

July 12, 2022

## Consolidated Financial Results

### for the First Quarter of Fiscal 2022 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**  
 Listing: **First Section, Tokyo Stock Exchange**  
 Stock code number: **3593**  
 Phone: **+81-3-6229-1300**  
 URL: **https://www.hogy.co.jp**  
 Representative: **Junichi Hoki, President and CEO**  
 Contact: **Hideki Kawakubo, Director, Administration Div.**  
 Submission of Quarterly Business Report: **August 10, 2022**  
 Start of cash dividend payments: **August 31, 2022**  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Information meeting for quarterly financial results to be held: Yes

#### 1. Fiscal 2022—First quarter (April 1—June 30, 2022)

##### (1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2022—First quarter	¥9,447	+6.2%	¥1,857	+24.5%	¥1,843	+23.3%	¥1,304	+19.7%
Fiscal 2021—First quarter	8,895	+6.2%	1,492	+30.5%	1,495	+19.5%	1,089	+20.0%

Note: Comprehensive income

Fiscal 2022—1st quarter: ¥1,774 million (+55.8%)

Fiscal 2021—1st quarter: ¥1,138 million (−9.7%)

	Profit per share	Profit per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2022—First quarter	¥53.77	—
Fiscal 2021—First quarter	36.65	—

##### (2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2022—First quarter	¥99,658	¥81,358	81.6%	¥3,352.84
Fiscal 2021—Year-end	98,967	79,996	80.8%	3,296.32

Reference: Equity capital at term-end

Fiscal 2022—1st quarter: ¥81,330 million

Fiscal 2021: ¥79,959 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2021	¥17.00	¥17.00	¥17.00	¥17.00	¥68.00
Fiscal 2022	17.50	—	—	—	—
Fiscal 2022 (est.)	—	17.50	17.50	17.50	70.00

Note: Revision of cash dividend forecast for quarter in review: None

## 3. Forecast for fiscal 2022 (April 1, 2022–March 31, 2023)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount
First 2 quarters	¥19,070	+6.4%	¥3,170	+6.1%	¥3,210	+4.7%	¥2,250	+0.7%	¥92.76
Full year	38,720	+5.3%	6,510	+6.1%	6,570	+4.5%	4,570	+4.6%	188.40

Note: Revision of consolidated forecasts for quarter in review: None

## 4. Notes

(1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Application of special accounting method: Yes

Note: For more details, please refer to “Notes on Consolidated Financial Statements” on page 12 of this report.

(3) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: Yes

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No

(4) Restatements: No

Note: For more details, please refer to “Notes on Consolidated Financial Statements” on page 12 of this report.

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2022–1st quarter: 32,682,310

Fiscal 2021: 32,682,310

2. Number of treasury shares outstanding

Fiscal 2022–1st quarter: 8,425,170

Fiscal 2021: 8,425,207

3. Average number of shares over period (consolidated total for quarter)

Fiscal 2022–1st quarter: 24,257,102

Fiscal 2021–1st quarter: 29,729,200

\*Quarterly financial reports are not subject to audits by certified public accountants or auditing companies.

\*Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report’s release. Accordingly, the Company cannot make promises to achieve such forecasts. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company’s forecasts and the usage of such forecasts, please refer to “(3) Full-Year Forecasts for Fiscal 2022” on page 5.

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## 1. Performance and Financial Position

### (1) Performance

In the first quarter under review (April 1–June 30, 2022), the global economy generally followed a recovery track as consumption and investment expanded due to progress in balancing economic activities with measures taken by governments to prevent the spread of COVID-19. By contrast, the situation remained unstable due to Russia’s military invasion of Ukraine and soaring prices of crude oil and other resources.

In Japan, the number of COVID-19 infections declined alongside an increase in vaccination rates, while social activities began to normalize. However, sharp fluctuations in foreign exchange rates toward a weaker yen and other factors increased upward pressure on prices, which had a significant impact on economic activities.

In the healthcare sector, the number of surgeries recovered to almost the same level as before the pandemic, mainly due to an increase in patients treated at medical institutions as the number of infected patients declined. On the other hand, the prices of many commodities rose due to the sharp depreciation of the yen, rising resource prices, and increasing transportation and shipping costs. On the medical frontlines, meanwhile, manpower shortages became the norm, leading to calls for more effective measures to prevent infections and the establishment of systems to provide higher-quality medical care. As a result, conditions remained difficult for hospital management.

In the first quarter under review, the Hogy Medical Group benefited from a recovery in the number of surgeries at medical institutions. We also aggressively developed proposals for products that contribute to medical safety and hospital operational efficiency. These efforts boosted sales, especially of Premium Kit, our most important strategic product. Since its launch, this flagship product has been highly evaluated by customers and generated steady increases in sales.

As a result, consolidated net sales for the period amounted to ¥9,447 million, up 6.2% from the previous corresponding period. Sales of surgical kit products rose 9.0%, to ¥5,906 million, of which Premium Kit sales climbed 16.6%, to ¥3,606 million. Cost of sales increased due to the weaker yen, but the impact was limited in the first quarter thanks to forward exchange contracts and other factors. We also posted a decline in selling, general, and administrative (SG&A) expenses due to efforts to control costs. As a result, operating income jumped 24.5%, to ¥1,857 million. Ordinary income rose 23.3%, to ¥1,843 million, partly reflecting a year-on-year increase in foreign exchange loss (under “Other expenses”). Accordingly, profit attributable to owners of parent rose 19.7%, to ¥1,304 million.

### (2) Financial Position

#### 1) Assets, Liabilities, and Net Assets

At June 30, 2022, total assets amounted to ¥99,658 million, down ¥691 million from March 31, 2022.

For the period, current assets increased ¥1,535 million, to ¥36,826 million. Factors included a ¥518 million increase in cash and bank deposits and a ¥709 million increase in notes and accounts receivable. Within fixed assets, tangibles edged down ¥359 million, to ¥52,399 million, reflecting a ¥262 million decrease in buildings and structures stemming from depreciation and a ¥291 million decrease in machinery and equipment stemming from depreciation. Intangibles edged down ¥80 million, to ¥1,455 million, due mainly to depreciation. Investments and other assets declined ¥404 million, to ¥8,976 million, mainly due to a ¥389 million decrease in investment securities due to market valuation of our equity holdings. As a result, total fixed assets ended the period at ¥62,832 million.

At the end of the period, total liabilities amounted to ¥18,300 million, down ¥670 million. Current liabilities decreased ¥107 million, to ¥9,240 million, mainly reflecting a ¥160 million increase in notes and accounts payable and a ¥403 decrease in accrued income tax. Long-term liabilities declined ¥562 million, to ¥9,059 million. This stemmed mainly from ¥499 million in new long-term borrowings and a ¥92 million decrease in deferred tax liabilities related to the market valuation of equity holdings.

Net assets at the end of the period totaled ¥81,358 million, up ¥1,361 million. Main factors were ¥1,304 million in profit attributable to owners of parent, ¥412 million in distributions from retained earnings, and a ¥706 million increase in translation adjustment.

As a result, the equity ratio rose to 81.6%, from 80.8% from March 31, 2022.

## 2) Cash Flows

Cash and cash equivalents at the end of the period stood at ¥14,346 million, up ¥526 million from March 31, 2022. This reflected cash flow factors described below.

### *(Cash Flows from Operating Activities)*

Net cash provided by operating activities amounted to ¥2,008 million, from ¥1,318 million in the previous corresponding period. Factors in this result included ¥1,843 million in income before income taxes, ¥904 million in depreciation, a ¥660 million increase in notes and accounts receivable, a ¥204 million decrease in inventories, and ¥913 million in income taxes paid.

### *(Cash Flows from Investing Activities)*

Net cash used in investing activities totaled ¥766 million, from ¥125 million in the previous corresponding period. Main factors included ¥769 million purchase of tangible fixed assets and ¥19 million in purchase of intangible fixed assets.

### *(Cash Flows from Financing Activities)*

Net cash used in financing activities was ¥911 million, from ¥2,838 million in the previous corresponding period. Main factors included ¥499 million in repayments of long-term borrowings and ¥412 million in dividends paid.

For the entire fiscal year, we expect net cash provided by operating activities to be around ¥9,000 million; net cash used in investing activities of around ¥2,520 million, mainly due to purchases of tangible fixed assets; and net cash used in financing activities of around ¥3,690 million, mainly influenced by repayments of long-term borrowings and payments of dividends.

## (3) Full-Year Forecasts for Fiscal 2022

Looking ahead, we assume that the worsening and drawn-out situation in Ukraine, soaring prices of resources and raw materials, and upward pressure on prices due to the yen's rapid depreciation will be causes for concern with respect to economic recovery.

In this regard, the cost of products manufactured by P.T. Hogy Indonesia, our manufacturing subsidiary in Indonesia, has been rising, due mainly to the yen's depreciation, putting pressure on profits. With such an uncertain outlook, it is extremely difficult to predict future foreign exchange rates, while the benefit of forward contracts will diminish from the second quarter onward. Accordingly, P.T. Hogy Indonesia will switch to a protocol of regularly reviewing the selling prices of some products in response to exchange rate fluctuations, while at the same time consolidating and discontinuing products. In the meantime, the Hogy Medical Group will continue implementing cost reductions and other corporate measures to ensure a stable supply and quality of products and fulfill its responsibilities as a leading manufacturer.

In Japan, the number of COVID-19 infections has been on a downward trend since the beginning of the calendar year, and the number of surgeries in the first quarter recovered to a level close to that before the pandemic began. Since around the end of the first quarter, however, new strains have emerged, and we expect that the number of infections to continue fluctuating up and down, placing an ongoing impact on society and the economy.

Under these unstable circumstances, the Japanese government is making steady progress in its efforts to realize the regional medical care plan, which includes a reorganization of hospital bed functions, and medical institutions are under pressure to respond to these efforts. In addition, the turnover rate of healthcare workers remains high, underscoring the need to review the scope of work and improve workplaces of healthcare professionals, including by reforming work styles of physicians and adopting task-shifting arrangements. There is an urgent need to both improve the productivity of hospital operations and ensure a safe, high-quality healthcare delivery system.

The Hogy Medical Group will continue making proposals to help its customers resolve these issues. Through sales of Premium Kit, our most important product, we will thoroughly reduce the workload of professionals who work in challenging environments while ensuring medical safety. We will also work closely with customers to address management issues that are becoming increasingly serious, such as labor shortages, productivity declines, and the need for work-style reforms on the medical frontlines. Meanwhile, we will proceed steadily with Stage 2 construction of the new surgical kit plant to help increase production volume and improve production efficiency for Premium Kit products, demand for which is expected to grow in the future. At the same time, we will step up cost reductions and other measures to improve operational efficiency.

In our overseas business, Hogy Medical Asia Pacific Pte. Ltd. (sales subsidiary in Singapore) and P.T. Hogy Medical Sales Indonesia (sales sub-subsiary in Indonesia) will actively introduce our products to key hospitals in Singapore and other Southeast Asian countries. In addition to Stage 2 construction of the new surgical kit plant, P.T. Hogy Indonesia will continue working to reduce costs by promoting in-house production and improving productivity. However, its cost of sales ratio is expected to increase due to market conditions described earlier.

With respect to our new remanufactured single-use device (R-SUD) business, we will work to facilitate the inspection, testing, and remanufacturing processes while speeding up the application and approval processes and promoting commercialization. As of June 30, 2022, we had received five approvals and had one application pending.

Our consolidated forecasts for the fiscal year to March 2023 are shown below. These are based on the assumption that the COVID-19 pandemic will settle down to a certain period degree but may change depending on circumstances. We will disclose any changes promptly if the need arises.

**(Consolidated performance forecasts)**

Net sales	¥38,720 million	(up 5.3%)
Operating income	¥ 6,510 million	(up 6.1%)
Ordinary income	¥ 6,570 million	(up 4.5%)
Profit attributable to owners of parent	¥ 4,570 million	(up 4.6%)

## 2. Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2021 (March 31, 2022)	Fiscal 2022—First quarter (June 30, 2022)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥14,364	¥14,883
Notes and accounts receivable	11,341	12,051
Goods and merchandise	4,272	4,187
Products in progress	428	461
Materials and supplies	4,110	4,113
Other	773	1,130
Allowance for doubtful accounts	—0	—0
<b>Total current assets</b>	<b>35,290</b>	<b>36,826</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	21,578	21,315
Machinery and vehicles (net)	6,073	5,782
Land	9,625	9,655
Construction in progress	14,775	14,961
Others (net)	706	684
<b>Total property, plant and equipment</b>	<b>52,759</b>	<b>52,399</b>
Intangible fixed assets	1,536	1,455
Investments and other assets		
Investment securities	8,105	7,716
Other	1,282	1,267
Allowance for doubtful accounts	—7	—7
<b>Total investment and other assets</b>	<b>9,381</b>	<b>8,976</b>
<b>Total fixed assets</b>	<b>63,676</b>	<b>62,832</b>
<b>Total assets</b>	<b>98,967</b>	<b>99,658</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	4,336	4,496
Long-term borrowings due within 1 year	1,999	1,999
Accrued income tax	980	577
Reserves	478	123
Other current liabilities	1,553	2,043
<b>Total current liabilities</b>	<b>9,348</b>	<b>9,240</b>
Long-term liabilities		
Long-term borrowings	7,667	7,167
Liability related to employees' retirement benefits	478	506
Other long-term liabilities	1,476	1,385
<b>Total long-term liabilities</b>	<b>9,622</b>	<b>9,059</b>
<b>Total liabilities</b>	<b>18,970</b>	<b>18,300</b>

(Millions of yen, rounded down)

	Fiscal 2021 (March 31, 2022)	Fiscal 2022–First quarter (June 30, 2022)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus	8,336	8,336
Retained earnings	88,523	89,415
Treasury stock	-27,561	-27,561
Total shareholders' equity	76,422	77,314
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	2,831	2,569
Deferred hedging gain or loss	261	307
Translation adjustment	608	1,314
Cumulative adjustment related to employees' retirement benefits	-164	-175
Total valuation/translation gains or losses	3,536	4,016
Non-controlling interests	37	28
Total net assets	79,996	81,358
Total liabilities and net assets	98,967	99,658



## (2) Statements of Income and Statements of Comprehensive Income (Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2021—First quarter (April 1—June 30, 2021)	Fiscal 2022—First quarter (April 1—June 30, 2022)
Net sales	¥8,895	¥9,447
Cost of sales	5,115	5,357
Gross profit	3,780	4,090
Selling, general and administrative expenses	2,287	2,232
Operating income	1,492	1,857
Other income		
Interest income	9	11
Dividend income	16	17
Other	8	2
Total other income	34	31
Other expenses		
Interest expense	0	7
Foreign exchange loss	5	32
Loss on investment partnership	15	5
Treasury stock acquisition cost	9	—
Other	0	0
Total other expenses	31	46
Ordinary income	1,495	1,843
Extraordinary expenses		
Loss on disposal of fixed assets	1	0
Total extraordinary expenses	1	0
Income before income taxes	1,494	1,843
Income taxes	412	548
Profit	1,081	1,294
Profit attributable to non-controlling interests	-7	-9
Profit attributable to owners of parent	1,089	1,304

## (Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2021–First quarter (April 1–June 30, 2021)	Fiscal 2022–First quarter (April 1–June 30, 2022)
<b>Profit</b>	¥1,081	¥1,294
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	–360	–262
Deferred hedging gain or loss	–36	45
Translation adjustment	461	706
Adjustment related to employees retirement benefits	–7	–10
Total other comprehensive income	56	479
<b>Comprehensive income</b>	1,138	1,774
(Breakdown)		
Comprehensive income attributable to owners of parent	1,145	1,783
Comprehensive income attributable to non-controlling interests	–7	–9

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2021—First quarter (April 1–June 30, 2021)	Fiscal 2022—First quarter (April 1–June 30, 2022)
<b>Operating activities</b>		
Income before income taxes	¥ 1,494	¥ 1,843
Depreciation	1,009	904
Interest and dividend income	–26	–28
Interest expense	0	7
Loss (gain) on investment partnership	15	5
Foreign exchange loss (gain)	19	38
Changes in assets and liabilities:		
Notes and accounts receivable	–203	–660
Inventories	26	204
Notes and accounts payable	–318	126
Other	228	453
<b>Subtotal</b>	<b>2,247</b>	<b>2,894</b>
Interest and dividends received	32	35
Interest paid	–0	–7
Incomes taxes paid	–960	–913
<b>Net cash provided by operating activities</b>	<b>1,318</b>	<b>2,008</b>
<b>Investing activities</b>		
Purchase of tangible fixed assets	–110	–769
Purchase of intangible fixed assets	–34	–19
Other	19	22
<b>Net cash used in investing activities</b>	<b>–125</b>	<b>–766</b>
<b>Financing activities</b>		
Proceeds from long-term borrowings	—	–499
Proceeds from disposal of treasury stock	19	0
Purchase of treasury stock	–2,345	–0
Cash dividends paid	–512	–412
<b>Net cash used in financing activities</b>	<b>–2,838</b>	<b>–911</b>
Effect of exchange rate changes on cash and cash equivalents	159	195
<b>Net change in cash and cash equivalents</b>	<b>–1,485</b>	<b>526</b>
Cash and cash equivalents at beginning of term	19,911	13,820
Cash and cash equivalents at end of term	18,426	14,346

**(4) Notes on Consolidated Financial Statements  
(Note Related to Ongoing Concern Assumption)**

Not applicable.

**(Note of Significant Change in Shareholders' Equity)**

Not applicable.

**(Changes in Significant Subsidiaries during Period)**

Not applicable.

**(Application of Special Accounting Treatment in Preparation of Consolidated Financial Statements)**

***Corporate taxes***

Calculated according to the annual expected tax rate based on the statutory effective tax rate.

**(Changes in Accounting Policy)**

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")  
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Fair Value Measurement") from the first quarter of fiscal 2022. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the "Guidance on Accounting Standard for Fair Value Measurement," the Company has decided to apply the new accounting policies set forth by the "Guidance on Accounting Standard for Fair Value Measurement" into the future. These changes had no impact on the Company's quarterly consolidated financial statements.

**(Segment Information)**

The Company and its consolidated subsidiaries are engaged in the manufacture and sales of medical-use consumables and in peripheral activities, which together are regarded as a single business. Accordingly, there are no classified segments for disclosure purposes.