



MEMBERSHIP  
October 17, 2022

# Financial Report Second Quarter of Fiscal 2022

(April 1 – September 30, 2022)

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**HOGY MEDICAL Co., Ltd.**



**This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. Readers are asked not to rely completely on performance forecasts contained herein, and understand that actual results may differ from such forecasts.**

**Financial results reported herein have not been audited.**



# Overview

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# Fiscal 2022 – Second Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2021 First Half Results		Fiscal 2022 First Half Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	17,928		19,201		1,273	107.1%
Operating income	2,987	16.7%	3,185	16.6%	197	106.6%
Ordinary income	3,067	17.1%	3,162	16.5%	95	103.1%
Profit attributable to owners of parent	2,234	12.5%	2,232	11.6%	-1	99.9%
EPS	75.83yen		92.05yen			

## Higher sales; lower income

### Net sales

- : Healthy sales of Premium Kit and Blister Kit
- : Increase in reaction to decrease in previous year stemming from COVID-19
- : Other non-woven products ; special demand for in sales of high-performance mask(N95 mask)

### Operating income :

Cost of sales : 59.8%(+2.1pt YoY)

### : Cost of sales up due to yen's depreciation (+3.5 billion yen)

: Up due to rising costs of raw materials, utilities, etc. (+2.2 billion yen)

### : One-time factors (disposal of inventories, changes in accounting treatment of subsidiaries) (+2.0 billion yen)

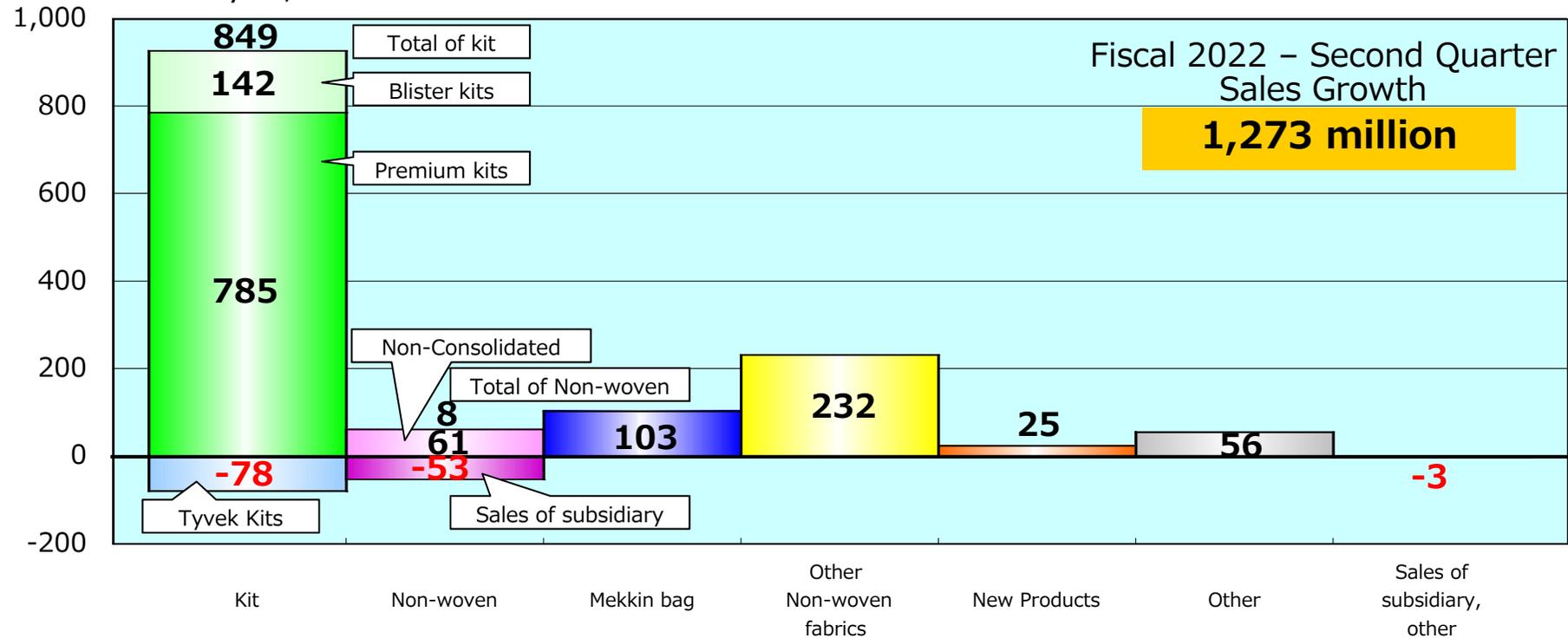
: lower depreciation costs (-1.4 billion yen)

SG&A expenses : -64 million yen (-1.4%)

: Decrease in Depreciation Expenses and Testing & research expenses

# Fiscal 2022 – Second Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

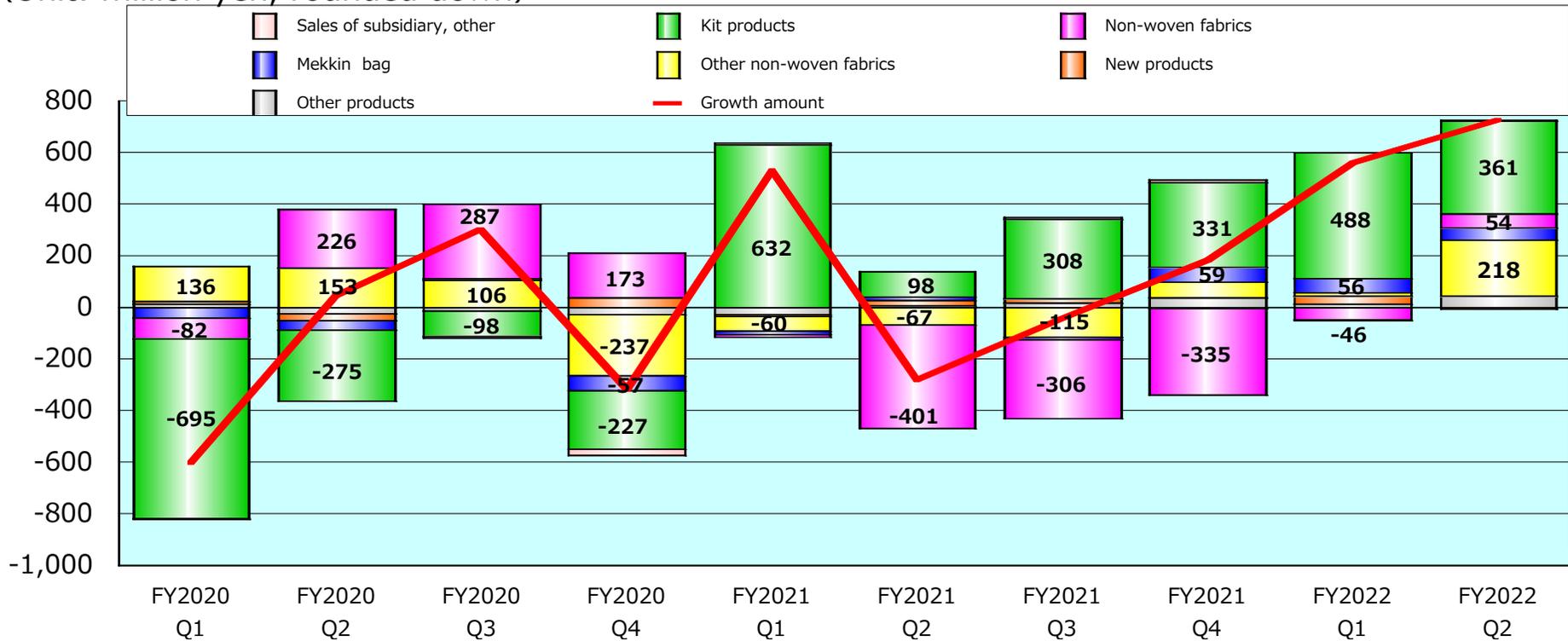


- **Sales increased 21.9% year on year thanks to our focus on selling Premium Kit**
- Upward recoil in sales of surgical kits following decrease in previous year stemming from COVID-19; (number of surgeries down (postponed) at some facilities when COVID-19 outbreaks occurred)
- Decline in sales of Tyvek Kit offset by sales of Premium Kit
- Special demand for other non-woven fabrics stemming from 7th wave of COVID-19

\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

# Fiscal 2022 – Second Quarter Sales Growth by Quarter

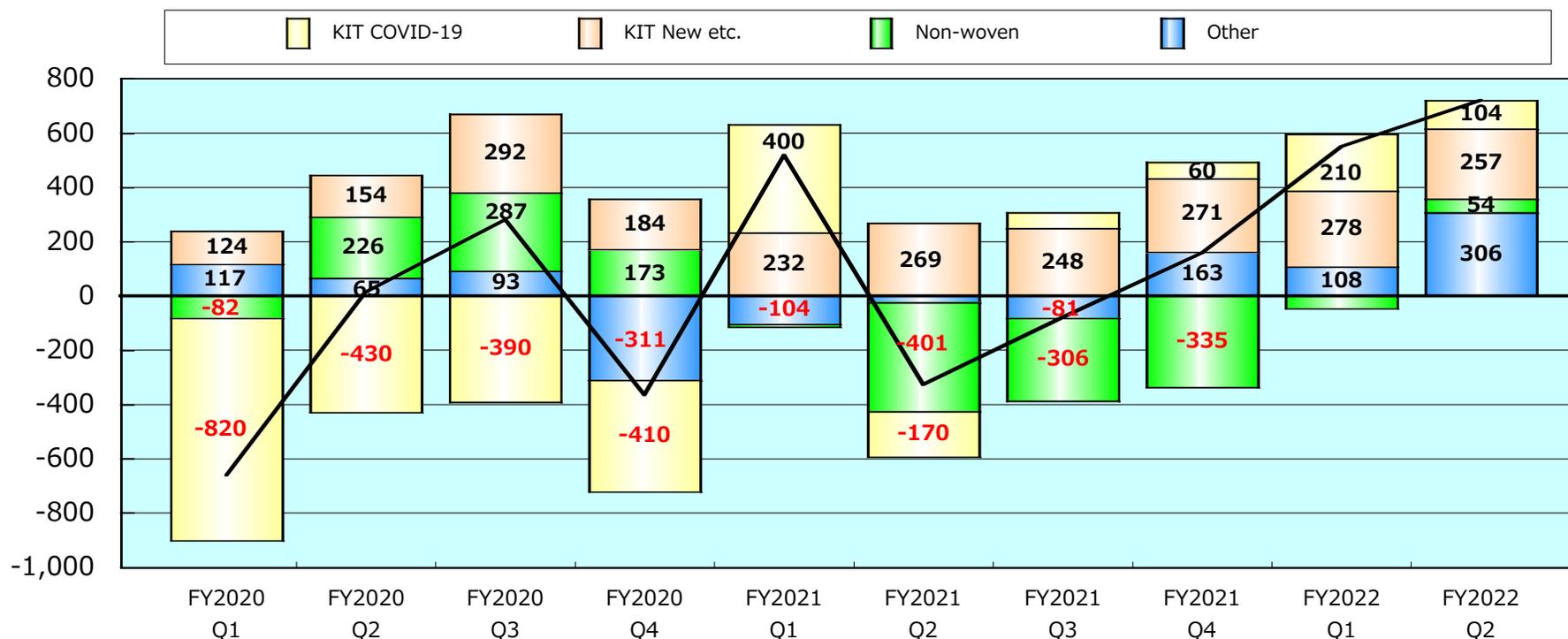
(Unit: million yen, rounded down)



- Sales of all products increased year on year
- Increased sales of surgical kit products due to a rise in new sales centered on premium kits
- Increased use of high-performance masks, such as N95, due to the impact of the 7th wave of COVID-19 (other non-woven fabrics)

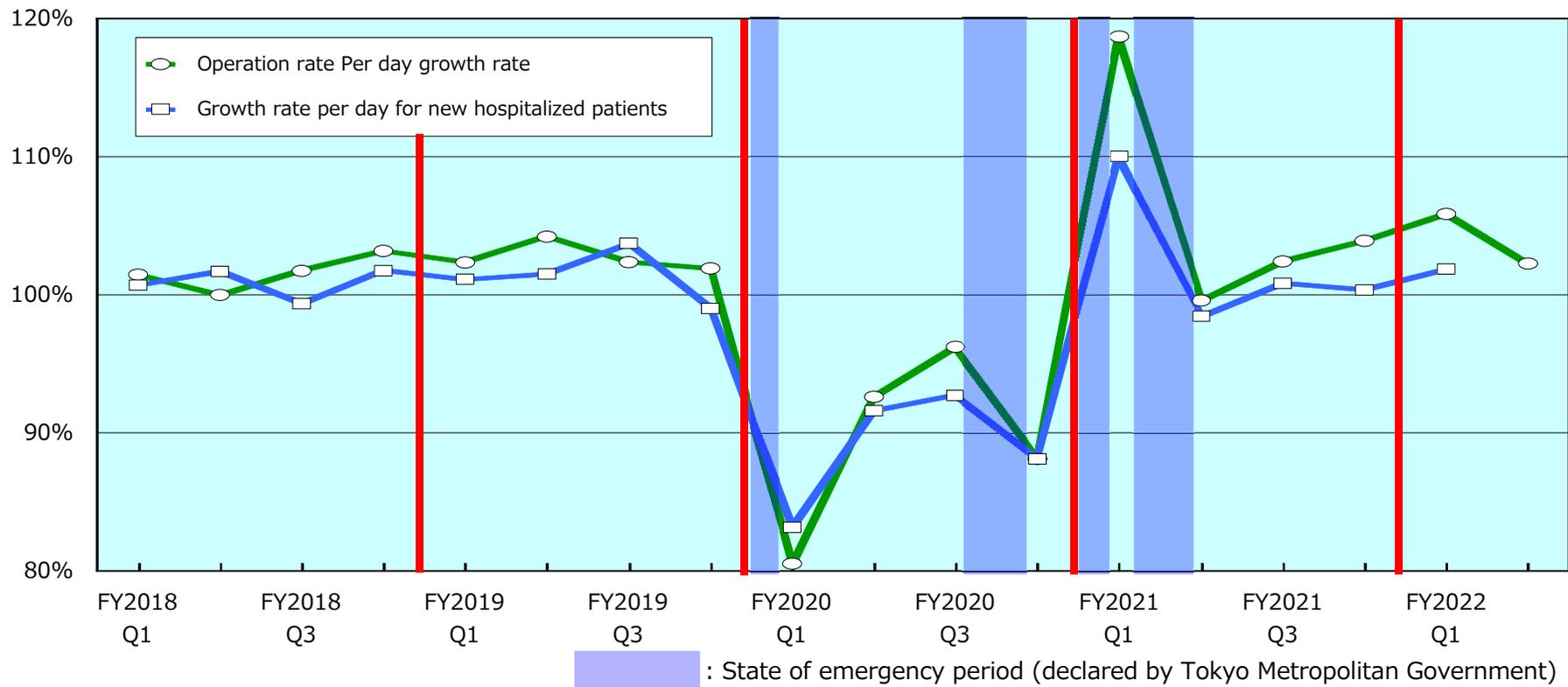
# Breakdown of Growth by Quarter

(Unit: million yen, rounded down)



	FY2020 1Q	FY2020 2Q	FY2020 3Q	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2020 1Q	FY2022 1Q	FY2022 2Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60	60	210	104
KIT New etc.	124	154	292	184	232	269	248	271	278	257
KIT Total	-696	-276	-98	-227	632	99	308	331	488	361
Non-woven	-82	226	287	173	-9	-401	-306	-335	-46	54
Other	117	65	93	-311	-104	-23	-81	163	108	306
Total	-661	15	282	-365	519	-325	-79	159	551	721

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



- Number of surgeries is recovering, but the impact of the 7th wave COVID-19 was seen in the 2nd quarter
- Differing levels of recovery in surgery numbers depending on medical institution, leading to overall polarization trend



## ■ Market environment

- ✓ **Increased turnover of healthcare workers**
- ✓ Renewed debate about work-style reforms for healthcare workers
- ✓ Ongoing polarization between medical institutions working to increase surgery numbers (in COVID-19 environment) and those working to improve management
- ✓ **Functional differentiation in medical institutions encouraged** (Subsidies to support the reorganization of hospital beds by function are being used in different ways in different regions.)
- ✓ Recovery in number of surgeries to pre-COVID level

## ■ Performance highlights

- ✓ Premium Kit sales up due to new sales 21.9% year on year
- ✓ Sales of other non-woven fabrics (masks and cap products) were expected to decrease due to the slowdown of COVID-19, but the use of high-performance masks (such as N95) increased due to the 7th wave
- ✓ Announced prices increases
- ✓ **Cost of sales increased in 2Q due to yen's depreciation (impact in first quarter negligible thanks to forward exchange contracts)**
- ✓ Increase in cost of sales due to one-time factors (disposal of inventories and change in accounting treatment of subsidiaries)
- ✓ Rising costs of raw materials, transportation, and utilities
- ✓ Partial commissioning of new plant (scheduled for July 2022) postponed due to construction delays



# Fiscal 2022 Outlook

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# Fiscal 2022 Income Forecasts



Unit: million yen, rounded down	Fiscal 2021 Results		Fiscal 2022 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,778		38,720		1,941	105.3%
Operating income	6,135	16.7%	6,510	16.8%	374	106.1%
Ordinary income	6,285	17.1%	6,570	17.0%	284	104.5%
Profit attributable to owners of parent	4,370	11.9%	4,570	11.8%	199	104.6%
EPS	153.00yen		188.40yen			

## ■ Higher sales; higher income plan

Net sales : Increased sales of Premium Kit, Sales increased due to special demand for other products

Cost of sales : [Cost of sales ratio increased due to yen's steep depreciation and sharp rises in costs of raw materials, utilities, and transportation](#)

: Stage II of new plant was expected to begin partial operation in July, but postponed to FY2022 due to internal delays

: [Price increases for some products effective from October, with a focus on low-margin products in the future](#)

SG&A expenses : Concentrate SG&A expenses on costs related to sales promotion activities

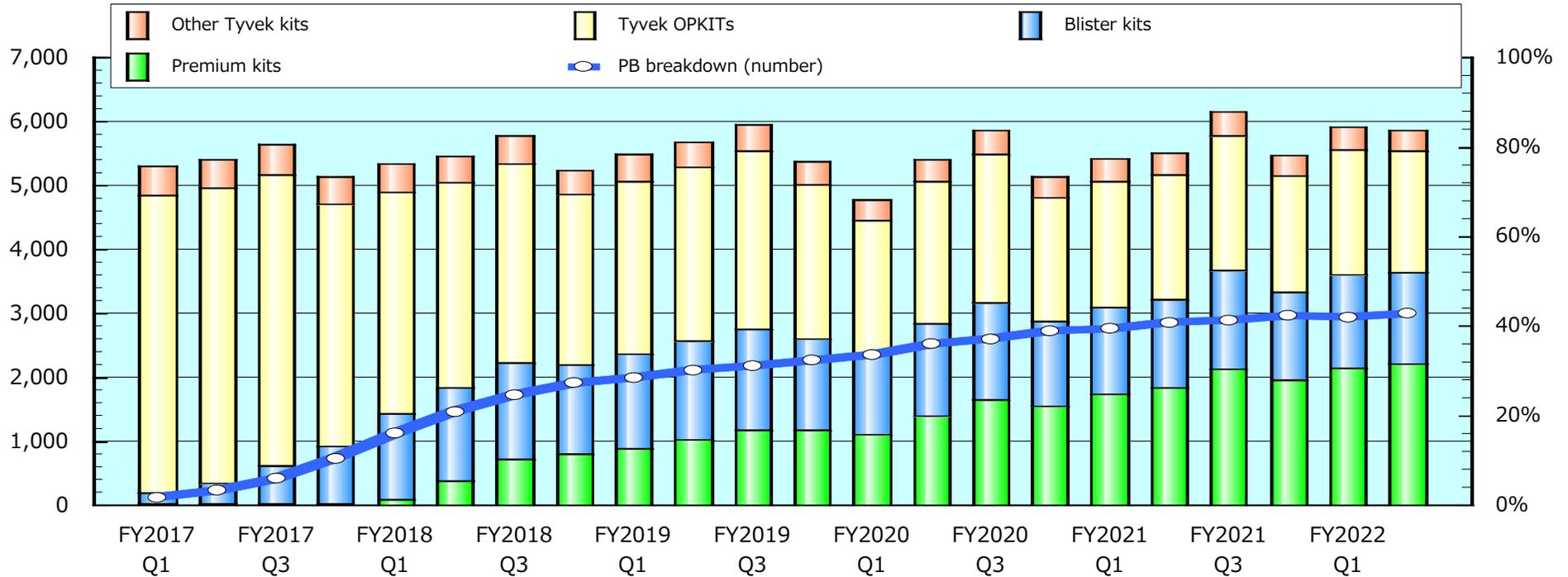


# Performance details

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# Sales of Kit

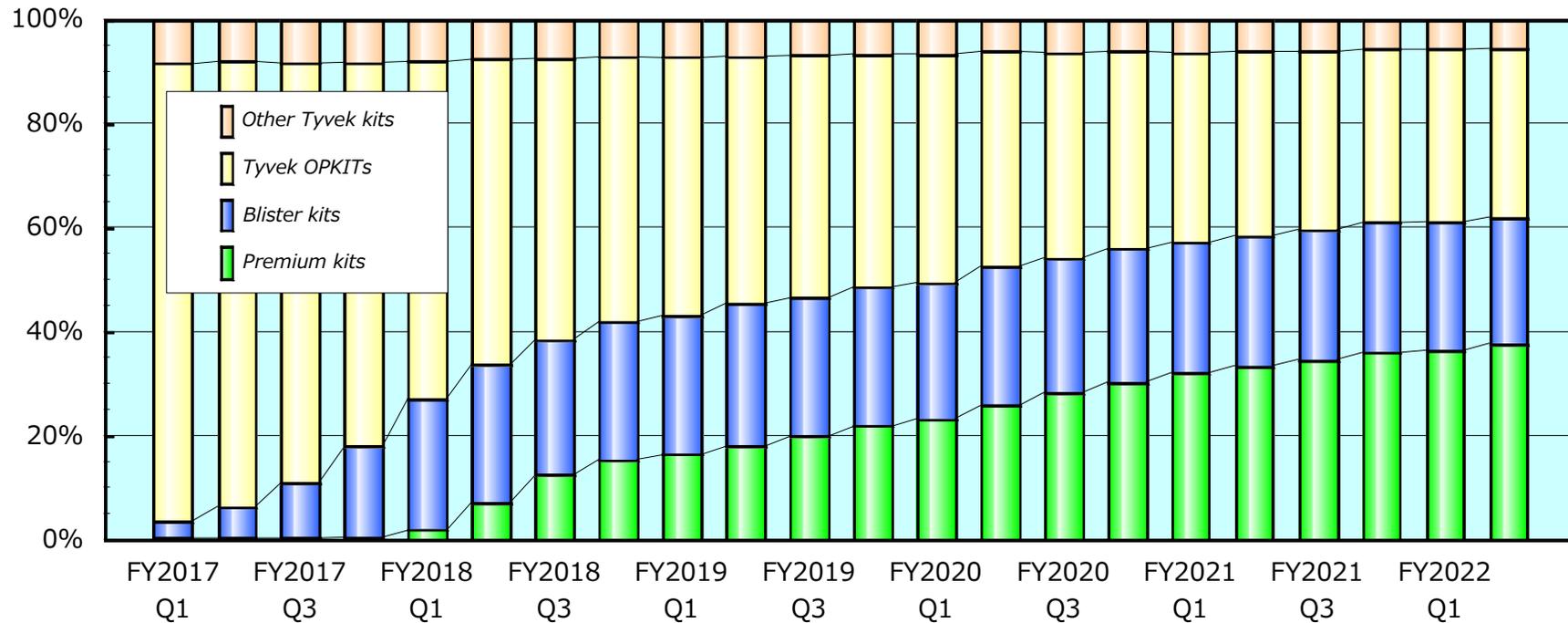
(Unit: million yen, rounded down)



\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Due to our focus on selling Premium Kits, combined sales of Premium Kits and Blister Kits now exceed 40% of total surgical kit sales
- Fiscal 2022: 2Q sales (YoY comparison)
  - ✓ Premium Kit & Blister Kit : +416 million yen (+12.9%)
  - ✓ Tyvek Kit : - 55 million yen (-2.4%)

# Transition of Sales Composition by types of Kits



\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Declining share occupied by Tyvek OPKit, but Premium Kit and Blister Kit sales and share on the rise

# Number of Operamaster Contracts; Number of Surgical Operations



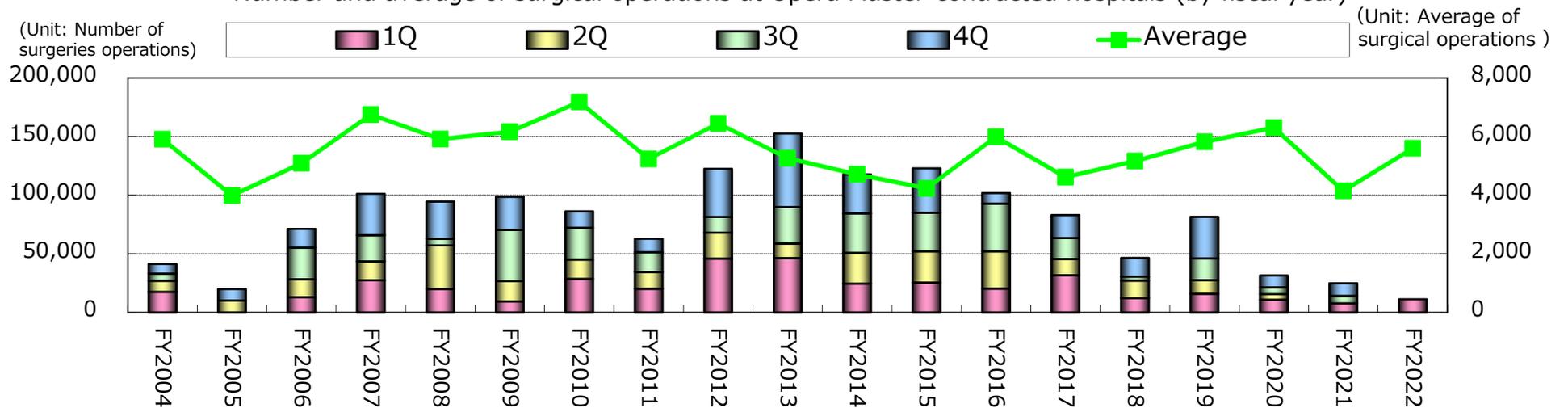
Net sales : 7,882 million yen (+ 574 million yen : +7.9%)

Number of newly contracted institutions in FY2022 :

3 newly contracted institutions

Cumulative contracted institutions at fiscal year-end : 271

Number and average of surgical operations at Opera Master-contracted hospitals (by fiscal year)



- FY2022:3 newly contracted hospitals (DPC specified hospital Group(Former Group II) : 3)
- Average of surgical operations per Opera Master-contracted hospitals at FY2022: 6,900
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

# Cost of Sales Ratio



- Cost of sales increased in 2Q due to yen's depreciation (impact in first quarter negligible thanks to forward exchange contracts)
- Impact of inventory product valuation (first quarter)
- One-time factors (disposal of inventories and change in accounting treatment of subsidiaries) (incurred in 2Q)
- Decrease in new factory depreciation expense  
 Fiscal 2022: 2Q Total depreciation : 1,837 million yen (-201 million yen)
  - Cost of sales : 1,492 million yen (-141 million yen)
  - SG&A expenses : 344 million yen (- 60 million yen)

# Fiscal 2022 – Second Quarter Income Statements



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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	17,928		19,201		1,273	107.1%
Cost of sales	10,344	57.7%	11,483	59.8%	1,139	111.0%
Gross profit	7,583	42.3%	7,717	40.2%	133	101.8%
SG & A expenses	4,596	25.6%	4,532	23.6%	-64	98.6%
Operating income	2,987	16.7%	3,185	16.6%	197	106.6%
Non-operating income/loss	79		-22		-101	
Ordinary income	3,067	17.1%	3,162	16.5%	95	103.1%
Extraordinary income/loss	-1		-0		1	
Profit attributable to owners of parent	2,234	12.5%	2,232	11.6%	-1	99.9%
EPS	75.83yen		92.05yen			

Major increases/decreases	Year-on-Year Comparison
Packing and transportation costs	36
Travel expenses	18
Depreciation	-60
Testing and research	-43

- SG&A expenses: 4,532 million yen (- 64 million yen)
  - ✓ Testing and research : Impact of timing of expense recording
  - ✓ Packing and transportation costs : Up due to net sales increase and fuel surcharge
  - ✓ Travel expenses : Impact of increased sales activities
  
- Capex: 473 million yen



# Fiscal 2022 Full-Year Management Projections

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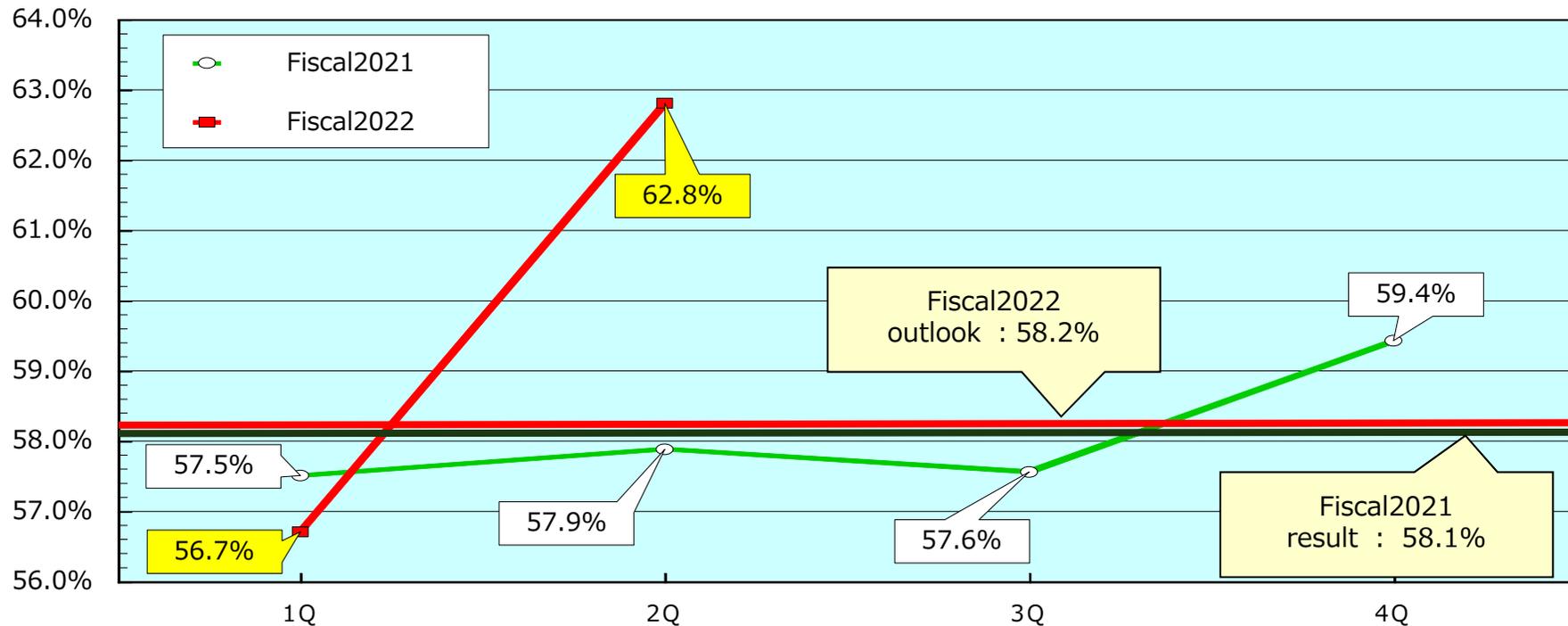
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Unit: million yen, rounded down	Fiscal 2021 Results		Fiscal 2022 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,778		38,720		1,941	105.3%
Cost of sales	21,361	58.1%	22,540	58.2%	1,178	105.5%
Gross profit	15,416	41.9%	16,180	41.8%	763	105.0%
SG & A expenses	9,281	25.2%	9,670	25.0%	388	104.2%
Operating income	6,135	16.7%	6,510	16.8%	374	106.1%
Non-operating income/loss	150		60		-90	
Ordinary income	6,285	17.1%	6,570	17.0%	284	104.5%
Extraordinary income/loss	0		-		-0	
Profit attributable to owners of parent	4,370	11.9%	4,570	11.8%	199	104.6%
EPS	153.00yen		188.40yen			

Major increases/decreases	Year-on-Year Comparison
Prototype costs	62
Depreciation	53
Packing and transportation costs	47
Testing & research expenses	41
Travel expenses	34

- SG&A expenses : 9,670 million yen (+388 million yen)
  - ✓ Travel and prototype costs : Increase in activities
- Capex: 2,520 million yen (includes 1,410 million yen in new factory)

# Fiscal 2022 Income Statements



- Cost of sales up due to yen's depreciation (Corporate rate: 120 yen)
- increase in new factory depreciation cost
  - Total depreciation : 4,449 million yen (+334 million yen)
  - Cost of sales : 3,590 million yen (+281million yen) (\* Includes ¥600 million increase due to the operation of new plant)
  - SG&A expenses : 859 million yen ( +53 million yen)
- Rising costs of materials, utilities, and transportation
- Implemented price increases for some products



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# Reference materials

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# The Definition of Each Kit



	Premium Kit	Blister Kit	Tyvek Kit (Conventional kit)
Where to produce	New plant (Multi)		Tsukuba, Miho
			
Product Style	Packed with small Multi packages in order to use in an operation		Wrapped with a non-woven fabric and packed with a sterilization pouch
Safety	Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)		As before
Criteria	Kit template materials: 80% or more	Kit template materials: 30% to 80%	Cases where small amounts of materials used Kit template materials: 30% or less

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