

HOGY MEDICAL Co., Ltd.



HOGY MEDICAL REPORT
2018

Corporate Philosophy

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,” the Company offers products and systems that contribute to the safety of patients and health care professionals and streamlining and labor-saving of the management of medical institutions and other organizations.

C O N T E N T S

C2	Corporate Philosophy
1	Profile
2	Hogy Medical’s Mission
	A Perspective of the Medical Industry
4	Hogy Medical’s History
8	Message from Top Management
14	Financial Highlights
18	Growth Strategy with Premium Kit Products
22	Our Plants
24	Product Lineup
28	ESG-Related Information
	Environmental Friendliness, Commitment to Society and Corporate Governance
32	Consolidated Financial Statements
	Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Net Assets and Consolidated Statement of Cash Flows
38	Network
40	Corporate Information
41	Shareholder Information



As a Leading Provider of Medical Products, Hogy Medical Contributes to Medical Safety and Management Reform of Medical Institutions through Its Products that Accurately Grasp Customer Needs and Structure of Reliably Supplying Such Products

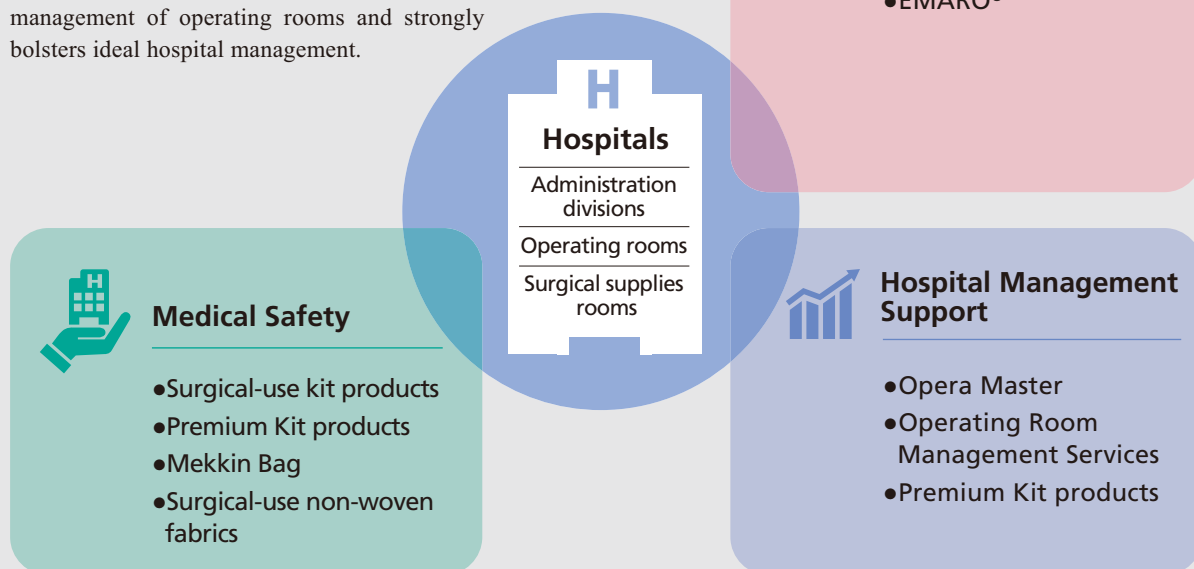
Since its inception in 1961, for more than half a century the Company has dedicated itself to developing close and excellent relationships with medical professionals while at the same time developing and steadily supplying products that contribute to safety on the medical front lines and the management reform of medical institutions. The Company's mainstay products have been evolving, starting from the Mekkin Bag that it started selling in 1964 for prevention of in-hospital infections, followed by surgical-use non-woven fabric products, surgical-use kit products and Opera Master, our comprehensive system of products, logistics and information management. Notably, our medical kit products provide a full set of surgical supplies, which had previously been collected piece by piece, so that they contribute to reducing workloads and time required for surgery preparation. Moreover, our comprehensive service, Opera Master, which is built on the three core elements of surgical-use kit products, logistics and information management, aims to help medical institutions improve profits, secure safety and raise operating efficiency. With Opera Master, 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. More recently, the Company has endeavored to expand sales of its new Premium Kit products that are designed to provide maximum benefits to customers. As such, we will continue to focus on developing and selling new products.

In addition, with the marketing attitude it has taken since inception, 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 aiming for increased efficiency in management of operating rooms. The products, being manufactured in plants that implement extensive safety measures, ensure the safety of patients and medical staff.

Hogy Medical's Business Domains

The Company develops and supplies a variety of products that contribute to the safety of patients and medical staff as well as streamlining of the management of medical facilities. With these products, Hogy Medical supports the efficient management of operating rooms and strongly bolsters ideal hospital management.



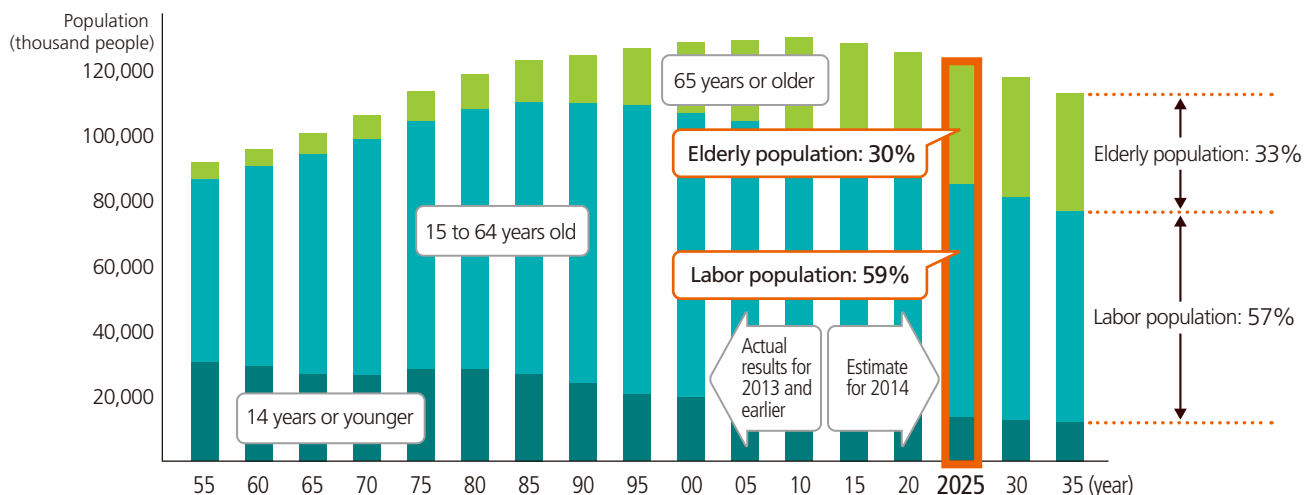
Aiming to Enhance Efficiency of Hospital Management to Support Safe and Reliable Health Care Services

A Perspective of the Medical Industry

In 2025, seven years from now, the baby-boomer generation will be aged 75 years old or over and Japan will enter an era of a super-aged society with as many as 22 million elderly people. In contrast, the working-age population has continued to decline since 1992. Accordingly, how to support elderly people going forward has become a major social problem for Japan. To address this issue, medical system reforms have been devised with a primary objective of suppressing the number of patients and reducing medical costs, which are soaring due to an increase and complication of patients. The first measure under the reforms is to promote differentiation of functions at medical institutions. In 2025, by when the number of acute phase beds will be reduced to approximately two-thirds of the current level, it is predicted that surgical treatment will be conducted in a more concentrated manner and operating rooms will have to be used even

more frequently. A decrease in the working-age population will lead to a shortage of medical professionals with a high degree of expertise. In order to provide good medical services under such conditions, it is essential to secure a sufficient number of staff as well as to ensure that they can work comfortably. However, it is not easy to secure a workplace where people can work at ease. Accordingly, as their mission going forward, medical professionals will need to provide safe and high-quality health care services while working with a smaller number of people and using facilities at a higher operating rate. We at Hogy Medical will contribute to highly-specialized medical professionals as well as hospital managers through a variety of products, with an aim to enhance management efficiency of medical institutions that supports safe and reliable health care services.

● Situations Japan Will Face (Impact of an Aging Society with a Low Birthrate)



Source: 2015 Vital Statistics by the Ministry of Health, Labour and Welfare, 2015 National Census and Population Estimates by the Ministry of Internal Affairs and Communications, and 2012 Population Projections for Japan by the National Institute of Population and Social Security Research

- Labor population decreasing rapidly
- Number of elderly people doubling

- Securing labor becomes more difficult
- Higher productivity needed

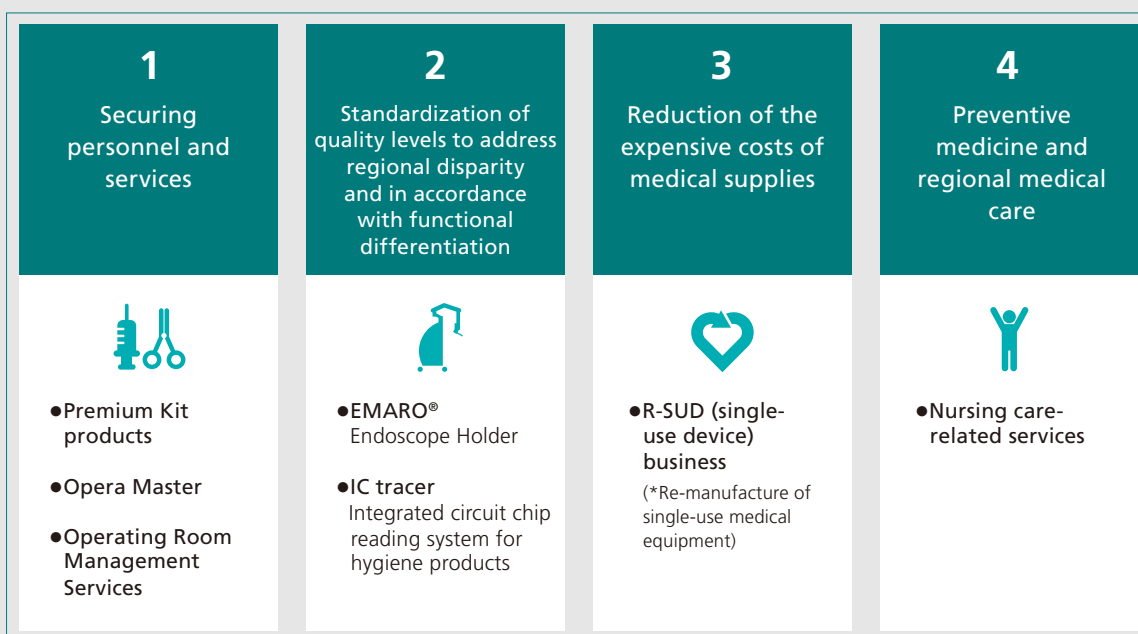
Patients' demand > Decreasing service providers (nurses, SPD staff, sterilization outsourcing staff, etc.)

Medical demand > Plant workers at manufacturer also decreasing

*** In the face of an aging society, it is necessary to construct a work environment that can achieve productivity higher than the current level with a minimum number of staff**

Hogy Medical's Roles

In the era of an aging society with a low birthrate, increasingly higher medical expenses pose the biggest challenge to Japan's health care system. As a countermeasure to ever-increasing medical expenses, Hogy Medical builds on the following four pillars to support medical institutions and enhance efficiency at the medical frontline. As we do so, we help build a system that allows for more surgical operations performed by fewer people, thereby reducing expenses and contributing to lean and highly-profitable hospital management.



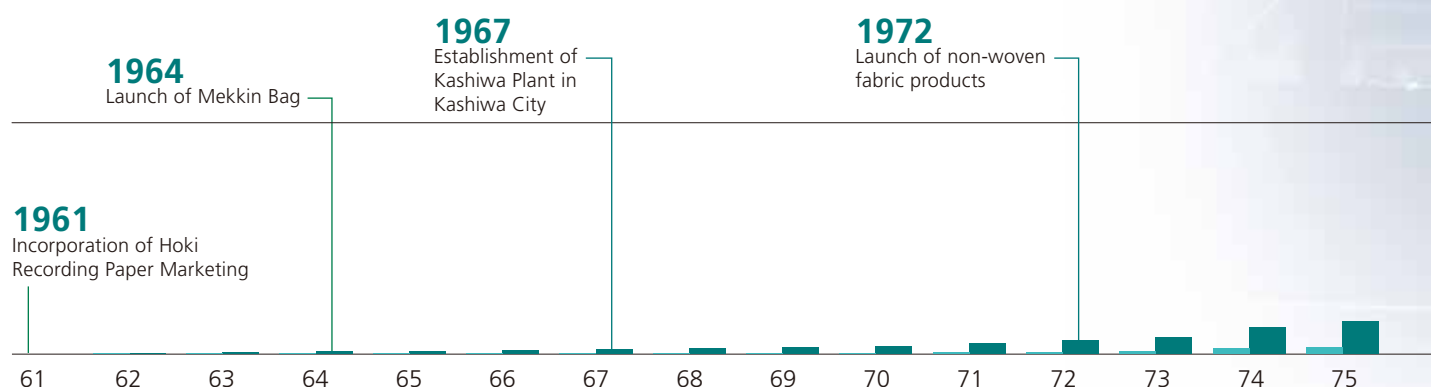
Provide Safe and High-Quality Medical Services and Contribute to Enhanced Efficiency in Hospital Management

The 57-year history of Hogy Medical is summarized here.

Since its inception in 1961, the Company has established a relationship of trust with medical institutions for more than half a century while developing and launching products sought by the medical frontline – including Mekkin Bag, non-woven fabrics, kit products, Opera Master and Premium Kit products – in anticipation of such requirements. As a leading provider of medical products in Japan, we will continue our endeavors to provide safe products in a stable manner, and focus on developing products that should contribute to medical safety and improved profitability of medical institutions.

Net sales Ordinary income

Note: Figures for 1996 and thereafter are on a consolidated basis.



Hoki Recording Paper Marketing



Mekkin Bag



Non-woven fabric products



Kashiwa Plant

Unit:
Millions
of yen

40,000

30,000

20,000

10,000

0

(as of March 31, 1989)

1961-1989

1983Construction of Miho
No. 2 Plant completed**1989**Establishment of Edosaki
Distribution Center (fully
automated warehouse)**1982**Launch of non-woven fabric
products using spun lace non-
woven fabrics**1987**Change of company name
to Hogy Medical Co., Ltd.**1978**Construction of
Miho No. 1 Plant
completed

76 77 78 79 80 81 82 83 84 85 86 87 88 89



Miho No. 1 Plant



Miho No. 2 Plant

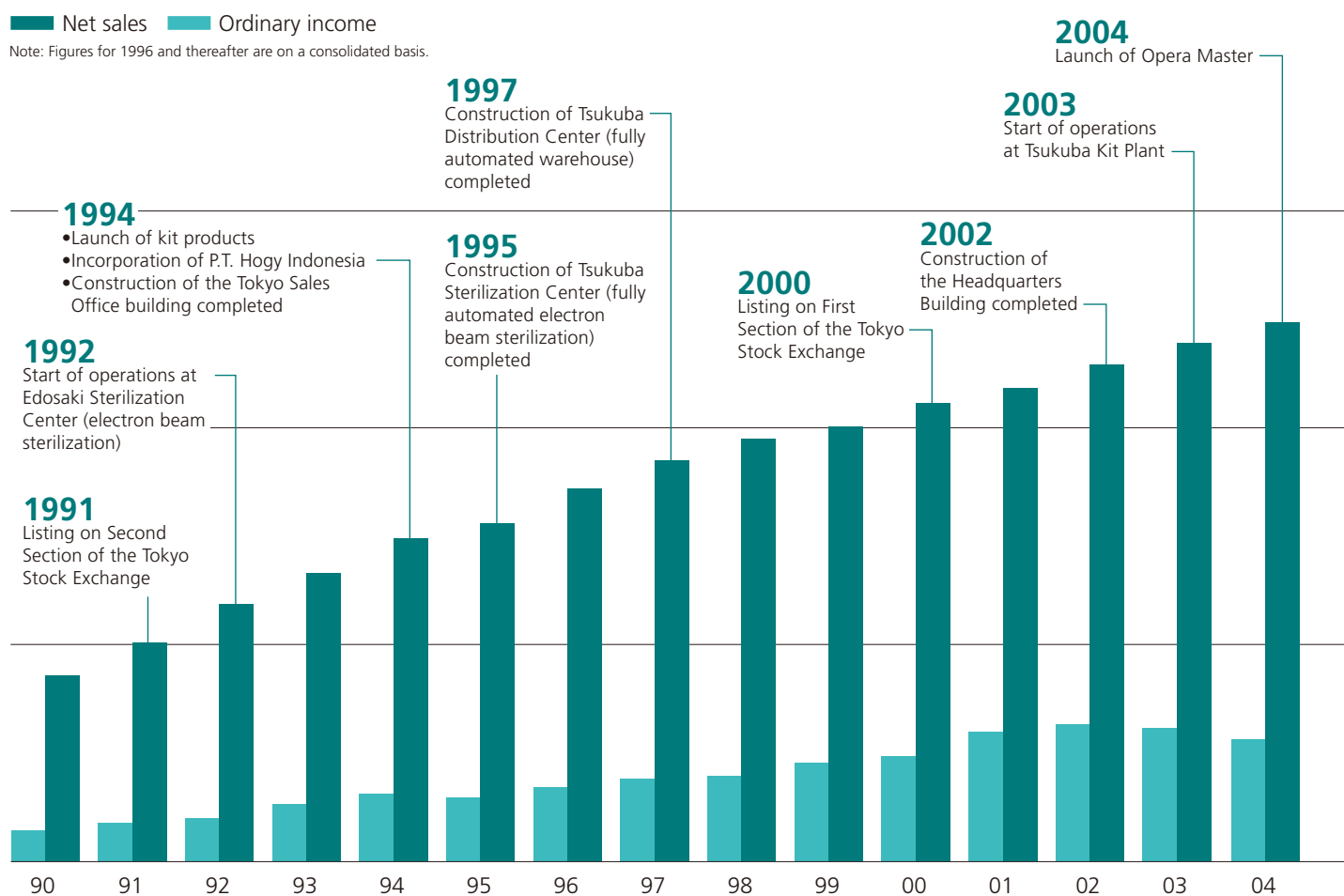
Non-woven fabrics
using spun lace

Edosaki Distribution Center

Hogy Medical's History 1990-2018

Net sales Ordinary income

Note: Figures for 1996 and thereafter are on a consolidated basis.



Edosaki Sterilization Center



Tokyo Sales Office



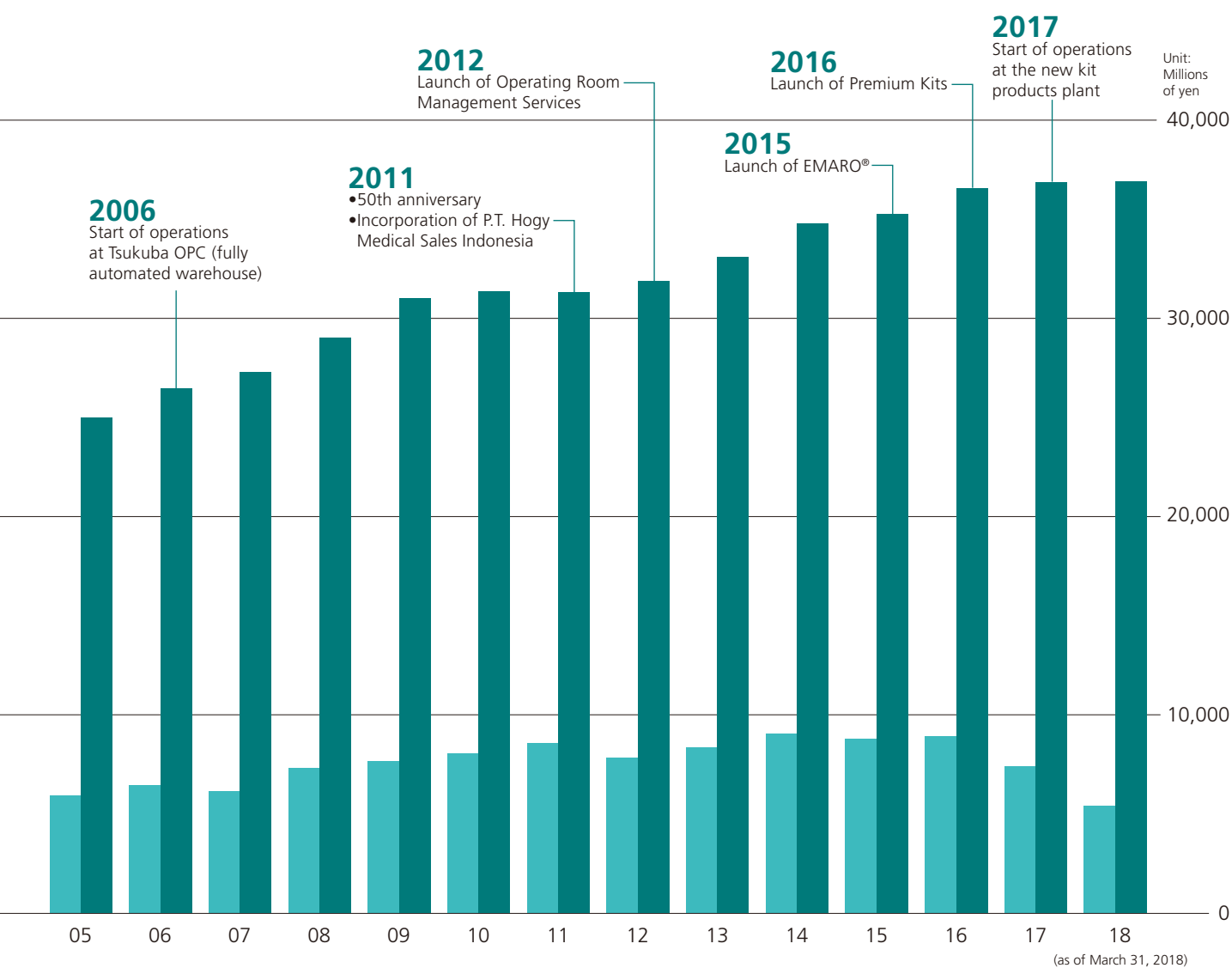
Tsukuba Sterilization Center



Headquarters Building



Tsukuba Plant



1990-2018



Medical kit products



Operating Room Management Services



EMARO®



Premium Kit



Tsukuba Plant

Remain Focused on Proposing Management Reform of Advanced Acute-Phase Hospitals and General Acute-Phase Hospitals by Introducing Kit Products, and Use Our Strong Proposal Capabilities to Make Our Premium Kit Products Firmly Accepted



In the fiscal year under review, the Japanese economy remained on a moderate recovery trend backed by solid domestic and overseas demand, showing improvements in the employment situation, income environment and corporate earnings, among other developments.

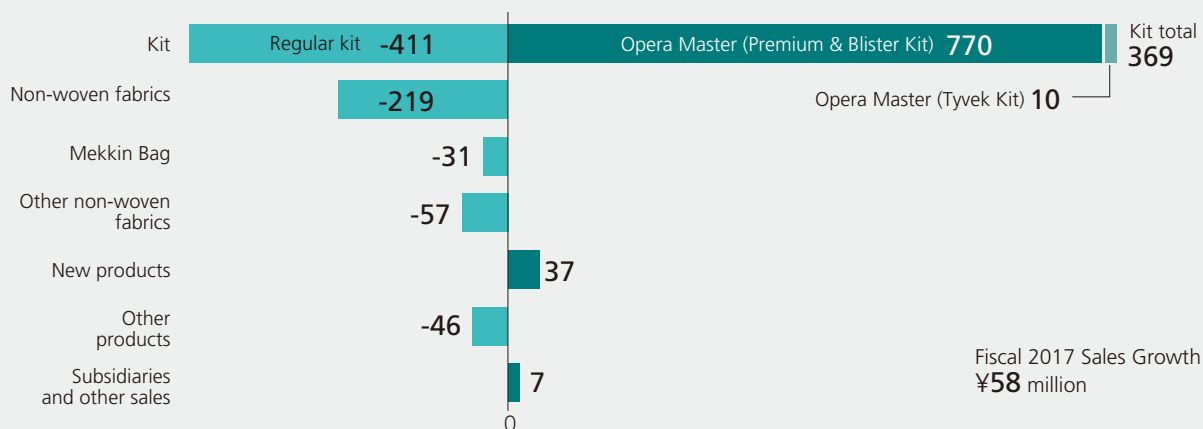
In the healthcare industry, major medical system reforms are underway against the backdrop of medical expenses continuing to increase, while the labor force grows increasingly scarce due to a progressively aging with a low birthrate and declining population, among other factors. Medical institutions continue to struggle for survival in the face of an even severer management environment as their operations are encumbered by the impact of revisions to government-determined medical service fees, etc. Given such harsh changes in the business environment, the medical equipment industry is required to provide products and services that should better contribute to the management reform and enhanced efficiency of medical institutions.

Under these circumstances, the Group has focused on proposing and selling Opera Master, which supports management reform of medical institutions, and Premium Kit products that contribute to higher efficiency of advanced acute-phase hospitals and general acute-phase hospitals in response to a decrease in the working population and an increase in the number of surgeries, as well as on the development and sale of new products. For Opera Master, we concluded new contracts with 22 medical institutions that are subject to the diagnosis procedure combination (DPC) system. On the other hand, we reviewed contracts with medical institutions where the product remained in non-operation due to lack of consensus and other reasons. This caused the number of cancellations to increase year on year to 29 contracts. As a result, the number of Opera Master contracts in force amounted to 282 in total.

Sales of kit products slowed because of inadequate new sales as medical institutions with new Opera Master contracts delayed in starting operations, and because of competition with rival companies, among other reasons. As for the proposals of Premium Kit products, which we started in the previous fiscal year, we are expanding internal education and training and undergoing clinical evaluations in which the products are used for actual patient cases. While the number of clinical evaluations has increased, it still takes time until the products provide a significant contribution to the Company's performance. With regard to new products, the sales of EMARO®

Increase of Sales of Major Products in Fiscal 2017 (ended March 2018)

(Unit: Millions of yen, rounded down)



Endoscope Holder was limited to five institutions, but we succeeded in selling our surgery management system to an institution.

As a result of these endeavors, consolidated net sales for the fiscal year under review amounted to ¥36,918 million, up 0.2% from the previous fiscal year. Sales of kit products rose 1.7% to ¥21,493 million, of which sales of Opera Master was ¥14,667 million or up 5.6%, while sales of non-woven fabric products amounted to ¥9,186 million, down 2.3%, all on a year-on-year basis. In terms of cost of sales, an increase in depreciation of the new kit products plant and other factors caused the cost-of-sales ratio to increase from the previous fiscal year. Selling, general and administrative expenses recorded an increase in sample costs, which are required mainly for sales promotion.

Consequently, operating income was ¥5,273 million, down 29.2%, and ordinary income was ¥5,380 million, down 27.3%. The Company also posted ¥2,224 million in extraordinary income on partial sales of shares, etc. Profit attributable to owners of parent was ¥5,262 million, down 9.1% from the previous fiscal year.

Going forward, as the healthcare environment will become increasingly severe with the advent of an aging society with a low birthrate, further management reform at medical institutions and reduction of medical expenses will emerge as important issues for Japanese society given the fact that the fiscal 2018 revisions to medical service fees determined to decrease the fees by some 1.19% as a whole.

In Japan, the Group will endeavor to expand the market through reviewing target medical institutions and reinforcing its marketing structure by increasing the sales force. We are

resolved to improve our business performance by implementing marketing activities with a focus on expanding sales of Premium Kit products.

As we look ahead, we will work to sell R-SUD, or re-manufacture of single-use devices (SUDs), over the medium term in line with our sales of Premium Kit products. For advanced acute-phase hospitals and general acute-phase hospitals, where the number of surgeries is expected to increase in the future, we will make proposals for further hospital management reform with an eye on our supply chain management (SCM) concept in which all supplies required for surgeries, including Premium Kit products and R-SUDs, are provided just in time.

In addition, we will promote expansion of our offerings to ASEAN countries and other overseas markets, aiming to achieve full-on penetration of our surgical supplies and other products to such markets.

At the new kit products plant, we will work to increase the capacity utilization rate by expanding production of Premium Kit products in an effort to enhance productivity. In a similar manner, we will further advance labor saving and promote automation at P.T. Hoky Indonesia, a subsidiary and major production base.

2018

Jun-ichi Hoki
President & CEO

1

Implementing Growth Strategy with Kit Products to Contribute to Medical Institutions, Which Are Forced to Cope with Labor Force Reduction Due to an Aging Society with a Low Birthrate and Population Decrease and with Concentration of Surgery Cases at Acute-Phase Hospitals

The Company's Opera Master and kit products are constantly evolving and are tailored around feedback received from long-term customers. In particular, the Premium Kit products, which are manufactured in the new kit process of the new plant that started operations in June 2017, are epoch-making kit products adopting a new shape. Compared with conventional kit products, the Premium Kit can include more supplies, serving as all-in-one kits providing surgical supplies for before, during and after surgery.

Premium Kit products not only allow anyone to consistently prepare in a smooth manner with adequate safety, but also significantly reduce the picking work before surgery so that the preparation time can be largely shortened. Moreover, higher efficiency in preparing for surgery provides an environment in which the staff can concentrate on their main work, leading to greater safety. Capable of enhancing hospital management efficiency better than conventional kits, Premium Kit products expand the possibility of making Opera

Master proposals.

Aside from the Premium Kit products, it is necessary for the marketing staff to obtain special knowledge and expertise in order to make proposals for enhancing management efficiency of medical institutions, and we have worked to enhance education and training for them. Consequently, sales of the Premium Blister Kits expanded to ¥2,065 million.

We position Opera Master and Premium Kits as products that will bolster the Group in the future as they can further contribute to medical institutions that are forced to cope with labor force reduction due to an aging society with a low birthrate and declining population as well as the concentration of surgery cases at acute-phase hospitals.



A panoramic view of Tsukuba Plant

2

Preparation to Obtain Approval of the R-SUD Business (Re-manufacture of Single Use Medical Devices) to Achieve Reduction of Medical Expenses, Protection of the Environment and Effective Use of Resources

One of our focused measures since inception is to develop mainstay products for the next era. We endeavor to develop and sell new products under the concept of “products useful for the medical front line,” with a focus on product life cycles.

In terms of new businesses, we are undertaking inspections and tests to apply for approval and authorization on starting operations of the R-SUD business in the fiscal year ending March 2020. Re-manufacturing and selling SUDs (single use medical devices), the business should contribute significantly to reducing medical expenses, protecting the environment and effectively using resources.

The R-SUD business is a business in which medical supply SUDs, which are designed to be used only once, are collected by the manufacturers and sellers after they have been used and, undergoing such processes as inspection, decom-

position, cleaning and sterilization, are re-manufactured and sold as SUDs of the same use. R-SUDs are expected to prove effective for reducing costs at medical institutions and will also lead to effective use of resources and protection of the environment. As such, demand for R-SUDs is projected to grow domestically.

In Japan, the Ministry of Health, Labour and Welfare announced on July 31, 2017 the creation of a new system regarding R-SUDs, and relevant laws and regulations were subsequently established. As part of its medium-term strategy, the Company aims to sell R-SUDs in the future, in line with the Premium Kit products sales it currently pursues.

3

Drastically Reviewing Overseas Sales Strategy and Reinforcing Sales to ASEAN Countries

The Company’s local subsidiary in Indonesia, P.T. Hogy Indonesia, has established its presence as one of the world’s leading production plants for non-woven fabric products. However, labor costs will remain on an increasing trend going forward. To address this issue, efforts are being made to enhance productivity by further promoting labor-saving and automation of the plant, while aiming to achieve higher earnings by increasing the internal manufacturing of materials.

Moreover, we have drastically reviewed our overseas sales strategy, which had been centered on Indonesia, as part of the Company’s growth strategy. We will not only reinforce

domestic sales in Indonesia, but will also aim to expand sales in neighboring countries and on a global scale.

As the first step of this endeavor, we will reinforce our sales to the ASEAN region, which has a large potential to become a medical equipment market in the future as it is witnessing notable growth in population and economy.

4

Reaching an Agreement with Mitsubishi Corporation on Comprehensive Partnership, Newly Promoting Medical Consumables and Healthcare Services through Synergy of the Two Companies' Knowledge and Strengths

Pursuing further reform in management of medical institutions as well as reduction of medical expenses has become an important issue for Japanese society amid the environment surrounding healthcare becoming increasingly severe with the advent of an aging society with a low birthrate. Meanwhile, large demand for the healthcare service area is anticipated to arise in growing markets overseas.

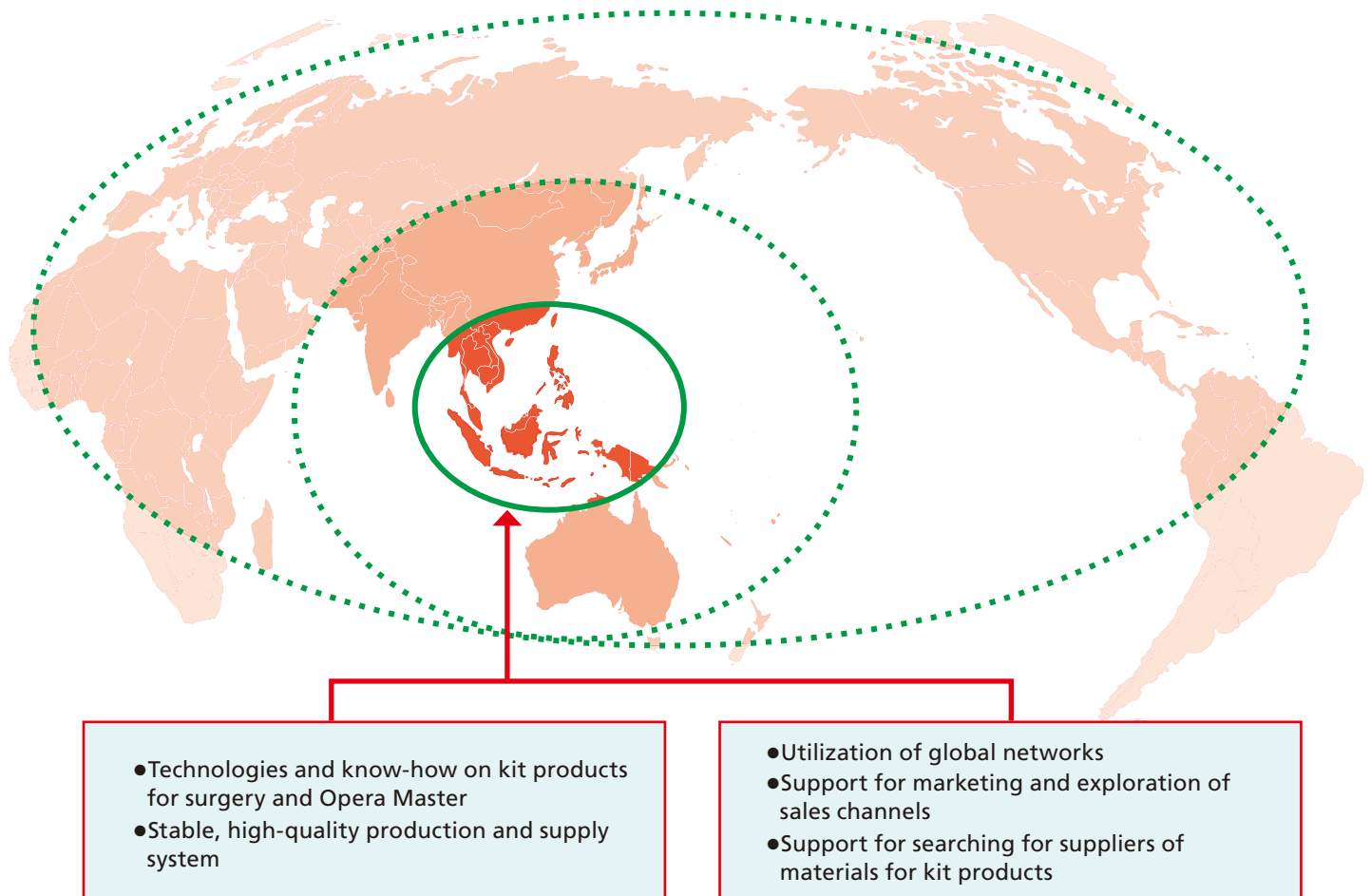
In order to respond to these social changes and the needs from medical institutions, and to implement a new medical consumables and healthcare service business, the Company has reached an agreement with Mitsubishi Corporation regarding a comprehensive partnership in the healthcare business.

Mitsubishi Corporation, which has a variety of networks in and outside Japan, and the Company will tie up in the three fields of (1) overseas marketing of surgical supplies and

other products, (2) joint operation of the R-SUD business (re-manufacture of single-use medical devices) to re-manufacture and sell SUDs (single-use medical devices), and (3) development of next-generation management support solutions for acute-phase hospitals. By fusing the knowledge and strengths fostered by the two companies, the partnership aims to implement a new medical consumables and healthcare service business in response to the needs of medical institutions and changes in society.

With regard to overseas marketing of medical consumables and other products, the two companies will start operations by jointly developing the ASEAN market, such as by building a cooperation framework that may include establishing a joint venture for exploring and expanding sales channels, as they pursue business expansion on a global scale.

Further Expand Operations on a Global Scale Starting with Joint Development of the ASEAN Market



5

Dividend and Capital Policies Focused on Our Stakeholders

As its basic policy with respect to profit appropriation, the Company focuses on the dividend policy of returning profits to our shareholders actively and on a continual basis, 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 2018 ended March 31, 2018, the Company paid quarterly dividends of ¥31 for each quarter (in contrast to ¥30 in each of the quarters in the previous fiscal year) for a total annual dividends of ¥124 (in contrast to ¥120 in the previous fiscal year), a record high.

The consolidated performance forecasts for fiscal 2019 ending March 31, 2019 are net sales of ¥38,770 million (up

5.0% from the previous fiscal year), operating income of ¥5,920 million (up 12.3%), ordinary income of ¥6,050 million (up 12.4%) and profit attributable to owners of parent of ¥5,450 million (up 3.6%). As for dividends, we plan to pay ¥16 for each quarter, or ¥64 in total for the entire year. These figures are calculated for a share after the stock split the Company conducted as of April 1, 2018, when it conducted a 2-for-1 split of its common stock.

Moreover, at the Board of Directors meeting held on April 11, 2018, the Company resolved on matters regarding purchase of its treasury stock pursuant to the provisions of Article 459-1 of the Companies Act.

Future Outlook and Medium- to Long-Term Strategies

Propose Further Hospital Management Reform with Opera Master and Premium Kit Products in the Face of Increasingly Harsh Healthcare Environment

The healthcare environment is undergoing a significant change amid healthcare reform making progress in light of ever-increasing medical expenses. At acute care hospitals, which are major customers of the Group, the number of surgical operations conducted at a hospital is increasing year by year due to the progressive 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.

In addition, as there is the increasing concern about the number of doctors falling short of that of patients with the aging of society, it has become even more indispensable to manage hospitals with an eye on efficient operation of sur-

gery rooms and reduction of workload.

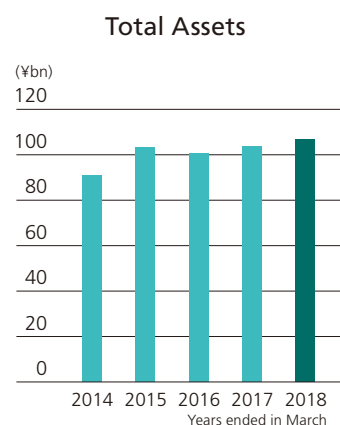
Going forward, the Group will focus on proposing management reform particularly to advanced acute care hospitals and general acute care hospitals, which are likely to see a concentration of patients, by introducing Opera Master and kit products centering on Premium Kit products. In association with these endeavors, we will invest in increasing our marketing staff and enhancing their education and training, etc., as measures for the Company to grow. With our high proposal capabilities, we will work to make the Premium Kit products firmly accepted.

Financial Highlights

Note: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥106.27 = U.S.\$1.00, the rate of exchange on March 31, 2018.

2. The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2014.

* 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.



Financial Review (Consolidated)

Business Status

Outline of Financial Position and Business Results

Business Results

In the fiscal year under review, the Japanese economy remained on a moderate recovery trend backed by solid domestic and overseas demand, showing improvements in the employment situation, income environment and corporate earnings, among other developments.

In the healthcare industry, major medical system reforms are underway against the backdrop of medical expenses continuing to increase, while the labor force grows increasingly scarce due to a progressively aging with a low birthrate and declining population, among other factors. Medical institutions continue to struggle for survival in the face of an even severer management environment as their operations are encumbered by the impact of revisions to government-determined medical service fees, etc.

Given such harsh changes in the business environment, the medical equipment industry is required to provide products and services that should better contribute to the management reform and enhanced efficiency of medical institutions.

Under these circumstances, the Group has focused on proposing and selling Opera Master, which supports management reform of medical institutions, and Premium Kit products that contribute to higher efficiency of advanced acute-phase hospital and general acute-phase hospitals in response to a decrease in the working population and an increase in the number of surgeries, as well as on the development and sale of new products.

For Opera Master, we concluded new contracts with 22 medical institutions that are subject to the diagnosis procedure combination (DPC) system. On the other hand, we reviewed contracts with medical institutions where the product remained in non-operation due to lack of consensus and other reasons. This caused the number of cancellations to increase year on year to 29 contracts. As a result, the number of Opera Master contracts in force amounted to 282 in total.

Sales of kit products slowed because of inadequate new sales as medical institutions with new Opera Master contracts delayed in starting operations, and because of competition with rival companies, among other reasons. As for the proposals of Premium Kit products, which we started in the previous fiscal year, we are expanding internal education and training and undergoing clinical evaluations in which the products are used for actual patient cases. While the number of clinical evaluations has increased, it still takes time until the products provide a significant contribution to the Company's performance. With regard to new products, the sales of EMARO® Endoscope Holder was limited to five institutions, but we succeeded in selling our surgery management system to an institution.

As a result of these endeavors, consolidated net sales for the fiscal year under review amounted to ¥36,918 million, up 0.2% from the previous fiscal year. Sales of kit products rose 1.7% to ¥21,493 million, of which sales of Opera Master was ¥14,667 million or up 5.6%, while sales of non-woven fabric products amounted to ¥9,186 million, down 2.3%, all on a year-on-year basis. In terms of cost of sales, an increase in depreciation of the new kit products plant and other factors caused the cost-of-sales ratio to increase from the previous fiscal year. Selling, general and administrative expenses recorded an increase in sample costs, which are required mainly for sales promotion. Consequently, operating income was ¥5,273 million, down 29.2%, and ordinary income was ¥5,380 million, down 27.3%. The Company also posted ¥2,224 million in extraordinary income on partial sales of shares, etc. Profit attributable to owners of parent was ¥5,262 million, down 9.1% from the previous fiscal year.

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

Financial Position

At the end of the fiscal year under review, total assets amounted to ¥106,449 million, up ¥3,252 million from the previous fiscal year.

Current assets increased ¥5,635 million to ¥42,745 million, due in part to a ¥4,616 million increase in cash and bank deposits and a ¥827 million increase in notes and accounts receivable.

Of fixed assets, property, plant and equipment decreased ¥4,095 million to ¥47,891 million. This was due in part to a ¥1,182 million decrease in buildings and structures net of depreciation, etc. and a ¥3,112 million decrease in machinery, equipment and vehicles net of depreciation for machinery and equipment, etc. Intangible assets amounted to ¥2,965 million, due to a ¥136 million decrease net of depreciation, etc. Investments and other assets increased ¥1,848 million to ¥12,847 million, due in part to a ¥2,043 million increase in investment securities on mark-to-market valuation of shares held. As a result, fixed assets amounted to ¥63,703 million.

At the end of the fiscal year under review, total liabilities amounted to ¥12,385 million, down ¥1,182 million from the previous fiscal year. Current liabilities decreased ¥1,780 million to ¥8,397 million, due in part to a ¥1,752 million decrease in other accounts payable with construction of machinery and equipment for a new kit products plant, etc., and a ¥429 million decrease in construction notes payable. Long-term liabilities increased ¥598 million to ¥3,987 million. This was due in part to a ¥109 million decrease in long-term debt for the trust-type Employee Shareholding Incentive Plan (E-Ship®) and a ¥666 million increase 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 ¥94,063 million, up ¥4,434 million from the previous fiscal year. This was due in part to an increase on posting ¥5,262 million in profit attributable to owners of parent, a ¥1,934 million decrease in appropriation of retained earnings and a ¥1,477 million increase in unrealized gain on other securities on mark-to-market valuation of shares held. As a result, the equity ratio increased from 86.8% at the end of the previous fiscal year to 88.4%.

Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥20,840 million, up ¥4,595 million from the previous fiscal year, due to the following cash flows:

(Cash Flows from Operating Activities)

Cash flows from operating activities included posting ¥7,583 million in profit before income taxes, ¥6,235 million in depreciation and ¥2,222 million in gain on sales of investment securities, as well as ¥850 million in increase in notes and accounts receivable, ¥383 million in increase in inventories, and ¥2,459 million in income taxes paid. As a result, net cash provided by operating activities amounted to ¥8,367 million, down ¥1,699 million from the previous fiscal year.

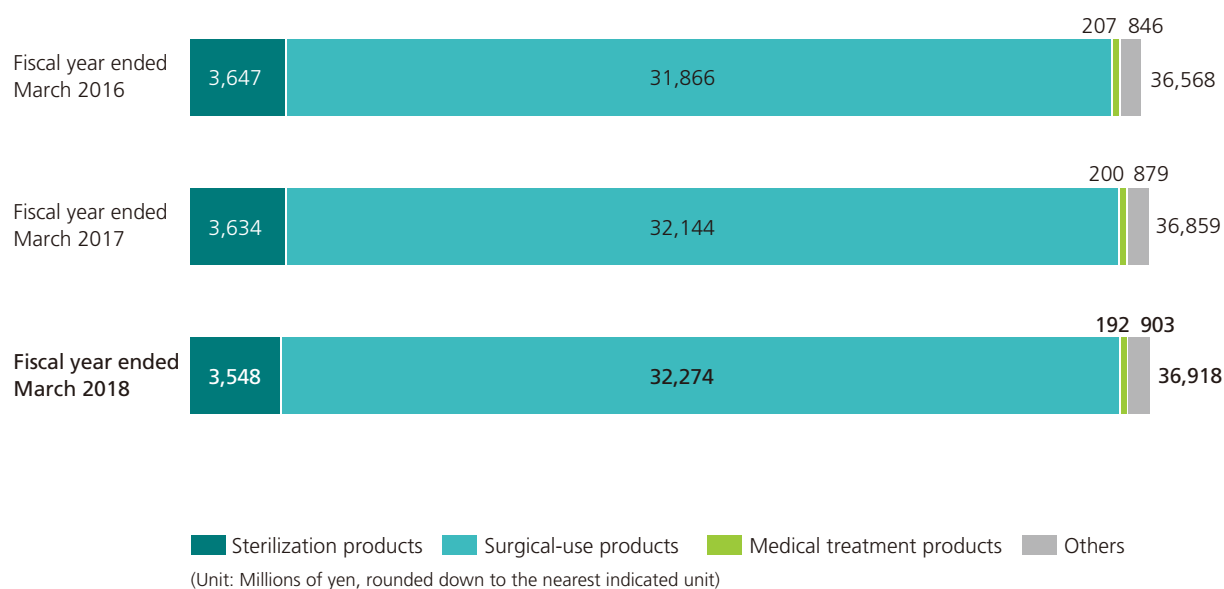
(Cash Flows from Investing Activities)

Cash flows from investing activities included ¥3,675 million in payments for purchase of property, plant and equipment and ¥2,298 million in proceeds from partial sales of investment securities. As a result, net cash used in investing activities amounted to ¥1,807 million, down ¥2,061 million from the previous fiscal year.

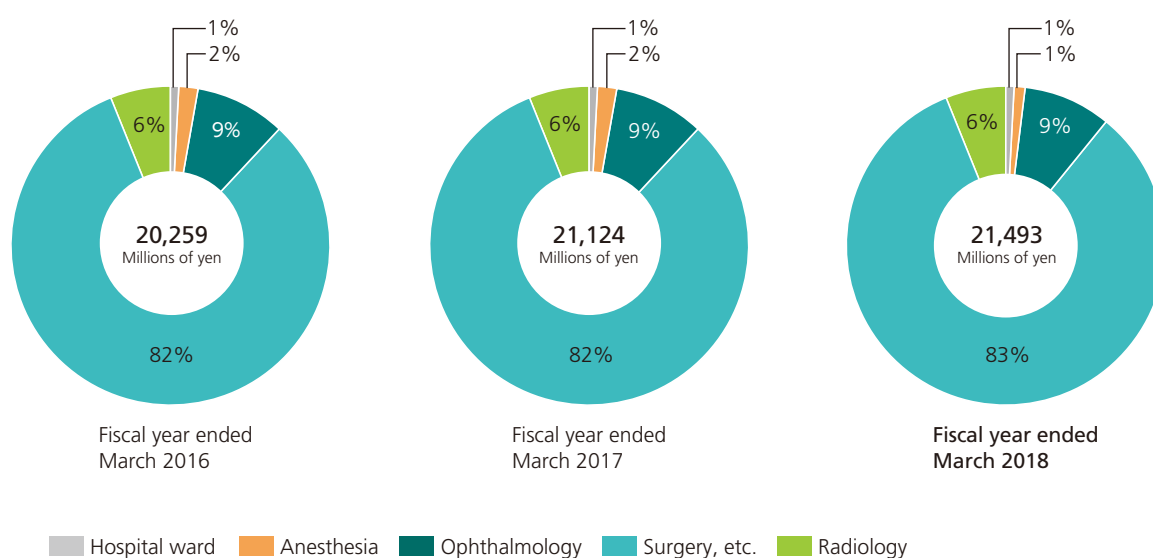
(Cash Flows from Financing Activities)

Cash flows from financing activities included ¥1,935 million in cash dividend paid, ¥109 million in repayments of long-term debt for the trust-type Employee Shareholding Incentive Plan (E-Ship®) and ¥103 million in proceeds from disposition of treasury stock. As a result, net cash used in financing activities amounted to ¥1,945 million, up ¥68 million from the previous fiscal year.

Sales Results by Product Category (Entire Fiscal Year)

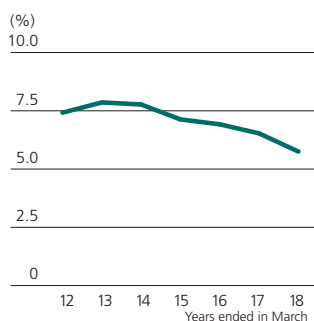


Kit Products Sales Composition Ratio by Clinical Department

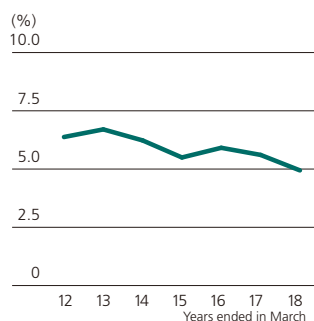


Profitability

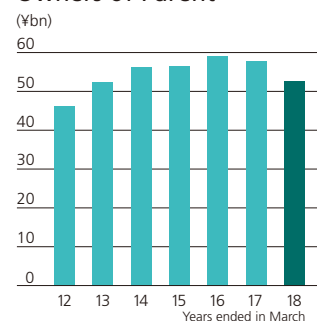
Return on Equity (ROE)



Return on Assets (ROA)

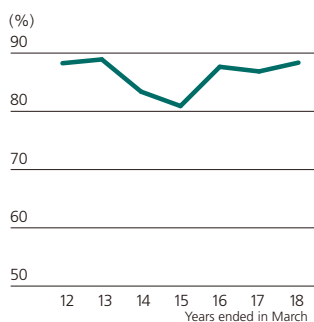


Profit Attributable to Owners of Parent

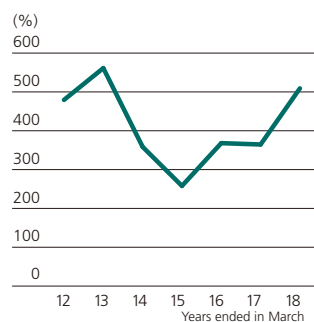


Stability

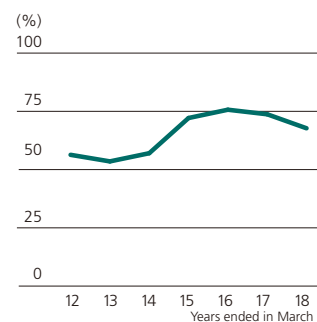
Equity Ratio



Current Ratio

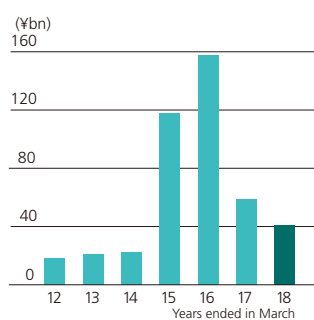


Fixed Ratio

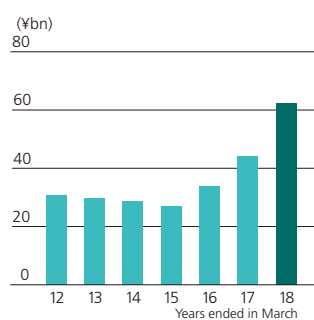


Capital Expenditures and Related Data

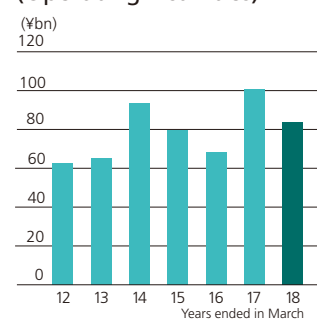
Capital Expenditures



Depreciation Expenses

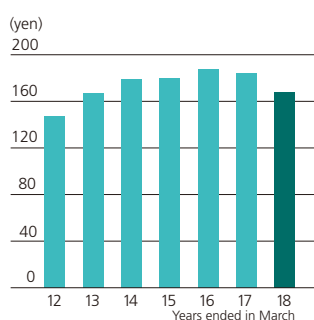


Cash Flows (Operating Activities)

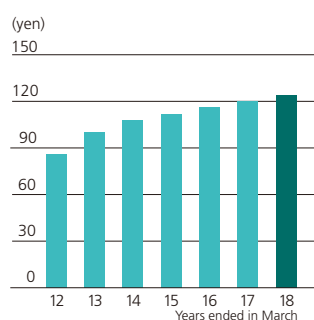


Per Share Data

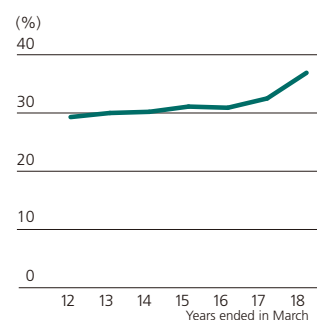
Earnings per Share (EPS)



Dividends per Share



Payout Ratio



(Note) The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2012.

Growth Strategy with Premium Kit Products Corresponding to the Era of Healthcare Environment Transformation

The Company has started operations of a new kit plant. Behind this move are three key words of "integration of acute-phase hospitals," "increase in the number of elderly people" and "decrease in working population" eyeing 2025. It is expected the number of acute-phase hospitals will decrease with a resulting concentration of patients, while the number of surgeries will increase due to the aging of the population. In addition, as the working population decreases as a result of the aging of society with a low birthrate, a labor shortage at the medical frontline is anticipated to occur as well. The Company's Tsukuba Premium Kit Plant will work to solve these diverse problems.

Acute-phase hospitals are required to enhance their management efficiency more than ever because of the "2025 Healthcare Model" and the rapid decrease in the working population, among other factors. The Premium Kit products the Company has launched are designed to further enhance the efficiency of surgery preparation and even lead to more efficient hospital management by significantly widening the content of the conventional kit products. Here, we describe a variety of features of the Premium Kit products, including the proprietary packaging technology for reducing preparation and opening work, superior safety and cost effectiveness.

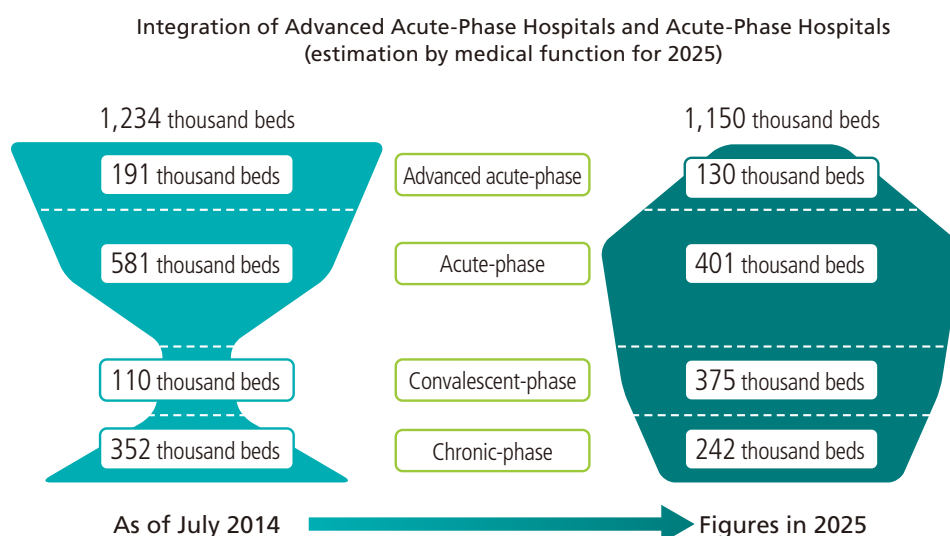


Development Background of Premium Kit Products

Integration of Acute-Phase Hospitals by Medical Policy

Under the "2025 Medical System Reform," hospitals in Japan will be divided into acute-phase hospitals and chronic-phase hospitals. In the 2025 Healthcare Model, while the number of hospitals treating convalescent patients will be increased, the

number of acute-phase hospitals that provide advanced medical care will be largely reduced. This makes it an urgent task for acute-phase hospitals to establish a method to efficiently increase the number of surgical operations.



Source: 5th Special Study Group on Promotion of Reform through Utilization of Healthcare/Nursing Care Information,
June 15, 2015, Prime Minister's Office

Manpower Shortage at Hospitals Resulting from an Aging Society with a Low Birthrate

Rapid Progress of Aging Society with a Low Birthrate →Decrease in Working Population

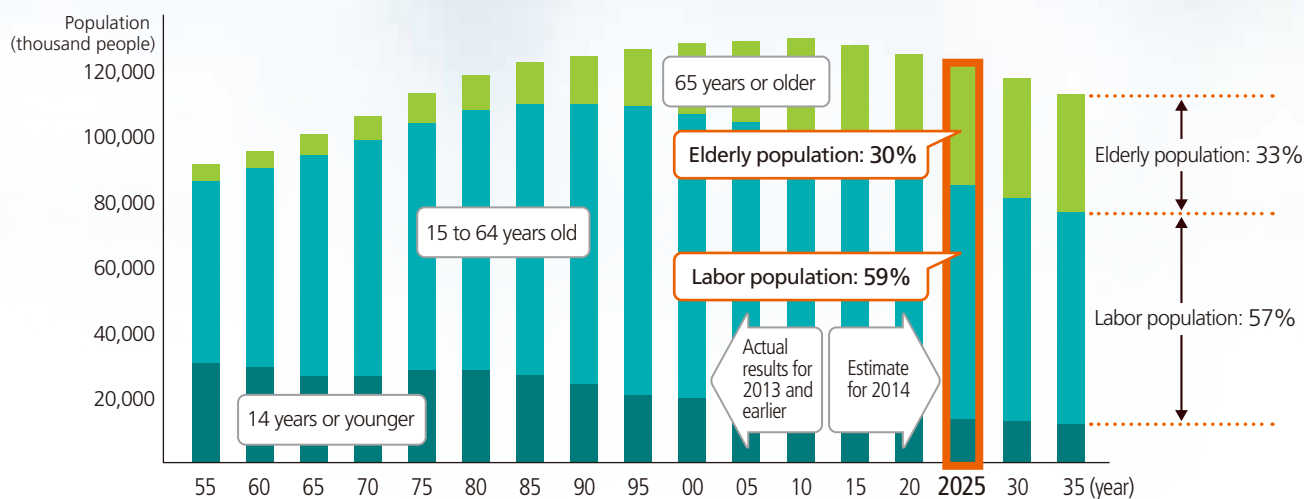
With the parallel progression of aging and decline in birthrate, the ratio of elderly people will be 30% by 2025 and 40% by 2060. The decreased working population will lead to work-force shortage at hospitals as well.

The 2025 Problem

→Social Security Expenses Continue to Expand

In 2025, when the entire baby-boomer generation has become latter-stage elderly, Japan will enter an era of a super-aged society where one in four persons is aged 75 years or older and the country will be faced a significant rise in healthcare expenses.

Situations Japan Will Face (Impact of an Aging Society with a Low Birthrate)



Source: 2015 Vital Statistics by the Ministry of Health, Labour and Welfare, 2015 National Census and Population Estimates by the Ministry of Internal Affairs and Communications, and 2012 Population Projections for Japan by the National Institute of Population and Social Security Research

What Will Be Required for Acute-Phase Hospitals Going Forward

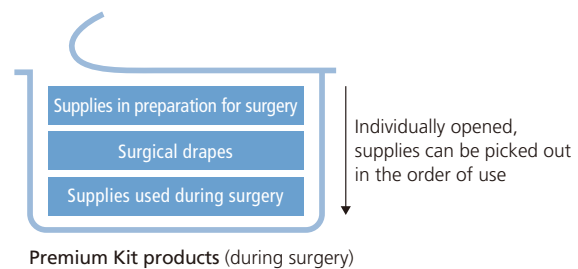
Integration of patients and surgical operations to acute-phase hospitals will call for medical safety and even further healthcare efficiency for hospital management. In response to such an era of transformation for the healthcare environment, the Company will support hospital management with its Premium Kit products.

What Are Premium Kit Products?

All-in-One Kits for Before, During and After Surgery

Containing all supplies needed for surgical operations, the Premium Kit helps enhance surgery efficiency and simplify inventory management by reducing picking work of each supply.

Conventional surgery kits are compiled mainly with the supplies needed during surgery, and the supplies needed for before and after surgery have to be picked separately. In contrast, the Premium Kit is an all-in-one kit product that contains in a package all supplies needed for before, during and after surgery. Because of this, Premium Kit significantly reduces the preparation work before surgery and enhances efficiency and safety through standardization of work procedures, leading to an increase in the number of surgical operations and greater earnings in accordance with the time saved, among other advantages.



Example of Benefits from Introducing Premium Kit Products

Reducing the Time Required for Preparing Surgical Supplies

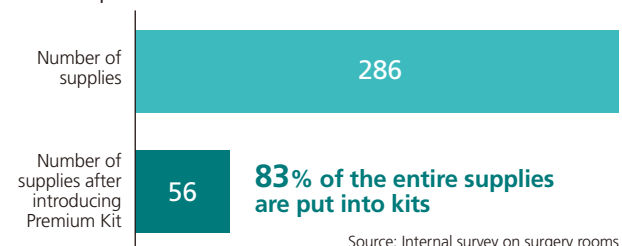
Take the surgery of aortic valve replacement, for example. A total of 286 supplies in 172 types are used before and during surgery per case. Of these, Premium Kit can put 239 supplies in 135 types into a kit, and is expected to reduce the time required for preparation and opening from 4 hours and 42 minutes to 56 minutes. This represents a significant reduction of 3 hours and 46 minutes, down by as much as 83%.

Improving Healthcare Quality by Improving Packaging Format

Characteristics of Blister Containers

- Transparent package makes it easy to check the contents
- Adopts the easy-peel method, which allows easy opening of the package
- Designed so that no collapse occurs when the package is opened
- The package can be moved in bulk with the supplies kept in it
- Adopts a tough film that is soft but cannot be split by hand
- Empty blister containers can be used as trays

● Breakdown of Supplies Used Before and During Surgery for Aortic Valve Replacement



Contributing to Hospital Management in Various Aspects

The benefits of Premium Kit products are more than just enhancing the efficiency of surgery preparations. For example, if supplies that have been prepared separately to date are put into kits, hospitals do not need to manage inventory individually or place orders separately, and the workload for these tasks will be reduced. Premium Kit products bring such benefits

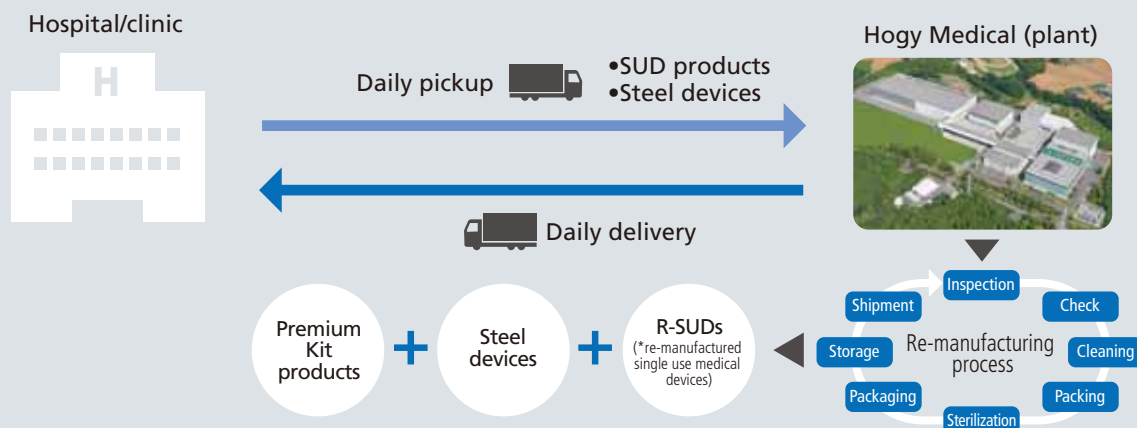
not only to nurses and anesthesiologists, but also to logistics departments and other various sections of hospitals. In other words, Premium Kit will help improve hospital management by optimizing people, things, time and space in hospitals, as the Company believes.

What Can Premium Kit Provide

- ✓ With the introduction of Premium Kit products, the cost (indirect cost) is reduced significantly and the profit margin is improved.
- ✓ Reducing the preparation time for surgery creates room for increasing the number of surgical operations.
- ✓ As a result, the time reduced at related departments and related tasks can be utilized effectively, greatly contributing to management reform of entire hospitals.

Supply Chain Management (SCM) Concept

The Company will make proposals for further hospital management reform to advanced acute-phase hospitals and general acute-phase hospitals where the number of surgeries is expected to increase in the future, with an eye on our supply chain management (SCM) concept in which all the supplies required for surgeries, including Premium Kit products and R-SUDs (re-manufactured single use medical devices), are provided just in time. When this cycle is completed, it is expected that hospitals will be able to conduct **(1) proper offering of medical services in accordance with demand (by surgery type), (2) labor saving by eliminating the need for inventory and its administration (can be operated by a minimum number of staff) and (3) cost management including budgeting etc.** These benefits should make it possible to manage hospitals at higher productivity and profitability.



Stable Supply Achieved and Delivery Time Shortened by Utilizing the Production Line Covering Manufacturing through Delivery; Newly Established a Plant Dedicated to Premium Kit Products to Manufacture Safe and High-Quality Products, Aiming to Create a Production System Corresponding to Major Medical Reforms



The Company's Premium Kit products support Japan's health-care system where severe reform is required as the country enters an era of major change by enhancing efficiency. To see this through and achieve stable supply of high-quality Premium Kit products and shortened delivery time, the Company has established a plant and new production base that utilizes cutting-edge technologies dedicated to Premium Kit products. At the Tsukuba New Kit Plant, which started operation in June 2017, know-how fostered by the Company

over many years is widely utilized. Fully equipped with a pristine environment inside, the plant is highly automated with advanced robots and machinery producing safe kit products. The new kit plant has the functionality to produce safely and stably high-quality products which support the medical frontline facing an era of change, both in terms of equipment and operational skills and know-how.

Production by advanced robots reduces artificial mistakes, such as errors in placing supplies into kits, and lowers the



possibility of bacterial adhesion and foreign matter contamination that may occur through manual work. In addition, the building of the new plant has adopted a seismic isolation structure, assumed to be able to withstand earthquakes with the seismic intensity of 7. The seismic isolation structure has seismic isolation devices installed in the basement so that shakes by earthquakes are less likely to be transmitted to the building. Presumably, this will prevent the robots from falling down or other accidents, securing a situation in

which production can be conducted even immediately after an earthquake. Moreover, as an important issue to tackle, the Company is working on building a business continuity plan (BCP) that secures as much as possible stable supply of products without a blank period of operations even in an emergency.



Mekkin Bag

Mekkin Bag Contributing to the Prevention of In-Hospital Infections

The Mekkin Bag, which the Company launched in 1964, contributes to the prevention of in-hospital infections. The product expanded quickly in demand due to its high functions and convenience of use, spreading widely to the extent that it is presently a recognized name among sterilization storage packages. Even now, it continues to evolve so that it can accommodate the many sterilization methods developed.



Surgical-Use Non-Wovens

Surgical-Use, Non-Woven Fabrics Highly Trusted by Surgery Staff

As the top manufacturer of non-woven fabric products for surgical use, the Company continued to work to improve and enhance the products since launching them in 1972. By integrating high-quality materials, processing technologies and long-standing know-how, the Company provides a wide variety of products to match the use and purposes with such features as 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. For their greater safety and functionality, the Company's non-woven fabric products are supported by a wide range of clients and highly trusted by surgery staff.



EMARO®

EMARO® Endoscope Holder Realizes a High Level of Safety and Excellent Operability

EMARO®, which contributes to endoscopic surgeries in the field of minimally invasive treatment, is a groundbreaking system enabling intuitive operation of the endoscope without the need to use 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 realizes both a high level of safety and excellent operability.

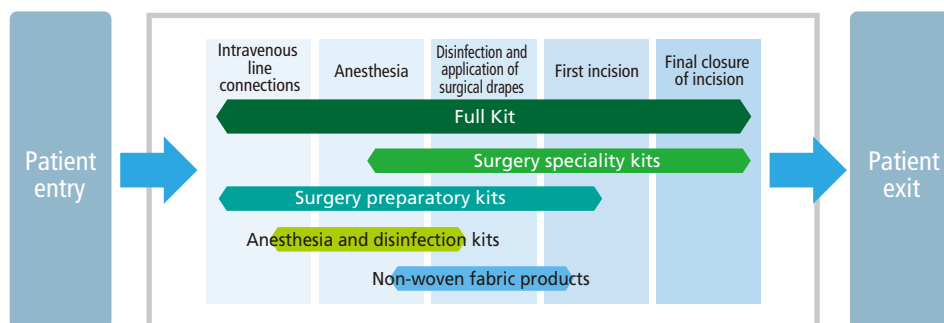




Kit Products for Surgery Applications

Kit Products Contributing to Improvement of Revenues of Medical Institutions

With the Company's kit products, once the kit pouch is opened the surgery preparation can be started immediately, thus greatly reducing preparation labor and time and enabling the number of operations and clinical tests undertaken to be increased. 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



Premium Kits

All-in-One Kits Enabling Safe and Smooth Preparation by Anyone

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, 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 conducted smoothly by anyone with adequate safety, meaning that the ability to concentrate on the main work and greater safety can be attained.



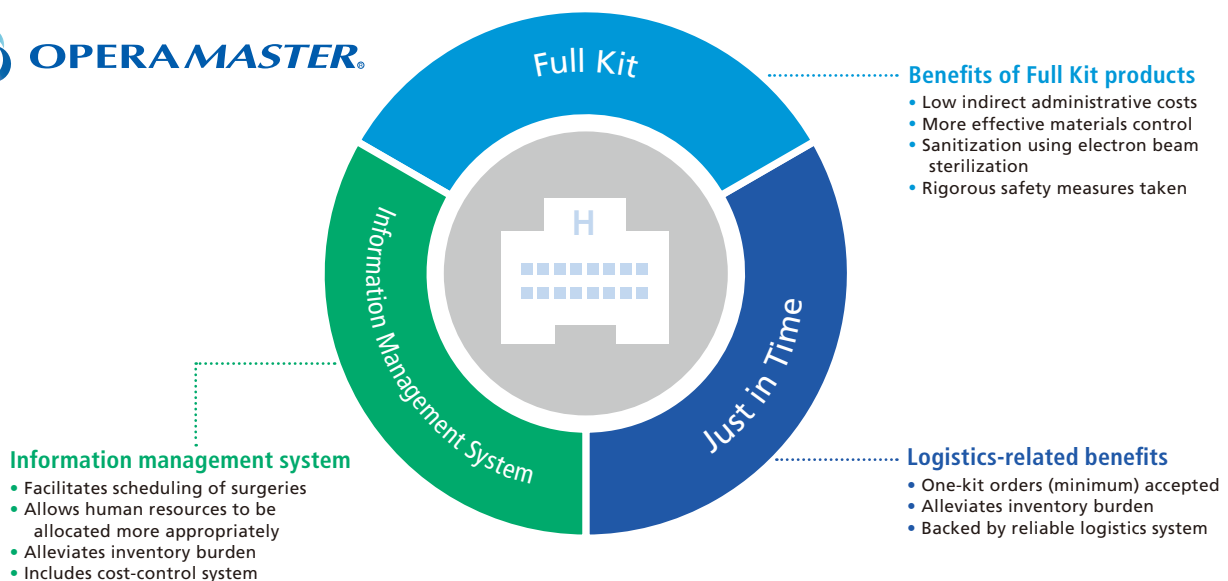


Opera Master to Realize Greater Profits, Safety and Operating Efficiency, Significantly Increasing the Efficiency of Hospital Management

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 that 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.

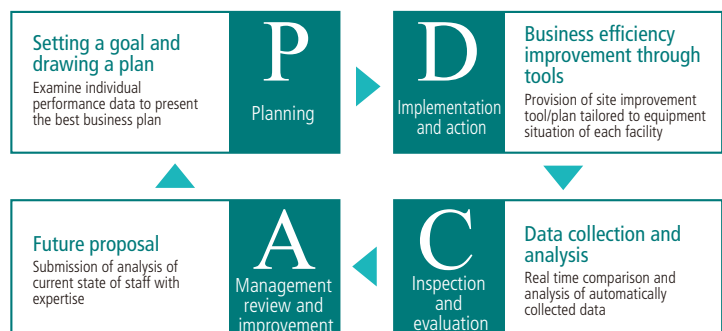


OPERA MASTER



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.





Operating Room Management Services

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

Operating Room Management Services, which added various data collection tools to the existing Opera Master system components based on the opinions and requests of our customers and further extended and developed their functions, is a mechanism whereby collected data is used to offer a more comprehensive and detailed analysis 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 analyze accurately and swiftly actual data collected by the system. Also offering suggestions based on the collection 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



Environmental Friendliness, Commitment to Society and Corporate Governance

As stated in its corporate mission of “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity,” the Company makes it the basis of its management policy to contribute to medical care through its business operations and eventually make society better.

In order to fulfill its social responsibilities, the Company will conduct activities to preserve the environment and contribute to society through its business operations, as well as enhance the transparency of management by enhancing corporate governance.



Reduction of Medical Expenses, Protection of the Environment and Effective Use of Resources

R-SUD Business (Re-manufacture of single-use medical equipment)

R-SUD business is a business in which the single-use devices (SUDs) of surgical supplies are collected after they are used and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are re-manufactured and sold as SUDs of the same use. R-SUDs are expected to prove effective for reducing costs at medical institutions, and will also lead to effective use of resources and protection of the environment. As such, demand for R-SUDs is projected to grow domestically.

In Japan, the Ministry of Health, Labour and Welfare announced creation of a new system regarding R-SUDs on July 31, 2017, and relevant laws and regulations were estab-

lished subsequently. As part of its medium-term strategy, the Company aims to start operations of the R-SUD business, which should make significant contributions to reduction of medical expenses, medical safety, protection of the environment and effective use of resources in the fiscal year ending March 2020, in line with the Premium Kit products sales it currently pursues. To achieve this goal, the Company is undertaking inspections and tests to apply for approval and authorization.

Activities to Preserve Environment of Local Communities

Eco Project for the Firefly

The Company is dedicating efforts to environmental preservation activities and since 2009 has been engaged in the “Eco Project for the Firefly” initiative to redevelop deserted farm land as rice paddies. This is an initiative to restore wetlands known as Yatsuda in collaboration with the Asaza Fund, an NPO, and the Ushiku City 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 there today. However, much of the area has been abandoned due to its location being 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 works to interact with the local community through the agricultural experience of planting and harvesting rice, while also aiming to restore and preserve the ecosystem.



Basic Approach to Corporate Governance

With a focus on its stakeholders including customers, shareholders, investors, employees and local communities, the Company aims to enhance its corporate value over medium to long term. To achieve this goal, it has established a system to ensure that corporate governance functions sufficiently.

1 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 eight directors consisting of four Japanese persons and four Indonesians. Financial data and other required materials are fully reported to the Company to ensure that audits can be carried out as needed.

2 Reason to Adopt the Corporate Governance System

The Company has adopted the ongoing system in order to quicken decision making for executing operations as well as to secure corporate governance.

3 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.

4 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 main-

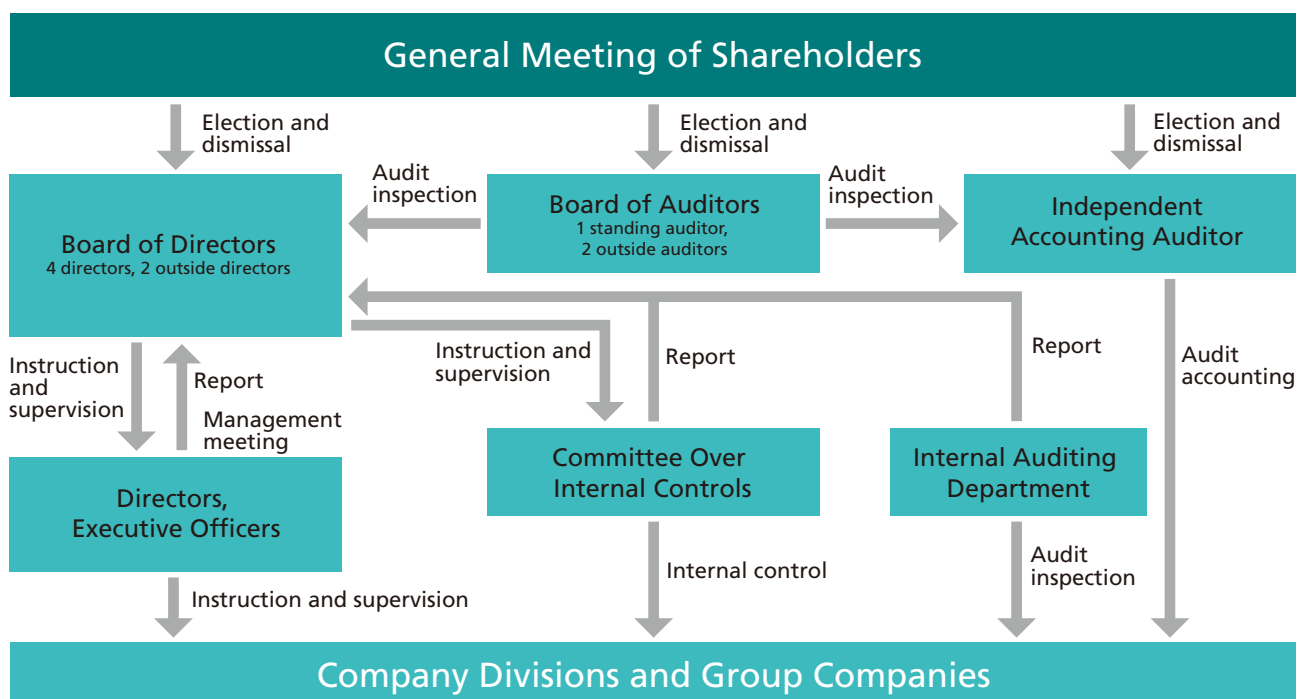
tain a system of prevention of risks and, in the event that a certain risk does occur, prevent such from expanding and take measures to prevent recurrence. Specifically, the Committee Over Internal Controls assists the directors and the Board of Directors to build a risk management system in each department 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.

5 Status of Maintenance of the System to Secure Appropriate Operations by Subsidiaries

- The Board of Directors shall establish the basic policy and operation policy to secure appropriateness of operations by the Company's subsidiaries and execution of duties by the subsidiaries' directors, through regulations and other measures,
- The Board of Directors shall establish a system within the Group to secure appropriateness of operations by the Company's subsidiaries and execution of duties by the subsidiaries' directors. The Board of Directors shall receive

monthly reports from the subsidiaries and, as needed, provide guidance to them.

- The auditors and the Board of Auditors shall establish a system of close coordination between the Company's subsidiaries and the Independent Accounting Auditor to ensure that audits regarding the consolidated management of the Group including its subsidiaries are conducted effectively and appropriately.



*As of June 23, 2018

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

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets:			
Cash and bank deposits	¥ 21,274	¥ 16,658	\$200,192
Notes and accounts receivable	12,116	11,289	114,019
Inventories	8,704	8,394	81,909
Deferred tax assets	295	281	2,777
Other current assets	354	485	3,334
Allowance for doubtful accounts	(0)	(0)	(1)
Total current assets	42,745	37,109	402,232
 Property, plant and equipment, at cost:			
Buildings and structures	43,820	43,684	412,349
Machinery, equipment and vehicles	41,867	41,233	393,976
Land	9,618	9,631	90,507
Construction in progress	897	681	8,445
Other	4,716	4,351	44,378
	100,920	99,583	949,658
Less: Accumulated depreciation	(53,028)	(47,596)	(499,002)
Property, plant and equipment, net	47,891	51,986	450,655
 Investments and other assets:			
Investment securities	11,547	9,504	108,665
Intangible assets	2,965	3,101	27,902
Guarantee deposits	352	429	3,315
Deferred tax assets	139	121	1,310
Other assets	807	942	7,602
Total investments and other assets	15,812	14,100	148,796
 Total assets	¥ 106,449	¥103,196	\$1,001,685

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade	¥5,009	¥ 5,093	\$ 47,136
Construction	446	875	4,197
Income taxes payable	934	1,209	8,790
Accounts payable – other	189	1,942	1,785
Other current liabilities	1,818	1,057	17,108
Total current liabilities	8,397	10,177	79,018
Long-term liabilities:			
Long-term debt	399	508	3,756
Deferred tax liabilities	2,725	2,058	25,645
Liability for retirement benefits	358	303	3,371
Long-term accounts payable – other	36	60	339
Other long-term liabilities	468	457	4,411
Total long-term liabilities	3,987	3,389	37,525
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized – 65,000,000 shares			
Issued – 16,341,155 shares	7,123	7,123	67,029
Additional paid-in capital	8,336	8,336	78,442
Retained earnings	75,680	72,352	712,149
Treasury stock, at cost			
677,699 shares in 2018 and 689,946 shares in 2017	(3,759)	(3,841)	(35,381)
Total shareholders' equity	87,379	83,970	822,240
Accumulated other comprehensive income:			
Unrealized gain on other securities	6,575	5,098	61,875
Deferred gain on hedges	62	240	585
Translation adjustments	154	419	1,455
Retirement benefit liability adjustments	(114)	(106)	(1,080)
Total accumulated other comprehensive income	6,677	5,652	62,835
Non-controlling interests	6	6	64
Total net assets	94,063	89,629	885,140
Total liabilities and net assets	¥ 106,449	¥103,196	\$ 1,001,685

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

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	¥36,918	¥36,859	\$347,400
Cost of sales	22,450	20,355	211,260
Gross profit	14,467	16,503	136,140
Selling, general and administrative expenses	9,194	9,060	86,516
Operating income	5,273	7,443	49,624
Other income (expenses):			
Interest income	30	20	287
Dividend income	71	90	669
Foreign exchange gain (loss), net	4	(73)	42
Gain (loss) on investments in partnership	(10)	(7)	(95)
Allowance for doubtful accounts	(42)	—	(397)
Gain on sales of investment securities	2,222	1,024	20,913
Foreign value added taxes	—	(122)	—
Loss on disposal of property, plant and equipment	(1)	(5)	(14)
Loss on valuation of investment securities	(20)	—	(188)
Other, net	55	52	522
Other income (expenses), net	2,310	979	21,739
Profit before income taxes	7,583	8,422	71,363
Income taxes :			
Current	2,239	2,609	21,072
Deferred	82	26	771
Total income taxes	2,321	2,636	21,844
Profit	5,262	5,786	49,519
Profit attributable to non-controlling interests	(0)	(0)	(2)
Profit attributable to owners of parent	¥ 5,262	¥ 5,786	\$ 49,516

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

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥5,262	¥ 5,786	\$49,519
Other comprehensive income:			
Unrealized gain (loss) on other securities	1,477	(1,168)	13,899
Deferred gain (loss) on hedges	(178)	168	(1,676)
Translation adjustments	(264)	(360)	(2,492)
Retirement benefits liability adjustments	(8)	(18)	(81)
Total other comprehensive income	1,025	(1,379)	9,648
Comprehensive income	¥6,287	¥ 4,406	\$59,167
Total comprehensive income attributable to:			
Owners of parent	¥6,287	¥ 4,406	\$59,166
Non-controlling interests	¥ 0	¥ 0	\$ 1

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, 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
Balance at April 1, 2017	16,341,155	7,123	8,336	72,352	(3,841)	83,970
Cash dividends paid	—	—	—	(1,934)	—	(1,934)
Profit attributable to non-controlling interests	—	—	—	5,262	—	5,262
Purchases of treasury stock	—	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	—	—	84	84
Other, net change	—	—	—	—	—	—
Net changes during the year	—	—	—	3,327	81	3,408
Balance at March 31, 2018	16,341,155	¥7,123	¥8,336	¥75,680	¥(3,759)	¥87,379

	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, 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
Balance at April 1, 2017	5,098	240	419	(106)	5,652	6	89,629
Cash dividends paid	—	—	—	—	—	—	(1,934)
Profit attributable to non-controlling interests	—	—	—	—	—	—	5,262
Purchases of treasury stock	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	84
Other, net change	1,477	(178)	(264)	(8)	1,025	0	1,025
Net changes during the year	1,477	(178)	(264)	(8)	1,025	0	4,434
Balance at March 31, 2018	¥ 6,575	¥ 62	¥ 154	¥(114)	¥ 6,677	¥ 6	¥94,063

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Thousands of U.S. dollars)</i>				
Balance at April 1, 2017	\$67,029	\$78,442	\$680,835	\$(36,145)	\$790,162
Cash dividends paid	—	—	(18,203)	—	(18,203)
Profit attributable to non-controlling interests	—	—	49,516	—	49,516
Purchases of treasury stock	—	—	—	(33)	(33)
Disposition of treasury stock	—	—	—	797	797
Other, net change	—	—	—	—	—
Net changes during the year	—	—	31,313	764	32,077
Balance at March 31, 2018	\$67,029	\$78,442	\$712,149	\$(35,381)	\$822,240

	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
	<i>(Thousands of U.S. dollars)</i>					
Balance at April 1, 2017	\$47,975	\$ 2,261	\$ 3,947	\$ (998)	\$53,186	\$63
Cash dividends paid	—	—	—	—	—	—
Profit attributable to non-controlling interests	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Other, net change	13,899	(1,676)	(2,491)	(81)	9,649	0
Net changes during the year	13,899	(1,676)	(2,491)	(81)	9,649	0
Balance at March 31, 2018	\$61,875	\$ 585	\$ 1,455	\$(1,080)	\$62,835	\$64

Hogy Medical Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	¥7,583	¥ 8,422	\$71,363
Depreciation	6,235	4,409	58,677
Changes in liability for retirement benefits, net	47	30	451
(Decrease) increase in allowance for doubtful accounts	41	(5)	393
Interest and dividend income	(101)	(111)	(956)
Loss on investments in partnership	10	7	95
Foreign exchange loss (gain)	(29)	44	(274)
Gain on sales of investment securities	(2,222)	(1,024)	(20,913)
Gain on sales of property, plant and equipment	(2)	—	(18)
Loss on disposal of property, plant and equipment	1	5	14
Loss on valuation of investment securities	20	—	188
Changes in assets and liabilities:			
Notes and accounts receivable	(850)	301	(8,001)
Inventories	(383)	(938)	(3,605)
Notes and accounts payable	(61)	135	(577)
Accrued consumption taxes and other	745	185	7,016
Consumption taxes refund receivable and other	—	1,192	—
Other current assets	34	91	320
Other current liabilities	(216)	177	(2,037)
Other investments	(114)	(7)	(1,082)
Other liabilities	(13)	69	(131)
Other	0	(267)	0
Subtotal	10,725	12,719	100,923
Interest and dividends received	101	102	954
Income taxes paid	(2,459)	(2,755)	(23,143)
Net cash provided by operating activities	8,367	10,066	78,733
Investing activities			
Increase in time deposits	(24)	(32)	(232)
Proceeds from time deposits	3	1,006	36
Purchases of investment securities	(69)	(64)	(652)
Proceeds from sales of investment securities	2,298	1,062	21,625
Purchase of property, plant and equipment	(3,675)	(5,308)	(34,583)
Proceeds from sales of property, plant and equipment	2	1	18
Purchases of intangible assets	(402)	(535)	(3,783)
Proceeds from distribution of investments in partnership	27	7	262
Payments for loans receivable	(0)	(1)	(8)
Collection of loans receivable	3	3	29
Decrease (increase) in other investments	29	(6)	278
Net cash used in investing activities	(1,807)	(3,868)	(17,008)
Financing activities			
Proceeds from long-term debt	—	574	—
Repayment of long-term debt	(109)	(65)	(1,030)
Proceeds from sales of treasury stock	103	61	969
Purchases of treasury stock	(3)	(574)	(33)
Cash dividend paid	(1,935)	(1,873)	(18,217)
Net cash used in financing activities	(1,945)	(1,877)	(18,311)
Effect of exchange rate changes on cash and cash equivalents	(18)	(68)	(170)
Net increase in cash and cash equivalents	4,595	4,251	43,244
Cash and cash equivalents at beginning of year	16,244	11,993	152,861
Cash and cash equivalents at end of year	¥20,840	¥16,244	\$196,105

Sales Offices

1 Sapporo Sales Office

1-1, Higashi 19-chome, Kita 26-jo,
Higashi-ku, Sapporo-shi, Hokkaido 065-0026
Phone: +(81)11-783-2401 Fax: +(81)11-783-2460

2 Morioka Sales Office

14-50, Mitake 4-chome, Morioka-shi,
Iwate 020-0122
Phone: +(81)19-641-1221 Fax: +(81)19-641-1383

3 Sendai Sales Office

1, Okadanishimachi 3-chome,
Miyagino-ku, Sendai-shi, Miyagi 983-0004
Phone: +(81)22-287-5333 Fax: +(81)22-287-5335

4 Utsunomiya Sales Office

13-46, Futaba 1-chome, Utsunomiya-shi,
Tochigi 321-0164
Phone: +(81)28-684-1715 Fax: +(81)28-658-6164

5 Omiya Sales Office

14F, 10-16, Sakuragi-cho 1-chome, Omiya-ku,
Saitama-shi, Saitama 330-0854
Phone: +(81)48-788-3230 Fax: +(81)48-788-3232

6 Chiba Sales Office

12-12, Tsuga 2-chome, Wakaba-ku,
Chiba-shi, Chiba 264-0025
Phone: +(81)43-232-1411 Fax: +(81)43-232-1285

7 Tokyo Branch Office

20-9, Hongo 3-chome, Bunkyo-ku,
Tokyo 113-0033
Phone: +(81)3-3813-8141 Fax: +(81)3-3813-8140

8 Tama Sales Office

49-16, Tokura 4-chome,
Kokubunji-shi, Tokyo 185-0003
Phone: +(81)42-320-5511 Fax: +(81)42-320-5513

9 Yokohama Sales Office

482-1, Toriyama-cho, Kohoku-ku,
Yokohama-shi, Kanagawa 222-0035
Phone: +(81)45-471-7701 Fax: +(81)45-471-7704

10 Niigata Sales Office

9-3, Bentenbashi-dori 3-chome, Chuo-ku
Niigata-shi, Niigata 950-0925
Phone: +(81)25-287-7110 Fax: +(81)25-287-7116

11 Kanazawa Sales Office

1-16-22, Ekinishi-shinmachi,
Kanazawa-shi, Ishikawa 920-0027
Phone: +(81)76-223-2351 Fax: +(81)76-223-5505

12 Shizuoka Sales Office

241 Mise, Suruga-ku, Shizuoka-shi,
Shizuoka 422-8057
Phone: +(81)54-284-6688 Fax: +(81)54-284-6855

13 Matsumoto Sales Office

2-10-7, Muraimachi-minami,
Matsumoto-shi, Nagano 399-0036
Phone: +(81)263-85-3280 Fax: +(81)263-86-7847

14 Nagoya Sales Office

1-508, Bunkyo-dai, Meito-ku,
Nagoya-shi, Aichi 465-0012
Phone: +(81)52-778-2711 Fax: +(81)52-778-2720

15 Kyoto Sales Office

69, Takedanishidangawara-cho, Fushimi-ku,
Kyoto-shi, Kyoto 612-8429
Phone: +(81)75-606-1411 Fax: +(81)75-606-1499

16 Osaka Branch Office

13F, 1-1, Edobori 2-chome,
Nishi-ku, Osaka-shi, Osaka 550-0002
Phone: +(81)6-6445-8655 Fax: +(81)6-6445-8670

17 Kobe Sales Office

2-15, Ekimae-dori, 2-chome,
Hyogo-ku, Kobe-shi, Hyogo 652-0898
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

Overseas Subsidiaries

P.T. Hogy Indonesia

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

HOGY Medical Asia Pacific Pte. Ltd.

PSA Building #14-01A,
460 Alexandra Road Singapore 119963,
Singapore

P.T. Hogy Medical Sales Indonesia

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

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

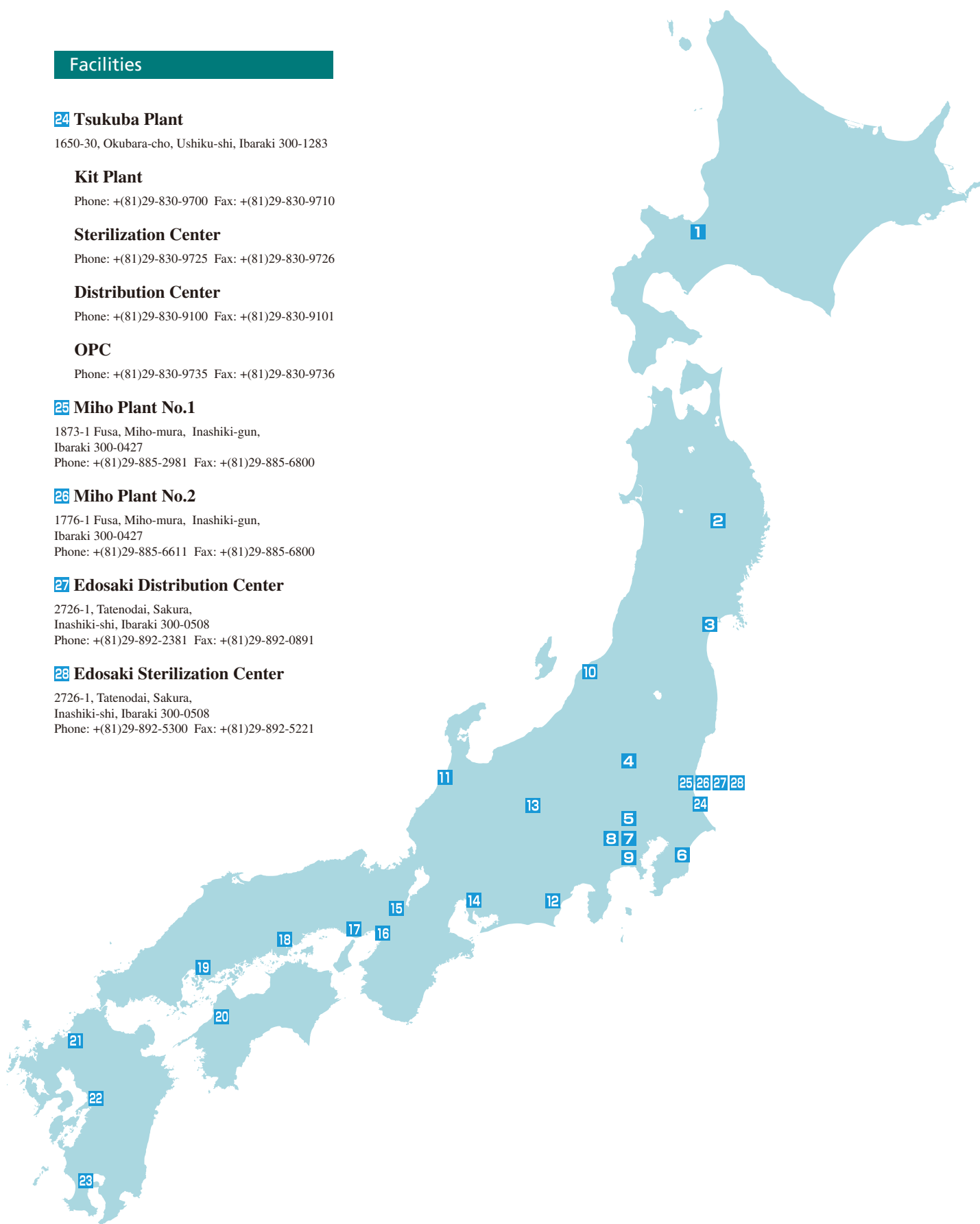
1776-1 Fusa, Miho-mura, Inashiki-gun,
Ibaraki 300-0427
Phone: +(81)29-885-6611 Fax: +(81)29-885-6800

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





Jun-ichi Hoki



Yukio Yamamoto



Katsuo Sasaki



Takuya Kobayashi



Kiyoshi Uesugi



Ichiro Inoue



Ikuo Fuse



Shuji Yanase



Noboru Iizuka

Board of Directors, Corporate Auditors
and Executive Officers (as of July 9, 2018)

President & CEO

Jun-ichi Hoki

Executive Director

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

Directors

Katsuo Sasaki (Production Div.)

Takuya Kobayashi (Sales Dept. 1 / Group 1)

Outside Board Member

Kiyoshi Uesugi

Ichiro Inoue

Full-time Corporate Auditor

Ikuo Fuse

Outside Corporate Auditors

Shuji Yanase

Noboru Iizuka

Executive Officers

Susumu Ohashi (Systems Administration Dept. /
Administration Dept.)
Akira Koizumi (Production Div. / Procurement Dept.)
Wataru Fujimoto (Sales Dept. 2 / Group 5)
Hisato Komatsu (Global Business Div.)
Hideki Kawakubo (Management Planning Dept.)

Corporate Data (as of March 31, 2018)

Incorporated:

April 3, 1961

Paid-in capital:

¥7,123 million

Number of employees:

1,472 (Consolidated)

Number of sales offices:

23

Listing:

The Tokyo Stock Exchange
First Section

Code number:

3593

Number of shareholders:

4,500

Shares of common stock issued and outstanding:

16,341,155

Financial year:

April 1 to March 31

Annual general meeting:

June

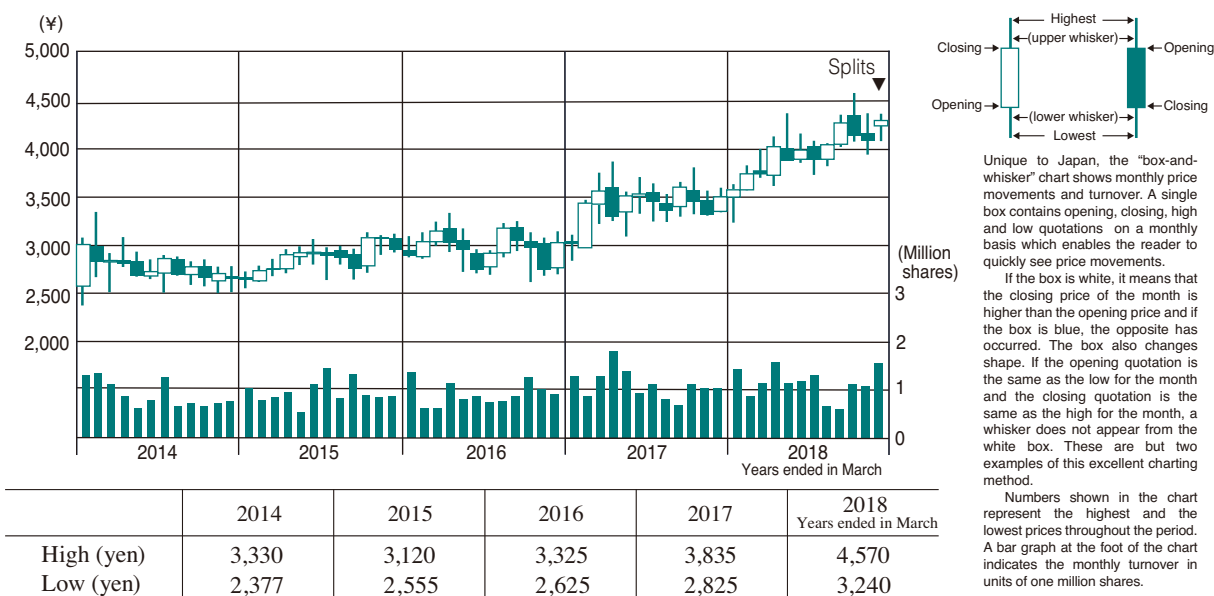
Transfer agent:

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

Common Stock Price Range & Trading Volume



The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, the highest prices and the lowest prices are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2014.

Major Shareholders

	Number of shares	Percentage of total (%)
● Masao Hoki	2,673,023	16.35
● GOLDMAN, SACHS & CO. REG (Permanent representative: Goldman Sachs Securities Co., Ltd.)	1,364,632	8.35
● Hoki Museum Co., Ltd.	567,724	3.47
● The Master Trust Bank of Japan, Ltd. (Trust Account)	500,600	3.06
● THE BANK OF NEW YORK MELLON 140044 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	451,400	2.76
● NORTHERN TRUST CO. (AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND, L. P. (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	436,800	2.67
● Jun-ichi Hoki	435,450	2.66
● Japan Trustee Services Bank, Ltd. (Trust Account)	363,600	2.22
● STATE STREET BANK AND TRUST COMPANY (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	355,300	2.17
● STATE STREET CLIENT OMNIBUS ACCOUNT OM44 (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	315,500	1.93

Our company owns 677,699 treasury stock.
(as of March 31, 2018)

Shareholder Composition

	Number of shareholders	Number of shares	Proportion (%)
Individuals	4,199	4,676,935	28.62
Financial institutions	30	2,652,820	16.23
Financial products trading firms	24	102,681	0.63
Foreign investors and others	185	7,130,749	43.64
Others (including treasury stock)	62	1,777,970	10.88
Total	4,500	16,341,155	100.00