



MEMBERSHIP

January 19, 2023

Financial Report Third Quarter of Fiscal 2022

(April 1 – December 31, 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

Fiscal 2022 – Third Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2021 Third Quarter Results		Fiscal 2022 Third Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	27,810		29,535		1,724	106.2%
Operating income	4,802	17.3%	5,064	17.1%	261	105.5%
Ordinary income	5,072	18.2%	5,226	17.7%	154	103.0%
Profit attributable to owners of parent	3,692	13.3%	3,710	12.6%	17	100.5%
EPS	126.27yen		152.97yen			

Higher sales; higher income

Net sales : Higher sales

: Healthy sales of Premium Kit and other non-woven fabrics

Operating income : higher income

: Cost of sales ratio up due to foreign exchange factors, etc.,
but higher sales and cost reductions led to increased income

Cost of sales : 59.4 %(+1.7pt YoY)

: Cost of sales up due to yen's depreciation
(+6.9 billion yen)

: Up due to rising costs of raw materials, utilities, etc.
(+3.4 billion yen)

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

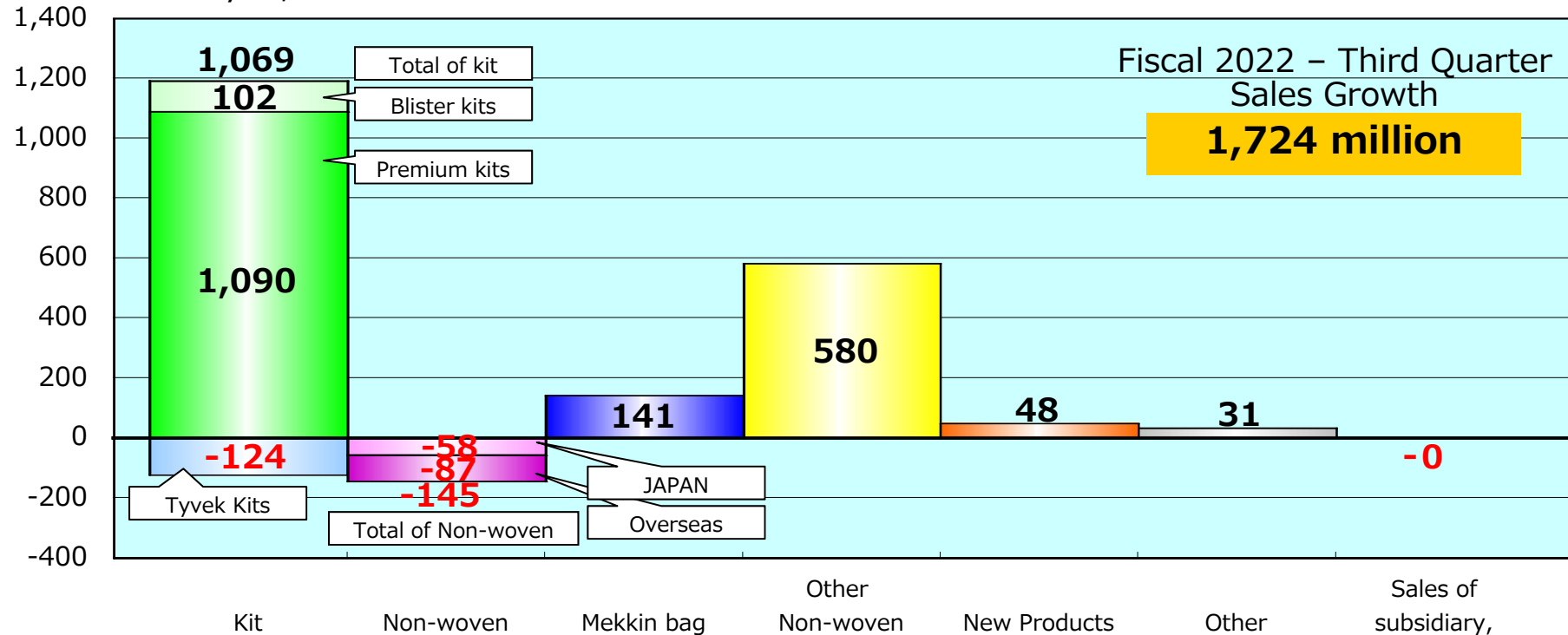
: Price increases, enhanced product mix (-2.4 billion yen)
: lower depreciation costs (-2.3 billion yen)

SG&A expenses : -43 million yen (-0.6%)

: Decrease in Depreciation Expenses and Testing & research
expenses

Fiscal 2022 – Third Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

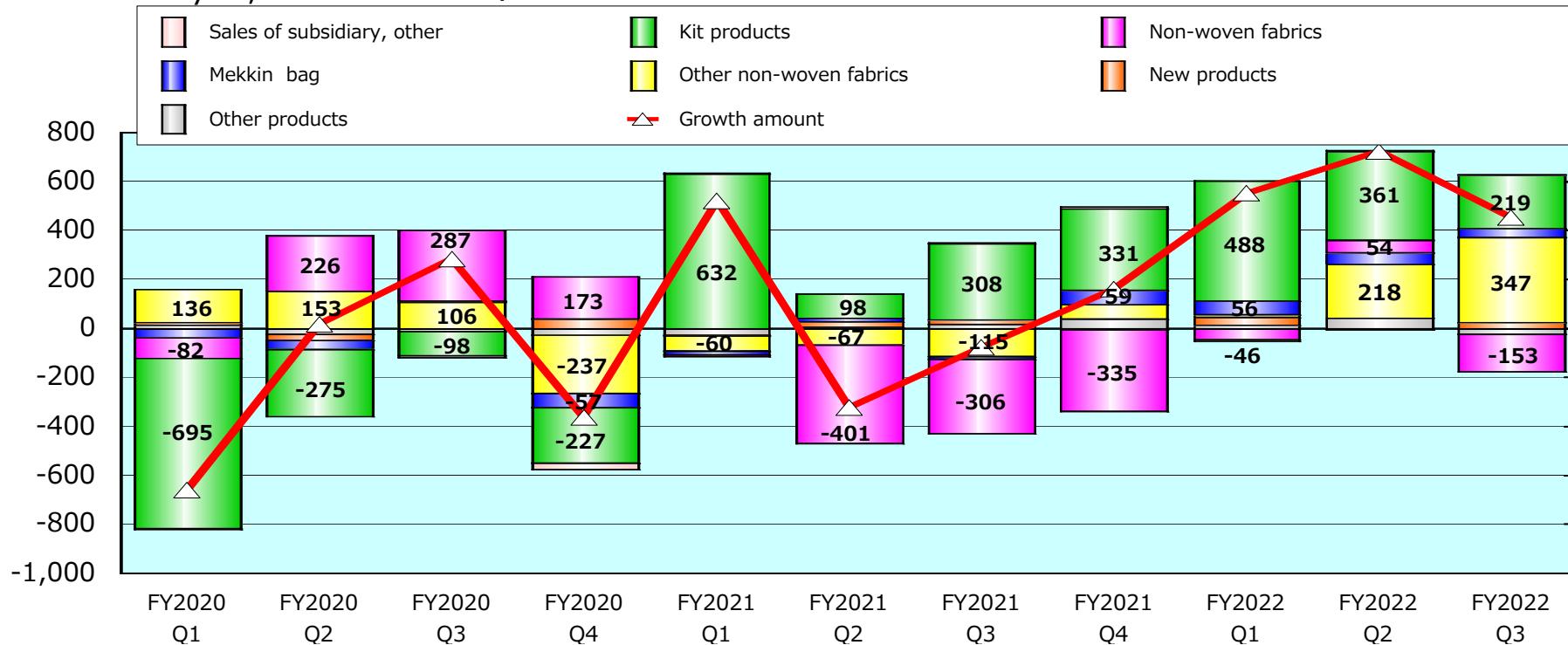


- **Sales increased 19.1% year on year thanks to our focus on selling Premium Kit**
- Decline in sales of Tyvek Kit offset by sales of Premium Kit
- Decline in unit sales of non-woven fabric products due to price hikes of some products from October
- Other non-woven products
 - ✓ Increased use of infection prevention products at medical institutions (emerging market for infection prevention products)
 - ✓ Increase mainly due to special demand related to COVID-19
 - ✓ Rise in demand due to increased supply by Hogy Medical and supply concerns at other companies (infection prevention-related products centered on N95 masks)

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

Fiscal 2022 – Third Quarter Sales Growth by Quarter

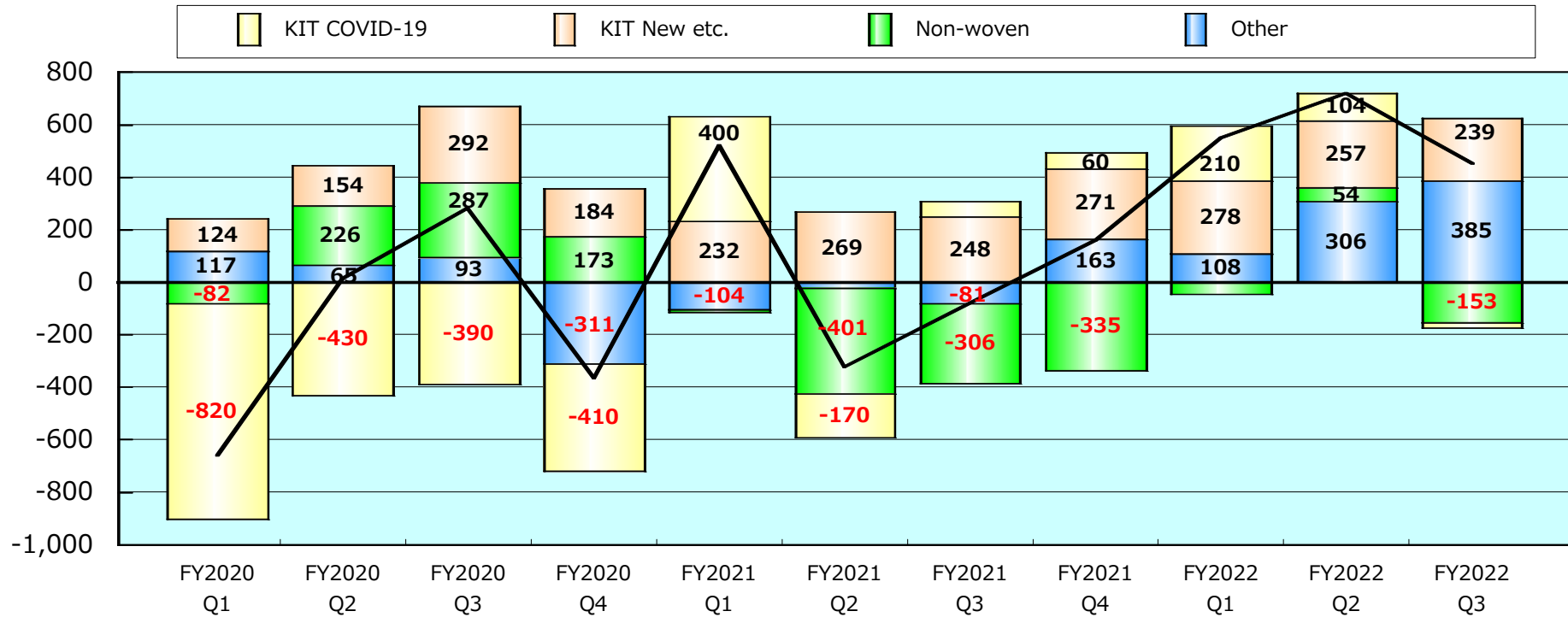
(Unit: million yen, rounded down)



- Increased sales of surgical kit products due to a rise in new sales centered on premium kits
- Decline in sales of surgical kit products in third quarter, mainly to customers under Opera Master contracts, due to COVID-19
- Other non-woven fabric products: Decrease in demand due to COVID-19 and factors related to other companies
- Non-woven fabric products: Decrease in unit sales due to price hikes of some products from October (rush to purchase before price hikes in second quarter)

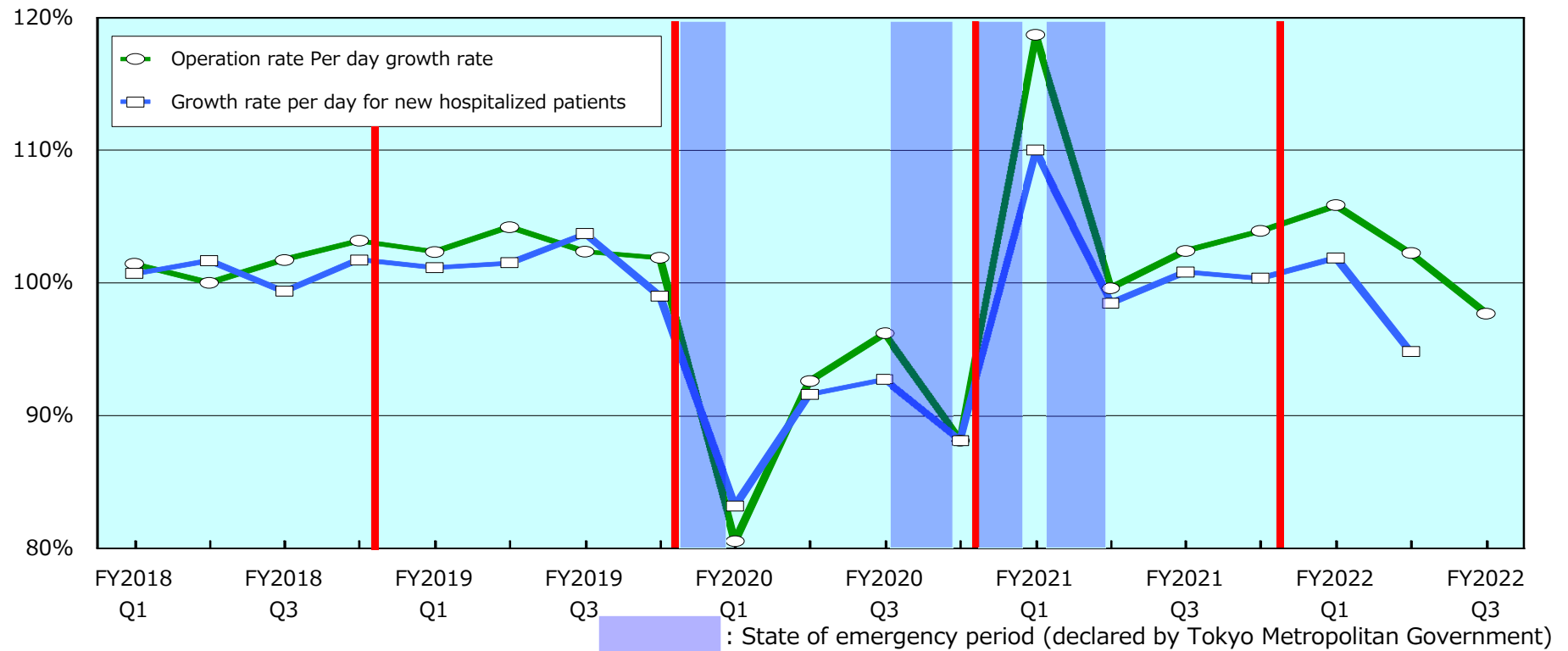
Breakdown of Growth by Quarter

(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	FY2022 3Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60	60	210	104	-20
KIT New etc.	124	154	292	184	232	269	248	271	278	257	239
KIT Total	-696	-276	-98	-227	632	99	308	331	488	361	219
Non-woven	-82	226	287	173	-9	-401	-306	-335	-46	54	-153
Other	117	65	93	-311	-104	-23	-81	163	108	306	385
Total	-661	15	282	-365	519	-325	-79	159	551	721	451

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



- Differing levels of recovery in surgery numbers depending on medical institution, leading to overall polarization trend
- Number of surgeries suppressed at some hospitals due to 7th and 8th COVID-19 waves



■ Market environment

- ✓ Burden on medical institutions rising and falling according to fluctuating numbers of infections
 - **Minimal impact on number of surgeries** compared with previous years
- ✓ **Shortage of medical personnel now the norm**
- ✓ 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.) (Introduction of additional fee for acute care enhancement system)

■ Performance highlights

- ✓ **Premium Kit sales up due to new sales 19.1% year on year**
- ✓ Other non-woven fabric products: Increase in demand due to COVID-19 and other factors
- ✓ Plan to sequentially raise prices of products (other than gowns) that are affected by foreign exchange rate fluctuations
- ✓ **Cost of sales increased in yen's depreciation** (impact in first quarter negligible thanks to forward exchange contracts)
- ✓ Rising costs of raw materials, transportation, and utilities
- ✓ Partial commissioning of new plant (scheduled for July 2022) postponed due to construction delays and internal adjustments
- ✓ Decision to increase 3rd quarter and year-end dividends (17.5 yen ⇒ 18.0 yen for both)

HOGY MEDICAL Co., Ltd.



Fiscal 2022 Outlook

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 impact 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](#)

: New plant (stage II) - Partial commissioning scheduled for April 2023

: [Prices of some products hiked in October; prices of products affected by foreign exchange rate fluctuations to be raised sequentially in the future](#)

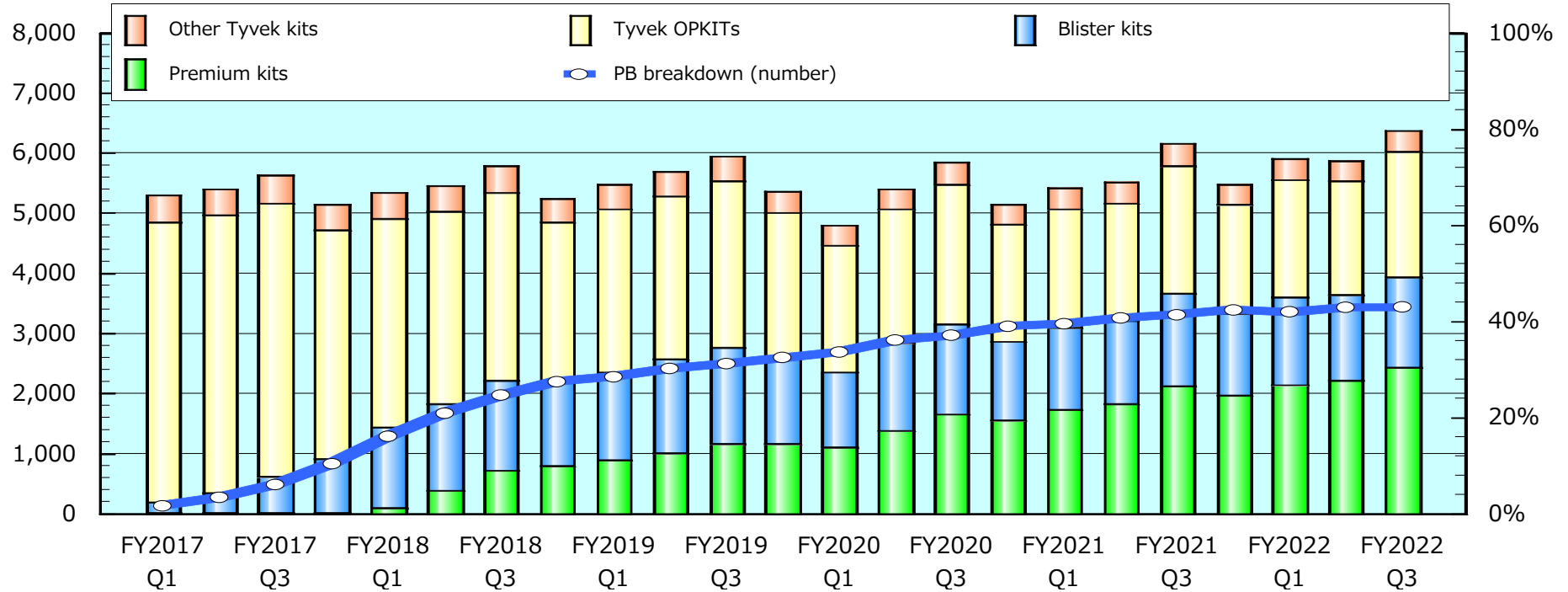
SG&A expenses : Concentrate SG&A expenses on costs related to sales promotion activities



Performance details

Sales of Kit

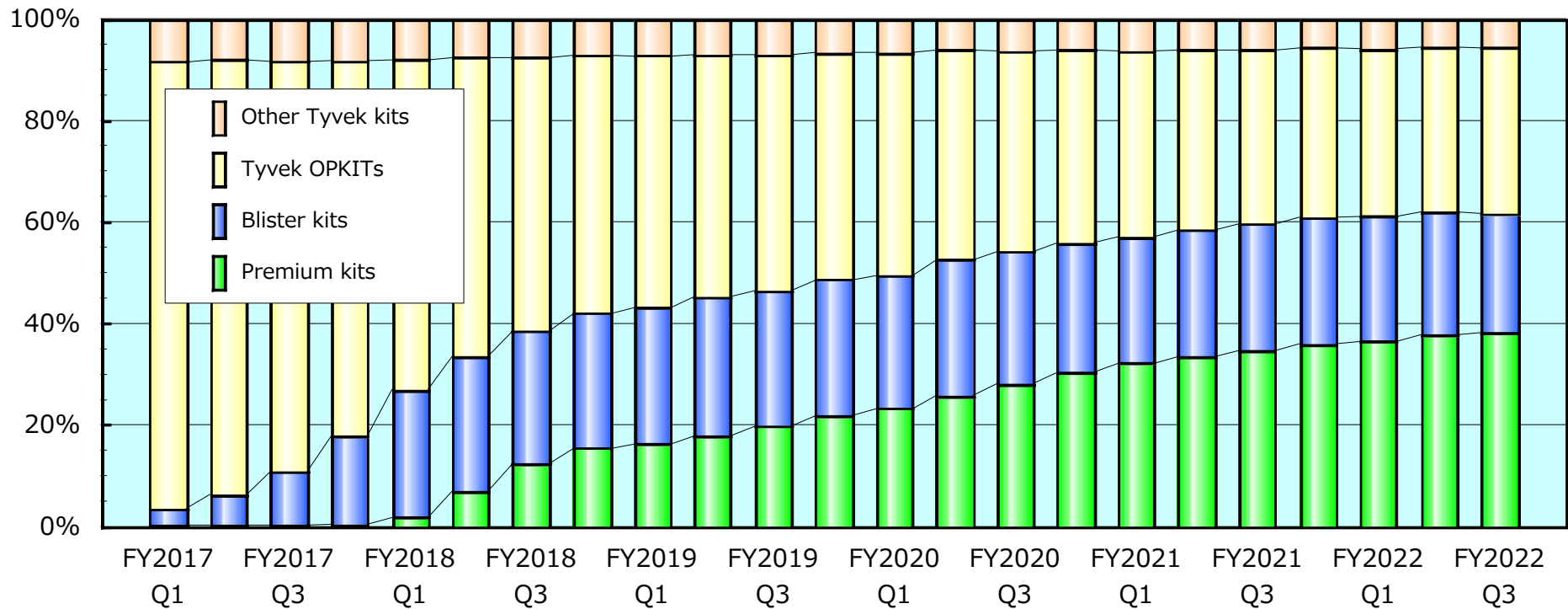
(Unit: million yen, rounded down)



* 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: 3Q sales (YoY comparison)
 - ✓ Premium Kit & Blister Kit : +265 million yen (+7.2%)
 - ✓ Tyvek Kit : - 46 million yen (-1.9%)

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

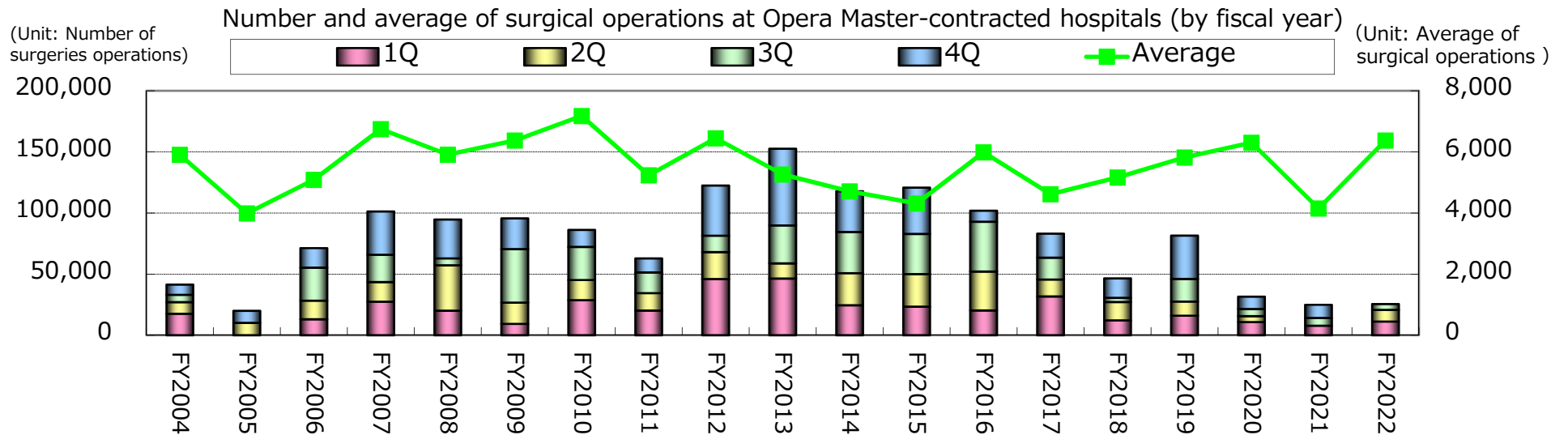


Net sales : 12,114 million yen (+ 709 million yen : +6.2%)

Number of newly contracted institutions in FY2022 :

4 newly contracted institutions 2 cancellations

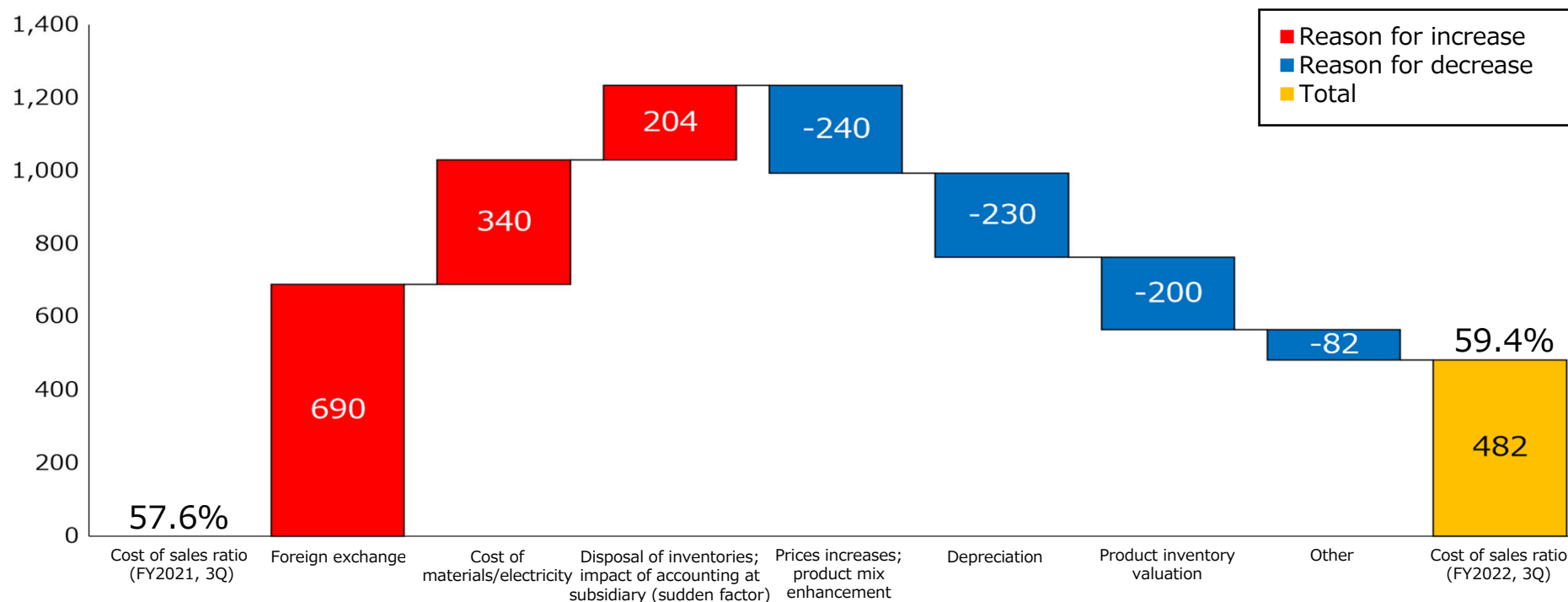
Cumulative contracted institutions at fiscal year-end : 270



- FY2022:4 newly contracted hospitals (DPC specified hospital Group(Former Group II) : 4)
- Average of surgical operations per Opera Master-contracted hospitals at FY2022: 6,375
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Cost of sales ratio: Main reasons for increases/decreases

(Unit: million yen, rounded down)



- 1Q : Impacted by inventory valuation; effect of yen's depreciation negligible thanks to forward exchange contracts
- 2Q : Cost of sales up due to yen's depreciation, [One-time factors \(disposal of inventories, changes in accounting treatment of subsidiaries\)](#)
- 3Q : Cost of sales up due to yen's depreciation but partially alleviated by price increases and enhanced product mix
- FY2022 : Soaring prices of electricity, utilities, and raw materials
- Decrease in new factory depreciation expense
- Fiscal 2022: 3Q Total depreciation : 2,740 million yen (-331 million yen)
- [Cost of sale](#) : [2,234 million yen \(-230 million yen\)](#)
 - SG&A expenses : 506 million yen (-101 million yen)

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Net sales	27,810		29,535		1,724	106.2%
Cost of sales	16,032	57.6%	17,539	59.4%	1,506	109.4%
Gross profit	11,778	42.4%	11,996	40.6%	218	101.9%
SG & A expenses	6,976	25.1%	6,932	23.5%	-43	99.4%
Operating income	4,802	17.3%	5,064	17.1%	261	105.5%
Non-operating income/loss	269		162		-107	
Ordinary income	5,072	18.2%	5,226	17.7%	154	103.0%
Extraordinary income/loss	0		-0		-0	
Profit attributable to owners of parent	3,692	13.3%	3,710	12.6%	17	100.5%
EPS	126.27yen		152.97yen			

Major increases/decreases	Year-on-Year Comparison
Packing and transportation costs	50
Personnel expenses	35
Travel expenses	21
Testing and research	-44
Depreciation	-101

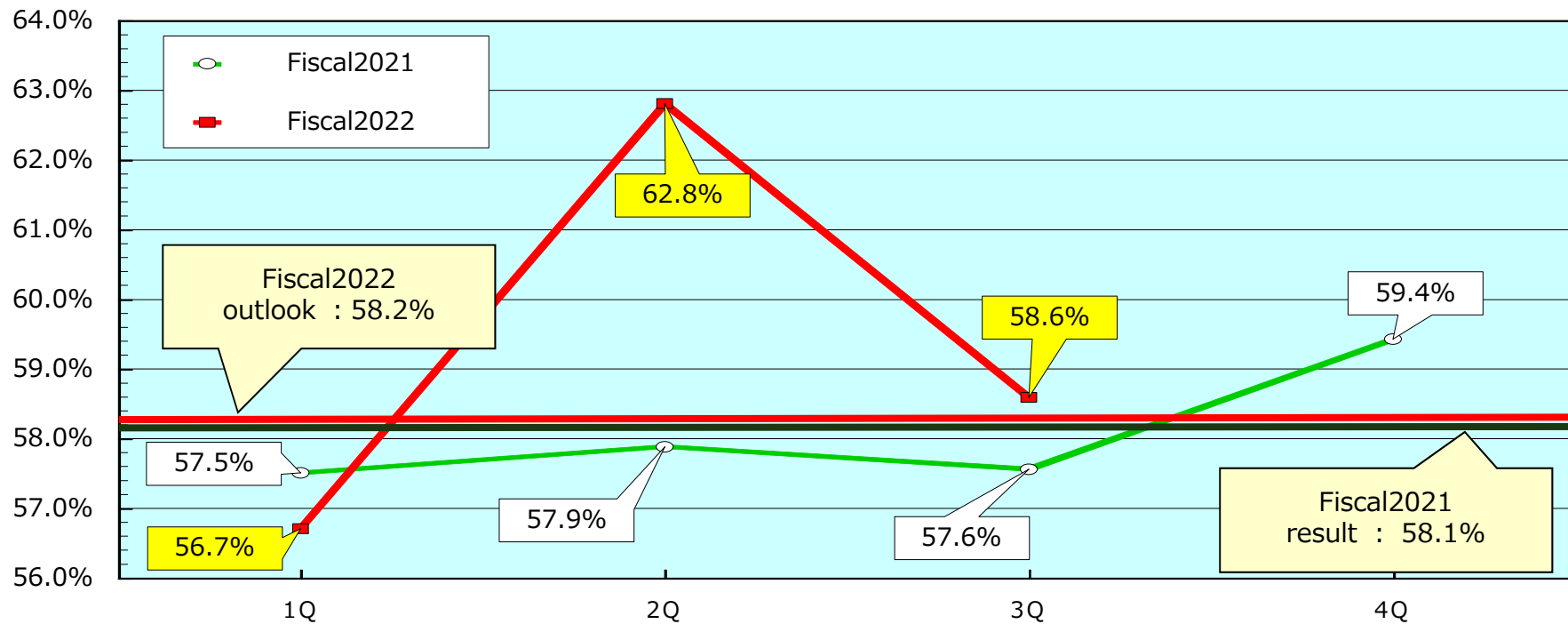
- SG&A expenses: 6,932 million yen (- 43 million yen)
 - ✓ Testing and research : Impact of timing of expense recording
 - ✓ Packing and transportation costs : Up due to net sales increase and fuel surcharge
 - ✓ Travel expenses : Impact of increased sales activities

- Capex: 748 million yen



Fiscal 2022 Full-Year Management Projections

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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	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)
- Decision to increase 3rd quarter and year-end dividends (17.5 yen ⇒18.0 yen for both)



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Reference materials

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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