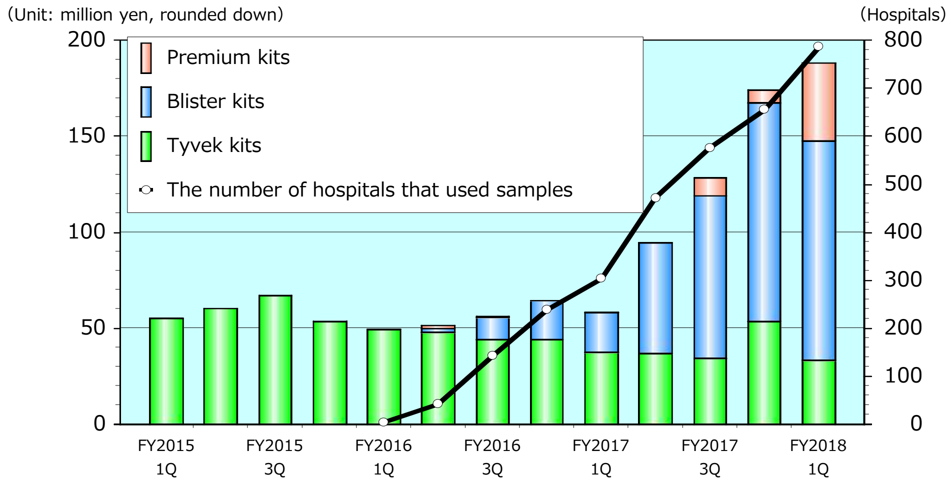


＊Number of contracted hospitals is current as to the end of June in the Fiscal 2018.

Sales of Premium・Blister Kit



Samples of Kits

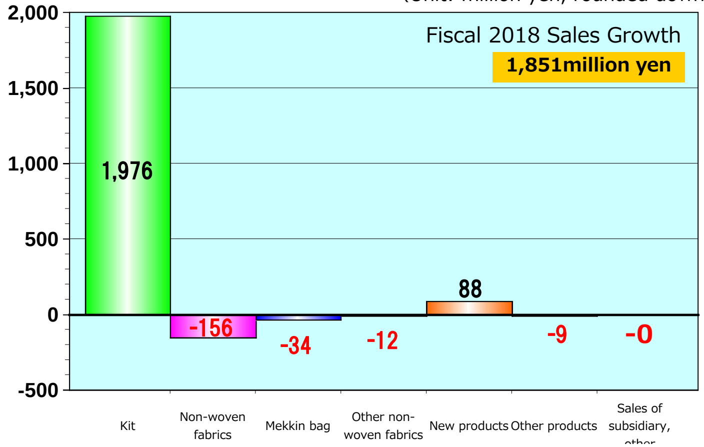


Fiscal 2018 plan
Sales Growth by Major Products

Fiscal 2018 Sales Plan

(Unit: million yen, rounded down)	Fiscal 2017 Results	Fiscal 2018 Plan	Year-on-Year Comparison	
			Amount	%
Kit	21,493	23,470	1,976	109.2%
Non-woven fabrics	9,186	9,030	△156	98.3%
Mekkin bag	2,634	2,600	△34	98.7%
Other Non-woven fabrics	1,332	1,320	△12	99.1%
New products	264	350	88	133.7%
Other products	1,919	1,910	△9	99.5%
Sales of subsidiary, other	90	90	△0	99.7%
Total	36,918	38,770	1,851	105.0%

(Unit: million yen, rounded down)



- **Continue the strategy from last semester!**
- **Entrench surgical kit growth strategy**
- Concentrate efforts of sales force on expanding sales of Premium Kits
  - Place top priority on getting Operamaster up and running
  - Step up offensive against other companies
- Increase personnel to accommodate expansion of target facilities for surgical kit sales
  - Step up Operamaster proposals aimed at advanced acute-phase and general acute-phase hospitals
  - Sell Premium Kits to 2,000 hospitals
  - Upgrade education system to enhance skills of employees
- Confirm market associated with launch of reprocessing business
- Confirm market for strategy development targeting SCM

Profit Details

Fiscal 2018 – First Quarter Income Statements

(Unit: million yen, rounded down)	Fiscal 2017 First Quarter Results		Fiscal 2018 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	9,159		9,053		△105	98.8%
Cost of sales	5,452	59.5%	5,320	58.8%	△132	97.6%
Gross profit	3,707	40.5%	3,733	41.2%	26	100.7%
SG & A expenses	2,193	23.9%	2,485	27.4%	291	113.3%
Operating income	1,514	16.5%	1,248	13.8%	△265	82.5%
Non-operating income/loss	△8		23		32	
Ordinary income	1,505	16.4%	1,272	14.1%	△233	84.5%
Extraordinary income/loss	2,202		△0		△2,202	
Profit attributable to owners of parent	2,606	28.5%	898	9.9%	△1,708	34.5%
EPS	83.28yen		28.89yen			

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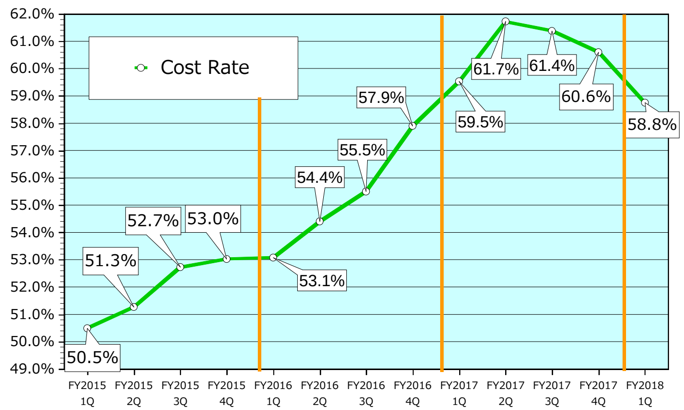
Cost of Sales Ratio



Fiscal 2018 – First Quarter Analysis

Cost of sales ratio : 0.8%pt decrease Year-on-Year

- Decrease in depreciation expenses

SG&A expenses :¥291million increase Year-on-year

Capex : ¥313million (¥249million decrease)

Depreciation: ¥1,346million (¥181million decrease)

- Cost of Sales: ¥1,122million（¥176million decrease)
- SG&A expenses: ¥224million（¥5million decrease)

Fiscal 2018 Full-Year Projections

Fiscal 2018 Income Statements

(Unit: million yen, rounded down)	Fiscal 2017 Results		Fiscal 2018 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,918		38,770		1,851	105.0%
Cost of sales	22,450	60.8%	22,540	58.1%	89	100.4%
Gross profit	14,467	39.2%	16,230	41.9%	1,762	112.2%
SG & A expenses	9,194	24.9%	10,310	26.6%	1,115	112.1%
Operating income	5,273	14.3%	5,920	15.3%	646	112.3%
Non-operating income/loss	107		130		22	
Ordinary income	5,380	14.6%	6,050	15.6%	669	112.4%
Extraordinary income/loss	2,202		1,800		△402	
Profit attributable to owners of parent	5,262	14.3%	5,450	14.1%	187	103.6%
EPS	168.04yen		176.66yen			

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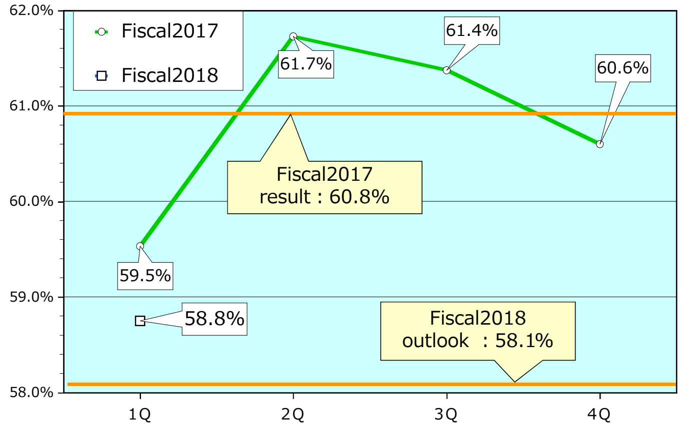
Fiscal 2018 Revenue Projections



Cost of sales : 2.7%pt decrease Year-on-Year
decrease of depreciation

SG&A expenses : ¥ 1,115 million increase Year-on-Year
Samples , Personnel , Education and training expenses,
and expenses for licensing application.

Capex : ¥ 2,050 million（¥ 92 million decrease)

Depreciation : ¥ 5,550 million (¥ 685 million decrease)
・Cost of Sales: ¥ 4,670 million (¥650 million decrease)
・SG&A expenses: ¥880million（¥34million decrease)

Cash dividends : ¥ 64 （+¥2 Year-on-Year)
＊Due to the 2-for-1 stock split on 1st of April in 2018, Dividends refers the number of after the stock split.

FASF MEMBERSHIP

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