HOGY

ANNUAL REPORT 2017

April 1, 2016 - March 31, 2017

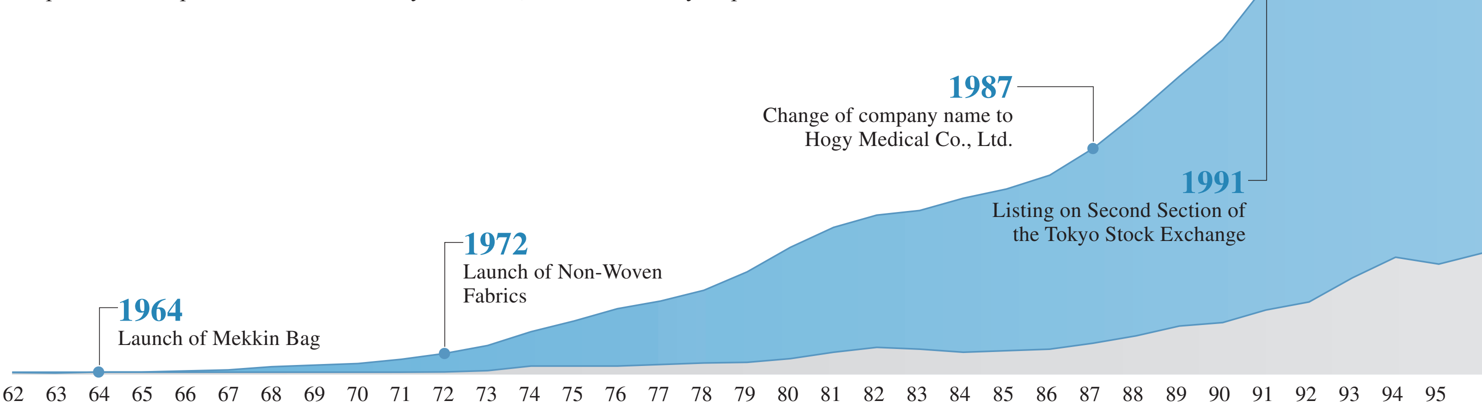
PROFILE

Comprehensively Supporting Safety on the Medical Front Lines and Management Reform of Medical Institutions through Structure of Developing and Reliably Supplying Products that Accurately Grasp Customer Needs as a Leading Provider of Medical Products

The Company is committed to "fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity." Through its campaign for "prevention of in-hospital infections" and "management reform," the Company offers a range of products and systems that contribute to the safety of patients and medical staff and streamlining and labor-saving of the management of medical institutions. Since its inception in 1961, for more than half a century the Company has dedicated itself to developing close and excellent relationships with medical professionals while at the same time developing and steadily supplying products that contribute to safety on the medical front lines and the management reform of medical institutions.

The Company's mainstay products have been evolving, starting from the Mekkin Bag that was launched in 1964 for prevention of in-hospital infections, followed by surgical-use non-woven fabric products, surgical-use kit products that contribute to greater efficiency of the management of hospitals, and Opera Master that is a comprehensive system of products, logistics and information management. Notably, with not only kit products designed to just contain surgical supplies in accordance with each type of surgical operations, clinical tests and other purposes in required quantities, but also Opera Master that is a comprehensive service built on the three core elements of surgical-use kit products, logistics and information management aimed at helping medical institutions improve profits, secure safety and raise operating efficiency, the Company not only provides products but also presents proposals that would lead to enhanced efficiency and improved waste management on the medical front lines. In addition, with promoting clinical trials and sales expansion of the new Premium Kit products that are designed to provide maximum benefits to customers being one recent example, the Company continues to focus on also developing and selling new products.

The Company provides comprehensive support through developing and steadily supplying products that contribute to the safety of patients and medical staff and streamlining of the management of medical facilities by directly marketing to medical facilities in order to meticulously respond to the voices of people on the medical front lines. Along with quickly responding to the rapidly changing market environment and accurately grasping the latest customer needs, which are reflected in modifying and improving products, the management conditions of medical facilities are assessed and analyzed in an aim for increasingly efficient management of operating rooms. The products, being manufactured in plants that implement extensive safety measures, ensure the safety of patients and medical staff.



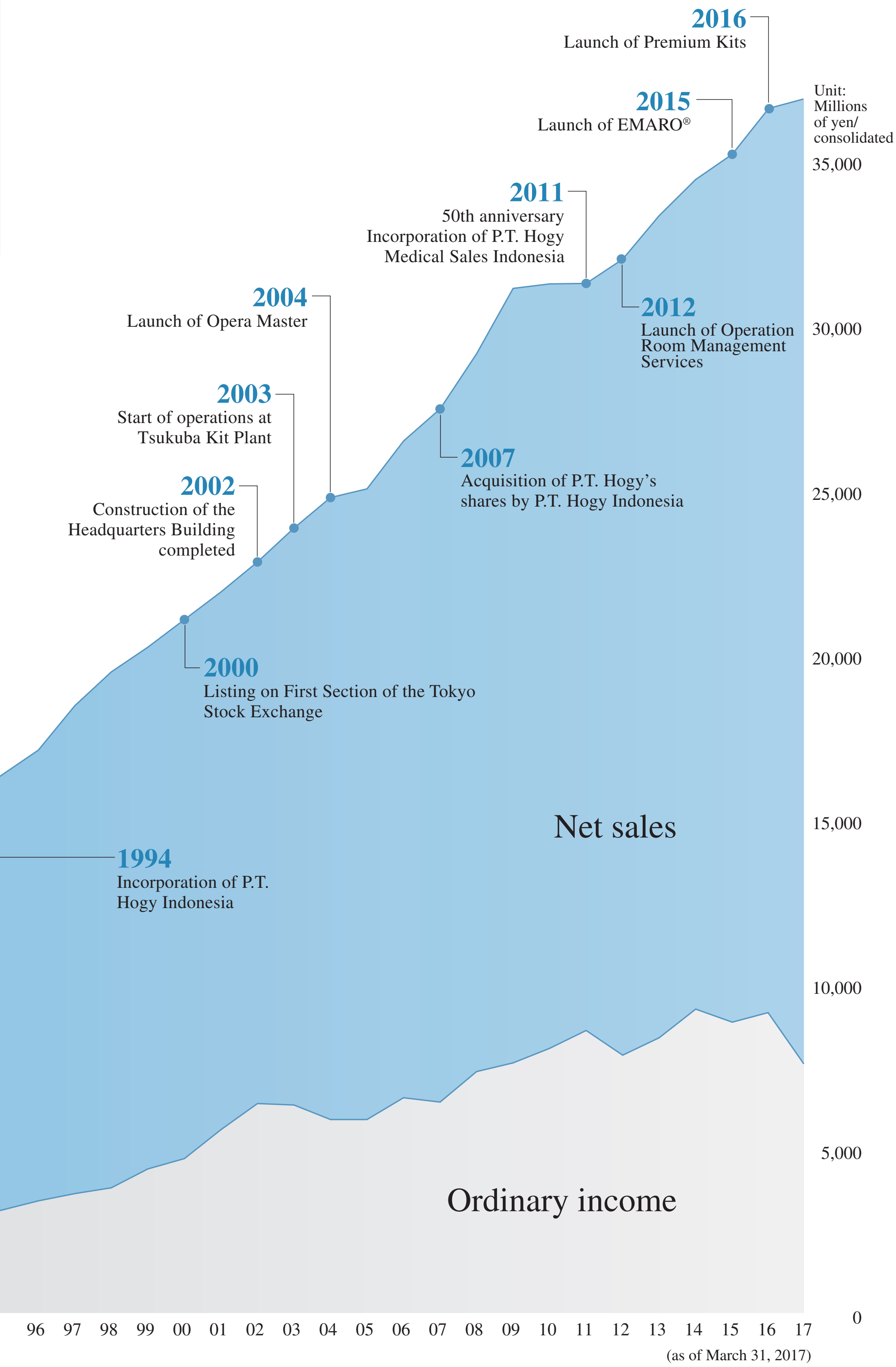
Note: This annual report states all figures on a consolidated basis from 1996.


Mekkin Bag


Non-Woven Fabrics


P.T. Hogy Indonesia


Headquarters Building



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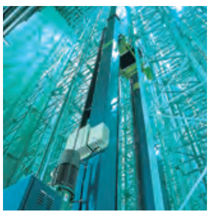

Tsukuba Kit Plant


Opera Master


Operation Room Management Services

BUSINESS DOMAIN

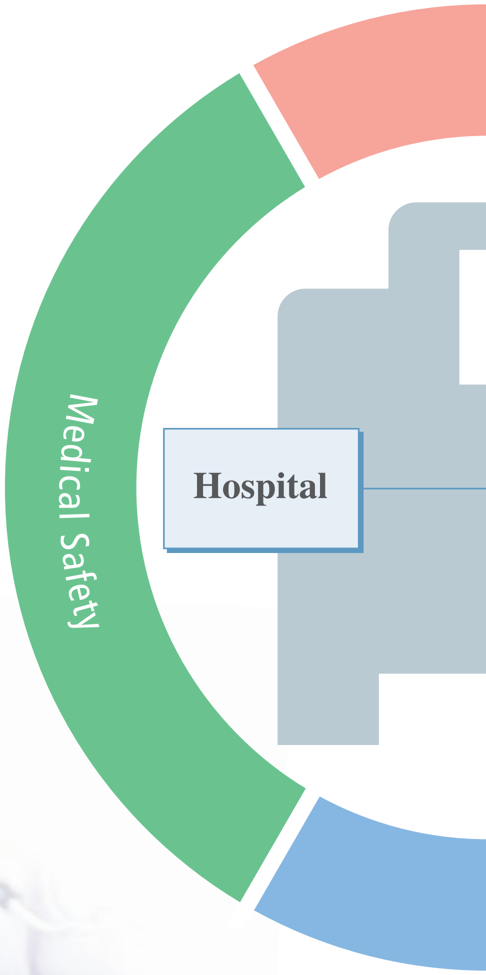
Comprehensively Supporting Ideal Hospital Management through Various Products

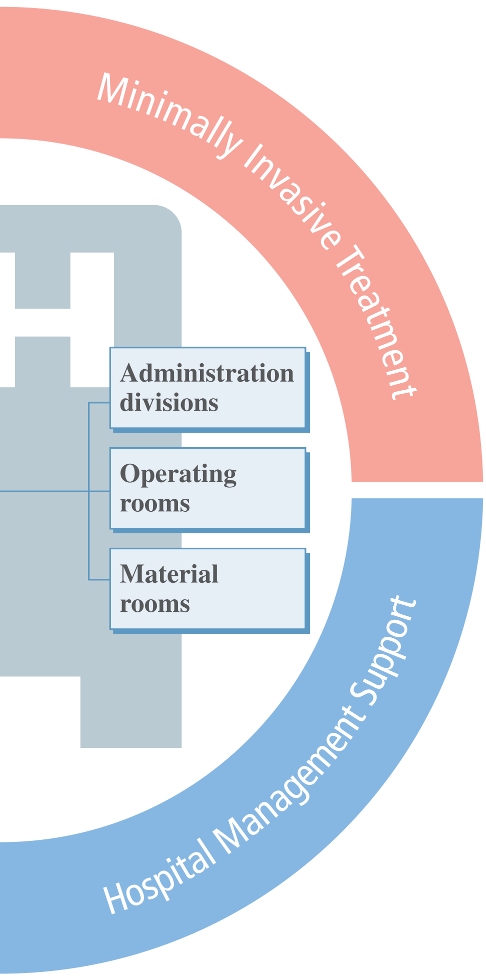
The Company develops and supplies products that contribute to the safety of patients and medical staff and streamlining of the management of medical facilities. Along with directly marketing to medical facilities in order to meticulously respond to the voices of people on the medical front lines and accurately reflect customer needs in modifying and improving products, the management conditions of medical facilities are assessed and analyzed, thereby comprehensively supporting the efficient management of operating rooms. In addition, the products, being manufactured in the Company's plants, which implement extensive safety measures, ensure the safety of patients and medical staff.

Medical Safety

Since its inception, the Company has been engaged in developing and supplying products that contribute to the safety of patients and medical staff and streamlining of the management of medical facilities. Notably, Mekkin Bag, which was developed and launched in 1964 as the first step toward prevention of in-hospital infections, has spread widely to the extent that it is presently the recognized name among sterilization pouch products, and is being used by many medical facilities. Moreover, for surgical-use non-woven fabric products, the Company has adopted disposable non-woven fabrics with high barrier properties as clothing used in surgeries. This has contributed to preventing infections of medical staff by controlling contact with the patients' blood. Going forward, the Company will continue to propose products that benefit medical safety by taking advantage of the know-how fostered since inception.

Kit Products for Surgery Applications ▶ P.12
Premium Kits ▶ P.12　Mekkin Bag ▶ P.13
Surgical-Use Non-Wovens ▶ P.13



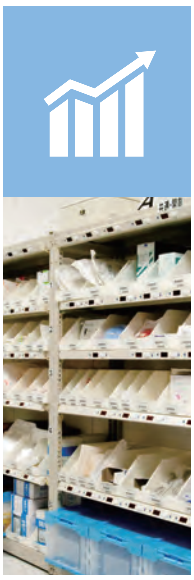


Minimally Invasive Treatment

Regarding minimally invasive treatment* which is one of the Company's fields of development, endoscopic surgeries which are minimally invasive are becoming more and more common in place of laparotomies in recent surgeries, since such treatments do not burden patients as much and recovery time is quicker. As a new product in this field which is expected to grow even more in the future, the EMARO® Endoscope Holder boasting safety, operability and functionality, which was developed by RIVERFIELD Inc. established as a venture of Tokyo Institute of Technology and Tokyo Medical and Dental University with the support of the Ministry of Education, Culture, Sports, Science and Technology's START project, was introduced to the market in August 2015.

*Minimally invasive treatment refers to treatment that minimizes as much as possible the burdens associated with surgeries, examinations, etc. The treatment uses such apparatuses as endoscopes and catheters, having the benefits of making cuts relatively small compared to other treatments and allowing quicker recovery as the burden on patients is smaller.

EMARO® ▶ P.13



Hospital Management Support

Introduced to the market in April 2004, Opera Master is a comprehensive system to specifically support medical facilities through a mechanism of surgery management in which various information in and around surgery rooms is promptly and accurately collected, and through products that help simplify operations.

In addition, Operating Room Management Services was introduced in 2012 as a new system featuring additional and improved functions tailored around feedback received from our long-term customers. The new system automates surgery management and improves analysis of actual management data, further serving to increase the efficiency of operating room management.

Opera Master ▶ P.14
Operating Room Management Services ▶ P.15

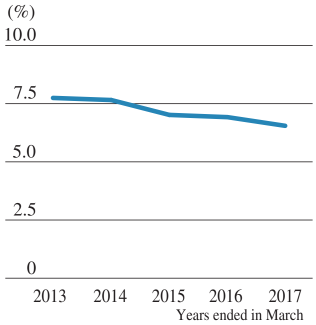
FINANCIAL HIGHLIGHTS

	Years ended March 31		
	2017	2016	**2017**
Income Statement Data	(Millions of yen unless indicated otherwise)		(Thousands of U.S. dollars)
Net sales	36,859	36,568	328,515
Operating income	7,443	8,784	66,340
Profit before income taxes	8,422	8,743	75,067
Profit attributable to owners of parent	5,786	5,910	51,568
Balance Sheet Data			
Common stock	7,123	7,123	63,487
Additional paid-in capital	8,336	8,336	74,296
Total net assets	89,629	87,610	798,836
Total liabilities and net assets	103,196	99,963	919,755
Property, plant and equipment, net	51,986	49,742	463,340
Cash Flow Data			
Net cash provided by operating activities	10,066	6,809	89,719
Net cash used in investing activities	(3,868)	(15,669)	(34,480)
Net cash (used in) provided by financing activities	(1,877)	(1,811)	(16,735)
Cash and cash equivalents at end of year	16,244	11,993	144,782
Per Share Data			
Profit attributable to owners of parent:			
Basic	369.06	375.81	3.29
Diluted	–	–	—
Net assets	5,726.25	5,569.77	51.04

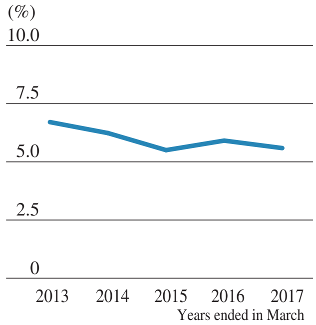
Notes: (1) The U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥112.20 = U.S.$1.00, the rate of exchange on March 31, 2017.
(2) This annual report states all figures on a consolidated basis, except where otherwise noted.

Profitability

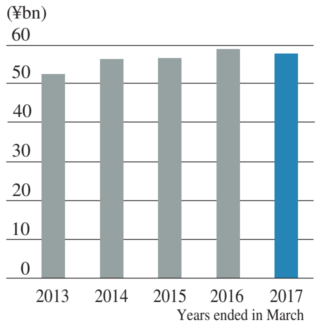
Return on Equity (ROE)



Return on Assets (ROA)

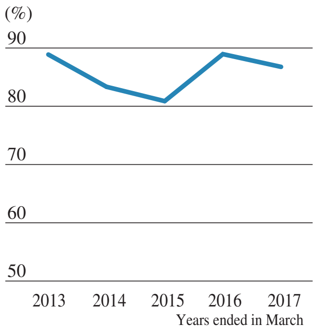


Profit Attributable to Owners of Parent

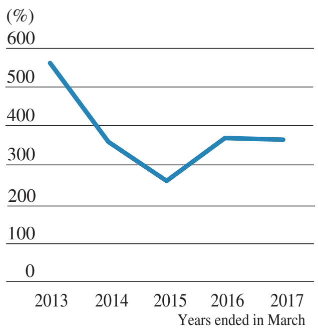


Stability

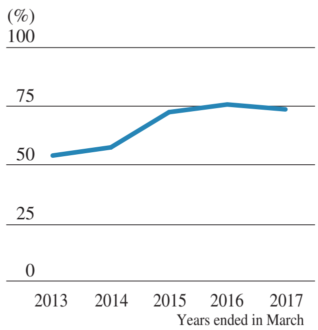
Equity Ratio



Current Ratio

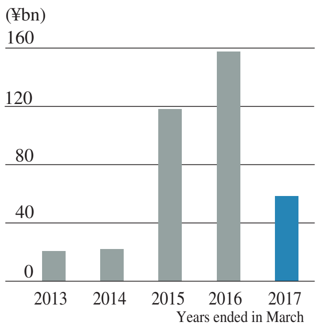


Fixed Ratio

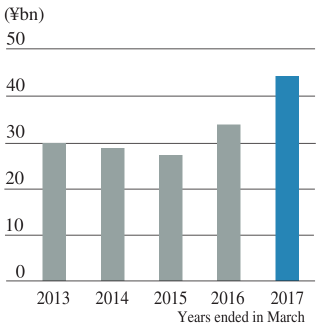


Capital Expenditures and Related Data

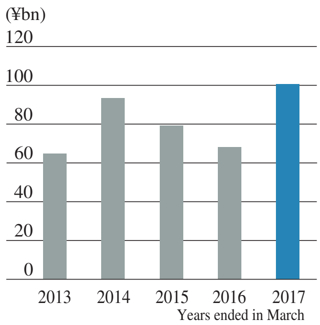
Capital Expenditures



Depreciation Expenses

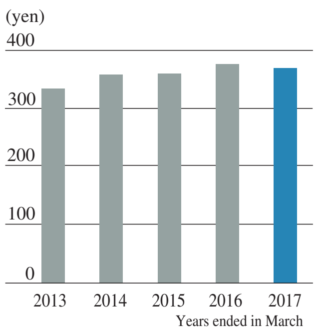


Cash Flows (Operating Activities)

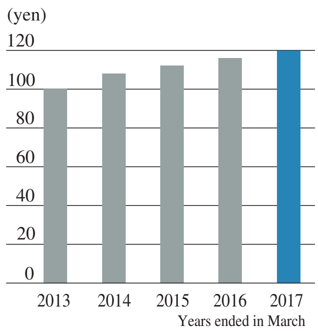


Per Share Data

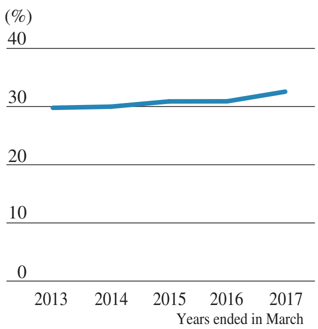
Earnings per Share (EPS)



Dividends per Share



Payout Ratio



TOP MESSAGE

Contributing to Management Reform of Medical Institutions by Further Strengthening the Opera Master Strategy to Address Challenging Market Changes

In the fiscal year under review, the Japanese economy showed a moderate recovery tone, reflecting improvements in corporate earnings and the employment situation. However, the economic outlook remained uncertain in the wake of political risks in Europe, government policy trends in the United States, and other reasons for concern. In the medical equipment industry, against a background of continuously increasing healthcare costs, medical authorities are promoting reforms of the medical system. This reflects an effort to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation pursued by the national government. The reforms include measures aimed at strengthening regional medical cooperation and differentiating and reinforcing medical functions. Meanwhile, there are calls for tough management measures to be undertaken to ensure the survival of advanced acute-phase clinics and general acute-phase clinics. These factors underscore the need to address the challenging business conditions faced by the medical equipment industry, with medical institutions under ongoing pressure to increase business efficiency and further streamline their operations.

Under these circumstances, the Group sought to expand sales of Opera Master, which helps medical institutions improve their operations, as well as to promote clinical trials and increased sales of Premium Kits, designed to provide maximum benefits to customers, and also focused on developing and selling new products. With respect to Opera Master, 30 new Opera Master contracts were signed during the year, mainly with DPC-assessed hospitals (those recognized under Japan's diagnosis procedure combination, or DPC, system). Our strategy focuses on forming contracts with large medical institutions, and the average number of surgeries performed at newly contracted medical institutions remained at previous-year levels, indicating that Opera Master is making steady progress in penetrating the market. After accounting for 13 cancellations, there were 289 total Opera Master contracts in force at year-end. During the year, sales of surgical kits to Opera Master-contracted hospitals increased, but performance was affected by fragmented sales activities and delays in new sales efforts. This was due to an emphasis on selling Premium Kits and new products, as well as traditional sales activities for new products. The sales of the new product, EMARO® Endoscope Holder, was limited to three institutions during the year.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,859 million, up 0.8% from the previous fiscal year. Sales of kit products amounted to ¥21,124 million, up 4.3%. Of this, sales of Opera Master amounted to ¥14,561 million, up 6.3%, and sales of non-woven fabric products amounted to ¥9,406 million, down 3.3%. Cost of sales increased, due in part to increase in depreciation of a new kit products plant and foreign exchange impact. Selling, general and administrative expenses were outlays required for sales expansion. Consequently, operating income was ¥7,443 million, down 15.3%. Ordinary income was ¥7,403 million, down 17.0%, due in part to posting foreign value-added taxes. Also posting ¥1,024 million in extraordinary income on partial sales of shares, profit attributable to owners of parent was ¥5,786 million, down 2.1%.

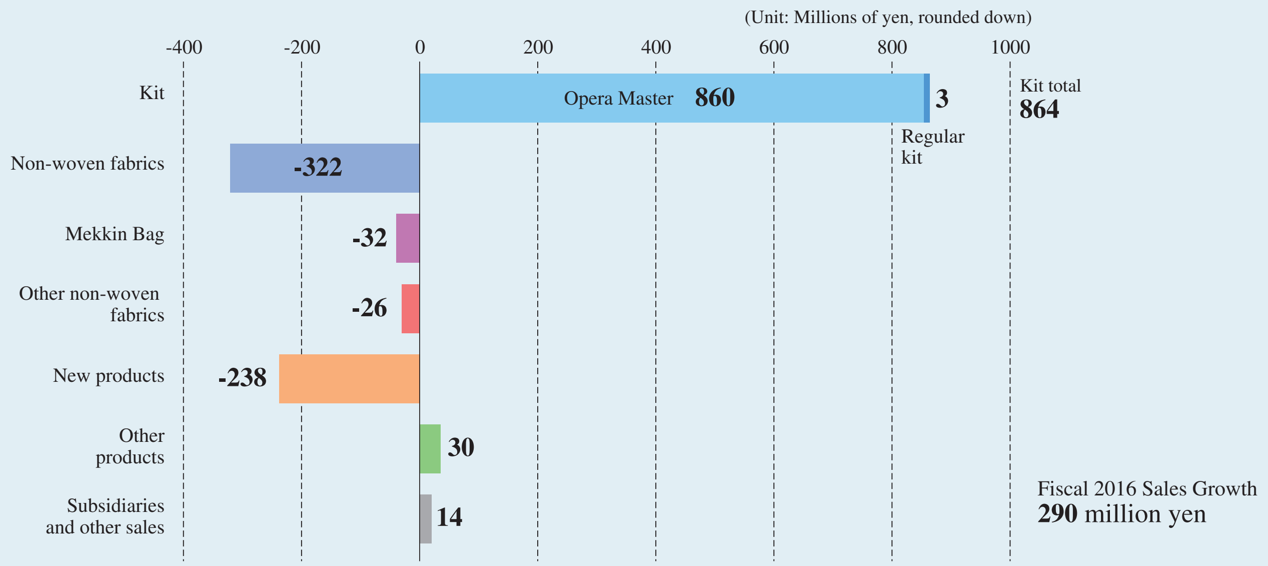
Amid a progressively aging, low-birthrate society, as well as labor shortages caused by the declining population, we expect reforms of the medical care system to gather pace. Meanwhile, acute-phase clinics are being encouraged to centralize surgical operations, increase minimally invasive procedures, and step up regional medical cooperation, reflecting efforts to realize the future vision for medical and nursing care in 2025. At the same time, we expect medical institutions to continue working to enhance the efficiency of surgery room management and improve their business operations.

In the year ahead, the Group will continue focusing on expanding sales of Opera Master and Premium Kits while developing and selling new products. To prevent fragmentation of our sales activities, we will implement a sales strategy that clarifies the roles of sales divisions and product teams. We will also enter new fields in which we can contribute significantly to reductions in medical expenses. Regarding the new kit plant, although depreciation expenses have increased with capital investments, we believe the new plant—a Premium Kit manufacturing facility that will further benefit labor-saving efforts on the medical front lines—will differentiate the Company from other companies and thus contribute greatly to the Group's revenue and earnings in the future. The new kit plant started operating in stages in June 2017, after internal machinery and equipment had been tested. At P.T. Hogy Indonesia, a key manufacturing subsidiary, meanwhile, we will improve productivity by promoting further labor-saving and automation measures.

June 2017

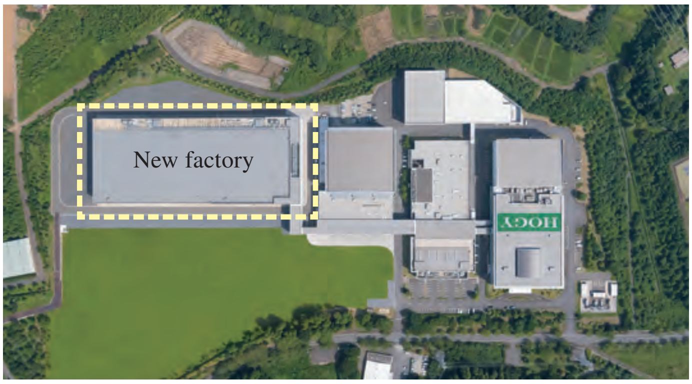
Jun-ichi Hoki
President & CEO

Increase of Sales of Major Products in Fiscal 2016 (ended March 2017)



New Kit Plant Entered into Operation in Stages from June 2017

The Group is working on management with increasing the direct ratio always in mind. Indirect departments have few personnel, and facilities and a system have been set so that production sections are automated as much as possible with only a few personnel working in production. The new kit plant, which is a particularly important strategy in the future growth of the Group, will aim for future cost reduction and greater production capacity by increasing efficiency through automation, and for high capacity utilization by subdividing the facilities additionally constructed. Furthermore, through such measures as a production management system for labor saving of indirect employees and promotion of in-house production of members, productivity will be pursued simultaneously with safety, too. In this manner, long-term corporate growth will be targeted. Construction of the new kit plant was completed in August 2015, which was followed by installation of production facilities. With internal machinery testing also completed, the plant entered into operation in stages from June 2017. Although increase in depreciation from construction of the plant caused increase in costs, the plant is thought to largely contribute to the Group's net sales and profit in the future through differentiation from other companies as a manufacturing facility for stable supply of increasingly safe products.



The Evolved Premium Kits Further Improving the Surgery Environment

The new kit plant is manufacturing the new Premium Kit products. The traditional kits, which were in the form of packaging the content with non-woven fabric, have received such feedback as "difficult to open," "loses shape," "difficult to know where is what" and "not arranged in the order of surgical procedures." These have been addressed by modifying it into a new form that has the medical supplies for use in surgery put together as one. The new form delivers to the medical front lines products that are not only safe but customers find even easier to use, such as "can open safely," "can check the content without opening" and "distributed packaging in the order of surgical procedures." All-in-one kits were made possible by changing the packaging to significantly shorten and cut down surgery preparation and standardize the preparation process, further serving to improve the surgery environment. In addition, the kits have been well-received by the medical institutions that have used the kits for not only greater work efficiency and safety but also for benefits that extend to reducing even inventory management and supplies balancing operations and securing space due to appropriate inventory. Premium Kits are considered to be a product that would be useful for medical institutions faced with the task of addressing the increasing concentration of the number of surgical operations on acute care hospitals while labor becomes limited due to the aging, low-birthrate society and declining population. The Group, too, sees Premium Kits as a product that will become one pillar of net sales in the future and will thus focus efforts on early sales expansion by intensively investing the corporate sales force and resources.

EMARO® Endoscope Holder Boasting Safety, Operability and Functionality

Minimally invasive treatment, which is one of the fields of development, refers to medical treatment that reduces the burdens incidental to surgeries and inspections as much as possible by utilizing endoscopes, catheters, etc., and has the advantage of quick recoveries after surgeries. Because of this, such treatments have been replacing laparotomies in recent surgeries and the increase of the endoscopic surgeries is notable. As a new product in this field of minimally invasive treatment, the Group decided to introduce the EMARO® Endoscope Holder developed by RIVERFIELD Inc. to the market in August 2015. The EMARO® Endoscope Holder is a system enabling intuitive operation of the endoscopic camera without using both hands due to the gyro sensor attached on the surgeon's head that detects the movements of the head. This facilitates smooth surgical operations, because the surgeon can move the endoscope to the desired angle even without giving verbal instructions to the camera assistant. In addition, the system is not limited to up, down, left and right movements but also allows rotation and forward and backward movements and can be mounted without choosing an endoscope manufacturer. Deepening the understanding of medical institutions before use is deemed especially important with the EMARO® Endoscope Holder and thus it is sold only after clinical trials and evaluations are conducted at the medical institutions. In the fiscal year under review, clinical trials were conducted at 87 hospitals (cumulative total of 125 hospitals) and three were sold.

Promotion of Automation at P.T. Hogy Indonesia

The Company's local subsidiary in Indonesia, P.T. Hogy Indonesia, has established its presence as one of the world's major surgical-use non-woven fabric product processing plants. P.T. Hogy Indonesia mainly conducts labor-intensive operations, such as sewing using sewing machines. With labor costs in Indonesia now rising every year and forecast to continue to rise, the promotion of labor-saving and automation of the plant has become necessary. To address this, efforts have been dedicated to improvement of productivity by increasing the internal manufacturing of materials reviewing production processes, dispatching non-woven fabric production technicians from Japan, etc. In addition, in terms of sales of non-woven fabric products, too, the entire Southeast Asian region including Indonesia has a large population and high economic growth, making it a highly potential market for medical equipment in the future. The sales company in Indonesia, P.T. Hogy Medical Sales Indonesia, is engaged in sales of non-woven fabric products, but future plans are to strengthen sales locally in Indonesia while exploring sales methods tailored to local hospital needs and later expanding sales to the entire Southeast Asian region.

P.T. Hogy Indonesia No.1 Plant

Record High Dividend also Planned for Next Fiscal Year

The Company's basic policy with respect to profit appropriation is to focus on the dividend policy of returning profits to our shareholders actively and on a continual basis, always taking into account our corporate motto of "ensuring harmonious coexistence with customers, shareholders, employees and corporations" fostered since inception. Moreover, to ensure that the fruits of performance are swiftly returned to shareholders, the Company conducts payment of quarterly dividends. For fiscal 2017 ended March 31, 2017, the Company paid quarterly dividends of ¥30 for each quarter (in contrast to ¥29 in each of the quarters in the previous fiscal year) for total annual dividends of ¥120 (in contrast to ¥116 in the previous fiscal year). The consolidated performance forecasts for fiscal 2018 ending March 31, 2018 are net sales of ¥38,540 million (up 4.6% from the previous fiscal year), operating income of ¥5,300 million (down 28.8%), ordinary income of ¥5,410 million (down 26.9%) and profit attributable to owners of parent of ¥5,160 million (down 10.8%). For fiscal 2018, the plan is to pay quarterly dividends of ¥31 for each quarter and for total annual dividends of ¥124, a record value.

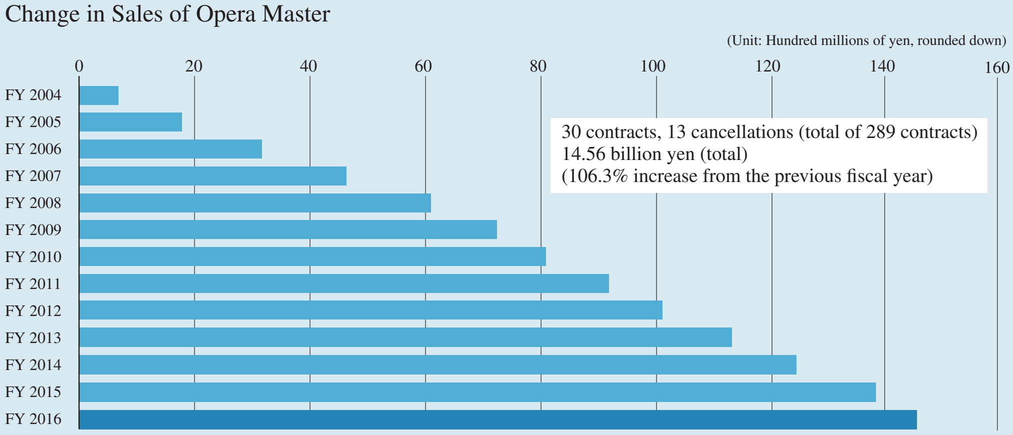
Dedicating Efforts also for Environmental Preservation in the Company’s CSR Activities

The Company is dedicating efforts to environmental preservation activities. As part of the Company’s CSR activities, the “Eco Project for the Firefly” initiative to regenerate deserted farm land as rice paddies has been ongoing since 2009. This is an initiative to restore wetlands known as Yatsuda in collaboration with Asaza Fund, an NPO, and the Ushiku City local government. Yatsuda serves the important role of water purification as the Ushikunuma water source along with the neighboring *satoyama* (managed woodlands or grasslands near human settlements) and a variety of living things, such as killifish and frogs, are still found today. However, much of the area has been left abandoned due to its location being in between low mountains and due to farming cost issues and acreage reduction. It is under such circumstances that the project was commenced to rent 1.7 hectares neighboring the Company’s Tsukuba Plant from the City of Ushiku to cultivate pesticide-free rice and restore the deserted farm land to what used to be a rice paddy landscape. Asaza Fund provides guidance for supplying water through a channel, cultivating rice, etc., and the Company’s employees and their families are participating to provide the labor. By doing so, the Company continues to work to interact with the local community through the agricultural experience of planting and harvesting rice, while also aiming to restore and preserve the ecosystem.

Future Outlook and Medium- to Long-Term Strategies

With healthcare reform underway as healthcare costs continue to rise, the healthcare environment is significantly changing. At acute care hospitals, which are major customers of the Group, there will be increasing functional differentiation to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation pursued by the national government, suggesting an increase in the number of surgical operations that one hospital would conduct. In addition, there are also concerns of the number of doctors falling short of the number of patients, making hospital management with efficient operating room management and reduction of workload in mind indispensable. In light of this present state, going forward, the Group will particularly increasingly strengthen Opera Master proposals to advanced acute care hospitals and general acute care hospitals, which are likely to see a concentration of patients. Efforts will be made to realize efficient operating room management and other operational improvement by gathering and utilizing surgery information and thereby contribute to hospitals’ overall management reform. The concept and system of Opera Master has been evolving to date, tailored around feedback received from long-term customers. For instance, in the case of the currently marketed Operating Room Management Services, the functions of the system components were expanded based on feedback to one that can now analyze actual management data of operating rooms more detailed and swiftly than before. Surgery management is increasingly automated, further serving to increase the efficiency of operating room management. Through ongoing and strengthened development, Opera Master will continue to evolve while addressing the needs on the medical front lines.

Change in Sales of Opera Master

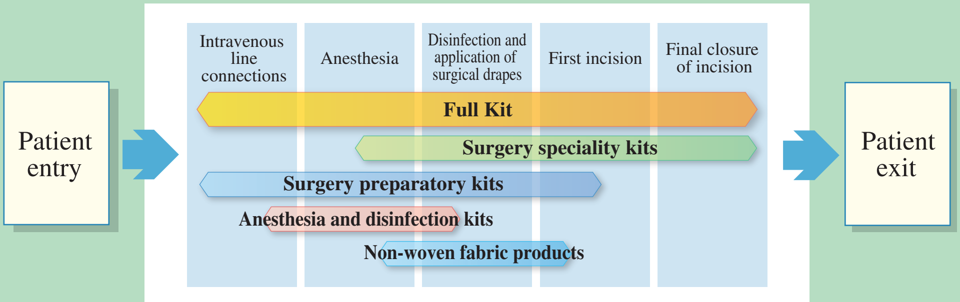


Medical Safety

Kit Products for Surgery Applications

Contributing to Improvement of Revenues of Medical Institutions, Kit Products are Increasingly Adopted by High-Function Hospitals that Undertake Large Number of Surgical Operations

With the Company's kit products, once the kit pouch is opened the surgery preparation can be immediately started, thus greatly reducing preparation labor and time and enabling the number of operations and clinical tests undertaken to be increased. The kit products contain surgical supplies in accordance with each type of surgical operations, clinical tests and other purposes in required quantities. As such, since sales started, the products have gathered attention in terms of risk management including prevention of human errors and in-hospital infections, as well as in terms of reduction in workloads. In particular, the Full Kit products, a fruit of the Company's pursuit of safety and streamlining, provide a full set of surgical supplies for use in operating rooms. Boasting the large benefit of contributing to improvement of revenues of medical institutions, the Company's kit products are increasingly adopted by high-function hospitals that undertake a particularly large number of surgical operations.

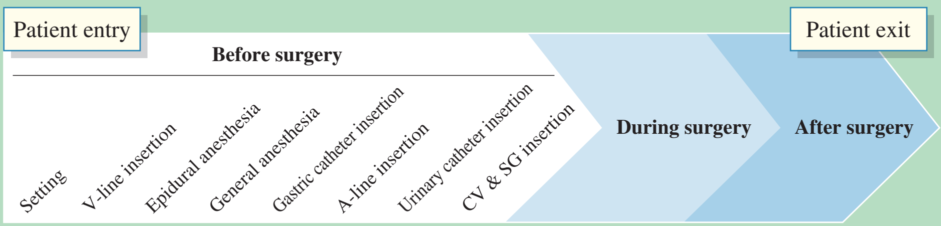


Medical Safety

Premium Kits

All-in-One Kits for Before, During and After Surgery Enabling Safe and Smooth Preparation by Anyone

Greater efficiency in management is being demanded of acute care hospitals more than ever before due to such factors as the 2025 model and sharp decrease in the working population. Featuring original packaging technology that reduces the work involved in the preparation and process, excellent safety, cost measures and other various characteristics, the Premium Kits that the Company has introduced to the market significantly enrich the content of traditional kits and thereby serve to further increase the efficiency of surgery preparation and also increase the efficiency of hospital management. Being all-in-one kits for before to during and after surgery, Premium Kits can significantly reduce the picking work before surgery and shorten the preparation time. In addition, consistent preparation can be smoothly made with adequate safety by anyone, meaning that the ability to concentrate on the main work and greater safety can be attained.



Medical Safety

Mekkin Bag

Mekkin Bag Developed as Japan's First and Continues to Evolve Today

The material of the Mekkin Bag, a sterilization pouch product, must be open to the sterilizing steam or gas, while at the same time be capable of keeping the contents of the pouch sterile for long periods of time. In 1964, the Company developed a paper with a special micro-structure to achieve these diametrically opposed objectives. The Mekkin Bag, which contributes to the prevention of in-hospital infections, expanded quickly in demand due to its high functions and convenience of use, spreading widely to the extent that it is presently the recognized name among sterilization storage packages and still always continues to evolve so that it can accommodate the many sterilization methods developed.

Medical Safety

Surgical-Use Non-Wovens

Surgical-Use Non-Woven Fabrics Highly Trusted by Surgery Staff for Addressing the Increasingly Advanced Medical Requirements

Since the non-woven fabric products went on sale in 1972, the Company has kept working to improve and enhance the products as the top manufacturer of surgical-use non-woven fabric products. By integrating high-quality materials, processing technologies and longstanding know-how, the Company has achieved a weight that is light enough to support surgery without any impediment, withstanding intensity for use for a length of time, proper aeration and a high level of barrier performance, all in a higher dimension. In particular, the surgical gowns, drapes and caps help prevent in-hospital infections as they feature a high barrier performance and ability to withstand intensity. With customization also possible using own production lines, the Company also offers high-quality and low-priced products to match the needs of the era. Ranging in variety, such as Tigalyer, to provide greater safety and functionality, the non-woven fabric products are supported by a wide range of clients and highly trusted by the surgery staff.

Minimally-Invasive Treatment

EMARO®

EMARO® Endoscope Holder Realizes a High Level of Safety and Excellent Operability, Contributing to Minimally Invasive Treatment

In endoscopic surgeries in the field of minimally invasive treatment, there being a camera assistant to operate the endoscope by understanding the will of the surgeon calls for the need for at least two staff and smooth mutual understanding between the surgeon and assistant. EMARO® is a groundbreaking system enabling intuitive operation of the endoscope without using both hands due to the gyro sensor attached on the surgeon's head, meaning that surgeries can be implemented without a camera assistant. The system also allows rotation and forward and backward movements and can be mounted without choosing an endoscope manufacturer, realizing both high level of safety and excellent operability.

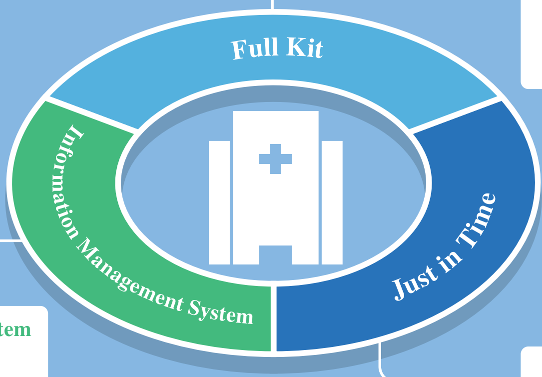
Hospital Management Support

Opera Master

A Comprehensive Support System Built on Three Core Elements of Products, Logistics and Information Management, Opera Master Realizes Greater Profits, Safety and Operating Efficiency, Serving Largely to Increase the Efficiency of Hospital Management

Introduced to the market in April 2004, Opera Master is a system, built on the three core elements of products, logistics and information management, to comprehensively support medical facilities through a mechanism of surgery management in which various information in and around surgery rooms is promptly and accurately collected, and through products that help simplify operations. At the core of the system are Full Kit products designed to cater by type of doctor and surgery at hospitals, which help to raise efficiency and save labor on the medical front lines while boosting the safety of surgical procedures, and also to eliminate the need to control materials in single units, serving to increase the efficiency of hospital management. In terms of logistics, a system to deliver the products by the day preceding the surgical procedure has been established to help alleviate inventory burdens of medical institutions and, in terms of information, information about controlling costs in the operating room and other matters are provided. This facilitates complex cost accounting and allows expectations for enhanced operating room productivity.

OPERA MASTER



Benefits of Full Kit products
- Low indirect administrative costs
- More effective materials control
- Sanitization using electron beam sterilization
- Rigorous safety measures taken

Information management system
- Facilitates scheduling of surgeries
- Allows human resources to be allocated more appropriately
- Alleviates inventory burden
- Includes cost-control system

Logistics-related benefits
- One-kit orders (minimum) accepted
- Alleviates inventory burden
- Backed by reliable logistics system

Increase the efficiency of surgery room operations

Opera Master has built a four step cycled sustainable support system for improvement of hospital management: "PLAN" to help plan business improvement; "DO" to measure efficiency in kit products and production in actual working hours; "CHECK" to manage business information and its automatic accumulation; "ACTION" for staff to collect information and propose new measures for improvement.

PLAN — Planning
Setting a goal and drawing a plan
Examine individual performance data to present the best business plan

DO — Implementation and action
Business efficiency improvement through tools
Provision of site improvement tool/plan tailored to equipment situation of each facility

CHECK — Inspection and evaluation
Data collection and analysis
Real time comparison and analysis of automatically collected data

ACTION — Management review and improvement
Future proposal
Submission of analysis of current state of staff with expertise

Hospital Management Support

Operating Room Management Services

Realizing More Efficient Cost Management by Collecting Data on an Ongoing Basis and Reducing Work Burdens through Visualized Surgery Rooms

Operating Room Management Services, a new service introduced in 2012 by the addition of various data collection tools to the existing Opera Master system components and further extension and development of the functions, is a mechanism whereby the data collected is used to offer a more comprehensive and detailed analysis than before of the operational status of operating room staff, cost of the surgical procedure and other actual management data. The main features are an enhanced hardware system and the function to accurately and swiftly analyze actual data accumulated by the system. Also offering suggestions based on the accumulation and analysis of the above data to increase the efficiency of operating room management, the service aims to thoroughly reduce waste and irregularities for more comfortable operating room operations, further serving to increase the efficiency of operating room management while checking the status of revenues.

Time Management

Time management of surgery room operations by standardizing procedure plans and appropriately arranging staff shift schedules. Creates a system that enables anyone to prep for surgical procedures accurately, securely and quickly.

Operation procedure book

ME Machine Management Function

RFID Tag

Inventory Management

Reduces time and effort in inventory management with a system that accurately manages receipt and payment of materials. Prevents claim errors through collective management of purchases, usage and claims.

Digital picking system

Kit

SPASER

Cost Management

Collects data from each surgical procedure and thoroughly covers cost management. Analysis and proposed improvement directly connected to the improvement of management.

Various analysis tools

Basic Approach to Corporate Governance

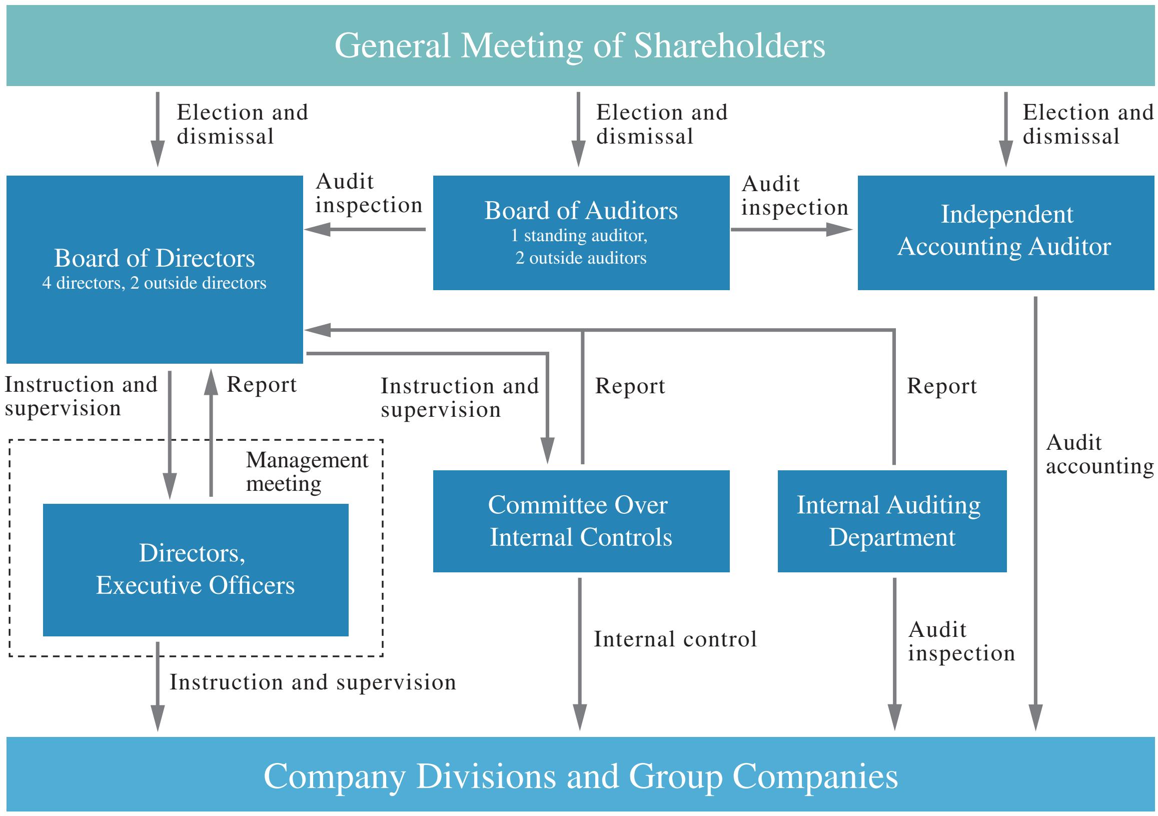
Advocating a "shareholder oriented" policy, the Company has a system in place for sufficient corporate governance to function with the interests of shareholders always in mind.

Overview of Corporate Governance System

The Company has a six-member Board of Directors, two being outside directors, to make quick business decisions by managing using a small number of people. The Board of Directors holds a meeting once a month, on the sixth business day as a general rule, at which important matters are all on the agenda, business progress is also discussed and measures, etc. are considered. In addition, an executive officer system has been introduced to clearly separate the strategic decision making and operation supervisory functions of the Board of Directors from the operation execution function of the executive officers and thereby form a structure that enables quick response to changes in the business environment. A management meeting with the executive officers is held, on the business day following a meeting of the Board of Directors as a general rule, at which each department provides a status report and concrete measures, etc. are decided through discussion. In addition, adopting a corporate auditor system, the Company has a three-member Board of Auditors, two being outside auditors. The subsidiaries located in Indonesia have implemented policies tailored to the region from the beginning, and are managed by six directors consisting of three Japanese persons and three Indonesians. Financial data and other required materials are fully reported to the Company to ensure that audits can be carried out as needed.

Status of Maintenance of Internal Control System

The Company has an internal control system as a system for ensuring the appropriate execution of business by clarifying the authority and responsibility of each duty, while also implementing appropriate division of business by incorporating a mutual check-and-balance system into the business process, and at the same time recognizes the necessity of conducting reviews and improving and strengthening controls in a timely manner. The Board of Directors has established the Committee Over Internal Controls to operate a system for ensuring that the execution of duties by directors complies with the law and the Articles of Incorporation (this committee is responsible for establishing a system for internal control, compliance and risk management, and for examining, improving, etc. this system; the same applies hereinafter). The Committee Over Internal Controls is chaired by the President of the Company, and the J-SOX Committee and the 5S Committee have been set up under the Committee Over Internal Controls. A regular meeting is held once a month and all activities are reported to the Board of Directors.



*As at June 23, 2017

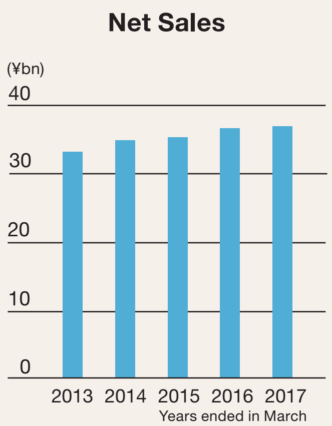
Status of Maintenance of Risk Management System

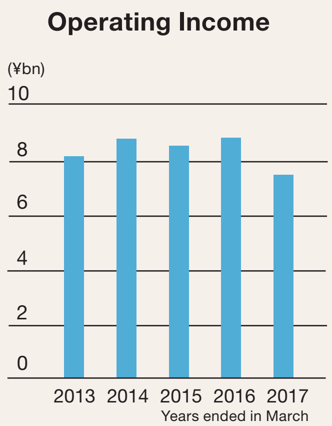
Concerning risk management, the Company recognizes the importance of preventing damage from occurring or expanding by appropriately analyzing and managing the risks surrounding the Company, and also maintaining and strengthening the trust that clients, investors, etc. have in the Company, in order to enhance corporate value in a rapidly changing environment. The Board of Directors identifies and assesses the risks that could impact the operating performance, stock prices, financial position, etc. of the Company and takes measures against such, and also maintains a system of prevention in ordinary circumstances. The Committee Over Internal Controls works together with the Board of Directors to maintain a system of prevention of risks and, in the event that a certain risk does occur, prevent such from expanding and take measures to prevent recurrence. Specifically, the Committee Over Internal Controls assists the directors and the Board of Directors to build a risk management system in each department and, where needed, formulate and thoroughly inform about the rules, etc. In addition, risks are extracted from each department and reported to the Board of Directors, and measures also taken to reduce such risks. Furthermore, the Company has a whistleblowing system for prevention of illegal or wrongful acts by those employed by the Company, and also for early detection and necessary measures to be taken.

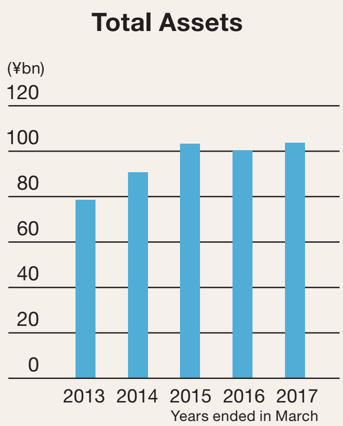
Five-Year Financial Data Overview (Consolidated)

	Years ended March 31,					
	2017	2016	2015	2014	2013	**2017**
			(Millions of yen unless indicated otherwise)			*(Thousands of U.S. dollars)*
Income Statement Data						
Net sales	**36,859**	36,568	35,233	34,793	33,094	**328,515**
Operating income	**7,443**	8,784	8,505	8,747	8,113	**66,340**
Profit before income taxes	**8,422**	8,743	8,678	8,885	8,353	**75,067**
Profit attributable to owners of parent	**5,786**	5,910	5,659	5,632	5,247	**51,568**
Balance Sheet Data						
Common stock	**7,123**	7,123	7,123	7,123	7,123	**63,487**
Additional paid-in capital	**8,336**	8,336	8,336	8,336	8,336	**74,296**
Total net assets	**89,629**	87,610	83,301	75,379	69,602	**798,836**
Total liabilities and net assets	**103,196**	99,963	102,944	90,411	78,279	**919,755**
Property, plant and equipment, net	**51,986**	49,742	44,845	32,949	28,430	**463,340**
Cash Flow Data						
Net cash provided by operating activities	**10,066**	6,809	7,935	9,349	6,495	**89,719**
Net cash used in investing activities	**(3,868)**	(15,669)	(11,973)	(1,798)	(2,175)	**(34,480)**
Net cash (used in) provided by financing activities	**(1,877)**	(1,811)	(1,747)	(1,684)	(1,527)	**(16,735)**
Cash and cash equivalents at end of year	**16,244**	11,993	22,661	28,227	22,105	**144,782**
			(yen)			*(U.S. dollars)*
Per Share Data						
Profit attributable to owners of parent:						
Basic	**369.06**	375.81	359.81	358.10	333.61	**3.29**
Diluted	**—**	—	—	—	—	**—**
Net assets	**5,726.25**	5,569.77	5,295.72	4,791.96	4,424.56	**51.04**
			(Millions of yen, unless indicated otherwise)			*(Thousands of U.S. dollars)*
Key Financial Data						
Capital expenditures	**5,844**	15,784	11,791	2,213	2,068	**52,086**
Depreciation expenses	**4,409**	3,376	2,708	2,865	2,971	**39,296**
R&D expenses	**485**	403	508	620	542	**4,323**
Equity ratio (%)	**86.85**	87.64	80.91	83.37	88.91	**—**
Return on equity (%)	**6.53**	6.92	7.13	7.77	7.86	**—**
Price/earnings ratio (times)	**18.99**	16.07	16.40	14.74	15.38	**—**
Number of shares issued (thousands)	**16,341**	16,341	16,341	16,341	16,341	**—**
Number of employees at year-end*	**1,489**	1,521	1,586	1,606	1,620	**—**
	(716)	(668)	(625)	(569)	(579)	

Note: The U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥112.20 = U.S.$1.00, the rate of exchange on March 31, 2017.
*The number of employees is the size of the employed population. The annual average number of employees who are on fixed-term employment contracts with consolidated subsidiaries are indicated in parentheses.







Business Status

Outline of Business Performance, etc.

Business Performance

In the fiscal year under review, the Japanese economy showed a moderate recovery tone, reflecting improvements in corporate earnings and the employment situation. However, the economic outlook remained uncertain in the wake of political risks in Europe, government policy trends in the United States, and other reasons for concern.

In the medical equipment industry, against a background of continuously increasing healthcare costs, medical authorities are promoting reforms of the medical system. This reflects an effort to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation pursued by the national government. The reforms include measures aimed at strengthening regional medical cooperation and differentiating and reinforcing medical functions. Meanwhile, there are calls for tough management measures to be undertaken to ensure the survival of advanced acute-phase clinics and general acute-phase clinics. These factors underscore the need to address the challenging business conditions faced by the medical equipment industry, with medical institutions under ongoing pressure to increase business efficiency and further streamline their operations.

Under these circumstances, the Group sought to expand sales of Opera Master, which helps medical institutions improve their operations, as well as to promote clinical trials and increased sales of Premium Kits, designed to provide maximum benefits to customers, and also focused on developing and selling new products.

With respect to Opera Master, 30 new Opera Master contracts were signed during the year, mainly with DPC-assessed hospitals (those recognized under Japan's diagnosis procedure combination, or DPC, system). Our strategy focuses on forming contracts with large medical institutions, and the average number of surgeries performed at newly contracted medical institutions remained at previous-year levels, indicating that Opera Master is making steady progress in penetrating the market. After accounting for 13 cancellations, there were 289 total Opera Master contracts in force at year-end.

During the year, sales of surgical kits to Opera Master-contracted hospitals increased, but performance was affected by fragmented sales activities and delays in new sales efforts. This was due to an emphasis on selling Premium Kits and new products, as well as traditional sales activities for new products. The sales of the new product EMARO® Endoscope Holder was limited to three institutions during the year.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,859 million, up 0.8% from the previous fiscal year. Sales of kit products amounted to ¥21,124 million, up 4.3%. Of this, sales of Opera Master amounted to ¥14,561 million, up 6.3%, and sales of non-woven fabric products amounted to ¥9,406 million, down 3.3%. Cost of sales increased, due in part to increase in depreciation of a new kit products plant and foreign exchange impact. Selling, general and administrative expenses were outlays required for sales expansion. Consequently, operating income was ¥7,443 million, down 15.3%. Ordinary income was ¥7,403 million, down 17.0%, due in part to posting foreign value-added taxes. Also posting ¥1,024 million in extraordinary income on partial sales of shares, profit attributable to owners of parent was ¥5,786 million, down 2.1%.

The presentation of information by the reportable segments has been omitted, because engaged principally in manufacturing and selling non-woven fabric and sterilized medical goods, which are considered to be a single business segment.

Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥16,244 million, up ¥4,251 million from the previous fiscal year, due to the following cash flows:

(Cash Flows from Operating Activities)

Cash flows from operating activities included posting ¥8,422 million in profit before income taxes, ¥4,409 million in depreciation and ¥1,024 million in gain on sales of investment securities, as well as ¥938 million in increase in inventories, ¥1,192 million in decrease in consumption taxes refund receivable and other, and ¥2,755 million in income taxes paid. As a result, net cash provided by operating activities amounted to ¥10,066 million, up ¥3,257 million from the previous fiscal year, mainly due to acquisition of the building for a new kit products plant leading to increase in consumption taxes refund receivable and other in the previous fiscal year and decrease in consumption taxes refund receivable and other in the fiscal year under review.

(Cash Flows from Investing Activities)

Cash flows from investing activities included ¥5,308 million in payments for purchase of property, plant and equipment with construction of machinery and equipment for a new kit products plant, etc., ¥1,062 million in proceeds from partial sales of investment securities, and ¥1,006 million in proceeds from withdrawal of time deposits. As a result, net cash used in investing activities amounted to ¥3,868 million, down ¥11,801 million from the previous fiscal year.

(Cash Flows from Financing Activities)

Cash flows from financing activities included ¥574 million in proceeds from long-term debt on introduction of the trust-type Employee Shareholding Incentive Plan (E-Ship®), ¥574 million in payments for purchases of treasury stock, and ¥1,873 million in cash dividend paid. As a result, net cash used in financing activities amounted to ¥1,877 million, up ¥66 million from the previous fiscal year.

Financial Position

At the end of the fiscal year under review, total assets amounted to ¥103,196 million, up ¥3,233 million from the previous fiscal year.

Current assets increased ¥3,454 million, to ¥37,109 million. This was due in part to a ¥4,277 million increase in cash and bank deposits, a ¥330 million decrease in notes and accounts receivable, and a ¥1,192 million decrease in accrued consumption taxes, which is included in other current assets. Of fixed assets, property, plant and equipment increased ¥2,244 million, to ¥51,986 million. This was due in part to a ¥1,227 million decrease in buildings and structures net of depreciation, etc.; a ¥10,963 million increase in machinery, equipment and vehicles with construction of machinery and equipment for a new kit products plant, etc.; and a ¥7,819 million decrease in construction in progress. Intangible assets amounted to ¥3,101 million, due to a ¥139 million decrease net of depreciation, etc. Investments and other assets decreased ¥2,325 million, to ¥10,998 million. This was due in part to a ¥1,656 million decrease in investment securities on partial sales and mark-to-market valuation of shares held, and a ¥1,000 million decrease in long-term time deposits on withdrawal of time deposits. As a result, fixed assets amounted to ¥66,086 million.

At the end of the fiscal year under review, total liabilities amounted to ¥13,567 million, up ¥1,214 million from the previous fiscal year. Current liabilities increased ¥1,034 million, to ¥10,177 million. This was due in part to a ¥1,205 million increase in other accounts payable with construction of machinery and equipment for a new kit products plant, etc., and a ¥416 million decrease in construction notes payable. Long-term liabilities increased ¥180 million, to ¥3,389 million. This was due in part to posting ¥508 million in long-term debt on introduction of the trust-type Employee Shareholding Incentive Plan (E-Ship®), and a ¥409 million decrease in deferred tax liabilities associated with mark-to-market valuation of shares held.

At the end of the fiscal year under review, net assets amounted to ¥89,629 million, up ¥2,019 million from the previous fiscal year. This was due in part to increase on posting ¥5,786 million in profit attributable to owners of parent, ¥1,871 million in appropriation of retained earnings, a ¥515 million increase in treasury stock on introduction of the trust-type Employee Shareholding Incentive Plan (E-Ship®), and a ¥1,168 million decrease in unrealized gain on other securities on partial sales and mark-to-market valuation of shares held. As a result, the equity ratio decreased from the 87.6% at the end of the previous fiscal year, to 86.8%.

Hogy Medical Co., Ltd. and Subsidiaries
Consolidated Balance Sheet

	As of March 31,		
	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and bank deposits (Note 14)	**¥ 16,658**	¥ 12,380	**$148,467**
Notes and accounts receivable (Note 14)	**11,289**	11,620	**100,622**
Inventories (Note 4)	**8,394**	7,533	**74,814**
Deferred tax assets (Note 6)	**281**	300	**2,511**
Other current assets	**485**	1,825	**4,331**
Allowance for doubtful accounts	**(0)**	(5)	**(1)**
Total current assets	**37,109**	33,655	**330,745**
Property, plant and equipment, at cost:			
Buildings and structures	**43,684**	43,473	**389,348**
Machinery, equipment and vehicles	**41,233**	28,515	**367,499**
Land	**9,631**	9,647	**85,846**
Construction in progress	**681**	8,501	**6,074**
Other	**4,351**	3,708	**38,786**
	99,583	93,846	**887,553**
Less: Accumulated depreciation	**(47,596)**	(44,103)	**(424,213)**
Property, plant and equipment, net	**51,986**	49,742	**463,340**
Investments and other assets:			
Investment securities (Notes 14 and 15)	**9,504**	11,160	**84,711**
Intangible assets	**3,101**	3,241	**27,640**
Long-term time deposits	**—**	1,000	**—**
Guarantee deposits	**429**	431	**3,827**
Deferred tax assets (Note 6)	**121**	108	**1,087**
Other assets	**942**	623	**8,402**
Total investments and other assets	**14,100**	16,565	**125,669**
Total assets	**¥103,196**	¥ 99,963	**$919,755**

	As of March 31,		
	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade (Note 14)	**¥ 5,093**	¥ 4,980	**$ 45,395**
Construction	**875**	1,291	**7,800**
Income taxes payable	**1,209**	1,265	**10,779**
Accounts payable – other	**1,942**	736	**17,311**
Other current liabilities	**1,057**	868	**9,426**
Total current liabilities	**10,177**	9,143	**90,711**
Long-term liabilities:			
Long-term debt (Note 7)	**508**	—	**4,534**
Deferred tax liabilities (Note 6)	**2,058**	2,467	**18,347**
Liability for retirement benefits (Note 8)	**303**	252	**2,707**
Long-term accounts payable – other	**60**	61	**538**
Other long-term liabilities	**457**	427	**4,080**
Total long-term liabilities	**3,389**	3,209	**30,207**
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized – 65,000,000 shares			
Issued – 16,341,155 shares	**7,123**	7,123	**63,487**
Additional paid-in capital (Note 5)	**8,336**	8,336	**74,296**
Retained earnings (Note 5)	**72,352**	68,438	**644,852**
Treasury stock, at cost (Note 11):			
689,946 shares in 2017 and 612,767 shares in 2016	**(3,841)**	(3,325)	**(34,235)**
Total shareholders' equity	**83,970**	80,571	**748,401**
Accumulated other comprehensive income:			
Unrealized gain on other securities	**5,098**	6,267	**45,440**
Deferred gain on hedges	**240**	72	**2,141**
Translation adjustments	**419**	780	**3,738**
Retirement benefit liability adjustments	**(106)**	(87)	**(945)**
Total accumulated other comprehensive income	**5,652**	7,031	**50,375**
Non-controlling interests	**6**	6	**60**
Total net assets	**89,629**	87,610	**798,836**
Total liabilities and net assets	**¥103,196**	¥99,963	**$919,755**

See notes to consolidated financial statements.

Hogy Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Income

	Years ended March 31,		
	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales	**¥36,859**	¥36,568	**$328,515**
Cost of sales	**20,355**	18,984	**181,424**
Gross profit	**16,503**	17,583	**147,090**
Selling, general and administrative expenses (Note 9)	**9,060**	8,799	**80,750**
Operating income	**7,443**	8,784	**66,340**
Other income (expenses):			
Interest income	**20**	12	**183**
Dividend income	**90**	73	**808**
Foreign exchange gain (loss), net	**(73)**	(55)	**(654)**
Subsidy income	**—**	38	**—**
Gain (loss) on investments in partnership	**(7)**	67	**(65)**
Gain on sales of investment securities (Note 15)	**1,024**	—	**9,127**
Foreign value added taxes	**(122)**	(31)	**(1,093)**
Loss on disposal of property, plant and equipment	**(5)**	(4)	**(47)**
Loss on valuation of investment securities	**—**	(180)	**—**
Other, net	**52**	39	**467**
Other income (expenses), net	**979**	(40)	**8,726**
Profit before income taxes	**8,422**	8,743	**75,067**
Income taxes (Note 6)**:**			
Current	**2,609**	2,805	**23,257**
Deferred	**26**	27	**239**
Total income taxes	**2,636**	2,832	**23,496**
Profit	**5,786**	5,911	**51,570**
Profit attributable to non-controlling interests	**(0)**	(0)	**(1)**
Profit attributable to owners of parent	**¥ 5,786**	¥ 5,910	**$ 51,568**

Hogy Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income

	Years ended March 31,		
	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Profit	**¥ 5,786**	¥5,911	**$ 51,570**
Other comprehensive income:			
Unrealized gain (loss) on other securities	**(1,168)**	1,037	**(10,416)**
Deferred gain (loss) on hedges	**168**	(849)	**1,498**
Translation adjustments	**(360)**	37	**(3,215)**
Retirement benefits liability adjustments	**(18)**	(16)	**(165)**
Total other comprehensive income (Note 10)	**(1,379)**	208	**(12,299)**
Comprehensive income	**¥ 4,406**	¥6,119	**$ 39,270**
Total comprehensive income attributable to:			
Owners of parent	**¥ 4,406**	¥6,119	**$ 39,270**
Non-controlling interests	**¥ 0**	¥ 0	**$ 0**

See notes to consolidated financial statements.

Hogy Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Net Assets

	Shareholders' equity					
	Common stock		Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	Number of shares	Amount				
				(Millions of yen)		
Balance at April 1, 2015	16,341,155	¥7,123	¥8,336	¥64,335	¥(3,323)	¥76,472
Cash dividends paid	—	—	—	(1,808)	—	(1,808)
Profit attributable to non-controlling interests	—	—	—	5,910	—	5,910
Purchases of treasury stock	—	—	—	—	(2)	(2)
Disposal of treasury stock	—	—	—	—	—	—
Other, net change	—	—	—	—	—	—
Net changes during the year	—	—	—	4,102	(2)	4,099
Balance at March 31, 2016	16,341,155	7,123	8,336	68,438	(3,325)	80,571
Balance at April 1, 2016	**16,341,155**	**7,123**	**8,336**	**68,438**	**(3,325)**	**80,571**
Cash dividends paid	**—**	**—**	**—**	**(1,871)**	**—**	**(1,871)**
Profit attributable to non-controlling interests	**—**	**—**	**—**	**5,786**	**—**	**5,786**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(574)**	**(574)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**59**	**59**
Other, net change	**—**	**—**	**—**	**—**	**—**	**—**
Net changes during the year	**—**	**—**	**—**	**3,914**	**(515)**	**3,398**
Balance at March 31, 2017	**16,341,155**	**¥7,123**	**¥8,336**	**¥72,352**	**¥(3,841)**	**¥83,970**

	Accumulated other comprehensive income						
	Unrealized gain on other securities	Deferred gain on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interest	Total net assets
				(Millions of yen)			
Balance at April 1, 2015	¥ 5,229	¥ 922	¥ 742	¥ (70)	¥ 6,823	¥ 6	¥83,301
Cash dividends paid	—	—	—	—	—	—	(1,808)
Profit attributable to non-controlling interests	—	—	—	—	—	—	5,910
Purchases of treasury stock	—	—	—	—	—	—	(2)
Disposal of treasury stock	—	—	—	—	—	—	—
Other, net change	1,037	(849)	37	(16)	208	0	208
Net changes during the year	1,037	(849)	37	(16)	208	0	4,308
Balance at March 31, 2016	6,267	72	780	(87)	7,031	6	87,610
Balance at April 1, 2016	**6,267**	**72**	**780**	**(87)**	**7,031**	**6**	**87,610**
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(1,871)**
Profit attributable to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**5,786**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(574)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**59**
Other, net change	**(1,168)**	**168**	**(360)**	**(18)**	**(1,379)**	**(0)**	**(1,379)**
Net changes during the year	**(1,168)**	**168**	**(360)**	**(18)**	**(1,379)**	**(0)**	**2,019**
Balance at March 31, 2017	**¥ 5,098**	**¥ 240**	**¥ 419**	**¥(106)**	**¥ 5,652**	**¥ 6**	**¥89,629**

See notes to consolidated financial statements.

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 2)				
Balance at April 1, 2016	**$63,487**	**$74,296**	**$609,965**	**$(29,642)**	**$718,106**
Cash dividends paid	—	—	(16,681)	—	(16,681)
Profit attributable to non-controlling interests	—	—	51,568	—	51,568
Purchases of treasury stock	—	—	—	(5,122)	(5,122)
Disposition of treasury stock	—	—	—	529	529
Other, net change	—	—	—	—	—
Net changes during the year	—	—	34,887	(4,593)	30,294
Balance at March 31, 2017	**$63,487**	**$74,296**	**$644,852**	**$(34,235)**	**$748,401**

	Accumulated other comprehensive income						
	Unrealized gain on other securities	Deferred gain on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interest	Total net assets
	(Thousands of U.S. dollars) (Note 2)						
Balance at April 1, 2016	**$ 55,856**	**$ 643**	**$ 6,953**	**$(779)**	**$ 62,673**	**$60**	**$780,840**
Cash dividends paid	—	—	—	—	—	—	(16,681)
Profit attributable to non-controlling interests	—	—	—	—	—	—	51,568
Purchases of treasury stock	—	—	—	—	—	—	(5,122)
Disposition of treasury stock	—	—	—	—	—	—	529
Other, net change	(10,416)	1,498	(3,214)	(165)	(12,298)	(0)	(12,298)
Net changes during the year	(10,416)	1,498	(3,214)	(165)	(12,298)	(0)	17,995
Balance at March 31, 2017	**$ 45,440**	**$2,141**	**$ 3,738**	**$(945)**	**$ 50,375**	**$60**	**$798,836**

See notes to consolidated financial statements.

Hogy Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows

	Years ended March 31, 2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Operating activities			
Profit before income taxes	**¥ 8,422**	¥ 8,743	**$ 75,067**
Depreciation	**4,409**	3,376	**39,303**
Changes in liability for retirement benefits, net	**30**	(11)	**272**
(Decrease) increase in allowance for doubtful accounts	**(5)**	0	**(45)**
Interest and dividend income	**(111)**	(85)	**(992)**
Gain (loss) on investments in partnership	**7**	(67)	**65**
Foreign exchange loss (gain)	**44**	35	**397**
Gain on sales of investment securities	**(1,024)**	—	**(9,127)**
Gain on sales of property, plant and equipment	**—**	(4)	**—**
Loss on disposal of property, plant and equipment	**5**	4	**47**
Loss on valuation of investment securities	**—**	180	**—**
Changes in assets and liabilities:			
Notes and accounts receivable	**301**	(688)	**2,685**
Inventories	**(938)**	(45)	**(8,365)**
Notes and accounts payable	**135**	508	**1,211**
Accrued consumption taxes and other	**185**	(533)	**1,650**
Consumption taxes refund receivable and other	**1,192**	(1,192)	**10,628**
Other current assets	**91**	(66)	**817**
Other current liabilities	**177**	(530)	**1,580**
Other investments	**(7)**	104	**(65)**
Other liabilities	**69**	(2)	**617**
Other	**(267)**	(1)	**(2,387)**
Subtotal	**12,719**	9,723	**113,361**
Interest and dividends received	**102**	85	**914**
Income taxes paid	**(2,755)**	(2,999)	**(24,556)**
Net cash provided by operating activities	**10,066**	6,809	**89,719**
Investing activities			
Increase in time deposits	**(32)**	(26)	**(286)**
Proceeds from time deposits	**1,006**	11	**8,967**
Purchases of investment securities	**(64)**	(60)	**(574)**
Proceeds from sales of investment securities	**1,062**	—	**9,465**
Purchase of property, plant and equipment	**(5,308)**	(14,690)	**(47,317)**
Proceeds from sales of property, plant and equipment	**1**	69	**15**
Purchases of intangible assets	**(535)**	(1,094)	**(4,774)**
Proceeds from distribution of investments in partnership	**7**	129	**68**
Payments for loans receivable	**(1)**	(0)	**(9)**
Collection of loans receivable	**3**	10	**26**
Decrease (increase) in other investments	**(6)**	(17)	**(61)**
Net cash used in investing activities	**(3,868)**	(15,669)	**(34,480)**
Financing activities			
Proceeds from long-term debt	**574**	—	**5,115**
Repayment of long-term debt	**(65)**	—	**(581)**
Proceeds from sales of treasury stock	**61**	—	**547**
Purchases of treasury stock	**(574)**	(2)	**(5,122)**
Cash dividend paid	**(1,873)**	(1,809)	**(16,694)**
Net cash used in financing activities	**(1,877)**	(1,811)	**(16,735)**
Effect of exchange rate changes on cash and cash equivalents	**(68)**	4	**(612)**
Net increase in cash and cash equivalents	**4,251**	(10,667)	**37,890**
Cash and cash equivalents at beginning of year	**11,993**	22,661	**106,891**
Cash and cash equivalents at end of year (Note 12)	**¥16,244**	¥ 11,993	**$144,782**

See notes to consolidated financial statements.

Hogy Medical Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Hogy Medical Co., Ltd. (the "Company") maintains its accounting records in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain its accounting records in conformity with that of its country of domicile. The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The consolidated subsidiaries of the Company are P.T. Hogy Indonesia and P.T. Hogy Medical Sales Indonesia.

(b) Basis of consolidation

In accordance with the accounting standard for consolidation, consolidated financial statements are required to include the accounts of the parent company and all its subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and two consolidated subsidiaries for the years ended March 31, 2017 and 2016. There is no non-consolidated subsidiary or affiliated company accounted by equity-method.

All significant intercompany balances and transactions have been eliminated in consolidation.

The subsidiaries are consolidated on the basis of a fiscal period ending on December 31, which differs from that of the Company; however, the necessary adjustments are made if the effect of this difference is material.

(c) Foreign currency translation

The revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. The balance sheet accounts, except for the components of shareholders' equity, are also translated into yen at the rate of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the consolidated financial statements.

Monetary assets and liabilities of the Company denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. All revenues and expenses denominated in foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange loss or gain is charged or credited as other expense or income.

(d) Cash equivalents

All highly liquid investments, with a maturity of three months or less when purchased and which are readily convertible into known amounts of cash and are so close to maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

The definition of cash and cash equivalents in the consolidated statements of cash flows differs from that of cash and bank deposits in the consolidated balance sheets. Reconciliation between these is presented in Note 12.

(e) Securities

Securities other than those of the subsidiaries are classified as other securities. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

Investments in limited partnerships and other similar investments (that are deemed to be securities in the Financial instruments and Exchange Act Article 2-2) are accounted for using the equity method. Calculations are based on current financial statements, available as of the financial reporting date, which is stipulated in partnership agreements.

(f) Derivative instrument and hedge accounting

Derivatives positions are stated at their respective fair market value. The Company utilizes forward foreign exchange contracts, currency swaps and currency options to hedge forecasted foreign currency transactions and foreign currency accounts payable, related to its foreign purchase commitments.

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Forward foreign exchange contracts which meet certain hedging criteria is accounted for by the allocation method.

The Company uses derivatives to reduce their exposure to fluctuation in foreign exchange rates.

Since the substantial terms and conditions of the hedging instruments and the hedged items are the same, the Company considers that its hedge accounting is highly effective.

(g) Inventories

Finished goods, work in process and raw materials are stated at cost determined by the average method. Merchandise is stated at cost determined by the moving average method. In case the profitability of the inventories has declined, the book value is reduced accordingly.

Supplies are stated at their most recent purchase prices.

(h) Depreciation and amortization

Depreciation of property, plant and equipment (excluding lease assets) of the Company is principally calculated by the declining-balance method over the estimated useful lives of the respective assets. However, buildings (excluding accessory equipment) acquired by the Company after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method over the estimated useful lives of the respective assets.

Property, plant and equipment of consolidated subsidiaries are depreciated principally by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives used for computing depreciation are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 12 years

Intangible assets (excluding lease assets), including costs for computer software, are amortized by the straight-line method over their estimated useful lives (5 years).

Long-term prepaid expenses are amortized by the straight-line method.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. For the Company, the amount of the allowance is determined based on the historical rate of losses on receivables plus an estimate of the individual amounts deemed unrecoverable.

(j) Provision for employees' bonuses

The provision for employees' bonuses represents a provision for the future payment of employees' bonuses. The amount at each balance sheet date is included in other current liabilities.

(k) Provision for directors' bonuses

The provision for directors' bonuses represents a provision for the future payment of directors' bonuses. The amount at each balance sheet date is included in other current liabilities.

(l) Retirement and severance benefits

Accrued retirement benefits for employees have been recorded at an amount calculated based on the retirement benefit obligation as of balance sheet data. The retirement benefit obligation for the employees is attributed to each period by the benefit formula method.

(m) Income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Consumption taxes

Transaction subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Additional information

The Company maintains an Employee Stock Ownership Plan as part of its employees' welfare programs, which includes transfers of the Company's own stock to the employees' shareholder association through a trust.

(1) Overview of the transaction

At a meeting of the Board of Directors held on August 15, 2016, the Company resolved to introduce a "trust-type employee shareholding incentive plan (E-ship®)" (hereinafter, "the Plan") in order to provide the Company's employees with incentives to strengthen medium- to long-term corporate value.

The Plan is an incentive plan in which all employees enrolled in the Hogy Medical Employees' Shareholder Association (hereinafter, the "Shareholder Association") are eligible to participate. Under the Plan, the Company established a "Hogy Medical Employees' Shareholder Association Exclusive Trust Account" (hereinafter, the "Employees' Shareholder Trust") at a trust bank, and the Employees' Shareholder Trust purchases in advance a certain number of the Company's shares equivalent to the number of shares the Shareholder Association is expected to purchase over the next five years.

Subsequently, the Employees' Shareholder Trust is to continuously sell the Company's shares to the Shareholders Association, and if any gains on the sale of shares have accumulated within the Employees' Shareholder Trust at the termination of the trust, the amount equivalent to such gains on the sale of shares will be distributed as residual assets to those who meet the beneficiary eligibility requirements.

Meanwhile, as the Company provides a guarantee on the loan for the Employees' Shareholder Trust used to acquire the Company's shares, should the price of the Company's shares decrease and should losses on the sale of shares accumulate within the Employees' Shareholder Trust, and if the corresponding debt equivalent to such losses on sale of shares remains at the time of termination of the trust, the Company assumes the obligation to repay such remaining debt pursuant to the guarantee agreement.

(2) The Company's own shares held in trust
The Company's own shares held in trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock as of March 31, 2017 were ¥512 million ($4,569 thousand) and 76 thousand shares, respectively.

(3) Book value of borrowings recorded based on the gross method as of March 31, 2017

¥508 million ($4,534 thousand)

2. U.S. Dollar Amounts

For the convenience of the readers, the accompanying consolidated financial statements with respect to the year ended March 31, 2017 have been presented in U.S. dollars by translating all yen amounts at ¥112.20 = U.S.$1.00, the exchange rate prevailing on March 31, 2017. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Accounting Changes

The Company adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method. The impact of this change on the consolidated statement of income for the year ended March 31, 2017 is immaterial.

4. Inventories

Inventories as of March 31, 2017 and 2016 were as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	**¥4,062**	¥3,561	**$36,204**
Work in process	**484**	469	**4,319**
Raw materials and supplies	**3,847**	3,502	**34,291**
	¥8,394	¥7,533	**$74,814**

5. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that amounts from additional paid-in capital and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in additional paid-in capital or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

6. Income Taxes

Income taxes applicable to the Company comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 30% for 2017 and 32% for 2016. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rate applicable in their country of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current:			
Deferred tax assets:			
Enterprise tax payable	**¥ 58**	¥ 81	**$ 517**
Provision for employees' bonuses	**117**	112	**1,050**
Social insurance premium on accrued bonuses	**21**	20	**188**
Unrealized gain on inventories	**68**	77	**611**
Other	**57**	51	**513**
Total deferred tax assets	**323**	343	**2,882**
Deferred tax liabilities:			
Deferred gain on hedges	**(41)**	(43)	**(371)**
Total deferred tax liabilities	**(41)**	(43)	**(371)**
Deferred tax assets, net	**¥ 281**	¥ 300	**$ 2,511**
Non-current:			
Deferred tax assets:			
Liability for retirement benefits	**¥ 75**	¥ 63	**$ 676**
Allowance for retirement benefits for directors and corporate auditors	**18**	18	**161**
Loss on valuation of investment securities	**138**	153	**1,230**
Asset retirement obligations (Guarantee deposits)	**11**	10	**99**
Loss on valuation of golf memberships	**9**	9	**86**
Deferred loss on hedges	**—**	12	**—**
Other	**106**	105	**950**
Total gross deferred tax assets	**359**	373	**3,205**
Valuation allowance	**(28)**	(25)	**(251)**
Total deferred tax assets, net of valuation allowance	**331**	347	**2,953**
Deferred tax liabilities:			
Deferred gain on hedges	**(61)**	—	**(547)**
Deferred gain on property and equipment	**(29)**	(30)	**(266)**
Unrealized gain or loss on securities	**(2,176)**	(2,675)	**(19,400)**
Total deferred tax liabilities	**(2,267)**	(2,706)	**(20,213)**
Deferred tax assets, net	**¥(1,936)**	¥(2,358)	**$(17,260)**

(Additional information)
The Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance") from the beginning of the fiscal year ended March 31, 2017 and partially revised the accounting method for assessing the recoverability of deferred tax assets.

7. Long-Term Debt
Long-term debt as of March 31, 2017 is summarized as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from bank			
Unsecured	**¥508**	¥—	**$4,534**
Total	**¥508**	¥—	**$4,534**

This Long-term Debt relates to "Hogy Medical Employees' Shareholders Association Exclusive Trust Account". The aggregate annual maturities of long-term debt is omitted because its repayment amount is variable. The weighted average interest rate of long-term debt is omitted because interest expenses on such debt are not recorded as interest expense in the consolidated statement of income.

8. Retirement Benefit Plans
The Company has a defined contribution pension plan.

The overseas subsidiaries have a lump-sum retirement payment plan in accordance with the law in their countries of domicile.

The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	**¥252**	¥245	**$2,254**
Service cost	**39**	48	**353**
Interest cost	**21**	19	**194**
Actuarial gain or loss	**28**	12	**255**
Retirement benefits paid	**(37)**	(48)	**(334)**
Foreign exchange gains or losses	**(1)**	(24)	**(14)**
Balance at the end of the year	**¥303**	¥252	**$2,707**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unfunded retirement benefit obligation	**¥303**	¥252	**$2,707**
Net liability for retirement benefits in the consolidated balance sheets	**¥303**	¥252	**$2,707**
Liability for retirement benefits	**¥303**	¥252	**$2,707**
Net liability for retirement benefits in the consolidated balance sheets	**¥303**	¥252	**$2,707**

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥39**	¥48	**$353**
Interest cost	**21**	19	**194**
Retirement benefit expenses on the defined benefit plan	**¥61**	¥67	**$547**

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial gain or loss	**¥24**	¥19	**$221**
Total	**¥24**	¥19	**$221**

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial gain or loss	**¥139**	¥114	**$1,240**
Total	**¥139**	¥114	**$1,240**

The fair value of plan assets, by major category, as a percentage of total plan assets:

There is no related information to be disclosed for the years ended March 31, 2017 and 2016.

The assumptions used in accounting for the above plans are as follows:

	2017	2016
Discount rate	**7.88%**	8.53%

Contributions made to defined contribution plans for the years ended March 31, 2017 and 2016 were ¥227 million ($2,029 thousand) and ¥227 million.

9. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Freight	**¥ 962**	¥ 946	**$ 8,574**
Allowance for doubtful accounts	**—**	0	**—**
Salaries, wages and bonuses for employees	**2,068**	2,117	**18,437**
Allowance for employees' bonuses	**260**	243	**2,324**
Allowance for directors' bonuses	**100**	100	**891**
Retirement and severance benefits	**161**	158	**1,441**
Depreciation	**1,007**	1,044	**8,983**

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2017 and 2016 amounted to ¥485 million ($4,323 thousand) and ¥403 million, respectively.

10. Other Comprehensive Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2017 and 2016:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized gain on other securities:			
Amount arising during the year	**¥ (643)**	¥ 1,306	**$ (5,735)**
Reclassification adjustments for gains and losses included in net income	**(1,024)**	—	**(9,127)**
Amount before tax effect	**(1,667)**	1,306	**(14,863)**
Tax effect	**498**	(269)	**4,447**
Unrealized gain on other securities	**(1,168)**	1,037	**(10,416)**
Deferred gain on hedges:			
Amount arising during the year	**240**	(1,253)	**2,139**
Tax effect	**(71)**	403	**(640)**
Deferred gain on hedges	**168**	(849)	**1,498**
Translation adjustments:			
Amount arising during the year	**(360)**	37	**(3,215)**
Tax effect	**—**	—	**—**
Translation adjustments	**(360)**	37	**(3,215)**
Retirement benefits liability adjustment:			
Amount arising during the year	**(24)**	(19)	**(221)**
Reclassification adjustments for gains and losses included in net income	**—**	—	**—**
Amount before tax effect	**(24)**	(19)	**(221)**
Tax effect	**6**	3	**55**
Retirement benefits liability adjustment	**(18)**	(16)	**(165)**
Total other comprehensive income	**¥(1,379)**	¥ 208	**$(12,299)**

11. Net Assets

(a) Information regarding changes in net assets for the years ended March 31, 2017 and 2016 were as follows:

(1) Shares issued and outstanding / treasury stock

For the year ended March 31, 2017

Types of share	Number of shares at April 1, 2016	Increase	Decrease	**Number of shares at March 31, 2017**
		(Thousands of shares)		
Shares issued:				
Common stock	16,341	—	—	**16,341**
Treasury stock:				
Common stock (Notes 1, 2 and 3)	612	86	8	**689**

Notes:
1. The number of treasury stock as of March 31, 2017 includes the Company's shares owned by Hogy Medical Employees' Shareholders Association Exclusive Trust Account of 76 thousand shares.
2. Increase in treasury stock of common stock (86 thousand shares) was due to acquisition of shares by the Hogy Medical Employees' Shareholders Association Exclusive Trust Account (85 thousand shares) and purchase of fractional shares less than one trading unit (0 thousand shares).
3. Decrease in treasury stock of common stock (8 thousand shares) was due to sale to the Hogy Medical Employees' Shareholders Association from the Hogy Medical Employees' Shareholders Association (8 thousand shares).

For the year ended March 31, 2016

Types of share	Number of shares at April 1, 2015	Increase	Decrease	Number of shares at March 31, 2016
		(Thousands of shares)		
Shares issued:				
Common stock	16,341	—	—	16,341
Treasury stock:				
Common stock (Note 1)	612	0	0	612

Note:
1. Increase due to purchase of fractional shares less than one trading unit.

(2) Dividends

Dividends paid

For the year ended March 31, 2017

Resolution	**Type of shares**	**Total dividends**	**Dividends per share**	**Cut-off date**	**Effective date**
		(Millions of yen)	*(Yen)*		
Meeting of the Board of Directors on April 12, 2016	Common stock	**¥456**	**¥29**	March 31, 2016	May 31, 2016
Meeting of the Board of Directors on July 12, 2016	Common stock	**¥471**	**¥30**	June 30, 2016	August 31, 2016
Meeting of the Board of Directors on October 13, 2016	Common stock	**¥471**	**¥30**	September 30, 2016	November 30, 2016
Meeting of the Board of Directors on January 16, 2017	Common stock	**¥471**	**¥30**	December 31, 2016	February 28, 2017

Resolution	Type of shares	Total dividends	Dividends per share	Cut-off date	Effective date
		(Thousands of U.S. dollars)	(U.S. dollars)		
Meeting of the Board of Directors on April 12, 2016	Common stock	**$4,065**	**$0.258**	March 31, 2016	May 31, 2016
Meeting of the Board of Directors on July 12, 2016	Common stock	**$4,205**	**$0.267**	June 30, 2016	August 31, 2016
Meeting of the Board of Directors on October 13, 2016	Common stock	**$4,205**	**$0.267**	September 30, 2016	November 30, 2016
Meeting of the Board of Directors on January 16, 2017	Common stock	**$4,205**	**$0.267**	December 31, 2016	February 28, 2017

Notes:
1. The amount of cash dividends on common stock by resolution of meeting of the Board of Directors on October 13, 2016 includes the ¥2 million ($22 thousand) in cash dividends on the Company's shares owned by the Hogy Medical Employees' Shareholders Association Exclusive Trust Account.
2. The amount of cash dividends on common stock by resolution of meeting of the Board of Directors on January 16, 2017 includes the ¥2 million ($21 thousand) in cash dividends on the Company's shares owned by the Hogy Medical Employees' Shareholders Association Exclusive Trust Account.

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends	Dividends per share	Cut-off date	Effective date
		(Millions of yen)	(Yen)		
Meeting of the Board of Directors on April 10, 2015	Common stock	¥440	¥28	March 31, 2015	May 29, 2015
Meeting of the Board of Directors on July 10, 2015	Common stock	¥456	¥29	June 30, 2015	August 31, 2015
Meeting of the Board of Directors on October 13, 2015	Common stock	¥456	¥29	September 30, 2015	November 30, 2015
Meeting of the Board of Directors on January 14, 2016	Common stock	¥456	¥29	December 31, 2015	February 29, 2016

Dividends of which the cut-off date was in the year ended March 31, 2017 and the effective date will be in the year ending March 31, 2018

Resolution	Type of shares	Total dividends	Resources of dividends	Dividends per share	Cut-off date	Effective date
		(Millions of yen)		(Yen)		
Meeting of the Board of Directors on April 12, 2017	Common stock	**¥471**	Retained earnings	**¥30**	March 31, 2017	May 31, 2017

Resolution	Type of shares	Total dividends	Resources of dividends	Dividends per share	Cut-off date	Effective date
		(Thousands of U.S. dollars)		(U.S. dollars)		
Meeting of the Board of Directors on April 12, 2017	Common stock	**$4,205**	Retained earnings	**$0.267**	March 31, 2017	May 31, 2017

Note:
1. The amount of cash dividends on common stock by resolution of meeting of the Board of Directors on April 12, 2017 includes the ¥2 million ($20 thousand) in cash dividends on the Company's shares owned by the Hogy Medical Employees' Shareholders Association Exclusive Trust Account.

Dividends of which the cut-off date was in the year ended March 31, 2016 and the effective date was in the year ending March 31, 2017

Resolution	Type of shares	Total dividends	Resources of dividends	Dividends per share	Cut-off date	Effective date
		(Millions of yen)		(Yen)		
Meeting of the Board of Directors on April 12, 2016	Common stock	¥456	Retained earnings	¥29	March 31, 2016	May 31, 2016

12. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and bank deposits in the accompanying consolidated balance sheets as of March 31, 2017 and 2016 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2017 and 2016:

	2017	2016	**2017**
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and bank deposits	**¥16,658**	¥12,380	**$148,467**
Time deposits with original maturities of more than three months	**(413)**	(387)	**(3,685)**
Cash and cash equivalents	**¥16,244**	¥11,993	**$144,782**

13. Amounts per Share

Basic profit attributable to owners of parent per share was computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year, and diluted profit attributable to owners of parent per share was computed based on the profit attributable to owners of parent available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants. Diluted profit attributable to owners of parent per share for the years ended March 31, 2017 and 2016 has not been presented because there were no potentially dilutive securities as of March 31, 2017 and 2016. Amounts per share of net assets were computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim distributions made.

	2017	2016	**2017**
	(yen)		(U.S. dollars)
Profit attributable to owners of parent:			
Basic	**¥369.06**	¥375.81	**$3.29**
Diluted	**—**	—	**—**
Cash dividends applicable to the year	**120.00**	116.00	**1.07**

	2017	2016	**2017**
	(yen)		(U.S. dollars)
Net assets	**¥5,726.25**	¥5,569.77	**$51.04**

Note:
For the purpose of calculation of profit per share, own shares held in the Hogy Medical Employees' Shareholders Association Exclusive Trust Account recorded as treasury stock under the category of shareholders' equity were included in treasury stock to be subtracted from the average outstanding number of shares. (50 thousand shares for the year ended March 31, 2017)

Likewise, for the purpose of calculation of net assets per share, these own shares held in the Hogy Medical Employees' Shareholders Association Exclusive Trust Account were included in treasury stock to be subtracted from the total number of outstanding shares at the end of fiscal year. (76 thousand shares for the year ended March 31, 2017)

14. Financial Instruments

Overview

(a) Policy for financial instruments

For the years ended March 31, 2017 and 2016, the Company and its consolidated subsidiary (collectively, the Group) raises funds through short-time deposits, and in consideration of the future capital investment, the Group raises funds through long-term time deposits.

The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables – trade notes and accounts receivable – are exposed to credit risk in relation to customers.

Investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Company has business relationships.

Substantially all trade payables – trade notes and accounts payable – mostly have payment due dates within four months. Although the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts, currency swaps and currency options are arranged to reduce the risk.

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the payables denominated in foreign currencies.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedge accounting is found in Note 1 *Summary of Significant Accounting Policies (f) Derivative instrument and hedge accounting* and Note 16 *Derivative Transactions.*

(c) Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies of the Company for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Company is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(2) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)
For trade payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts, currency swaps and currency options to hedge such risk.

For investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers.

The administration department handles the execution and management of derivative transactions upon approval of the President and CEO.

(3) Monitoring of liquidity risk (the risk that the Company may not be able to meet its obligations on scheduled due dates)
Based on the report from each division, the Company prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 16 *Derivative Transactions* are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2017 and 2016 and estimated fair value are shown in the following table. The following table does not include financial instruments for which fair values are extremely difficult to determine (Please refer to Note 2 below).

	As of March 31, 2017		
	Carrying value	**Estimated fair value**	**Difference**
	(Millions of yen)		
Assets:			
1) Cash and bank deposits	**¥16,658**	**¥16,658**	**¥ —**
2) Notes and accounts receivable	**11,289**	**11,289**	**—**
3) Investment securities	**9,113**	**9,113**	**—**
Total assets	**¥37,060**	**¥37,060**	**¥ —**
Liabilities:			
1) Notes and accounts payable-trade	**¥(5,093)**	**¥(5,093)**	**¥ —**
Total liabilities	**¥(5,093)**	**¥(5,093)**	**¥ —**
Derivatives*	**¥ 426**	**¥ 426**	**¥ —**

	As of March 31, 2017		
	Carrying value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
1) Cash and bank deposits	**$148,467**	**$148,467**	**$ —**
2) Notes and accounts receivable	**100,622**	**100,622**	**—**
3) Investment securities	**81,221**	**81,221**	**—**
Total assets	**$330,311**	**$330,311**	**$ —**
Liabilities:			
1) Notes and accounts payable-trade	**$ (45,395)**	**$ (45,395)**	**$ —**
Total liabilities	**$ (45,395)**	**$ (45,395)**	**$ —**
Derivatives*	**$ 3,800**	**$ 3,800**	**$ —**

	As of March 31, 2016		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
Assets:			
1) Cash and bank deposits	¥12,380	¥12,380	¥ —
2) Notes and accounts receivable	11,620	11,620	—
3) Investment securities	10,768	10,768	—
Total assets	¥34,769	¥34,769	¥ —
Liabilities:			
1) Notes and accounts payable-trade	¥(4,980)	¥(4,980)	¥ —
Total liabilities	¥(4,980)	¥(4,980)	¥ —
Derivatives*	¥ 103	¥ 103	¥ —

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(1) Assets

Cash and bank deposits and notes and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities
The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 15 *Investment Securities* of the notes to the consolidated financial statements.

(2) Liabilities

Notes and accounts payable-trade and accounts payable-other
Since these items are settled in a short period of time, their carrying value approximates fair value.

Derivatives transactions
Please refer to Note 16 *Derivative Transactions* of the notes to the consolidated financial statements.

2. Financial instruments for which fair values are extremely difficult to determine

	As of March 31,		
	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	**¥ 95**	¥ 95	**$ 846**
Investments in partnership	**¥296**	¥297	**$2,642**

Because no quoted market price is available and it is extremely difficult to determine the fair value, these financial instruments are not included in the preceding table.

3. Redemption schedule for receivables with maturities as of March 31, 2017 and 2016

	As of March 31, 2017			
	Due in one year or less	**Due after one year through five years**	**Due after five years through ten years**	**Due after ten years**
	(Millions of yen)			
Cash and bank deposits	**¥16,645**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable	**11,289**	**—**	**—**	**—**
Total	**¥27,935**	**¥ —**	**¥ —**	**¥ —**

	As of March 31, 2017			
	Due in one year or less	**Due after one year through five years**	**Due after five years through ten years**	**Due after ten years**
	(Thousands of U.S. dollars)			
Cash and bank deposits	**$148,355**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable	**100,622**	**—**	**—**	**—**
Total	**$248,978**	**$ —**	**$ —**	**$ —**

	As of March 31, 2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash and bank deposits	¥12,368	¥ —	¥ —	¥ —
Notes and accounts receivable	11,620	—	—	—
Total	¥23,988	¥ —	¥ —	¥ —

15. Investment Securities

(a) Information regarding securities classified as other securities

	As of March 31, 2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥9,013	¥1,735	¥7,277
Others	100	100	—
Subtotal	9,113	1,835	7,277
Securities whose acquisition cost exceeds their carrying value:			
Stocks	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	¥9,113	¥1,835	¥7,277

	As of March 31, 2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	$80,330	$15,472	$64,858
Others	891	891	—
Subtotal	81,221	16,363	64,858
Securities whose acquisition cost exceeds their carrying value:			
Stocks	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	$81,221	$16,363	$64,858

	As of March 31, 2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥10,666	¥1,771	¥8,894
Others	100	100	—
Subtotal	10,766	1,871	8,894
Securities whose acquisition cost exceeds their carrying value:			
Stocks	1	1	(0)
Others	—	—	—
Subtotal	1	1	(0)
Total	¥10,768	¥1,873	¥8,894

(b) Sales of securities classified as other securities and the aggregate gain and loss
Proceeds from sales of stocks classified as other securities amounted to ¥1,062 million ($9,465 thousand) with an aggregate gain on sales of ¥1,024 million ($9,127 thousand) for the year ended March 31, 2017.

(c) Impairment of investment securities

	For the year ended March 31, 2016
	(Millions of yen)
Other securities	
Stocks	¥180

16. Derivative Transactions

(1) The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2017, for which hedge accounting has not been applied, were as follows:

(a) Currency-related transactions

	As of March 31, 2017			
	Notional Amount		Fair Value	Unrealized Gain
	Total	Maturing after one year		
	(Millions of yen)			
Currency swaps:				
Receive/Yen and pay/USD	¥1,562	¥1,562	¥83	¥83

	As of March 31, 2017			
	Notional Amount		Fair Value	Unrealized Gain
	Total	Maturing after one year		
	(Thousands of U.S. dollars)			
Currency swaps:				
Receive/Yen and pay/USD	$13,923	$13,923	$740	$740

Note:
1. Calculation of fair value is based on the fair value, etc. presented by counterparty financial institutions, etc.

(2) The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2017 and 2016, for which hedge accounting has been applied, were as follows:

(a) Currency-related transactions

	As of March 31, 2017		
	Notional Amount		Fair Value
	Total	Maturing after one year	
	(Millions of yen)		
Deferral hedge accounting			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD	¥5,757	¥2,728	¥343
Allocation method			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD (Note 2)	¥ 595	—	—

Notes:
1. Calculation of fair value is based on the fair value, etc. presented by counterparty financial institutions, etc.
2. Allocation method are accounted for in combination with accounts payable that are hedged and thus the fair value is included in the fair value of such accounts payable.

	As of March 31, 2017		
	Notional Amount		Fair Value
	Total	Maturing after one year	
	(Thousands of U.S. dollars)		
Deferral hedge accounting			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD	$51,310	$24,317	$3,060
Allocation method			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD (Note 2)	$ 5,305	—	—

Notes:
1. Calculation of fair value is based on the fair value, etc. presented by counterparty financial institutions, etc.
2. Allocation method are accounted for in combination with accounts payable that are hedged and thus the fair value is included in the fair value of such accounts payable.

	As of March 31, 2016		
	Notional Amount		Fair Value
	Total	Maturing after one year	
	(Millions of yen)		
Deferral hedge accounting			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD	¥2,302	¥1,141	¥(80)
Currency swaps, accounted for as part of accounts payable:			
Buy:			
USD	¥ 331	—	¥ 68
Currency options, accounted for as part of accounts payable:			
Call options, Buy • Put options, Sell:			
USD	¥1,004	—	¥116
Allocation method			
Forward foreign exchange contracts, accounted for as part of accounts payable:			
Buy:			
USD (Note 2)	¥ 232	—	—
Currency swaps, accounted for as part of accounts payable:			
Buy:			
USD (Note 2)	¥ 227	—	—
Currency options, accounted for as part of accounts payable:			
Call options, Buy • Put options, Sell:			
USD (Note 2)	¥ 201	—	—

Notes:
1. Calculation of fair value is based on the fair value, etc. presented by counterparty financial institutions, etc.
2. Allocation method are accounted for in combination with accounts payable that are hedged and thus the fair value is included in the fair value of such accounts payable.
3. Currency options, classified as zero cost options, are shown collectively since call options and put options are part of the same contract.

17. Segment Information

Segment information

The Company and its consolidated subsidiaries are engaged principally in manufacturing and selling non-woven fabric and sterilized medical goods, which are considered to be a single business segment. Accordingly, the presentation of information by the reportable segments has been omitted.

Related information

For the year ended March 31, 2017

(a) Information by products and services

	Year ended March 31, 2017				
	Sterilization products	Surgical-use products	Medical treatment products	Others	Total
	(Millions of yen)				
Sales to third parties	¥3,634	¥32,144	¥200	¥879	¥36,859

	Year ended March 31, 2017				
	Sterilization products	Surgical-use products	Medical treatment products	Others	Total
	(Thousands of U.S. dollars)				
Sales to third parties	$32,391	$286,496	$1,790	$7,836	$328,515

(b) Information by geographical areas

(1) Net sales
This information has been omitted since overseas sales are less than 10% of net sales in the consolidated statement of income for the year ended March 31, 2017.

(2) Property, plant and equipment
This information has been omitted since property, plant and equipment in Japan exceeds 90% of property, plant and equipment in the consolidated balance sheet as of March 31, 2017.

(c) Information by major customers

This information has been omitted since there is no customer that represents more than 10% of net sales in the consolidated statement of income for the year ended March 31, 2017.

For the year ended March 31, 2016

(a) Information by products and services

	Year ended March 31, 2016				
	Steriliza-tion products	Surgical-use products	Medical treatment products	Others	Total
	(Millions of yen)				
Sales to third parties	¥3,647	¥31,866	¥207	¥846	¥36,568

(b) Information by geographical areas

(1) Net sales
This information has been omitted since overseas sales are less than 10% of net sales in the consolidated statement of income for the year ended March 31, 2016.

(2) Property, plant and equipment
This information has been omitted since property, plant and equipment in Japan exceeds 90% of property, plant and equipment in the consolidated balance sheet as of March 31, 2016.

(c) Information by major customers

This information has been omitted since there is no customer that represents more than 10% of net sales in the consolidated statement of income for the year ended March 31, 2016.

18. Related Party Transactions
The information about transactions with related parties has been omitted since there were no significant related party transactions for the years ended March 31, 2017 and 2016.

19. Subsequent Events
The information about subsequent events has been omitted since there were no significant subsequent events for the year ended March 31, 2017.

Independent Auditor's Report

The Board of Directors
Hogy Medical Co., Ltd.

We have audited the accompanying consolidated financial statements of Hogy Medical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hogy Medical Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 23, 2017
Tokyo, Japan

A member firm of Ernst & Young Global Limited

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Phone: +(81)78-579-8611 Fax: +(81)78-579-8612

18 Okayama Sales Office
6-28, Okudanishimachi, Kita-ku,
Okayama-shi, Okayama 700-0931
Phone: +(81)86-803-2007 Fax: +(81)86-803-2005

19 Hiroshima Sales Office
17-23, Nakasuji 2-chome, Asaminami-ku,
Hiroshima-shi, Hiroshima 731-0122
Phone: +(81)82-879-3901 Fax: +(81)82-879-3903

20 Matsuyama Sales Office
1188-1, Kishimachi, Matsuyama-shi,
Ehime 791-1102
Phone: +(81)89-976-2021 Fax: +(81)89-976-1822

21 Fukuoka Sales Office
22-22, Toko 2-chome, Hakata-ku,
Fukuoka-shi, Fukuoka 812-0008
Phone: +(81)92-475-1861 Fax: +(81)92-475-1864

22 Kumamoto Sales Office
107-12 Koga, Mashikimachi,
Kamimashiki-gun, Kumamoto 861-2234
Phone: +(81)96-286-1331 Fax: +(81)96-286-1425

23 Kagoshima Sales Office
3-1, Gionnosu-cho, Kagoshima-shi,
Kagoshima 892-0803
Phone: +(81)99-248-5040 Fax: +(81)99-247-2330

Facilities

24 Tsukuba Plant

1650-30, Okubara-cho, Ushiku-shi, Ibaraki 300-1283

Kit Plant

Phone: +(81)29-830-9700 Fax: +(81)29-830-9710

Sterilization Center

Phone: +(81)29-830-9725 Fax: +(81)29-830-9726

Distribution Center

Phone: +(81)29-830-9100 Fax: +(81)29-830-9101

OPC

Phone: +(81)29-830-9735 Fax: +(81)29-830-9736

25 Miho Plant No.1

1873-1 Fusa, Miho-mura, Inashiki-gun,
Ibaraki 300-0427
Phone: +(81)29-885-2981 Fax: +(81)29-885-6800

26 Miho Plant No.2

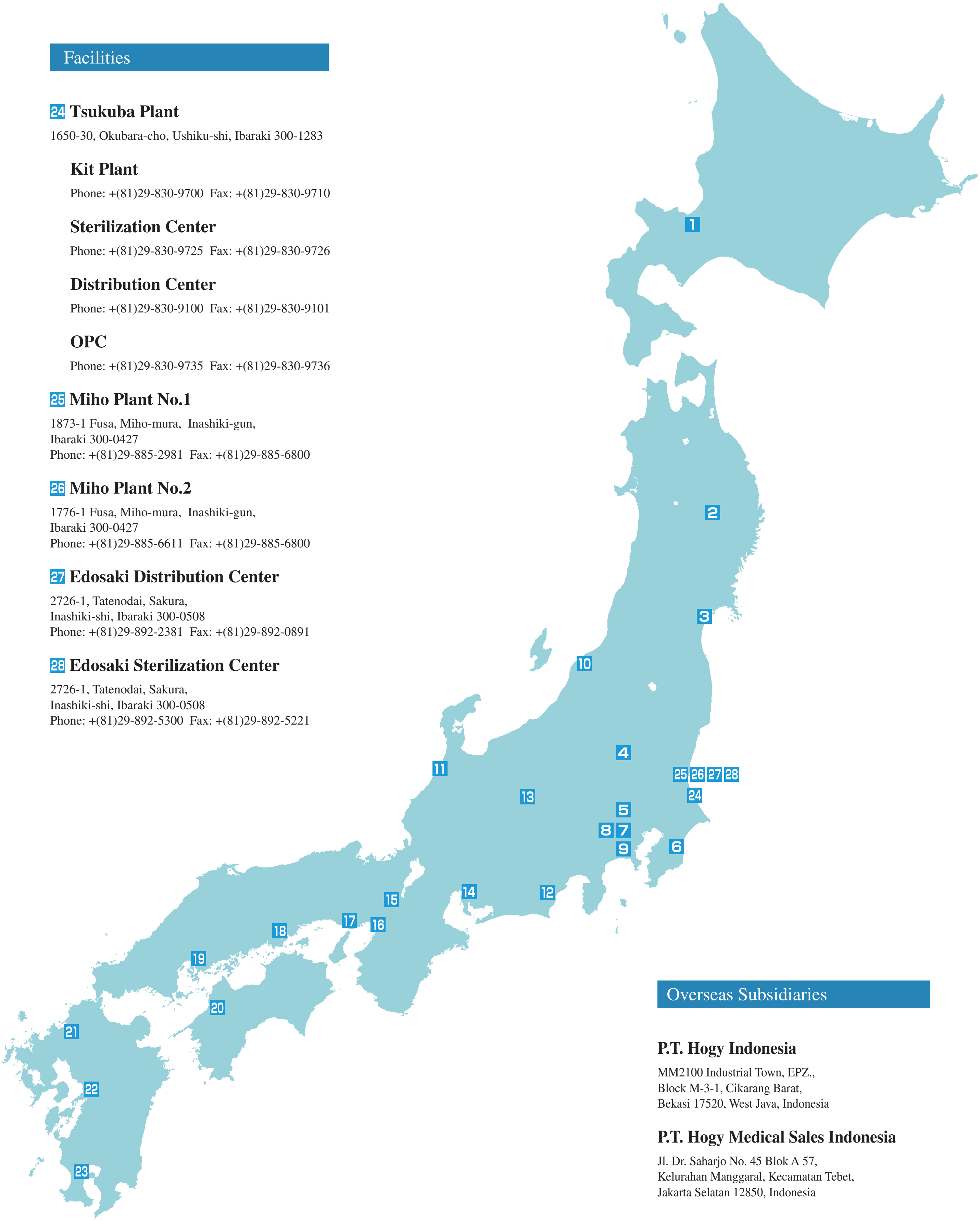
1776-1 Fusa, Miho-mura, Inashiki-gun,
Ibaraki 300-0427
Phone: +(81)29-885-6611 Fax: +(81)29-885-6800

27 Edosaki Distribution Center

2726-1, Tatenodai, Sakura,
Inashiki-shi, Ibaraki 300-0508
Phone: +(81)29-892-2381 Fax: +(81)29-892-0891

28 Edosaki Sterilization Center

2726-1, Tatenodai, Sakura,
Inashiki-shi, Ibaraki 300-0508
Phone: +(81)29-892-5300 Fax: +(81)29-892-5221



Overseas Subsidiaries

P.T. Hogy Indonesia

MM2100 Industrial Town, EPZ.,
Block M-3-1, Cikarang Barat,
Bekasi 17520, West Java, Indonesia

P.T. Hogy Medical Sales Indonesia

Jl. Dr. Saharjo No. 45 Blok A 57,
Kelurahan Manggaral, Kecamatan Tebet,
Jakarta Selatan 12850, Indonesia

Corporate Information


Jun-ichi Hoki


Yukio Yamamoto


Katsuo Sasaki


Takuya Kobayashi


Katsumi Uchida


Kiyoshi Uesugi


Ikuo Fuse


Shuji Yanase


Noboru Iizuka

Board of Directors, Corporate Auditors and Executive Officers

President & CEO
Jun-ichi Hoki

Executive Director
Yukio Yamamoto (Sales Div. / Sales Dept. 2)

Directors
Katsuo Sasaki (Production Div. / Indonesia Dept.)
Takuya Kobayashi (Sales Dept. 1 / Group 1)

Outside Board Member
Katsumi Uchida
Kiyoshi Uesugi

Full-time Corporate Auditor
Ikuo Fuse

Outside Corporate Auditors
Shuji Yanase
Noboru Iizuka

Executive Officers
Susumu Ohashi (Systems Administration Dept. / Administration Dept.)
Akira Koizumi (General Manager Production Div.)
Wataru Fujimoto (Sales Dept. 2 / Group 3)

(as of June 23, 2017)

Corporate Data

Incorporated:
April 3, 1961

Paid-in capital:
¥7,123 million

Number of employees:
1,489 (Consolidated)

Number of sales offices:
23

Listing:
The Tokyo Stock Exchange
First Section

Code number:
3593

Number of shareholders:
4,680

Shares of common stock issued and outstanding:
16,341,155

Financial year:
April 1 to March 31

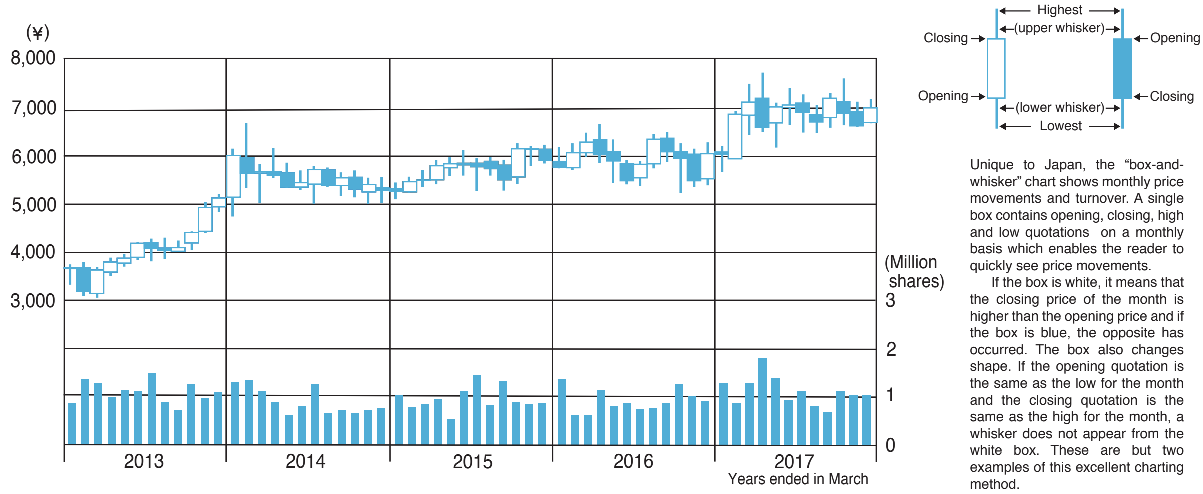
Annual general meeting:
June

Transfer agent:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11 Higashisuna 7-chome, Koto-ku,
Tokyo, 137-8081
Tel: 0120-232-711

Independent auditor:
Ernst & Young ShinNihon
Hibiya Kokusai Building, 2-3,
Uchisaiwai-cho 2-chome, Chiyoda-ku,
Tokyo 100-0011
Tel: 03-3503-1100

(as of March 31, 2017)

Common Stock Price Range & Trading Volume



Unique to Japan, the "box-and-whisker" chart shows monthly price movements and turnover. A single box contains opening, closing, high and low quotations on a monthly basis which enables the reader to quickly see price movements.

If the box is white, it means that the closing price of the month is higher than the opening price and if the box is blue, the opposite has occurred. The box also changes shape. If the opening quotation is the same as the low for the month and the closing quotation is the same as the high for the month, a whisker does not appear from the white box. These are but two examples of this excellent charting method.

Numbers shown in the chart represent the highest and the lowest prices throughout the period. A bar graph at the foot of the chart indicates the monthly turnover in units of one million shares.

	2013	2014	2015	2016	2017 Years ended in March
High (yen)	5,200	6,660	6,240	6,650	7,670
Low (yen)	3,070	4,755	5,110	5,250	5,650

Major Shareholders

	Number of shares	Percentage of total (%)
● Masao Hoki	2,673,023	16.35
● Goldman Sachs and Company Regular Account (Permanent representative: Goldman Sachs Securities Co., Ltd.)	1,211,444	7.41
● Hoki Museum Co., Ltd.	567,724	3.47
● The Bank of New York Mellon 140044 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	566,800	3.46
● State Street Bank and Trust Company (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	493,400	3.01
● Northern Trust Company (AVFC) Mondrian International Small Cap Equity Fund (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	471,600	2.88
● Jun-ichi Hoki	434,650	2.65
● The Master Trust Bank of Japan, Ltd. (Trust Account)	412,900	2.52
● State Street Bank and Trust Client Omnibus Account OM02 505002 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	348,600	2.13
● Japan Trustee Services Bank, Ltd. (Trust Account)	305,100	1.86

Our company owns 689,946 treasury stock.
(As of March 31, 2017)

Shareholder Composition

	Number of shareholders	Number of shares	Proportion (%)
Individuals	4,373	4,784,682	29.28
Financial institutions	33	2,501,520	15.31
Financial products trading firms	30	165,135	1.01
Foreign investors and others	180	7,110,906	43.52
Others (including treasury stock)	64	1,778,912	10.88
Total	4,680	16,341,155	100.00

HOGY MEDICAL Co., Ltd.