

HOGY MEDICAL REPORT 2019





As a Leading Provider of Medical Products, HOGY Medical Contributes to Medical Safety and Management Improvement of Medical Institutions with Products that Accurately Grasp Customer Needs and a Structure for Supplying Such Products in a Stable Manner.

Since its inception in 1961, HOGY Medical has dedicated itself to developing close and excellent relationships with medical professionals while at the same time developing and stably supplying products that contribute to safety on the medical front lines and management improvement of medical institutions. HOGY Medical has meticulously responded to the voices of people on the medical front lines, supplied products that contribute to the safety of patients and medical staff, and made proposals for optimizing the management of medical facilities. 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 the operating theatre. The products, being manufactured in plants that implement extensive safety measures, ensure the safety of patients and medical staff.

HOGY Medical's mainstay products have been evolving, starting from the Sterilization Pouch that it started selling in 1964 for prevention of in-hospital infections, followed by Medical Use Non-woven Fabric Products, Surgical Kit and OPERA MASTER, our comprehensive system of products, logistics and information management. Notably, our Surgical Kit provides a set of certain medical supplies used for surgery, which had previously been collected piece by piece, so that they contribute to reducing workload and time required for surgery preparation. Moreover, our comprehensive service, OPERA MASTER, which is built on the three core elements of Surgical Kit, logistics and information management, aims to help medical institutions improve profits, secure safety and raise operating efficiency. With OPERA MASTER, HOGY Medical provides not only medical products but also solutions that contribute to enhanced efficiency on the medical front lines and streamlining of the management of medical facilities. In recent years, HOGY Medical has endeavored to expand sales of its new Premium Surgical Kit that are designed to provide maximum benefits to customers and significantly contribute to “the Work-Style Reform,” while focusing on development and sales of other new products.

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Corporate Philosophy

Based on our corporate philosophy “to promote good health and prosperity through contributions to medical progress,” we offer solutions through products and systems that contribute to the safety of patients and healthcare professionals as well as to the streamlining and labor-saving of the management of medical institutions and other organizations.



Business contributing to medical safety



Surgical Kit
Pursuit of safety and streamlining
▶ P.14



Sterilization Pouch
High functions and convenience of use
▶ P.20



Medical Use Non-woven Fabric Products
Greater safety and functionality
▶ P.20



Medical-Related Products
Supporting the medical front lines with a variety of tools
▶ P.20



R-SUD Business (remanufactured single-use medical devices)
Contributing to effective use of resources and protection of the environment
▶ P.11,17,25

HOGY Medical’s Business Domains

For More Safety and More Efficiency


With a variety of products that meticulously respond to the needs of the medical front lines and a stable supply system, HOGY Medical supports the safe and efficient management of the operating theatre and ideal hospital management.



Premium Surgical Kit
All-in-one kits enabling safe and smooth opening by anyone
▶ P.10,16,17,22




SCM Concept
(Supply Chain Management Concept)
Providing all supplies required for surgeries just in time
▶ P.11,17




Business contributing to medical management


Services and Systems



OPERA MASTER
Significantly contributing to hospitals requiring more advanced, more efficient operations
▶ P.15



OPERA Note
Provision of in-hospital information through cloud services
▶ P.19



Operating Room Management Service
Offering a more comprehensive and detailed analysis of management data
▶ P.18



Minimally Invasive Treatment

Realizing more advanced and more efficient operations

Equipment for Minimally Invasive Treatment Surgery



EMARO® (Endoscope Holder)
Realizing both a high level of safety and excellent operability
▶ P.21

Half a Century of History Contributing to Medical Safety and Improved Revenues of Medical Institutions.

For over half a century since its establishment, HOGY Medical has developed products required by the medical front line in anticipation of its needs. While establishing a relationship of trust with medical institutions, HOGY Medical has worked to steadily supply products for enhanced safety and endeavored to develop products that should contribute to medical safety and improved revenues of medical institutions.



Hoki Recording Paper Marketing



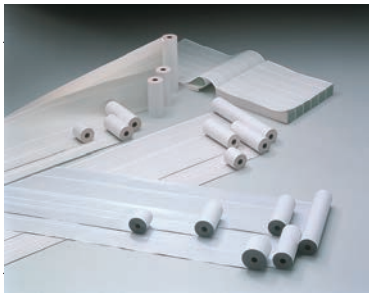
Kashiwa Plant



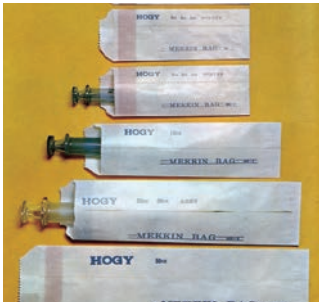
Miho No. 1 Plant



Edosaki Distribution Center



Recording paper for electrocardiograph equipment under the HOGY name



Sterilization Pouch



Non-woven fabric products



Miho No. 2 Plant



Non-woven fabrics using spun lace

Unit:
Millions
of yen

40,000

30,000

20,000

10,000

0

1961

Incorporation of Hoki Recording Paper Marketing

1963

Launch of recording paper for electrocardiograph equipment under the HOGY name

1964

Launch of the "Sterilization Pouch" product

1967

Establishment of Kashiwa Plant in Kashiwa City

1972

Launch of medical use non-woven fabric products

1978

Completion of Miho No.1 Plant facility

1982

Launch of non-woven fabric products using spun lace non-woven fabrics

1983

Completion of Miho No. 2 Plant facility

1987

Company name changed to the current HOGY Medical

1989

Completion of Automated Edosaki Distribution Center

Net sales Ordinary income

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



Edosaki Sterilization Center



TSUKUBA Sterilization Center



Headquarters Building



Surgical Kit



Premium Surgical Kit



Tokyo Sales Office



P.T. HOGY Indonesia



TSUKUBA Kit Plant



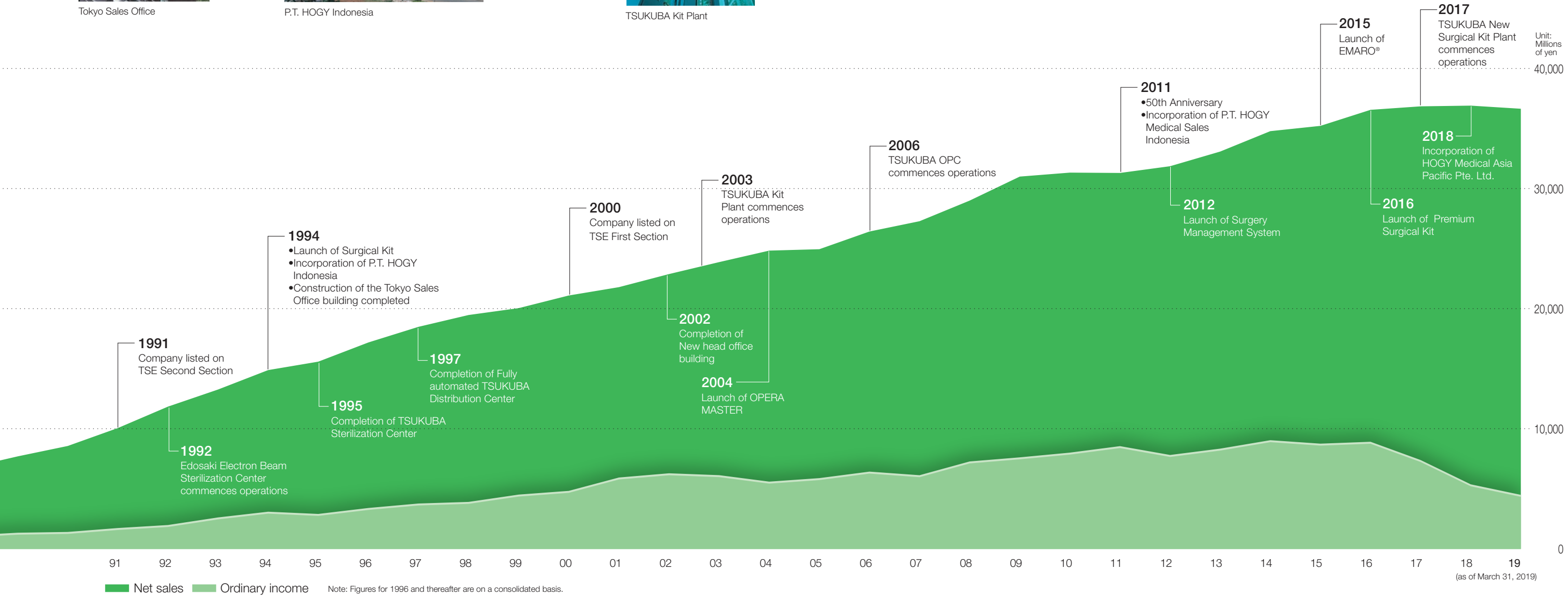
Surgery Management System



EMARO®



TSUKUBA Kit Plant and New Surgical Kit Plant



In an Effort to Contribute to the Progress of Healthcare, HOGY Medical Will Continue to Make Proposals for the Safety of Patients and Medical Staff and Management Reform of Medical Institutions. Moreover, by Providing Premium Surgical Kit, Our New Product, We Will Support Work-Style Reform and Medical Safety at Medical Institutions.



President & CEO
Jun-ichi Hoki

Performance Report for the Fiscal Year Ended March 2019

In the fiscal year under review, the Japanese economy remained on a moderate recovery trend amid continued improvements in the employment and income environments. The economic outlook continued to be uncertain, however, in the face of increased factors causing uneasiness, including trade issues and slowdown in overseas economies. In the healthcare industry, medical system reforms are underway against the backdrop of medical expenses continuing to increase, and medical institutions remain in a severe management environment, struggling for survival. Given such harsh changes in business environment, it is essential for the medical equipment industry to provide products and services that match the change in market conditions.

Under these circumstances, the Group has implemented the growth strategy of its Surgical Kit products by expanding sales of OPERA MASTER and conducting marketing activities to propose solutions for work-style reform of customers with its Premium Surgical Kit.

For OPERA MASTER, we concluded new contracts with 11 medical institutions, centering on those 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 brought the number of cancellations to 19 contracts. As a result, the number of OPERA MASTER contracts in force amounted to 274 in total.

As for Surgical Kit products, sales expanded for Premium Surgical Kit, on which we place a marketing focus. Sales of Surgical Kit products as a whole slowed, however, because of inadequate new sales and competition with rival companies, among other reasons. For Other Products, sales decreased under the market conditions that remained tough. These led to a year-on-year decrease in net sales as a whole.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,658 million, down 0.7% from the previous fiscal year. Sales of Surgical Kit products rose 1.6% to ¥21,829 million, of which sales of OPERA MASTER was ¥14,784 million or up 5.4%, both on a year-on-year basis.

In terms of cost of sales, the cost-of-sales ratio improved from the previous fiscal year, as the new surgical kit plant smoothly started operations and its depreciation decreased, among other factors. Selling, general and administrative expenses recorded an increase in sample costs, which are required mainly for sales promotion, employee salaries and test and research expenses related to R-SUD (remanufacturing of single-use medical devices) products, of which HOGY Medical is promoting development as a new business.

Consequently, operating income was ¥4,382 million, down 16.9%, and ordinary income was ¥4,503 million, down 16.3%. HOGY Medical also posted ¥3,998 million in extraordinary income on partial sales of shares. Profit attributable to owners of parent was ¥6,043 million, up 14.8% from the previous fiscal year.

Going forward, the Group will work to further contribute to hospital management reforms through providing solutions for work-style reform of people engaged in healthcare, enhancement of medical safety and quality and improvement of logistics. Moreover, we will systematically conduct proposal activities for work-style reform and other problem solutions of customers by taking utmost advantage of our marketing resources, a strength of the Group, with a focus on our mainstay product of Premium Surgical Kit.

Specifically, we will work to deepen understanding of our staff on the product value and our sales strategy, and conduct meticulous marketing measures in response to the competition environment and local characteristics of respective sales offices. By enhancing our marketing activities both in terms of quality and quantity, speeding up

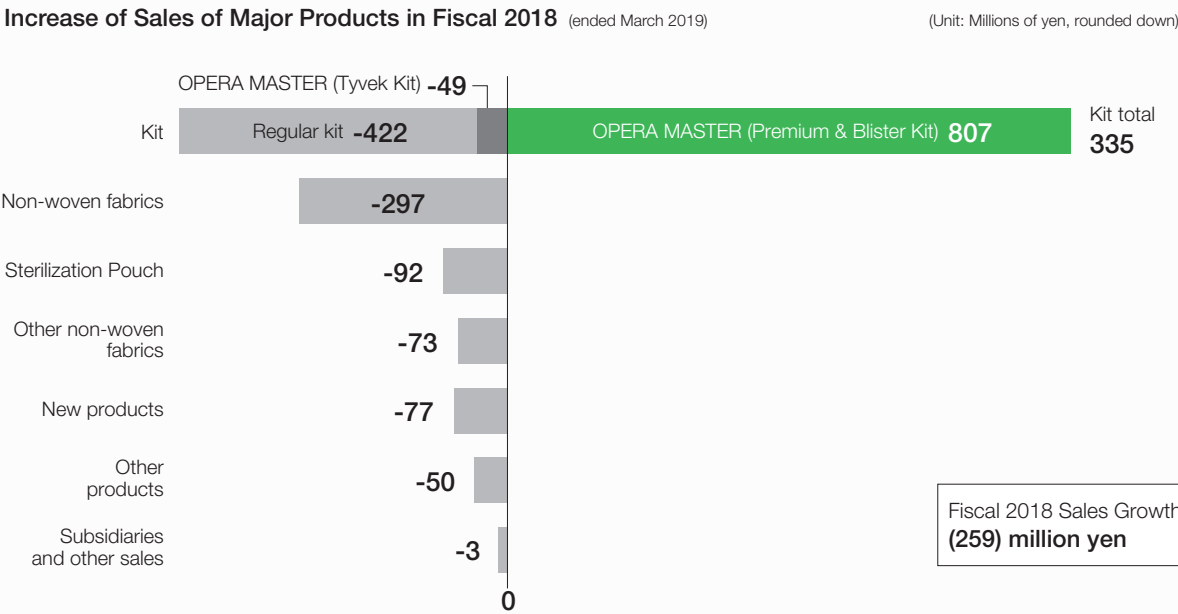
operations and pursuing originality in our strategy, we will provide our customers with values that only the Group can create and make further efforts to enhance management efficiency including cost reductions. With these measures, we will further enhance the added value of Premium Surgical Kit and further accelerate firm acceptance by the market, thereby reinforcing our competitive advantage.

As for our overseas operations, we will continue our endeavors to improve productivity at P.T. HOGY Indonesia, a manufacturing subsidiary, while promoting the internal manufacturing of materials. P.T. HOGY Indonesia, a sales subsidiary, will work to achieve further expansion in sales. Moreover, HOGY Medical Asia Pacific Pte. Ltd., a sales subsidiary we established in Singapore in the fiscal year under review aiming at full-on penetration of our surgical supplies and other products to overseas markets, started operations in August 2018 and initiated marketing activities to major hospitals in ASEAN countries.

In terms of new businesses, we will work to establish R-SUD (remanufacturing of single-use medical devices) as a business as early as possible. HOGY Medical intends to make proposals for further improvement in hospital management, with an eye on the SCM (Supply Chain Management) Concept in which all supplies required for surgeries, including R-SUD products, are provided just in time over a medium term.

2019

Jun-ichi Hoki
President & CEO



Premium Surgical Kit Products:

New Plant Started Operations Smoothly, and Endeavors to Expand Premium Surgical Kit Sales Were Reinforced

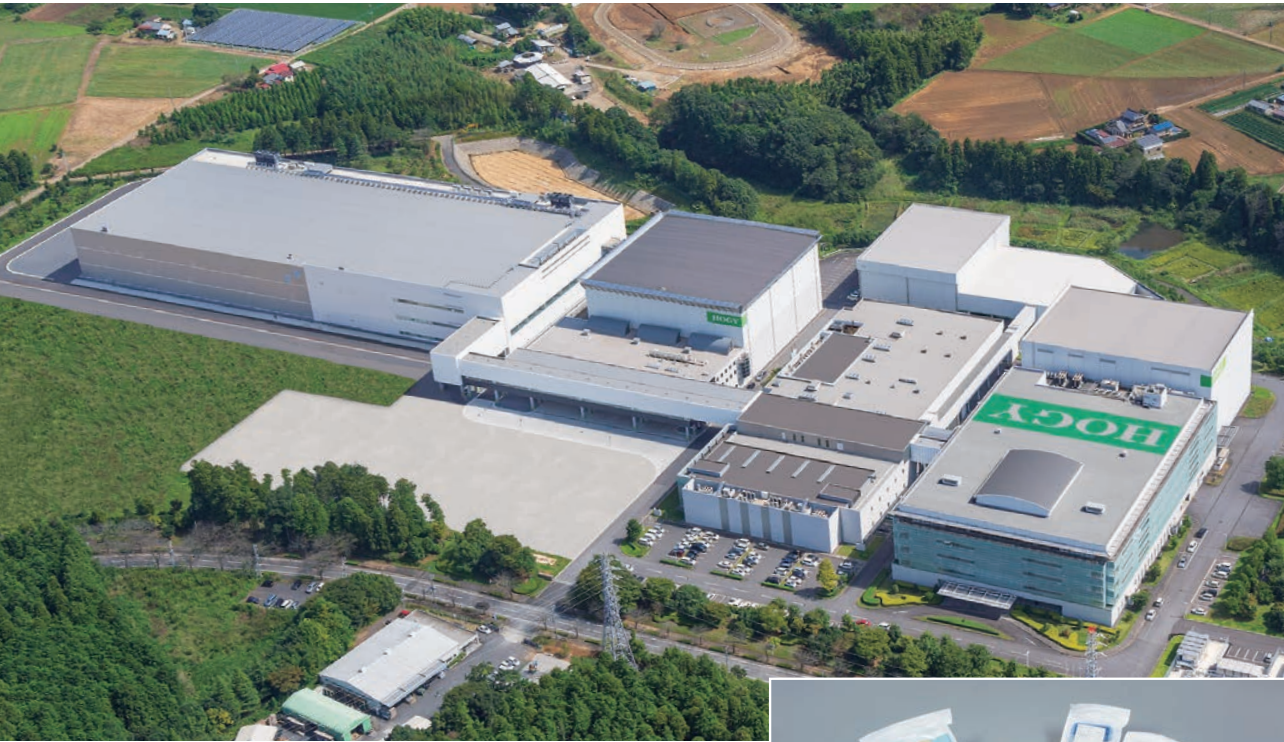
The Premium Surgical Kit manufactured at the new plant serves as an all-in-one kit providing surgical supplies for before, during and after surgery. Adopting a new shape, the product can include more supplies compared with conventional kit products.

The new plant is operating smoothly, with operations expanding to two-shift operation five days a week at present.

Using Premium Surgical Kit not only allows anyone to consistently prepare in a safe and smooth manner, but also

significantly reduces the picking work before surgery so that the preparation time can be shortened. Moreover, as the product enhances efficiency in preparing for surgery to provide an environment in which the staff can concentrate on their main work, it contributes to greater safety.

Going forward, HOGY Medical will continue to differentiate itself from competitors with Premium Surgical Kit and strengthen new sales of the product, thereby contributing to higher efficiency and safety of medical institutions.



A panoramic view of Tsukuba Plant



Premium Surgical Kit

R-SUD Business:

Applications Submitted for Approval and Authorization to Begin Operations

R-SUD (remanufacturing of single-use medical devices) business is a business where the single-use devices (SUDs) of surgical supplies, which are allowed to be used only once, are collected by the manufacturers after they are used and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are remanufactured and sold as SUDs of the same use.

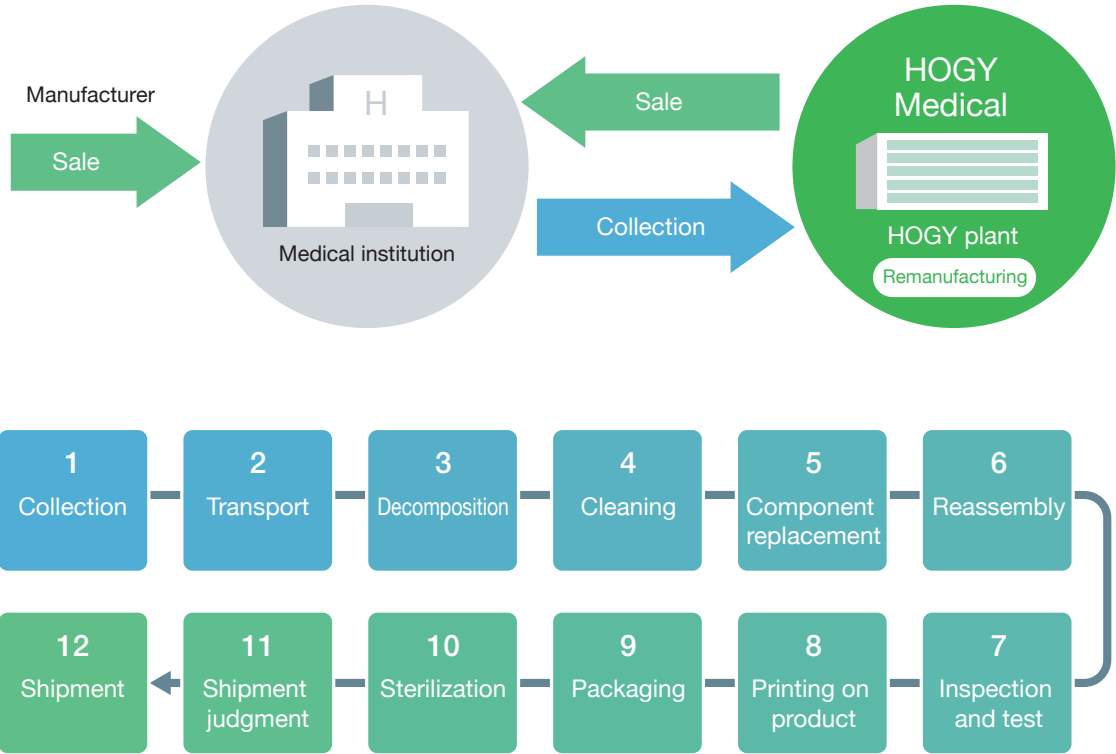
In Japan, the Ministry of Health, Labour and Welfare announced in July 2017 the creation of a new system regarding R-SUDs, and relevant laws and regulations were subsequently established. The Ministry has two reasons to promote R-SUD: reducing soaring medical expenses (coping with soaring costs of medical supplies and higher labor costs due to manpower shortage) and securing safety. R-SUDs will also lead to effective use of resources and protection of the environment. As such, demand for R-SUDs is projected to grow domestically.

HOGY Medical's entry into the R-SUD business is for the purpose of reducing medical expenses and securing

safety, as well as optimizing the operations of medical front lines by providing a full set of surgical supplies used in operating rooms for the medical institutions from which enhanced efficiency is sought in order to cope with the concentration of patients to acute-phase hospitals due to a decrease in working population and functional differentiation of medical institutions (Supply Chain Management Concept).

This is the final concept of the HOGY Medical's kit business in the future, which integrates the SCM, hospital administration system and consultation of hospital management reform with an aim to contribute to "reforming the management of an entire hospital from its operating theatre." In March 2019, HOGY Medical began submitting applications for approval and authorization of the first R-SUD products. In order to start operations of the R-SUD business in the year ending March 2021, HOGY Medical is eagerly undertaking partial refurbishment of Miho Plant No. 1 and preparations including inspections and tests.

Illustrative Drawing of Entire R-SUD Business



Global Production and Sales Activities:

Productivity Improved in Indonesia, and Marketing Activities Started in ASEAN Countries

HOGY Medical's global strategy has been implemented with a focus on Indonesia. P.T. HOGY Indonesia, a local subsidiary, has established its position as one of the world's leading manufacturing plants of medical use non-woven fabric products. HOGY Medical will further promote labor-saving and automation of the plant, however, as labor costs will remain on an increasing trend going forward, while seeking further enhancement of productivity by reinforcing sales in Indonesia and increasing the internal manufacturing of surgical supplies.

Moreover, as part of its new growth strategy, HOGY Medical will work to obtain approval and authorization one

by one in ASEAN (Association of Southeast Asian Nations) countries having a large potential to become a medical equipment market in the future. By doing so, HOGY Medical aims to expand sales on a global scale.

In particular, as the first step of global production and sales activities, HOGY Medical established HOGY Medical Asia Pacific Pte. Ltd., a joint venture, in Singapore with Mitsubishi Corporation in August 2018. Marketing activities have started locally, making proposals of Premium Surgical Kit to large-scale national hospitals in Singapore, etc.



P.T. HOGY Indonesia



HOGY Medical Asia Pacific Pte. Ltd.

Capital Policy:

Continued Dividend and Capital Policies Focused on Our Stakeholders

As its basic policy with respect to profit appropriation, HOGY Medical has focused since its inception 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.” Moreover, to ensure that the fruits of performance are swiftly returned to shareholders, HOGY Medical conducts payment of quarterly dividends. Moreover, it made a resolution on matters regarding purchase of its treasury stock at the Board of Directors’ meeting held on April 11, 2018, and implemented the purchase. In the period from April 12 to August 22, 2018, HOGY Medical purchased 1,166,000 shares of its treasury stock in total.

As for dividends for the fiscal year ended March 2019, HOGY Medical paid ¥16 for each quarter, or ¥64 in total for the entire year (up ¥2 year on year), achieving record high dividends. These figures are calculated for a share after the stock split HOGY Medical conducted as of April 1, 2018, when it conducted a 2-for-1 split of its common stock.

The consolidated performance forecasts for fiscal 2020 ending March 2020 are net sales of ¥37,920 million (up 3.4% from the previous fiscal year), operating income of ¥5,240 million (up 19.6%), ordinary income of ¥5,680 million (up 26.1%) and profit attributable to owners of parent of ¥5,310 million (down 12.1%). As for dividends, we plan to pay ¥16.5 for each quarter, or ¥66 in total for the entire year, up ¥2 year on year.

Future Outlook

Provide Products that Contribute to “the Work-Style Reform” and “Medical Safety”

Currently, medical institutions are showing growing awareness of “the Work-Style Reform” as they are all the more required to shorten work hours, reduce labor and control total costs.

Given this situation, the Group will proactively implement the “Premium Surgical Kit” strategy, which should help promote work-style reform in particular. HOGY Medical considers its “OPERA MASTER” and “Premium Surgical Kit” as products that will bolster the Group, as they can continuously and significantly 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 surgeries onto acute-phase hospitals.

With regard to “OPERA MASTER,” we have been proposing “Operating Room Management Service,” our new system that has reinforced existing functions and added new functions, since 2012. The system, 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 the operating theatre staff, cost of the surgical procedure and other actual management data.

Going forward, we will continue to focus on proposing management reform of medical institutions by introducing “OPERA MASTER” and Surgical Kit products centering on “Premium Surgical Kit,” particularly to advanced acute care hospitals and general acute care hospitals that are likely to see a concentration of patients in the future. Moreover, we will undertake sufficient expenses needed to increase our marketing staff and enhance their education and training, etc. for strengthening sales capabilities, and continue working to make the “Premium Surgical Kit” products firmly accepted with our high proposal capabilities.

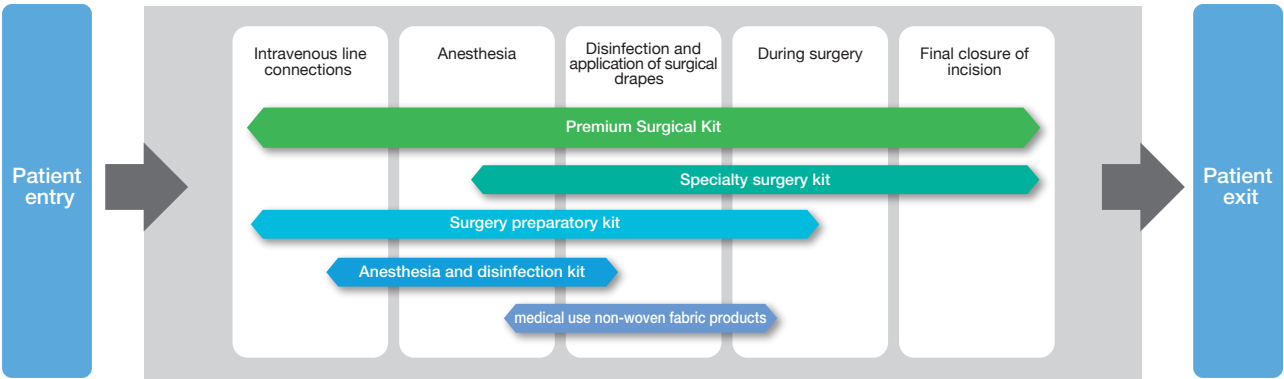
In particular, we will propose “Premium Surgical Kit” to advanced acute-phase hospitals and general acute-phase hospitals as a solution for their work-style innovation, aiming to make “Premium Surgical Kit” as the standard of surgery preparations. We will also provide a variety of other products for promoting medical safety at medical institutions.



Surgical Kit

In Pursuit of Safety and Rationality, “Surgical Kit” Offers Full Sets of Surgical Supplies for Use in Operating Rooms

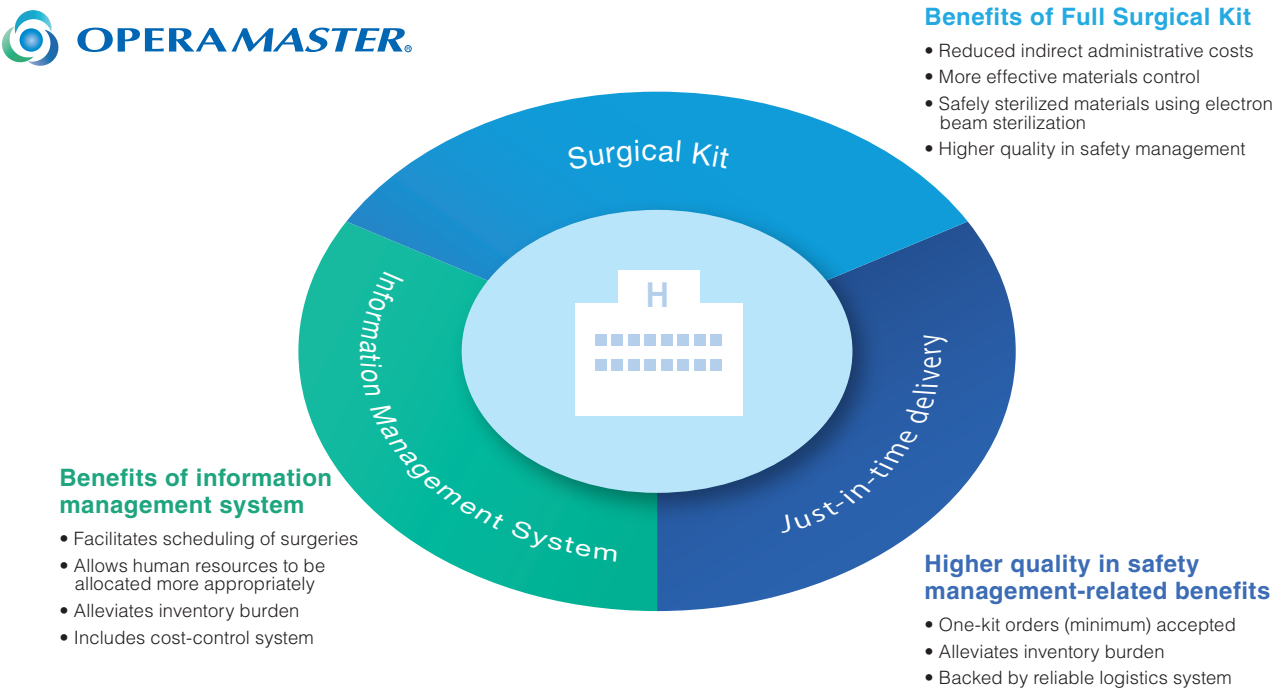
With HOGY Medical’s Surgical Kit products, once the kit package is opened, surgery preparation can be started immediately, thus greatly reducing preparation labor and time. Introducing the Surgical Kit products also makes it possible to reduce indirect administrative costs and mitigate risks, including prevention of human errors and prevention of in-hospital infections.



OPERA MASTER

A Comprehensive System of Products, Logistics and Information Management Aiming to Improve Profits, Enhance Security and Raise Operating Efficiency

OPERA MASTER is a unique system based on a product, logistics, and information management, which marketed in April 2004. Centered on using Full Surgical Kit products, it is of benefit to surgeons as it helps raise efficiency and save labor in the operating theatre while boosting the safety of surgical procedures. Eliminating the need to control materials in single units, OPERA MASTER also contributes to higher operating efficiency of hospitals. On the logistics side, the system of delivery by the day before surgical procedures helps alleviate the inventory burdens of medical institutions. Moreover, through OPERA MASTER, we provide useful information about controlling costs in the operating theatre. As a result, complex cost accounting is simplified and operating theatre productivity is enhanced.



Increasing the Efficiency of Operating Theatres

OPERA MASTER has built a four-step cycled sustainable support system for the improvement of hospital management: “PLAN” to help plan business improvement; “DO” to measure efficiency in surgical 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.

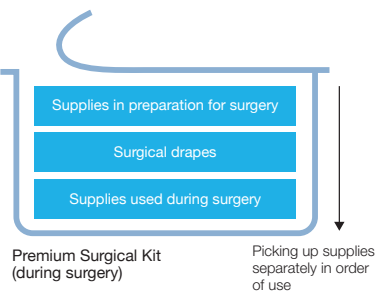




Premium Surgical Kit

All-in-one Surgical Kit Enables Anyone to Use Safely and Smoothly

Conventional Surgical Kit is compiled with only the medical supplies needed during surgery, and the supplies needed before and after surgery have to be picked separately. Compared to conventional Surgical Kit, the Premium Surgical Kit is an all-in-one kit product that contains all the medical supplies needed before, during and after surgery in one package. This allows the Premium Surgical Kit to significantly reduce the preparation work before surgery and enhances efficiency and safety through the standardization of work procedures. Moreover, it also contribute to increasing in the number of surgeries by saving time and greater earnings in accordance with the time saved.



Improving the Packaging Form with Blister Containers Allows Expectations for Enhanced Healthcare Quality

Characteristics of Blister Containers

- Transparent package makes it easy to check the contents
- To be opened easily by adopting the easy-peel method
- Designed not to collapse easily when it is opened
- Can be moved in bulk with the supplies kept in packages
- Adopts a tough film that is soft but cannot be split by hand
- Empty blister containers can be used as trays

Comparison between regular surgical kit and Premium Surgical Kit

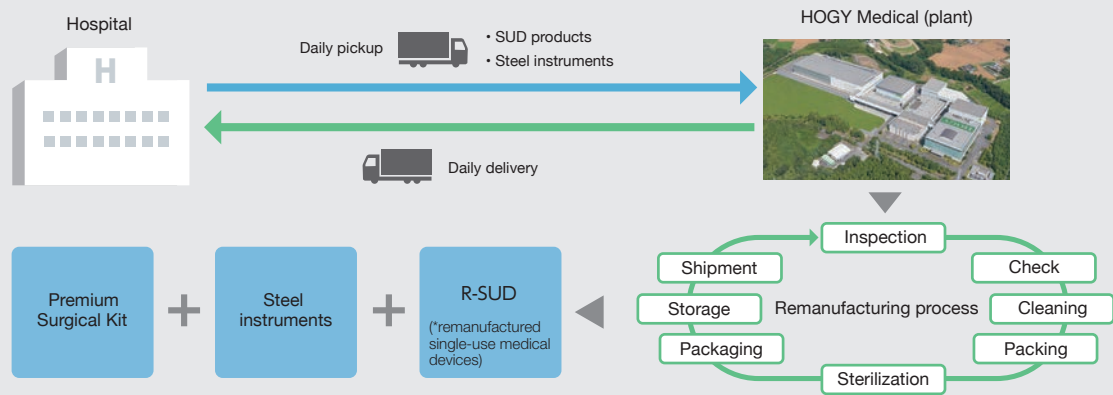
	Regular surgical kit		Premium Surgical Kit
Production	Manual picking and packaging	➡	Production by robots <ul style="list-style-type: none">• Reduce risks of foreign matter inclusion• Prevent human errors• High level of cleanliness
Delivery period	14 to 30 days after receiving order	➡	2 days after receiving order <ul style="list-style-type: none">• Reduce inventory• Shorten the period for detail changes
Counter-earthquake measures	Earthquake-resistant structure	➡	Seismic isolation structure <ul style="list-style-type: none">• Stable supply possible immediately after occurrence of earthquake
Packaging form	Entirely covered with non-woven fabrics	➡	Transparent packaging <ul style="list-style-type: none">• What is contained can be checked before opening
	All contained supplies can be opened at a time	➡	Individual packaging in accordance with the use sequence <ul style="list-style-type: none">• Can be opened in a wide space
	Sequence of surgical drapes can be designated	➡	Sequence of surgical drapes and position of setting materials can be designated <ul style="list-style-type: none">• Keeps cleanliness at a higher level• Surgical drapes can be deployed without considering their sequence
Flattening of preparation procedures	Need to transfer on the equipment stand several times	➡	Clean supplies are taken out after setting the equipment <ul style="list-style-type: none">• No risk of the sequence of surgical drapes changed• No need to remember the sequence of surgical drapes• Reduce stress of doctors and nurses during surgery
Countermeasures against load shifting	There were risks of load shift when opening	➡	Adopted packaging less prone to load shifting <ul style="list-style-type: none">• Reduce the need to care contamination• Reduce losses in supplies and time
Opening efficiency	5 processes	➡	3 processes <ul style="list-style-type: none">• Reduce preparation time by 8 minutes on average per case
Expansion of coverage	Packaging that puts the kit contents together as one	➡	Individual packaging subdivided by scene <ul style="list-style-type: none">• Reduce preparation time• Review SPD and other operations• Can be managed by a small number of people

What the Premium Surgical Kit Can Provide

- ☑Contribution to “work-style reform” at medical institutions by decreasing duties and reducing overtime and early morning work of medical staff.
- ☑Increase in surgical profit margin can be expected as more time can be spent on surgeries by reviewing the loss of inventory and the time for indirect operations.
- ☑Products can be used safely because the number of adhesive bacteria and the risk of foreign matter are reduced since production is done only by robots.

Aim for Medium- to Long-Term Strategical Supply Chain Management (SCM) Concept

We aim to 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. These are conducted with the goal of our Supply Chain Management (SCM) concept in which all the medical supplies required for surgeries, including Premium Surgical Kit and R-SUDs (remanufactured single-use medical devices), are delivered just in time.





Operating Room Management Service

Realizing More Efficient Cost Management by Visualizing Operating Theatres, Continuously Collecting Information, and Reducing Workloads

“Operating Room Management Service,” a new service of OPERA MASTER, adds various data collection tools to the existing OPERA MASTER and provides a mechanism whereby the data collected is used to comprehensively and accurately grasp the status of operating theatre staff as well as the cost of surgical procedures. Suggestions are also offered based on the accumulation and analysis of the above data to increase the efficiency of the operating theatre.

A major feature is the function of analyzing actual records stored by the hardware system. Aiming to thoroughly eliminate waste and irregularities to achieve more efficient management has enabled operation while checking the status of revenues.



Time Management

Time management of operating theatre 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.



Tag



ME Machine Management Function

Inventory Management

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



Digital picking system



Surgical Kit

Cost Management

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



Various analysis tools



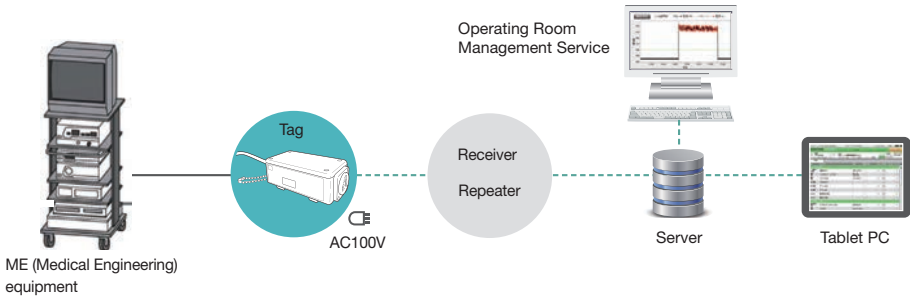
ME Machine Management Function

Enhancing Safety Management of ME (Medical Engineering) Equipment and Realizing Strategic Investment Plans

The ME (Medical Engineering) Equipment Management Function, a function of the Operating Room Management Service, has been developed to automatically collect and analyze information on the use and maintenance of medical engineering equipment so that the results can be utilized in hospital management.

Dedicated BLE tags record the status of operations and positions of medical equipment within the hospital. The collected information is accumulated in the dedicated server of the Operating Room Management Service, making it possible to produce a variety of reports.

The ME Equipment Management Function manages and apprehends the status of hundreds of ME devices used in a hospital by monitoring their use status and locations around the clock, assisting in the conducting of strategic hospital management.



OPERA-Note (OPENO)



Contributing to Medical Safety by Using a Cloud Service to Quickly Share In-Hospital Information

OPERA-Note (OPENO) is a tool that enables the sharing, arrangement and management of nursing knowledge in the context of surgery, utilizing a cloud service to gather information. By facilitating access via smartphones and tablets, it enables information sharing in accordance with each staff member's lifestyle regardless of time or place.

OPENO not only decreases the burdens associated with organizing information and communication, but also makes it possible for nurses to share visual information through photographs and videos. In addition, it makes it easier to update and manage documents, as well as record and analyze in an educational context.

It provides many benefits to the medical field including the streamlining of operations, visualization of steps, enhancement of education, and medical safety.



OPERA-Note



Sterilization Pouch

The History of the Sterilization Pouch Is the History of HOGY Medical

The material used for sterilization pouches must be permeable to the sterilizing steam or gas while also being able to keep the contents of the pouch sterile for long periods of time. HOGY Medical developed a paper with a special micro-structure to achieve these diametrically opposed objectives, and launched the sterilization pouch in 1964. It became a major contributor to the prevention of in-hospital infections. The high sterilization characteristics and the convenience of use led to a rapid rise in demand. Our sterilization pouch known as the “Mekkin Bag” is presently the name recognized among sterilization pouch products in Japan.



Medical use Non-woven Fabric Products

Achieving Prevention of In-Hospital Infections and Workload Reduction to Serve for More Advanced Healthcare

Since the launch of sales of medical use non-woven fabric products in 1972, we have contributed to preventing hospital-acquired infections by improving production of the fabric into a sophisticated products that are light enough to support surgery without impediment, withstand intensity for a length of time and easily aerate with high-level barrier performance. Our production lines not only make it possible to supply customized medical use non-woven fabric products that meet the demand of medical centers, but also provide a guarantee of better functionality and safety to medical centers.



Healthcare-related Products

Providing Various Tools to Support Healthcare Operations

Starting with the manufacturing and sale of recording paper for medical instruments, HOGY Medical has been developing and providing a variety of new products and tools that support healthcare operations, including containers for steel instruments, SECUREATM (a sponge for endoscopic surgery) and HOGY PGA Suture (synthetic absorbable suture threads), in an effort to achieve functions that are sought on the medical front lines.



“SuReFlnD”

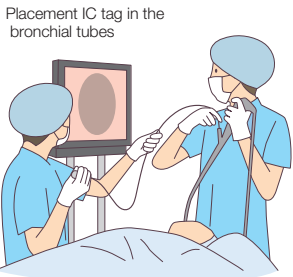


Certainty and Safety in Determining the Extent of Resection

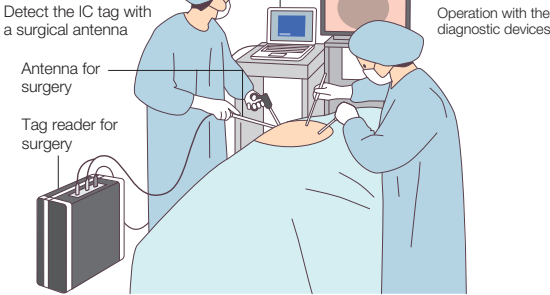
“SuReFlnD” has been developed to assist in the precise excision of small-cell lung cancer in pneumonectomy operations. A microscopic IC tag applying RFID (Radio Frequency Identification) technology is placed on the area with cancer via the bronchoscope channel. The positioning of the IC tag is registered along with an ID number using an app. During operation, the IC tag can be detected on the lung surface using a surgical antenna and it can help surgeons to determine the extent of resection. As the performance of diagnostic devices has improved, the detection of small-cell lung cancer has also increased. “SuReFlnD” will solve issues related to treating lung cancer that are expected to increase in the future.



Placement before surgery



Detection during surgery



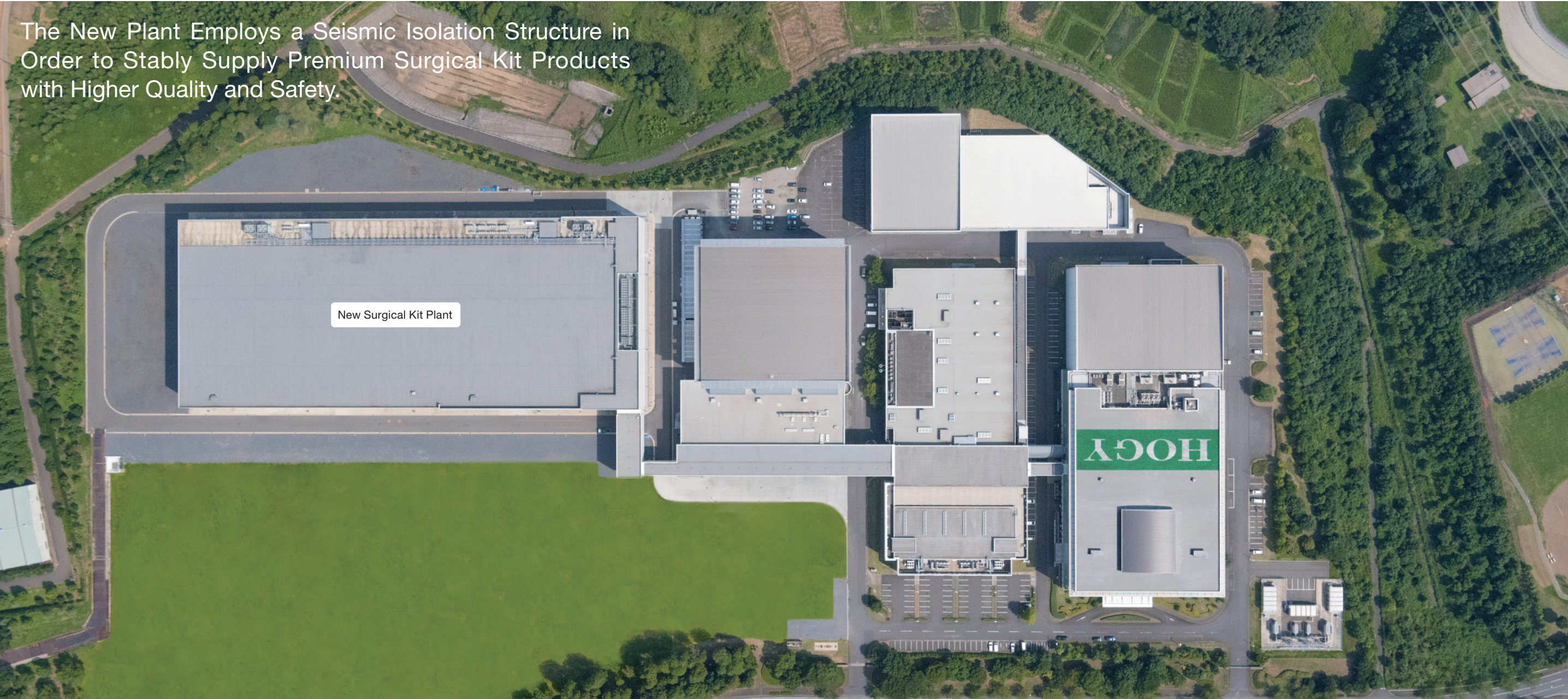
EMARO® (Endoscope Holder)

Pneumatically Driven, the Endoscope Holder Achieves a High Level of Safety and Superior Operability

In endoscopic surgery currently conducted at medical institutions, the camera assistant (scope operator) operates the endoscope according to verbal instructions by the surgeon. This not only requires the assistant to fully understand the details of the surgery and be highly skilled, but to be able to smoothly communicate with the surgeon. EMARO® enables the endoscope to be operated intuitively by installing a gyro sensor on the head of the surgeon to detect the head's movements. This allows the surgeon to operate surgery with his or her hands free and without having to give verbal instructions to the camera assistant. The pneumatic drive system has achieved high flexibility and controllability by the holder. As shocks are absorbed even if a force is applied from outside to the equipment, surgery can be conducted safely. Moreover, the endoscope holder is superior in safety and operability, as it can move the endoscope at any angle the surgeon desires, allowing it to move vertically and horizontally as well as to rotate and enlarge or reduce the size of the images around the affected areas.



The New Plant Employs a Seismic Isolation Structure in Order to Stably Supply Premium Surgical Kit Products with Higher Quality and Safety.



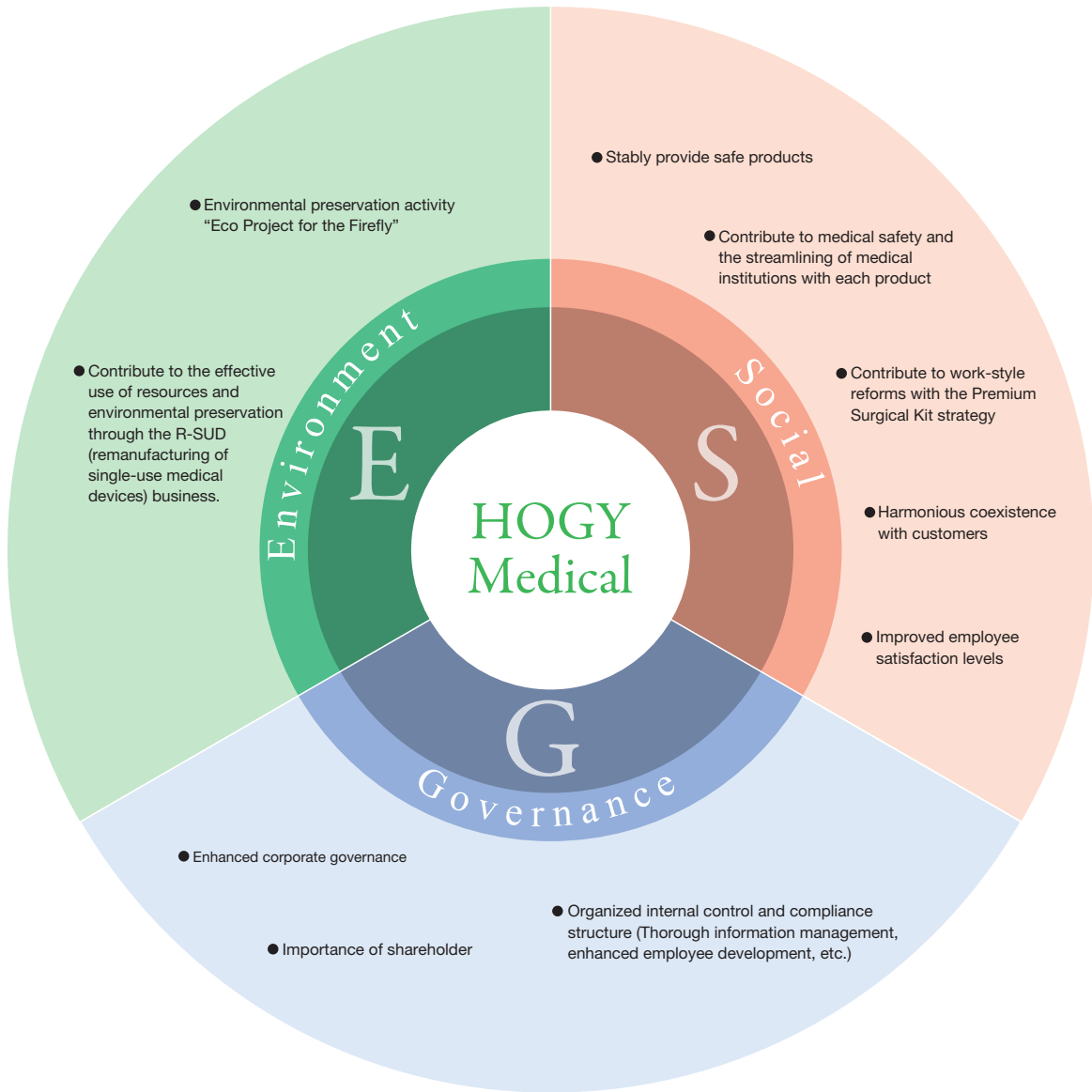
The Tsukuba Plant aims for a high level of safety and reliability and for zero customer complaints through full automation and prompt shipping to reduce the stock of surgical kits in hospitals. The already fully automated sterilization center and distribution depot have been connected to the plant to create an integrated production and shipping line. Moreover, HOGY Medical has constructed a new plant in order to stably supply Premium Surgical Kit products with higher safety and quality. Leveraging our long-cultivated know-how, we have automated most of the plant with advanced machines and robots. It is equipped with facilities, equipment and processes to safely and stably produce high-quality products that support the medical

front lines that are in a stage of reform. 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. The building of the New Surgical Kit Plant adopted a seismic isolation design that is expected to withstand earthquakes with a seismic intensity of 7 on the Japan Meteorological Agency seismic intensity scale. Shakes caused by earthquakes are less likely to be transmitted to the building. This is expected to help prevent robots from falling over or other accidents, securing a situation in which production can be conducted even immediately after an earthquake.



Environmental Friendliness, Commitment to Society and Corporate Governance of HOGY Medical

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,” HOGY Medical 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, HOGY Medical will conduct environmental preservation activities and contribute to society through its business operations, as well as enhance the transparency of management by always enhancing corporate governance.



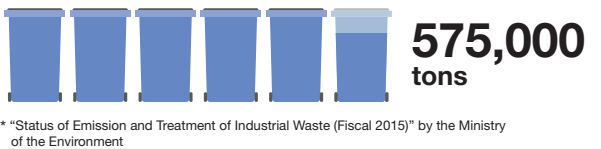
Aim for the Reduction of Medical Expenses, Protection of the Environment and Effective Use of Resources

Continued Dividend and Capital Policies Focused on Our Stakeholders

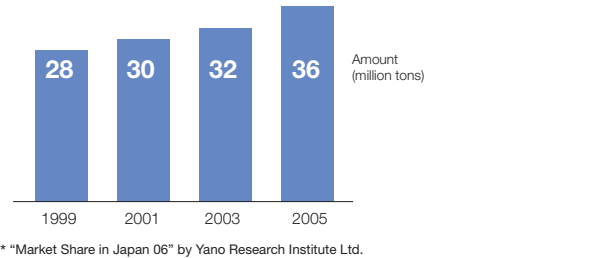
The R-SUD (remanufacturing of single-use medical devices) business is a business where single-use devices (SUDs), which are allowed to be used only once, are collected by the medical equipment manufacturers after they are used and, undergoing such processes as decomposition, cleaning, parts replacement, reassembly and sterilization, are remanufactured and sold as SUDs of the same use.

In Japan, on July 31, 2017, the Ministry of Health, Labour and Welfare established laws and regulations regarding R-SUDs for the purpose of reduction of medical expenses and securing safety. It is said that medical waste in Japan amounts to 0.50 million tons or more (infectious waste of 0.40 to 0.50 million tons). HOGY Medical endeavors to contribute to the effective use of resources and protection of the environment in its R-SUD business.

Amount of Industrial Waste Generated in the Medical Welfare Industry



Amount of Infectious Waste Generated in Japan (estimated value)



Environmental Preservation Activities for Local Communities

Eco Project for the Firefly

HOGY Medical is dedicating efforts to environmental preservation activities and since 2009 has been engaged in the “Eco Project for the Firefly” to rehabilitate and 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). 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 as well as farming cost issues and acreage reduction. HOGY Medical is engaged in the project in which it rents 1.7 hectares neighboring its 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 HOGY Medical's employees and their families are participating to provide the labor. While aiming to restore and preserve the ecosystem, the project offers a good venue of exchange with the local community through the agricultural experience of planting and harvesting rice.



Basic Approach to Corporate Governance

Placing Emphasis on Its Shareholders and Always Considering Their Interests, HOGY Medical Has Established a System to Ensure that Corporate Governance Functions Sufficiently.

1 Overview of Corporate Governance System

HOGY Medical 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.

HOGY Medical has a three-member Board of Auditors, two being outside auditors, and conducts audits of execution of duties by the directors. Each auditor attends important meetings, receives reports from the directors, etc., peruses important approval documents and conducts investigations of subsidiaries, etc. The Board of Auditors, which comprises all auditors, determines the audit policy, etc. and receives reports on audit situations from each auditor. The board also strengthens mutual coordination with the Independent Accounting Auditor, such as receiving reports on audits from the latter at any time and exchange information as necessary.

The subsidiaries located in Indonesia have implemented policies tailored to the region from the beginning, and are managed by eight directors consisting of four members each from Japan and Indonesia. Financial data and other required materials are fully reported to HOGY Medical to ensure that audits can be carried out as needed.

2 Reason to Adopt the Corporate Governance System

HOGY Medical 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

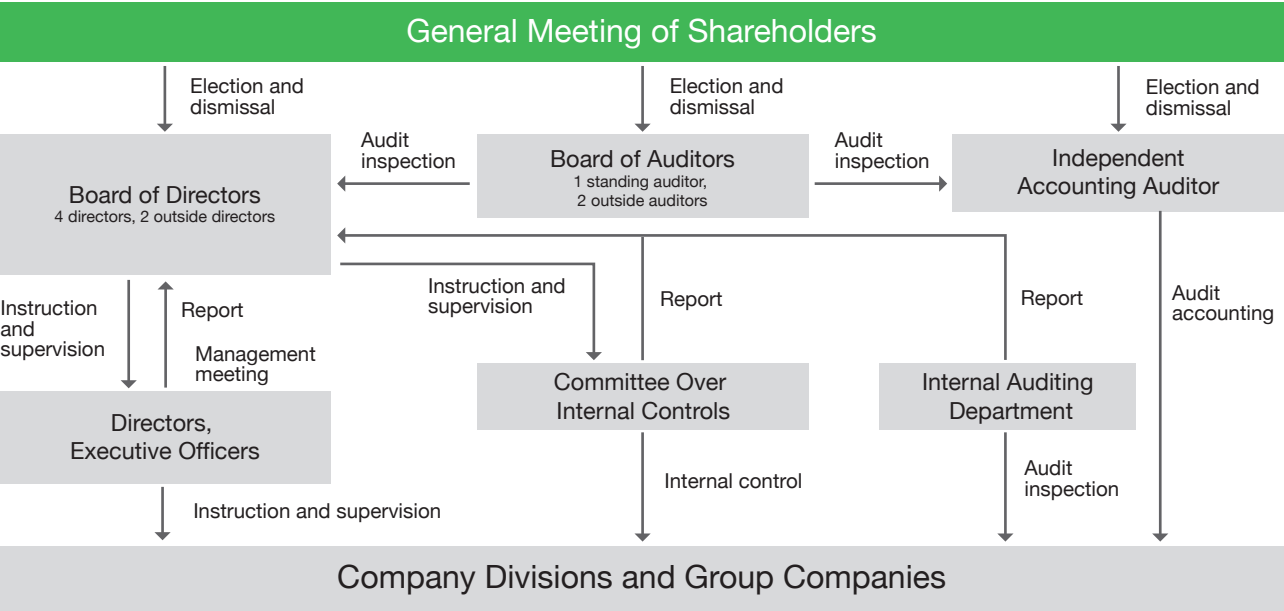
HOGY Medical has an internal control system as a system for ensuring the appropriate execution of business by clarifying the authority and responsibility of each duty, while also implementing appropriate division of business by incorporating a mutual check-and-balance system into the business process, 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, Etc. 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, Etc. is chaired by the President of HOGY Medical, and the J-SOX Committee and the 5S Committee have been set up under the Committee Over Internal Controls, Etc. 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, HOGY Medical recognizes the importance of preventing damage from occurring or expanding by appropriately analyzing and managing the risks surrounding HOGY Medical, and also maintaining and strengthening the trust that clients, investors, etc. have in HOGY Medical, 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 HOGY Medical and takes measures against such, and also maintains a system of prevention in ordinary circumstances. The Committee Over Internal Controls, Etc. 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, Etc. 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 regulations, etc. In addition, risks are extracted from each department and reported to the Board of Directors, and measures are also taken to reduce such risks. Furthermore, HOGY Medical has a whistleblowing system for prevention of illegal or wrongful acts by those employed by HOGY Medical, and also for early detection and necessary measures to be taken.

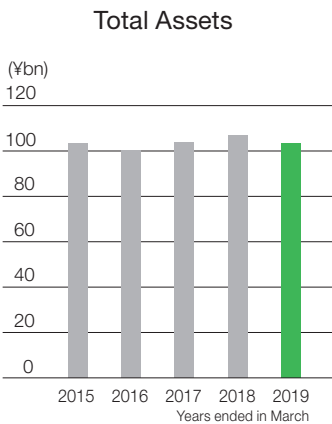
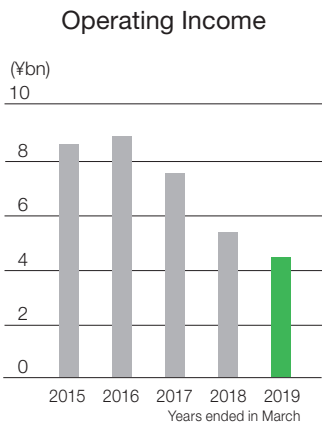
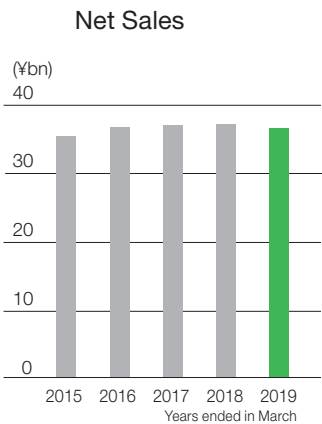
5 Status of Maintenance of the System to Secure Appropriate Operations by Subsidiaries

- The Board of Directors shall establish the basic policy and operation policy to secure appropriateness of operations by HOGY Medical'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 HOGY Medical'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 HOGY Medical'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.



	Years ended March 31,					
	2019	2018	2017	2016	2015	2019
	(Millions of yen unless indicated otherwise)					(Thousands of U.S. dollars)
Income Statement Data						
Net sales	36,658	36,918	36,859	36,568	35,233	330,224
Operating income	4,382	5,273	7,443	8,784	8,505	39,481
Profit before income taxes	8,499	7,583	8,422	8,743	8,678	76,563
Profit attributable to owners of parent	6,043	5,262	5,786	5,910	5,659	54,436
Balance Sheet Data						
Common stock	7,123	7,123	7,123	7,123	7,123	64,167
Additional paid-in capital	8,336	8,336	8,336	8,336	8,336	75,093
Total net assets	91,404	94,063	89,629	87,610	83,301	823,393
Total liabilities and net assets	103,327	106,153	103,196	99,963	102,944	930,792
Property, plant and equipment, net	45,944	47,891	51,986	49,742	44,845	413,875
Cash Flow Data						
Net cash provided by operating activities	7,446	8,367	10,066	6,809	7,935	67,078
Net cash used in investing activities	1,627	(1,807)	(3,868)	(15,669)	(11,973)	14,664
Net cash used in financing activities	(6,958)	(1,945)	(1,877)	(1,811)	(1,747)	(62,687)
Cash and cash equivalents at end of year	22,903	20,840	16,244	11,993	22,661	206,321
(yen)						(U.S. dollars)
Per Share Data						
Profit attributable to owners of parent:						
Basic	198.31	168.04	184.53	187.90	179.91	1.79
Diluted	—	—	—	—	—	—
Net assets	3,027.43	3,002.44	2,863.12	2,784.89	2,647.86	27.27
(Millions of yen, unless indicated otherwise)						(Thousands of U.S. dollars)
Key Financial Data						
Capital expenditures	1,913	4,077	5,844	15,784	11,791	17,233
Depreciation expenses	5,631	6,235	4,409	3,376	2,708	50,725
R&D expenses	789	430	485	403	508	7,108
Equity ratio (%)	88.45	88.36	86.85	87.64	80.91	—
Return on equity (%)	6.52	5.73	6.53	6.92	7.13	—
Price/earnings ratio (times)	19.69	25.56	18.99	16.07	16.40	—
Number of shares issued (thousands)	32,682	32,682	32,682	32,682	32,682	—
Number of employees at year-end*	1,502 (581)	1,472 (680)	1,489 (716)	1,521 (668)	1,586 (625)	—

Note: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥111.01 = U.S.\$1.00, the rate of exchange on March 31, 2019.
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 2015.
* 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 amid continued improvements in the employment and income environments. The economic outlook continued to be uncertain, however, in the face of increased factors causing uneasiness, including trade issues and slowdown in overseas economies.

In the healthcare industry, medical system reforms are underway against the backdrop of medical expenses continuing to increase, and medical institutions remain in a severe management environment, struggling for survival. Given such harsh changes in business environment, it is essential for the medical equipment industry to provide products and services that match the changes in market conditions.

Under these circumstances, the Group has implemented the growth strategy of its Surgical Kit products by expanding sales of OPERA MASTER and conducting marketing activities to propose solutions for work-style reform of customers with its Premium Surgical Kit.

For OPERA MASTER, we concluded new contracts with 11 medical institutions, centering on those that are subject to the diagnosis procedure combination (DPC) system. On the other hand, HOGY Medical reviewed contracts with medical institutions where the product remained in non-operation due to lack of consensus and other reasons. This brought the number of cancellations to 19 contracts. As a result, the number of OPERA MASTER contracts in force amounted to 274 in total.

As for Surgical Kit products, sales expanded for Premium Surgical Kit, on which we place a marketing focus. Sales of Surgical Kit products as a whole slowed, however, because of inadequate new sales and competition with rival companies, among other reasons. For Other Products, sales decreased under the market conditions that remained tough. These led to a year-on-year decrease in net sales as a whole.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,658 million, down 0.7% from the previous fiscal year. Sales of Surgical Kit products rose 1.6% to ¥21,829 million, of which sales of OPERA MASTER was ¥14,784 million or up 5.4%, both on a year-on-year basis. In terms of cost of sales, the cost-of-sales ratio improved from the previous fiscal year, as the new surgical kit plant smoothly started operations and its depreciation decreased, among other factors. Selling, general and administrative expenses recorded an increase in sample costs, which are required mainly for sales promotion, employee salaries and test and research expenses related to R-SUD (remanufacturing of single-use medical devices) products, of which HOGY Medical is promoting development as a new business. Consequently, operating income was ¥4,382 million, down 16.9%, and ordinary income was ¥4,503 million, down 16.3%. HOGY Medical also posted ¥3,998 million in extraordinary income on partial sales of shares. Profit attributable to owners of parent was ¥6,043 million, up 14.8% from the previous fiscal year.

The presentation of information by reportable segment has been omitted because HOGY Medical is engaged in manufacturing and selling expendable medical supplies, which are considered to be a single business segment.

Financial Position

At the end of the fiscal year under review, total assets amounted to ¥103,327 million, down ¥2,826 million from the previous fiscal year.

Current assets increased ¥1,658 million to ¥44,108 million, due in part to a ¥2,062 million increase in cash and bank deposits and a ¥112 million decrease in notes and accounts receivable. Of fixed assets, property, plant and equipment

decreased ¥1,946 million to ¥45,944 million. This was due in part to a ¥370 million decrease in buildings and structures net of depreciation, etc. and a ¥1,925 million decrease in machinery, equipment and vehicles net of depreciation. Intangible assets amounted to ¥2,600 million, due to a ¥364 million decrease net of depreciation, etc. Investments and other assets decreased ¥2,173 million to ¥10,673 million, due in part to a ¥2,272 million decrease in investment securities through partial sales of shares held. As a result, fixed assets amounted to ¥59,218 million.

At the end of the fiscal year under review, total liabilities amounted to ¥11,922 million, down ¥167 million from the previous fiscal year. Current liabilities increased ¥790 million to ¥9,187 million, due in part to a ¥424 million decrease in notes and accounts payable - trade, a ¥906 million increase in construction notes payable and a ¥761 million increase in accounts payable - other. Long-term liabilities decreased ¥958 million to ¥2,734 million from the end of the previous fiscal year. This was due in part to a ¥826 million decrease in deferred tax liabilities associated with mark-to-market valuation of shares held, etc.

At the end of the fiscal year under review, net assets amounted to ¥91,404 million, down ¥2,658 million from the previous fiscal year. This was due in part to a ¥4,903 million increase in treasury stock due to acquisition of treasury stock, etc. based on the resolution made at the Board of Directors' meeting held on April 11, 2018, an increase on posting ¥6,043 million in profit attributable to owners of parent, a ¥1,952 million decrease in appropriation of retained earnings and a ¥1,881 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 88.6% at the end of the previous fiscal year to 88.5%. Earnings per share (EPS) increased from ¥168.04 for the previous fiscal year to ¥198.31. Return on equity (ROE) increased from 5.73% for the previous fiscal year to 6.52%.

Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥22,903 million, up ¥2,063 million from the previous fiscal year, due to the following cash flows:

(Cash Flows from Operating Activities)

Cash flows from operating activities included posting ¥8,499 million in profit before income taxes, ¥5,631 million in depreciation and ¥3,998 million in gain on sales of investment securities, as well as ¥930 million in decrease in accrued consumption taxes and other, ¥411 million in decrease in notes and accounts payable, and ¥2,075 million in income taxes paid. As a result, net cash provided by operating activities amounted to ¥7,446 million, down ¥920 million from the previous fiscal year.

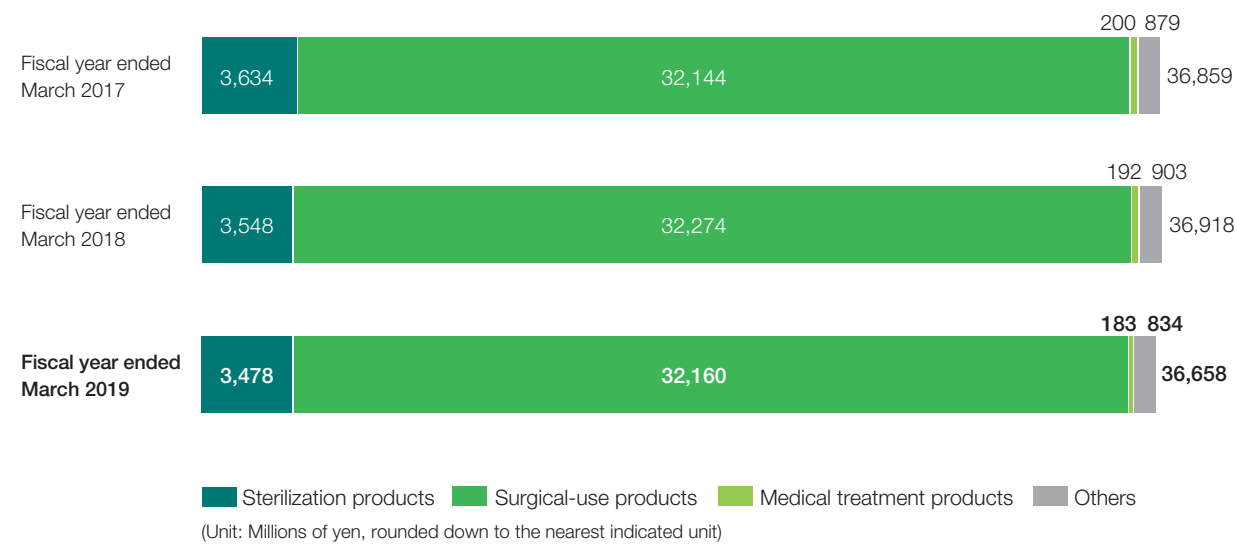
(Cash Flows from Investing Activities)

Cash flows from investing activities included ¥4,073 million in proceeds from partial sales of investment securities, ¥1,552 million in payments for purchase of property, plant and equipment and ¥538 million in payments for purchases of investment securities. As a result, net cash provided by investing activities amounted to ¥1,627 million (in contrast to net cash used in investing activities of ¥1,807 million for the previous fiscal year).

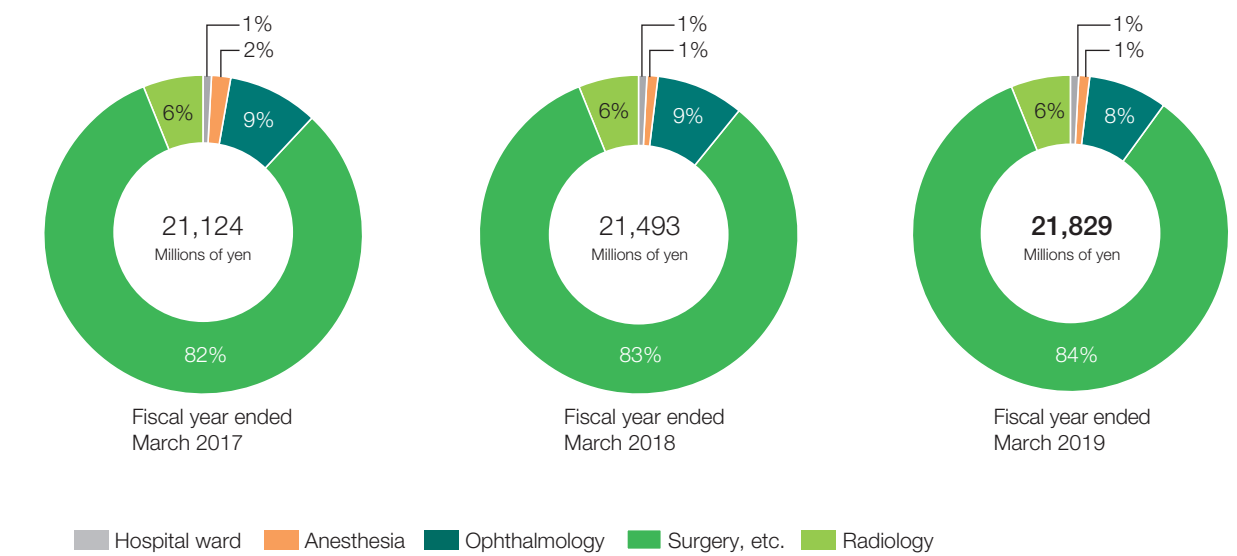
(Cash Flows from Financing Activities)

Cash flows from financing activities included ¥5,001 million in payments for purchases of treasury stock, etc. based on the resolution made at the Board of Directors' meeting held on April 11, 2018, ¥1,952 million in cash dividend paid and ¥108 million in proceeds from disposition of treasury stock for the trust-type Employee Shareholding Incentive Plan (E-Ship®). As a result, net cash used in investing activities amounted to ¥6,958 million, up ¥5,013 million from the previous fiscal year.

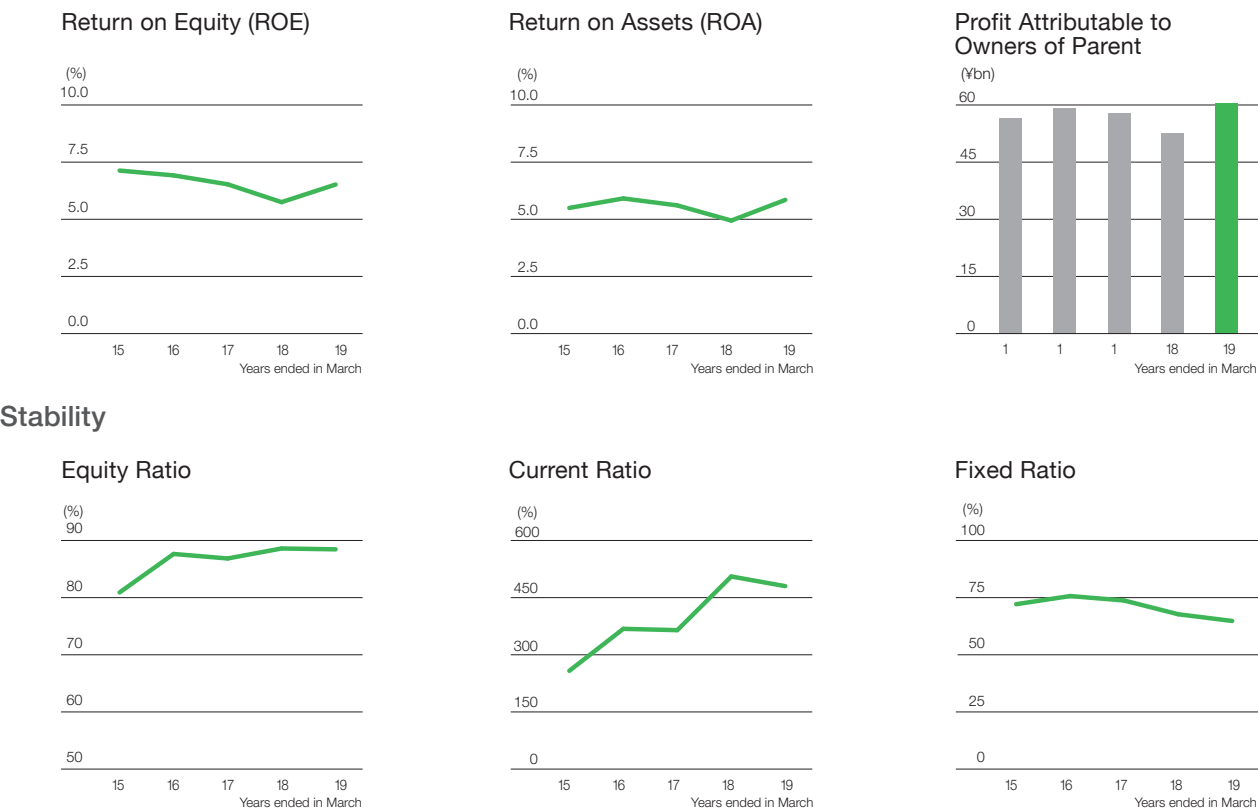
Sales Results by Product Category (Entire Fiscal Year)



Kit Products Sales Composition Ratio by Clinical Department



Profitability



Capital Expenditures and Related Data



Consolidated Financial Statements

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

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets:			
Cash and bank deposits	¥ 23,336	¥ 21,274	\$ 210,222
Notes and accounts receivable	12,004	12,116	108,140
Inventories	8,290	8,704	74,682
Other current assets	476	354	4,295
Allowance for doubtful accounts	—	(0)	—
Total current assets	44,108	42,450	397,340
Property, plant and equipment, at cost:			
Buildings and structures	44,668	43,820	402,384
Machinery, equipment and vehicles	42,977	41,867	387,150
Land	9,609	9,618	86,566
Construction in progress	922	897	8,308
Other	5,340	4,716	48,104
	103,518	100,920	932,515
Less: Accumulated depreciation	(57,574)	(53,028)	(518,640)
Property, plant and equipment, net	45,944	47,891	413,875
Investments and other assets:			
Investment securities	9,275	11,547	83,557
Intangible assets	2,600	2,965	23,426
Guarantee deposits	350	352	3,160
Deferred tax assets	138	139	1,243
Other assets	908	807	8,188
Total investments and other assets	13,274	15,812	119,576
Total assets	¥103,327	¥106,153	\$ 930,792

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade	¥ 4,584	¥ 5,009	\$ 41,300
Construction	1,352	446	12,187
Income taxes payable	1,394	934	12,563
Accounts payable – other	951	189	8,566
Other current liabilities	904	1,818	8,146
Total current liabilities	9,187	8,397	82,765
Long-term liabilities:			
Long-term debt	285	399	2,574
Deferred tax liabilities	1,603	2,430	14,444
Liability for retirement benefits	349	358	3,147
Long-term accounts payable – other	36	36	325
Other long-term liabilities	459	468	4,140
Total long-term liabilities	2,734	3,692	24,633
Net assets:			
Shareholders’ equity:			
Common stock:			
Authorized – 130,000,000 shares			
Issued – 32,682,310 shares	7,123	7,123	64,167
Additional paid-in capital	8,336	8,336	75,093
Retained earnings	79,770	75,680	718,590
Treasury stock, at cost			
2,492,372 shares in 2019 and 677,699 shares in 2018	(8,663)	(3,759)	(78,039)
Total shareholders’ equity	86,566	87,379	779,812
Accumulated other comprehensive income:			
Unrealized gain on other securities	4,693	6,575	42,283
Deferred gain on hedges	127	62	1,151
Translation adjustments	110	154	997
Retirement benefit liability adjustments	(101)	(114)	(914)
Total accumulated other comprehensive income	4,830	6,677	43,518
Non-controlling interests	7	6	63
Total net assets	91,404	94,063	823,393
Total liabilities and net assets	¥103,327	¥106,153	\$930,792

Consolidated Financial Statements

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

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	¥36,658	¥36,918	\$330,224
Cost of sales	21,831	22,450	196,660
Gross profit	14,827	14,467	133,564
Selling, general and administrative expenses	10,444	9,194	94,083
Operating income	4,382	5,273	39,481
Other income (expenses):			
Interest income	45	30	412
Dividend income	85	71	774
Foreign exchange gain (loss), net	25	4	225
Gain (loss) on investments in partnership	(26)	(10)	(235)
Allowance for doubtful accounts	—	(42)	—
Commission for purchase of treasury stock	(58)	—	(522)
Gain on sales of investment securities	3,998	2,222	36,014
Loss on disposal of property, plant and equipment	(2)	(1)	(23)
Loss on valuation of investment securities	—	(20)	—
Other, net	48	55	435
Other income (expenses), net	4,116	2,310	37,082
Profit before income taxes	8,499	7,583	76,563
Income taxes :			
Current	2,512	2,239	22,629
Deferred	(56)	82	(505)
Total income taxes	2,456	2,321	22,124
Profit	6,043	5,262	54,439
Profit attributable to non-controlling interests	(0)	(0)	(2)
Profit attributable to owners of parent	¥ 6,043	¥ 5,262	\$ 54,436

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

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥ 6,043	¥5,262	\$ 54,439
Other comprehensive income:			
Unrealized gain (loss) on other securities	(1,881)	1,477	(16,949)
Deferred gain (loss) on hedges	65	(178)	591
Translation adjustments	(43)	(264)	(395)
Retirement benefits liability adjustments	13	(8)	119
Total other comprehensive income	(1,846)	1,025	(16,634)
Comprehensive income	¥ 4,196	¥6,287	\$ 37,804
Total comprehensive income attributable to:			
Owners of parent	¥ 4,196	¥6,287	\$ 37,802
Non-controlling interests	¥ 0	¥ 0	\$ 2

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, 2017	16,341,155	¥7,123	¥8,336	¥72,352	¥(3,841)	¥83,970
Cash dividends paid	—	—	—	(1,934)	—	(1,934)
Profit attributable to owners of parent	—	—	—	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
Balance at April 1, 2018	32,682,310	7,123	8,336	75,680	(3,759)	87,379
Cash dividends paid	—	—	—	(1,952)	—	(1,952)
Profit attributable to owners of parent	—	—	—	6,043	—	6,043
Purchases of treasury stock	—	—	—	—	(5,001)	(5,001)
Disposal of treasury stock	—	—	—	—	97	97
Other, net change	—	—	—	—	—	—
Net changes during the year	—	—	—	4,090	(4,903)	(812)
Balance at March 31, 2019	32,682,310	¥7,123	¥8,336	¥79,770	¥(8,663)	¥86,566

	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, 2017	¥ 5,098	¥ 240	¥ 419	¥(106)	¥ 5,652	¥6	¥89,629
Cash dividends paid	—	—	—	—	—	—	(1,934)
Profit attributable to owners of parent	—	—	—	—	—	—	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
Balance at April 1, 2018	6,575	62	154	(114)	6,677	6	94,063
Cash dividends paid	—	—	—	—	—	—	(1,952)
Profit attributable to owners of parent	—	—	—	—	—	—	6,043
Purchases of treasury stock	—	—	—	—	—	—	(5,001)
Disposal of treasury stock	—	—	—	—	—	—	97
Other, net change	(1,881)	65	(43)	13	(1,846)	0	(1,846)
Net changes during the year	(1,881)	65	(43)	13	(1,846)	0	(2,658)
Balance at March 31, 2019	¥ 4,693	¥ 127	¥ 110	¥(101)	¥ 4,830	¥7	¥91,404

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)				
Balance at April 1, 2018	\$64,167	\$75,093	\$681,741	\$(33,870)	\$787,131
Cash dividends paid	—	—	(17,587)	—	(17,587)
Profit attributable to owners of parent	—	—	54,436	—	54,436
Purchases of treasury stock	—	—	—	(45,050)	(45,050)
Disposition of treasury stock	—	—	—	881	881
Other, net change	—	—	—	—	—
Net changes during the year	—	—	36,849	(44,169)	(7,319)
Balance at March 31, 2019	\$64,167	\$75,093	\$718,590	\$(78,039)	\$779,812

	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)						
Balance at April 1, 2018	\$ 59,233	\$ 560	\$1,393	\$(1,034)	\$ 60,152	\$61	\$847,346
Cash dividends paid	—	—	—	—	—	—	(17,587)
Profit attributable to owners of parent	—	—	—	—	—	—	54,436
Purchases of treasury stock	—	—	—	—	—	—	(45,050)
Disposition of treasury stock	—	—	—	—	—	—	881
Other, net change	(16,949)	591	(395)	119	(16,634)	1	(16,632)
Net changes during the year	(16,949)	591	(395)	119	(16,634)	1	(23,952)
Balance at March 31, 2019	\$ 42,283	\$1,151	\$ 997	\$ (914)	\$ 43,518	\$63	\$823,393

HOGY Medical Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	¥ 8,499	¥ 7,583	\$ 76,563
Depreciation	5,631	6,235	50,727
Changes in liability for retirement benefits, net	12	47	111
(Decrease) increase in allowance for doubtful accounts	(42)	41	(381)
Interest and dividend income	(131)	(101)	(1,187)
Loss on investments in partnership	26	10	235
Foreign exchange loss (gain)	(6)	(29)	(55)
Gain on sales of investment securities	(3,998)	(2,222)	(36,014)
Gain on sales of property, plant and equipment	—	(2)	—
Loss on disposal of property, plant and equipment	2	1	23
Loss on valuation of investment securities	—	20	—
Changes in assets and liabilities:			
Notes and accounts receivable	95	(850)	864
Inventories	370	(383)	3,340
Notes and accounts payable	(411)	(61)	(3,709)
Accrued consumption taxes and other	(930)	745	(8,385)
Consumption taxes refund receivable and other	(21)	—	(194)
Other current assets	(81)	34	(730)
Other current liabilities	165	(216)	1,493
Other investments	114	(114)	1,033
Other liabilities	(8)	(13)	(77)
Other	104	0	937
Subtotal	9,390	10,725	84,594
Interest and dividends received	131	101	1,180
Income taxes paid	(2,075)	(2,459)	(18,696)
Net cash provided by operating activities	7,446	8,367	67,078
Investing activities			
Increase in time deposits	(6)	(24)	(59)
Proceeds from time deposits	7	3	71
Purchases of investment securities	(538)	(69)	(4,846)
Proceeds from sales of investment securities	4,073	2,298	36,697
Purchase of property, plant and equipment	(1,552)	(3,675)	(13,989)
Proceeds from sales of property, plant and equipment	—	2	—
Purchases of intangible assets	(360)	(402)	(3,243)
Proceeds from distribution of investments in partnership	23	27	210
Payments for loans receivable	(0)	(0)	(2)
Collection of loans receivable	0	3	7
Decrease (increase) in other investments	(20)	29	(180)
Net cash used in investing activities	1,627	(1,807)	14,664
Financing activities			
Repayment of long-term debt	(113)	(109)	(1,021)
Proceeds from sales of treasury stock	108	103	973
Purchases of treasury stock	(5,001)	(3)	(45,050)
Cash dividend paid	(1,952)	(1,935)	(17,589)
Net cash used in financing activities	(6,958)	(1,945)	(62,687)
Effect of exchange rate changes on cash and cash equivalents	(51)	(18)	(466)
Net increase in cash and cash equivalents	2,063	4,595	18,589
Cash and cash equivalents at beginning of year	20,840	16,244	187,731
Cash and cash equivalents at end of year	¥22,903	¥20,840	\$206,321

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

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

29 P.T. HOGY Indonesia

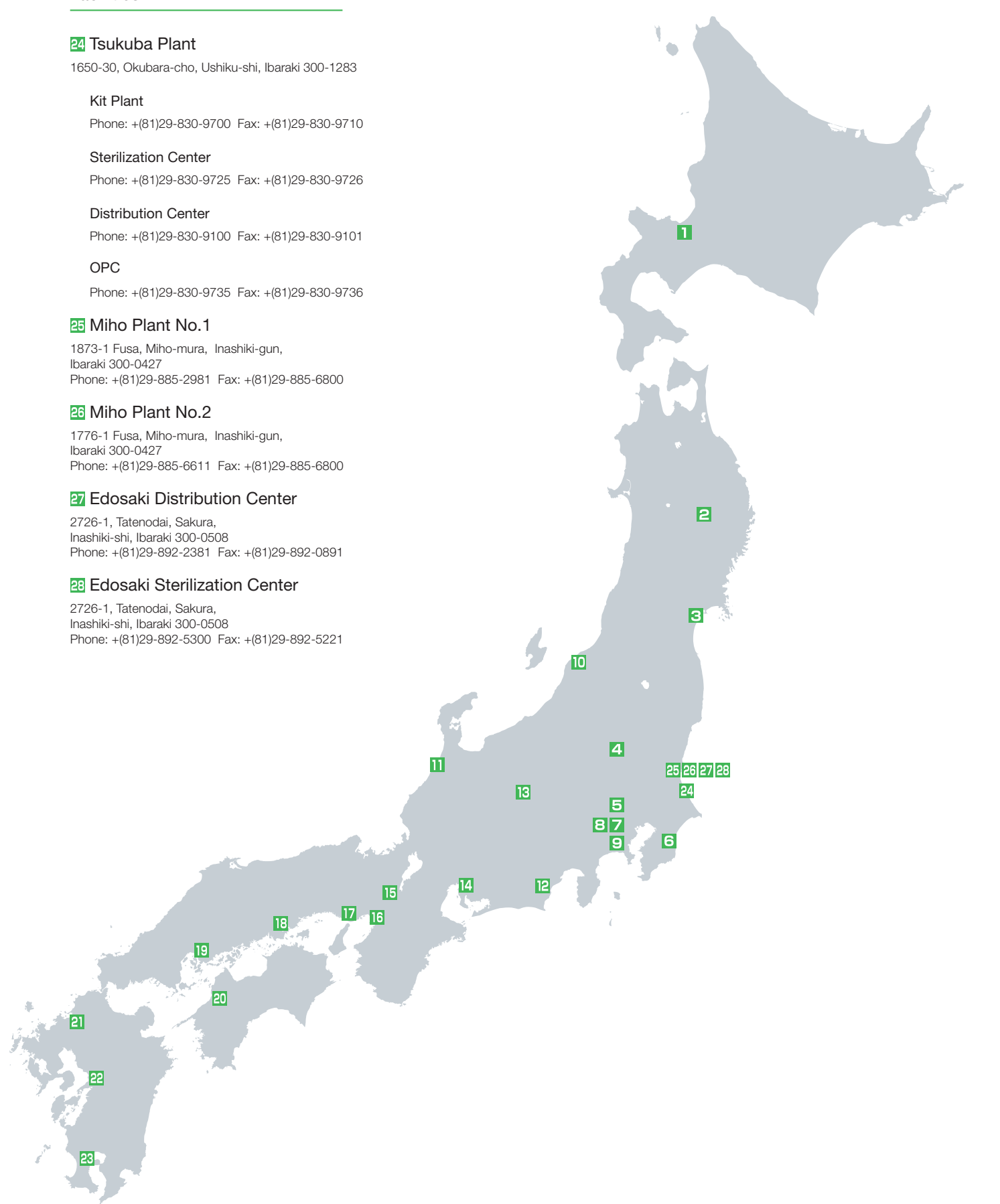
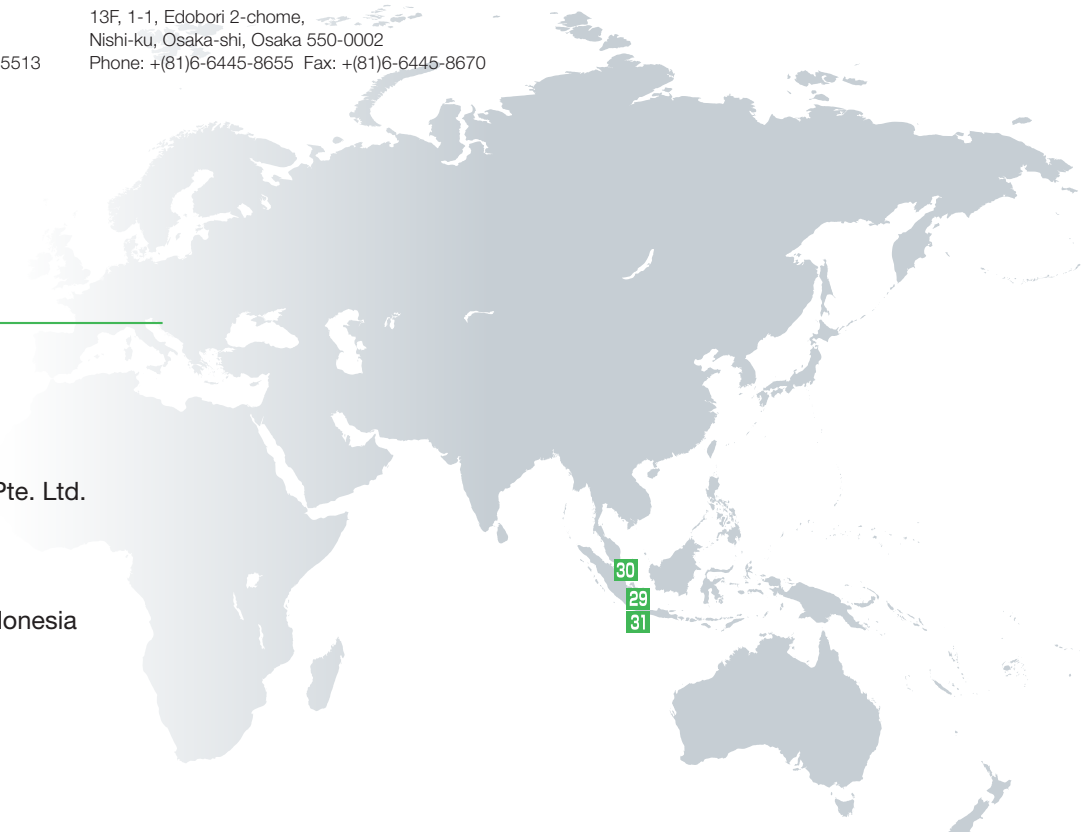
MM2100 Industrial Town, EPZ.,
Block M-3-1, Cikarang Barat,
Bekasi 17520, West Java, Indonesia

30 HOGY Medical Asia Pacific Pte. Ltd.

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

31 P.T. HOGY Medical Sales Indonesia

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





Jun-ichi Hoki



Katsuo Sasaki



Takuya Kobayashi



Wataru Fujimoto



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

Directors

Katsuo Sasaki (Production Div.)
Takuya Kobayashi (Sales Dept. 1 / Group 1)
Wataru Fujimoto (Sales Dept. 2)

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.)
Hisato Komatsu (Global Business Div.)
Hideki Kawakubo (Management Planning Dept. /
Sales Administration Dept.)
Masato Iwasaki (Sales Dept. 2 / Group 4 & 5)

Corporate Data (as of March 31, 2019)

Incorporated:

April 3, 1961

Paid-in capital:

¥7,123 million

Number of employees:

1,502 (Consolidated)

Number of sales offices:

23

Listing:

The Tokyo Stock Exchange
First Section

Code number:

3593

Number of shareholders:

5,211

Shares of common stock issued
and outstanding:

32,682,310

Financial year:

April 1 to March 31

Annual general meeting:

June

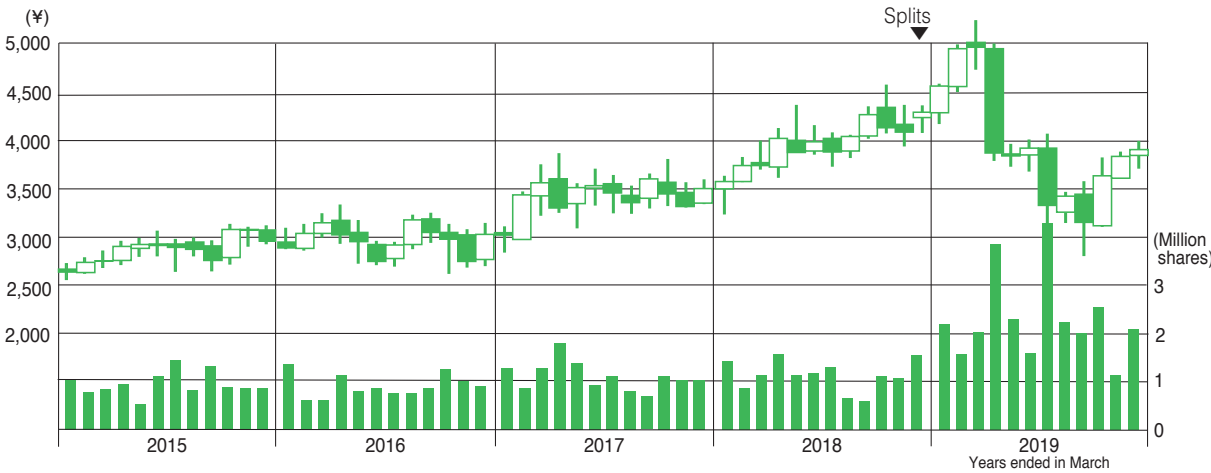
Transfer agent:

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
1-1 Nikkocho, Fuchu,
Tokyo 183-0044
Tel: 0120-232-711

Independent auditor:

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yuraku-cho, Chiyoda-ku,
Tokyo 100-0006
Tel: 03-3506-2411

Common Stock Price Range & Trading Volume



	2015	2016	2017	2018	2019 Years ended in March
High (yen)	3,120	3,325	3,835	4,570	5,220
Low (yen)	2,555	2,625	2,825	3,240	2,804

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 2015.

Major Shareholders

	Number of shares	Percentage of total (%)
● Masao Hoki	5,346,046	16.35
● GOLDMAN, SACHS & CO. REG (Permanent representative: Goldman Sachs Securities Co., Ltd.)	2,812,772	8.60
● The Master Trust Bank of Japan, Ltd. (Trust Account)	1,406,100	4.30
● Hoki Museum Co., Ltd.	1,135,448	3.47
● STATE STREET CLIENT OMNIBUS ACCOUNT OM44 (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,077,000	3.29
● Japan Trustee Services Bank, Ltd. (Trust Account)	909,900	2.78
● SSBTC CLIENT OMNIBUS ACCOUNT (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	898,453	2.74
● Jun-ichi Hoki	872,400	2.66
● MEDIPAL HOLDINGS CORPORATION	584,000	1.78
● THE BANK OF NEW YORK 134105 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	541,940	1.65

Our company owns 2,492,372 treasury stock.
(as of March 31, 2019)

Shareholder Composition

	Number of shareholders	Number of shares	Proportion (%)
Individuals	4,895	9,444,313	28.90
Financial institutions	33	5,899,540	18.05
Financial products trading firms	28	152,261	0.46
Foreign investors and others	187	12,702,382	38.87
Others (including treasury stock)	68	4,483,814	13.72
Total	5,211	32,682,310	100.00

HOGY MEDICAL Co., Ltd.